

City of Mullins, South Carolina

**BASIC FINANCIAL  
STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

June 30, 2019

**CITY OF MULLINS, SOUTH CAROLINA**

**TABLE OF CONTENTS**

**YEAR ENDED JUNE 30, 2019**

---

	<u>Page Number</u>
Table of Contents	i
Listing of Principal Officials	iii

**FINANCIAL SECTION**

<b>INDEPENDENT AUDITOR'S REPORT</b>	1
-------------------------------------	---

Management's Discussion and Analysis	5
--------------------------------------	---

**Basic Financial Statements:**

*Government-Wide Financial Statements:*

Statement of Net Position	13
---------------------------	----

Statement of Activities	14
-------------------------	----

*Fund Financial Statements:*

Balance Sheet - Governmental Funds	15
------------------------------------	----

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
---	----

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
--	----

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
--	----

<i>Notes to the Financial Statements</i>	19
--	----

**REQUIRED SUPPLEMENTARY INFORMATION:**

Budgetary Comparison Schedule - General Fund:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	48
--	----

Budgetary Comparison Schedule - Local Hospitality Tax Fund:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	49
--	----

Budgetary Comparison Schedule - Capital Fund:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	50
--	----

Other Postemployment Benefit Plan Schedules:

Defined Benefit Healthcare Plan - Schedule of Changes in City's OPEB Liability	51
--	----

Pension Plan Schedules

Schedule of the City's Proportionate Share of the Net Pension Liability - South Carolina Retirement System	52
--	----

Schedule of the City's Contributions - South Carolina Retirement System	53
---	----

Schedule of the City's Proportionate Share of the Net Pension Liability - Police Officers' Retirement System	54
--	----

Schedule of the City's Contributions - Police Officers' Retirement System	55
---	----

(Continued)

**CITY OF MULLINS, SOUTH CAROLINA**

**TABLE OF CONTENTS**

**YEAR ENDED JUNE 30, 2019**

---

	<u>Page Number</u>
<b>SUPPLEMENTARY INFORMATION:</b>	
<u>Detailed Budgetary Comparison Schedule - General Fund:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Final Budget and Actual - General Fund	56
Uniform Schedule of Fines, Assessments, and Surcharges (Per Act 96)	61
 <b><u>COMPLIANCE SECTION</u></b>	
Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62
Schedule of Findings and Responses	64

**CITY OF MULLINS, SOUTH CAROLINA**

**LISTING OF PRINCIPAL OFFICIALS**

**YEAR ENDED JUNE 30, 2019**

Established

1872

**MAYOR**

William “Bo” McMillan

**CITY COUNCIL MEMBERS**

Patricia Phillips – Mayor Pro Tem

Terry Davis

Robert Woodbury

Jo Sanders

Carolyn Wilson

Malcolm E. Kitchen

**INTERIM CITY ADMINISTRATOR**

Holly Jackson

**CITY ATTORNEY**

Robert Corley

# KENNETH COBB & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

823 South Main Street  
Post Office Box 864  
Mullins, South Carolina 29574  
(843) 464-9563  
Fax (843) 464-9564

Charles F. Jones, CPA  
Smith Brooks  
Brenda G. Jackson, CPA  
Will Harrelson, CPA

Members:  
American Institute of CPA's  
South Carolina Association of CPA's

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council  
City of Mullins  
Mullins, South Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mullins, South Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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 opinions 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 *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 judgement, 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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mullins as of June 30, 2019, and the respective changes in financial position 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 the notes to the financial statements, for the year ended June 30, 2019 the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87 "*Leases*". 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, the budgetary comparison information, pension schedules, and the other postemployment benefit plan schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mullins' basic financial statements. The accompanying detailed budgetary comparison schedule and schedule of fines, assessments, and surcharges are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The detailed budgetary comparison schedule and schedule of fines, 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 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 detailed budgetary comparison schedule and schedule of fines, assessments, and surcharges are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020 on our consideration of the City of Mullins' 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 City of Mullins' internal control over financial reporting and compliance.

*Kenneth Cobb & Company P.C.*

Kenneth Cobb & Company, P.C.  
Mullins, South Carolina  
September 10, 2020

(This page intentionally left blank.)



## CITY OF MULLINS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2019

---

As management of the City of Mullins (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information in the financial statements and notes to the financial statements to enhance their understanding of the City's overall financial performance.

#### FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at the close of the fiscal year by approximately \$207,000. In addition, the City's restricted net position was approximately \$161,000 and the City's unrestricted deficit net position (the amount that may be used to meet the government's ongoing obligations to citizens and creditors) was approximately a (\$6,115,000) deficit for governmental activities. The deficit unrestricted net position is due to the net pension liability of approximately \$3.4 million and the other post-employment liability of approximately \$4.4 million. Net investment in capital assets was approximately \$6,161,000.
- The government's total net position increased by approximately \$684,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$2,283,000, a decrease of approximately \$89,000 from the prior year's fund balances. This was primarily due to expenditures in the General Fund exceeding revenue.
- The City's General Fund reported total fund balance of approximately \$2,148,000. Approximately \$2,101,000 of this amount is available for spending at the government's discretion (*unassigned fund balance*). The unassigned fund balance for the General Fund was 43% of total General Fund expenditures for the year ended June 30, 2019.
- The City's capital assets increased by approximately \$943,000 (15%) during the current fiscal year due to additions of approximately \$1,377,000 partially offset by depreciation expense of approximately \$428,000.
- The City's indebtedness increased by approximately \$18,000 (2%) during the current year due a new capital lease of approximately \$242,000 partially offset by scheduled principal payments of approximately \$224,000.
- The City adopted GASB Statement No. 87 "*Leases*" ("GASB #87" or "Statement") for the year ended June 30, 2019. The objective of GASB #87 is to better meet the information needs of financial users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The adoption of GASB #87 has resulted in no impact to the City's net position but has resulted in the addition of a lease liability and corresponding intangible right-to-use lease asset on the City's government-wide financial statements of approximately \$242,000.

#### OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – the *Financial Section* (which includes management's discussion and analysis, the financial statements, required supplementary information, and supplementary information) and the *Compliance Section*.

#### Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements are comprised of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the City.

## CITY OF MULLINS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

---

#### OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

The *statement of net position* presents information on all of the City's assets and deferred outflows (if any) and liabilities and deferred inflows (if any), with the differences between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities include general government, beautification, Street and Sanitation, Police, Fire, Recreation, Maintenance, Museum, Accommodations Tax and Grants. Taxes, business licenses, building permits, fines, recreational fees, and state and federal grant revenues finance most of these activities. The City does not report any business-type activities. The government-wide financial statements can be found as listed in the table of contents.

**Fund Financial Statements.** The fund financial statements provide a more detailed look at the City's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into one category: governmental funds.

**Governmental Funds –** *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between *governmental activities* (reported in the statement of net position and the statement of activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintained three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Capital Fund, and the Local Hospitality Tax Fund. The governmental fund financial statements can be found as listed in the table of contents.

**Notes to the Financial Statements –** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

**Other Information –** In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. The City adopts an annual budget for its General Fund and its Capital Fund, as required by the General Statutes. The City also adopts an annual budget for its Local Hospitality Tax Fund. Required budgetary comparison schedules have been provided for these funds to demonstrate compliance with their budget. The City also sponsors a single-employer defined benefit healthcare plan (the "OPEB plan"). The City has provided the required schedule of employer contributions and schedule of funding progress for the OPEB plan. Required supplementary information can be found as listed in the table of contents.

**CITY OF MULLINS, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2019**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

Supplementary information, which includes the General Fund detailed budgetary comparison schedule and a schedule of fines, assessments, and surcharges, are presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

Major Features of the City's Government-Wide and Fund Financial Statements		
	Government-Wide Financial Statements	Fund Financial Statements
		Governmental Funds
Scope	Entire City government	The activities of the City that are not proprietary.
Required Financial Statements	<ul style="list-style-type: none"> <li>▪ Statement of Net Position.</li> <li>▪ Statement of Activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance Sheet.</li> <li>▪ Statement of Revenues, Expenditures, and Changes in Fund Balances.</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon, thereafter; no capital assets or long-term obligations are included.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.

# CITY OF MULLINS, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position as of June 30, 2019 compared to June 30, 2018:

	Governmental Activities and Total	
	2019	2018
Assets:		
Current and Other Assets	\$ 2,805,518	\$ 2,905,663
Capital Assets, Net	7,230,626	6,287,699
Total Assets	10,036,144	9,193,362
Deferred Outflow of Resources		
Deferred Pension Charges	570,500	678,292
Deferred OPEB Charges	79,341	76,782
Total Deferred Outflow of Resources	649,841	755,074
Liabilities		
Long-Term Obligations	8,814,606	9,172,179
Other Liabilities	770,244	550,583
Total Liabilities	9,584,850	9,722,762
Deferred Inflow of Resources		
Deferred Pension Credits	287,488	271,986
Deferred OPEB Credits	606,492	430,774
Total Deferred Inflow of Resources	893,980	702,760
Net Position		
Net Investment in Capital Assets	6,160,541	5,235,741
Restricted	161,485	138,939
Unrestricted	(6,114,871)	(5,851,766)
Total (Deficit) Net Position	\$ 207,155	\$ (477,086)

The City's total assets and deferred outflow of resources for governmental activities increased approximately \$738,000 from the prior year to approximately \$10,686,000 at June 30, 2019. Current and other assets decreased approximately \$100,000 (3%). Capital assets increased approximately \$943,000 from the prior year primarily due to additions of approximately \$1,377,000 partially offset by depreciation expense of approximately \$428,000. Total governmental activities liabilities decreased approximately \$138,000 from the prior year primarily due a decrease in the Net Pension liability.

The City's net position increased by approximately \$684,000 during the current fiscal year due to current year revenues exceeding current year expenses. See the discussion after the next table for more information on revenues and expenses.

The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$207,000 at June 30, 2019. The largest portion of the City's net position of approximately \$6,161,000 reflects its investment in capital assets (i.e., land, buildings, furniture, equipment, infrastructure, etc.) less any related outstanding debt/lease purchase obligations used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since generally the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of approximately \$161,000 represents resources that are subject to external restrictions on how they may be used. This portion of net position is restricted primarily for tourism related expenditures (i.e., hospitality fees), capital projects, and victim's advocate. The remaining portion of the City's net position of approximately (\$6,115,000), a deficit, is unrestricted. The City's unrestricted balance without the net pension and OPEB liability would be approximately \$1,972,000.

**CITY OF MULLINS, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following table shows the changes in the City's net position for fiscal year 2019 compared to 2018.

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,164,054	\$ 1,158,199
Operating Grants and Contributions	302,401	179,851
Capital Grants and Contributions	980,913	50,500
General Revenues:		
Taxes	2,078,034	2,064,914
Other	1,202,058	1,066,332
Total Revenues	<u>5,727,460</u>	<u>4,519,796</u>
Expenses:		
General Government	1,054,869	1,060,273
Beautification	62,016	61,543
Street and Sanitation	1,172,116	1,161,343
Court Administration	13,503	111,822
Police	1,503,196	1,493,925
Fire	778,782	683,319
Museum	46,555	56,440
Maintenance	44,706	119,736
Recreation	335,014	315,582
Interest on Long Term Debt	26,458	29,285
Loss on Disposal of Capital Assets	6,004	-
Total Expenses	<u>5,043,219</u>	<u>5,093,268</u>
Change in Net Position	684,241	(573,472)
(Deficit) Net Position - Beginning of Year	(477,086)	96,386
(Deficit) Net Position - End of Year	<u>\$ 207,155</u>	<u>\$ (477,086)</u>

*Governmental Activities:* Governmental activities increased the City's net position by approximately \$684,000 in the current year. Key changes in governmental activities revenues and expenses compared to the prior year were as follows:

- Total governmental activities revenues for 2019 increased approximately \$1,208,000. The increase was primarily due to capital contributions increase of approximately \$981,000, business licenses and franchise fees increase of approximately \$72,000, and operating grants of approximately \$123,000.
- Total governmental activities expenses decreased from the prior year approximately \$50,000. Court Administration expenses decreased approximately \$98,000 and Maintenance decreased by approximately \$75,000 partially offset by Fire expenses increased of approximately \$95,000.

## CITY OF MULLINS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

---

#### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of approximately \$2,283,000, a decrease of approximately \$89,000 over the prior year fund balance. The decrease in fund balance was due to revenues and other financing sources of approximately \$4,989,000 being exceeded by expenditures of approximately \$5,078,000, most of which occurred in the general fund.

Approximately 93% or \$2,121,000 of the total governmental fund balance of approximately \$2,283,000 constitutes unassigned fund balance. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been set aside/constrained for (1) tourism related expenditures (\$114,000; restricted), and (2) victim's advocate expenditures (\$48,000; restricted).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was approximately \$2,148,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund is approximately \$2,101,000 and represents approximately 43% of total General Fund expenditures for the current year.

The fund balance for the General Fund decreased by approximately \$51,000. Revenue increased approximately \$222,000, primarily due to licenses and franchise fees increased approximately \$72,000 and grants increase of approximately \$137,000. Expenditures increased by approximately \$365,000 compared to prior year with police increase of \$38,000, fire increase of \$102,000 and capital outlay increase of \$357,000, partially offset by a decrease in court of approximately \$87,000 and debt service decrease of approximately \$56,000.

The Capital Fund accounts for major capital outlays. This fund expended a total of approximately \$38,000 during 2019 and reported an ending fund balance of approximately \$21,000 at June 30, 2019.

In addition, the fund balance of the Local Hospitality Tax fund decreased by approximately \$1,000, or <1%, over 2019. This decrease was primarily expenditures exceeding revenues.

**General Fund Budgetary Highlights.** If budget amendments are made they generally fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services. During the year there were no amendments made to the General Fund budget.

The City's actual results for the General Fund were different than the budgeted amounts due to the following:

- Actual revenues of approximately \$4,456,000 were over budget by approximately \$178,000. The major differences were property tax collections came in under budget by approximately \$51,000, privilege licenses and payments came in over budget by approximately \$111,000, and grants were over budget by \$134,000.
- Actual expenditures of approximately \$4,917,000 were over budget by approximately \$553,000. Costs related to the general government (approximately \$111,000), fire department (approximately \$153,000), and capital outlay (approximately \$356,000) exceeded budget.

**CITY OF MULLINS, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2019**

---

**CAPITAL ASSET AND DEBT ADMINISTRATION**

***Capital Assets***

The City's capital assets as of June 30, 2019 and June 30, 2018, amounted to approximately \$7,231,000 and \$6,288,000, respectively. This investment in capital assets includes land, construction in progress, buildings, improvements, vehicles, machinery and equipment, and other infrastructure. The City's capital assets as of June 30, 2019 and 2018 were as follows:

	<b>Governmental Activities and Total</b>	
	<b>2019</b>	<b>2018</b>
Land	\$ 1,047,857	\$ 996,914
Construction in Progress	5,000	-
Buildings and Improvements	7,591,471	6,662,642
Equipment and Vehicles	3,544,190	3,182,874
Capital Assets	12,188,518	10,842,430
Accumulated Depreciation	4,957,892	4,554,731
Total	\$ 7,230,626	\$ 6,287,699

The total increase in the City's capital assets for the current fiscal year was approximately \$943,000 (15%). Major capital asset events during the current fiscal year included the following:

- Depreciation expense of approximately \$428,000.
- Capital asset donations of approximately \$981,000.
- Capital asset additions of approximately \$396,000.

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

***Debt Administration***

The City did not have any outstanding general obligation debt. The total outstanding debt as of June 30, 2019 and 2018 was as follows:

	<b>Governmental Activities and Total</b>	
	<b>2019</b>	<b>2018</b>
Debt		
2009 Fire Truck	\$ -	\$ 39,581
2014 Hospitality Fee Bond	534,000	591,000
2016 Lease Purchase	131,148	194,102
2017 Lease Purchase	162,633	227,275
2019 Capital Lease	242,304	-
Total Debt	\$ 1,070,085	\$ 1,051,958

The total increase in the City's governmental activities debt for the current fiscal year was approximately \$18,000 or 2%, which was due to a new lease partially offset by scheduled principal payments made during the year.

**CITY OF MULLINS, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2019**

---

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

***Debt Administration (continued)***

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. As of June 30, 2019, the City had no bonded debt subject to the 8% limit of approximately \$680,000 (based on an assessed value of approximately \$8,446,000).

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

**ECONOMIC FACTORS AND 2020 BUDGET FOR THE CITY**

The City's elected officials and staff considered many factors when setting the fiscal year 2020 budget. The state of the economy, tourism activity, anticipated building activity, future capital needs, and the best interests of the City's residents were all taken into account. Key budget highlights were as follows:

- Tax millage rates did not change
- Sanitation rates did not change

**REQUESTS FOR CITY INFORMATION**

This financial report is designed to provide a general overview of the City of Mullins' finances for all those with an interest in the government's financing. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Mullins, P.O. Drawer 408, Mullins, S.C. 29574



## CITY OF MULLINS, SOUTH CAROLINA

## STATEMENT OF NET POSITION

JUNE 30, 2019

	PRIMARY GOVERNMENT	
	Governmental Activities	Totals
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,977,027	\$ 1,977,027
Cash and Cash Equivalents, Restricted	221,945	221,945
Receivables, Net:		
Property Taxes	34,795	34,795
Intergovernmental Receivables	571,751	571,751
Capital Assets:		
Non-Depreciable	1,052,857	1,052,857
Depreciable, Net	6,177,769	6,177,769
<b>TOTAL ASSETS</b>	<b>10,036,144</b>	<b>10,036,144</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Pension Charges	570,500	570,500
Deferred Other Postemployment Benefits Charges	79,341	79,341
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>649,841</b>	<b>649,841</b>
<b>LIABILITIES</b>		
Accounts Payable	156,676	156,676
Accrued Interest Payable	12,998	12,998
Accrued Salaries and Benefits	113,823	113,823
Local Option Sales Tax Credit Roll-Back	224,896	224,896
Court Bonds Outstanding	9,114	9,114
Unearned Revenues	18,215	18,215
Non-Current Liabilities:		
Due Within One Year	234,522	234,522
Due in More Than One Year	971,470	971,470
Net OPEB Liability	4,442,808	4,442,808
Net Pension Liability	3,400,328	3,400,328
<b>TOTAL LIABILITIES</b>	<b>9,584,850</b>	<b>9,584,850</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Pension Credits	287,488	287,488
Deferred Other Postemployment Benefits Credits	606,492	606,492
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>893,980</b>	<b>893,980</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	6,160,541	6,160,541
Restricted For:		
Victim's Advocate	47,515	47,515
Tourism Related Expenditures	113,970	113,970
Unrestricted Deficit	(6,114,871)	(6,114,871)
<b>TOTAL NET POSITION</b>	<b>\$ 207,155</b>	<b>\$ 207,155</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

## CITY OF MULLINS, SOUTH CAROLINA

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government	
PRIMARY GOVERNMENT:					Governmental Activities	Total
<b>Governmental Activities:</b>						
General Government	\$ 1,054,869	-	182,065	-	(872,804)	\$ (872,804)
Beautification	62,016	-	-	-	(62,016)	(62,016)
Street and Sanitation	1,172,116	765,804	119,836	-	(286,476)	(286,476)
Court Administration	13,503	-	-	-	(13,503)	(13,503)
Police	1,503,196	191,481	-	-	(1,311,715)	(1,311,715)
Fire	778,782	160,145	-	980,913	362,276	362,276
Museum	46,555	1,202	500	-	(44,853)	(44,853)
Maintenance	44,706	-	-	-	(44,706)	(44,706)
Recreation	335,014	45,422	-	-	(289,592)	(289,592)
Interest on Long Term Debt	26,458	-	-	-	(26,458)	(26,458)
Loss on disposal of Capital Assets	6,004	-	-	-	(6,004)	(6,004)
<b>Total Governmental Activities</b>	<b>5,043,219</b>	<b>1,164,054</b>	<b>302,401</b>	<b>980,913</b>	<b>(2,595,851)</b>	<b>(2,595,851)</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 5,043,219</b>	<b>1,164,054</b>	<b>302,401</b>	<b>980,913</b>	<b>(2,595,851)</b>	<b>(2,595,851)</b>
General Revenues and Transfers:						
General Revenues:						
Taxes:						
Property Taxes					1,869,430	1,869,430
Hospitality Taxes					175,422	175,422
Accommodations Taxes					33,182	33,182
Business Licenses and Franchise Fees					1,010,755	1,010,755
Unrestricted Investment Earnings					19,715	19,715
Miscellaneous					57,131	57,131
Insurance Proceeds					55,370	55,370
Lease of Capital Assets					59,087	59,087
Total General Revenues					3,280,092	3,280,092
<b>CHANGE IN NET POSITION</b>					<b>684,241</b>	<b>684,241</b>
DEFICIT NET POSITION, BEGINNING OF YEAR					(477,086)	(477,086)
<b>NET POSITION, END OF YEAR</b>					<b>207,155</b>	<b>\$ 207,155</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

## CITY OF MULLINS, SOUTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	SPECIAL REVENUE -			
	GENERAL	LOCAL	CAPITAL	TOTAL
	FUND	HOSPITALITY	FUND	GOVERNMENTAL
		TAX FUND		FUNDS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,966,271	-	10,756	\$ 1,977,027
Cash and Cash Equivalents, Restricted	92,535	129,410	-	221,945
Receivables, Net:				
Property Taxes	34,795	-	-	34,795
Intergovernmental Receivables	571,751	-	-	571,751
Due From Other Funds	15,440	-	28,149	43,589
<b>TOTAL ASSETS</b>	<b>\$ 2,680,792</b>	<b>129,410</b>	<b>38,905</b>	<b>\$ 2,849,107</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 156,676	-	-	\$ 156,676
Accrued Salaries and Benefits	113,823	-	-	113,823
Local Option Sales Tax Credit Roll-Back	224,896	-	-	224,896
Court Bonds Outstanding	9,114	-	-	9,114
Due To Other Funds	28,149	15,440	-	43,589
Unearned Revenues	-	-	18,215	18,215
<b>TOTAL LIABILITIES</b>	<b>532,658</b>	<b>15,440</b>	<b>18,215</b>	<b>566,313</b>
<b>FUND BALANCES</b>				
Restricted For:				
Tourism Related Expenditures	-	113,970	-	113,970
Victim's Advocate	47,515	-	-	47,515
Unassigned	2,100,619	-	20,690	2,121,309
<b>TOTAL FUND BALANCES</b>	<b>2,148,134</b>	<b>113,970</b>	<b>20,690</b>	<b>2,282,794</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,680,792</b>	<b>129,410</b>	<b>38,905</b>	<b>\$ 2,849,107</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**CITY OF MULLINS, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2019**

---

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 2,282,794**

Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets was \$12,188,518 and the accumulated depreciation was \$4,957,892. 7,230,626

The City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position. (3,117,316)

Accrued interest on the long-term obligations in governmental accounting is not due or payable in the current period, therefore, they have not been reported as a liability in the funds. (12,998)

The City's net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to the City's OPEB Plan are not reported in the governmental funds but is in the Statement of Net Positions. (4,969,959)

Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:

Note and Lease Payables	(1,070,085)
Compensated Absence Obligations	<u>(135,907)</u>

**TOTAL (DEFICIT) NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 207,155**

## CITY OF MULLINS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE -			
	GENERAL	LOCAL	CAPITAL	TOTAL
	FUND	HOSPITALITY	FUND	GOVERNMENTAL
		TAX FUND		FUNDS
<b>REVENUES</b>				
Taxes - Property	\$ 1,869,430	-	-	\$ 1,869,430
Taxes - Hospitality	-	175,422	-	175,422
Licenses and Franchise Fees	1,010,755	-	-	1,010,755
Sanitation Charges	765,804	-	-	765,804
Police Fines	55,310	-	-	55,310
State Aid	180,786	-	-	180,786
Recreation Fees	45,422	-	-	45,422
Grants	154,297	-	-	154,297
Fire Department	160,145	-	-	160,145
School Resource Officer	136,172	-	-	136,172
Museum	1,702	-	-	1,702
Interest Income	19,531	184	-	19,715
Miscellaneous	57,132	-	-	57,132
<b>TOTAL REVENUES</b>	<b>4,456,486</b>	<b>175,606</b>	<b>-</b>	<b>4,632,092</b>
<b>EXPENDITURES</b>				
Current:				
General Government	860,350	45,535	-	905,885
Beautification	56,235	-	-	56,235
Street and Sanitation	1,106,928	-	-	1,106,928
Court	12,480	-	-	12,480
Police	1,346,676	-	-	1,346,676
Fire	648,758	-	-	648,758
Recreation	261,696	-	-	261,696
Maintenance	42,104	-	-	42,104
Museum	43,176	-	-	43,176
Capital Outlay	361,998	-	37,561	399,559
Debt Service:				
Principal Retirement	167,176	57,000	-	224,176
Interest	9,405	20,685	-	30,090
<b>TOTAL EXPENDITURES</b>	<b>4,916,982</b>	<b>123,220</b>	<b>37,561</b>	<b>5,077,763</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(460,496)</b>	<b>52,386</b>	<b>(37,561)</b>	<b>(445,671)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease of Capital Assets	59,087	-	-	59,087
Insurance proceeds	55,370	-	-	55,370
Lease Proceeds	242,304	-	-	242,304
Transfers In	52,841	-	-	52,841
Transfers Out	-	(52,841)	-	(52,841)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>409,602</b>	<b>(52,841)</b>	<b>-</b>	<b>356,761</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(50,894)</b>	<b>(455)</b>	<b>(37,561)</b>	<b>(88,910)</b>
FUND BALANCES, BEGINNING OF YEAR	2,199,028	114,425	58,251	2,371,704
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 2,148,134</b>	<b>113,970</b>	<b>20,690</b>	<b>\$ 2,282,794</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF MULLINS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

---

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (88,910)</b>
---	--------------------

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

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into capital leases increases long term liabilities in the Statement of Net Position.	(242,304)
---	-----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	3,629
---	-------

Contributed infrastructure and other capital assets are not recognized in the governmental funds as no current financial resource has been received, but they are recognized in the Statement of Activities as a capital grant.	980,913
---	---------

The repayment of bond and debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	224,177
---	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds - compensated absences.	19,695
--	--------

In the Statement of Activities the gain or loss on the disposal or impairment of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed or impaired.	(6,004)
---	---------

Change's in the City's net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to the City's OPEB Plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(171,738)
---	-----------

Changes in the City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities	(3,235)
--	---------

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$427,921 exceeded capital asset additions of \$395,939 in the current period.	(31,982)
---	----------

<b>TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>684,241</u></b>
--	--------------------------

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

## CITY OF MULLINS, SOUTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

---

The City of Mullins ("City") was established in 1872. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. The City of Mullins is run by a Council form of government. Council is made of up of six council members and a Mayor. The Mayor and Council, elected for four-year staggered terms, are vested with the legislative and policymaking powers of the City. The Council appoints a City Administrator who serves as the chief executive officer of the City and is responsible to the Council for proper administration of all affairs of the City.

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. The Reporting Entity

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

As required by GAAP, the financial statements present the City's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity's governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City. An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity's resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the City is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the City's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City does not have any component units.

##### *Major Operations*

The City's major governmental operations are general administration, beautification, street and sanitation, police, fire, museum, recreation, and maintenance.

##### B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. The City does not report any business-type activities.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Reimbursements due from federally funded projects are accrued as revenue at the time expenditures are made, or when received in advance – unearned until expenditures are made. Property tax revenues are recognized in the year in which they are due and receivable, and collected or expected to be collected within 60 days. Generally, a 60 day availability period is used for franchise taxes, licenses, and intergovernmental revenues. Penalties, fines and forfeitures, hospitality taxes, miscellaneous revenues, and interest associated with the current fiscal period are recorded when cash is received because they are generally not measurable until actually received.

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

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. There currently are not any non-major funds.



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following fund types and funds are used by the City.

**Governmental Fund Types** are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting.

The City's major funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the City and accounts for all revenues and expenditures of the City except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Capital Fund, a major fund** and a budgeted fund, is used to account for financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to the acquisition or construction of major capital facilities.

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

Local Hospitality Tax Fund (major fund) and a budgeted fund.

***Change in Accounting Principle***

The City adopted GASB Statement No. 87 "*Leases*" ("GASB #87" or "Statement") for the year ended June 30, 2019. The objective of GASB #87 is to better meet the information needs of financial users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The adoption of GASB #87 has resulted in no impact to the City's net position but has resulted in the addition of a lease liability and corresponding intangible right-to-use lease asset on the City's government-wide financial statements of approximately \$242,000.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, and Equity**

**1. Cash, Cash Equivalents, and Investments**

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) and other non-money market mutual funds are reported as investments.

The City's operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the City to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (d) Repurchase agreements when collateralized by securities as set forth in this section.
- (e) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, and Equity (Continued)**

**1. Cash, Cash Equivalents, and Investments (continued)**

The City's cash and investment objectives are preservation of capital, liquidity and yield. The City reports its cash and investments at fair value which is normally determined by quoted market prices. The City currently or in the past year has primarily used the following investments (as defined by GASB Statement No. 3) in its operating activities:

- Certificates of Deposit ("CD") are bond-type investments issued by a bank when a person or company deposits a certain amount of money for a determined amount of time. The maturity can be up to five years, and interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is usually subject to a penalty.

**2. Receivables and Payables**

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges and services, including franchise fees, hospitality fees, sanitation, and other fees and charges.

**3. Prepaid Items**

Prepaid items are accounted for using the consumption method in the governmental funds.

**4. Capital Assets**

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Position, but are not reported in the fund financial statements.

The City defines capital assets as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at estimated acquisition value (as estimated by the City) at the date of donation.

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

Land	Not Depreciated
Construction in Progress	Not Depreciated
Buildings and Improvements	25-100 years
Equipment	5-30 years
Vehicles	5-15 years

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, and Equity (Continued)**

**5. *Compensated Absences***

The City allows an employee to accumulate up to 45 vacation days and 90 sick leave days. These vacation and sick leave days are earned, as employed, on a daily basis. The accrued vacation days are payable upon an employee leaving the City's employment. There is no payment for any unused sick leave days when an employee leaves the City.

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*." The entire compensated absence liability and expense is reported on the government-wide financial statements. Governmental funds will only recognize compensated absences liability if they have matured, for example, as a result of employee resignations or retirements, and is due and payable.

**6. *Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method as it approximates the effective interest method. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expensed when incurred.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt or capital leases issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

7. *Fund Balance*

The City classifies its governmental fund balances as follows:

**Non-spendable** – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e., prepaids, inventories, etc.) or because of legal or contractual requirements (i.e., principal on an endowment, etc.).

**Restricted** – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

**Committed** – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (City Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. City Council reserves the right to assign fund balance.

**Unassigned** – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the City generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two types of deferred outflows of resources: (1) The City reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. (2) The City reports *deferred OPEB charges* in its Statement of Net Position in connection with the OPEB Plan. The *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, and Equity (Continued)**

**8. *Deferred Outflows/Inflows of Resources (continued)***

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. (2) The City reports *deferred OPEB credits* in its Statement of Net Position in connection with the OPEB Plan. The *deferred pension and OPEB credits* are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

**9. *Net Position***

Net position represents the difference between assets and deferred outflows (if any) and liabilities and deferred inflows (if any) in the statement of net position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**10. *Pensions and Other Postemployment Benefits***

In government-wide financial statements, pensions and other postemployment benefits (“OPEB”) are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B. & C. and the required supplementary information immediately following the notes to the financial statements for more information). The City recognizes net pension and OPEB liabilities for each plan for which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified plan, or the City’s proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the City’s fiscal year-end. Changes in the net pension and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and OPEB liabilities that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, and Equity (Continued)**

**11. Fair Value**

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value. The City does not have any investments as of June 30, 2019.

**12. Other Postemployment Benefits**

Other Postemployment Benefits ("OPEB") cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note IV.C. and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GASB Statement No. 75.

**13. Accounting 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. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

*14. Comparative Data*

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows the following procedures in establishing its annual budgets:

1. On or before the first Friday in March of each year, all departments/agencies of the government submit requests for appropriation to the City Administrator so that a budget may be prepared. The budget is prepared by fund, function and department, and includes information on the past year, the current year budget and requested appropriations for the next fiscal year.
2. In May of each year, the proposed budget is presented to the City Council for review. The City adopts the budget ordinance before June 30 of each year. Amounts transferred between departments within any fund and any revisions that do not alter the total expenditures of any fund do not have to be approved by City Council. Changes that alter total expenditures of any fund must be changed by an affirmative vote of a majority of City Council. Budgeted expenditure appropriations lapse at year-end.
3. The budgets for the budgeted funds are legally adopted on a basis consistent with GAAP. The budgets at the end of the year for these funds represent the budgets adopted and amended by the City Council.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

*Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2019, none of the City's bank balances of approximately \$2,223,000 (with a carrying value of approximately \$2,199,000) were exposed to custodial credit risk.

*Investments*

As of June 30, 2019, the City had no investments as defined by GASB No. 40.

**Interest Rate Risk:** The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

**Credit Risk for Investments:** Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.



CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

**Concentration of Credit Risk for Investments:** The City places no limit on the amount the City may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2019 were those imposed by the revenue source (i.e., hospitality fees, accommodation taxes, grants, etc.) and court fees and fines.

B. Property Taxes and Related Receivables

Property taxes receivable of approximately \$35,000, which is net of an allowance for estimated uncollectible taxes of approximately \$202,000, represent current real and personal property as well as delinquent real and personal property taxes collected within 60 days of year end. Because the amount of delinquent real and personal property taxes not collected within 60 days of year end is not considered material, the City has elected not to record a receivable for these taxes due and not collected.

Property taxes are assessed and collected by Marion County. The County levies its real property taxes each September based upon current assessed valuation. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and Taxation at various rates of 4 to 6 percent of the estimated market value. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in September on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates:

January 16 <sup>th</sup>	3%
February 2 <sup>nd</sup>	an additional 7%
March 17 <sup>th</sup>	an additional 5%

Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. The lien and collection date for motor vehicle taxes is the last day of the month in which the motor vehicle license expires.

The City's fiscal year 2019 real and business personal property taxes (which was for tax year 2018) were levied in September 2018 based on a millage rate of 167 mills. The City's assessed value of real and personal property (excluding vehicles) was approximately \$8.5 million for tax year 2018.

C. Interfund Receivables, Payables and Transfers

*Interfund Receivables and Payables*

Interfund balances at June 30, 2019 consisted of the following:

Fund	Receivables	Payables
General Fund	\$ 15,440	\$ 28,149
Hospitality Tax Fund	-	15,440
Capital Fund	28,149	-
Totals	\$ 43,589	\$ 43,589

The interfund receivables and payables are generally a result of General Fund or other funds initially paying for invoices for different funds.

## CITY OF MULLINS, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

## C. Interfund Receivables, Payables and Transfers (Continued)

*Interfund Transfers*

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Fund	Transfer In	Transfer Out
General Fund	\$ 52,841	\$ -
Hospitality Tax Fund	-	52,841
Totals	\$ 52,841	\$ 52,841

During the course of normal operations and in order to support the numerous functions of the City, transactions between funds may occur. The Hospitality Fund transferred approximately \$53,000 to General fund for the museum.

## D. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 996,914	50,943	-	-	\$ 1,047,857
Construction In Progress	-	5,000	-	-	5,000
Total Capital Assets, Non-Depreciable	996,914	55,943	-	-	1,052,857
Capital Assets, Depreciable:					
Buildings and Improvements	6,662,642	959,593	(30,764)	-	7,591,471
Equipment and Vehicles	3,182,874	361,316	-	-	3,544,190
Total Capital Assets, Depreciable	9,845,516	1,320,909	(30,764)	-	11,135,661
Less: Accumulated Depreciation for:					
Buildings and Improvements	2,445,505	221,528	(24,760)	-	2,642,273
Equipment and Vehicles	2,109,226	206,393	-	-	2,315,619
Total Accumulated Depreciation	4,554,731	427,921	(24,760)	-	4,957,892
Total Capital Assets, Depreciable, Net	5,290,785	892,988	(6,004)	-	6,177,769
Governmental Activities Capital Assets, Net	\$ 6,287,699	948,931	(6,004)	-	\$ 7,230,626

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

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

Functions/Programs	Expense
General Government	\$ 151,405
Beautification	2,202
Streets and Sanitation	34,227
Police	74,510
Fire	104,580
Recreation	60,997
Total - Governmental Activities	<u>\$ 427,921</u>

E. Long-Term Obligations

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds ("GOB") are direct obligations and pledge the full faith and credit of the City and are subject to the 8% debt limit requirement if not issued under a bond referendum. Notes payable ("NP") and lease purchase ("LP") obligations are special obligations of the City payable from the general revenues of the City. Revenue Bonds ("RB") are obligations of the City that are secured by revenue from the hospitality fee fund. The full faith, credit, and taxing powers of the City are not pledged for the payment of NP, LP, and RB obligations nor the interest thereon.

Details on the City's outstanding debt issues and lease purchase obligations are as follows:

	Balance at June 30, 2019
<b><i>Hospitality Fee Revenue Bond</i></b>	
\$750,000 hospitality fee revenue bond issued in December 2014 ("2014 Hospitality Fee Bond"), due in annual installments of \$51,000 to \$75,000 beginning December 1, 2015 through December 1, 2027 plus interest of 3.50% annually. The proceeds of this bond were used for upgrading two city parks.	\$ 534,000
<b><i>Lease Purchase Obligations</i></b>	
\$315,000 lease purchase agreement was entered into in February 2016 ("2016 Lease Purchase") for the purchase of a fire truck and a utility truck, with 5 annual payments (including interest) of \$68,291 beginning February 12, 2017 through February 12, 2021 which includes an interest rate of 2.75%.	\$ 131,148
\$325,000 lease purchase agreement was entered into in November 2016 ("2016 Lease Purchase") for the purchase of a street sweeper and fire equipment, with 10 semi-annual payments (including interest) of \$33,468 beginning May 7, 2017 through November 7, 2021. \$200,000 of this lease is at a 0.0% interest and \$125,000 is at an interest rate of 2.75%.	\$ 162,632
\$242,304 lease agreement was entered into in November 2019 ("2019 Capital Lease") for the purchase of police vehicles, with monthly payments (including interest) of \$4,557 beginning June 3, 2019 through June 3, 2024 with interest rates between 4.60% and 5.08%.	\$ 242,304

Resources from the City's General Fund have been used to liquidate all the lease purchase obligations and Hospitality fee revenue is being used to liquidate the Revenue Bond.

## CITY OF MULLINS, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

## E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the City for the year ended June 30, 2019:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Note and Lease Payable					
2009 Fire Truck	\$ 39,581	-	39,581	-	\$ -
2014 Hospitality Fee Bond	591,000	-	57,000	534,000	59,000
2016 Lease Purchase	194,102	-	62,954	131,148	64,685
2017 Lease Purchase	227,275	-	64,642	162,633	65,325
2019 Capital Lease	-	242,304	-	242,304	45,512
Total Note and Lease Payable	1,051,958	242,304	224,177	1,070,085	234,522
Compensated Absences	155,602	-	19,695	135,907	-
OPEB Liability	4,444,229	-	1,421	4,442,808	-
Total Governmental Activities	\$ 5,651,789	242,304	245,293	5,648,800	\$ 234,522

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2019, the City did not have any bonded debt subject to the 8% limit, which was approximately \$680,000.

Presented below is a summary of debt service requirements to maturity by year for the City's governmental activities as of June 30, 2019:

Year Ending June 30,	Bonds Payable		Leases Payable		Total
	Principal	Interest	Principal	Interest	
<b>Governmental Activities:</b>					
2020	\$ 59,000	18,690	175,522	16,380	\$ 269,592
2021	61,000	16,625	178,634	11,269	267,528
2022	63,000	14,490	79,717	6,429	163,636
2023	65,000	12,285	50,842	3,840	131,967
2024	68,000	10,010	51,370	1,314	130,694
2025-2027	218,000	15,435	-	-	233,435
Totals	\$ 534,000	87,535	536,085	39,232	\$ 1,196,852

#### IV. OTHER INFORMATION

##### A. Risk Management

###### **Participation in Public Entity Risk Pools for Property and Casualty Insurance**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund ("SCMIRF") and the South Carolina Municipal Insurance Trust ("SCMIT"), which are public entity risk pools currently operating as a common risk management and insurance program for general risk insurance and workers compensation, respectively.

The City pays an annual premium to SCMIRF for its general risk insurance. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF's net assets/position from its most recently issued audited financial statements at December 31, 2018, totaled approximately \$12,619,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The City pays an annual premium to SCMIT for its workers compensation insurance. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net assets/position from its most recently issued audited financial statements at December 31, 2018, totaled approximately \$57,682,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

###### **Health Insurance**

The City has a fully insured health insurance program for the City's employees in which the City pays a monthly premium for this coverage and has no additional liability related to health insurance. The City has not significantly reduced insurance coverages from the previous year; and settled claims in excess of insurance coverage for the last three years were immaterial.

##### B. Retirement Plans

###### ***State Retirement Plans***

The City participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA, created on July 1, 2012 and governed by an 11-member Board of Directors ("PEBA Board"), is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, the PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the Retirement Systems Investment Commission ("RSIC") and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*State Retirement Plans (Continued)*

*Plan Description*

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The South Carolina Police Officers Retirement System ("PORS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

*Plan Membership*

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.

*Plan Benefits*

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*State Retirement Plans (Continued)*

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

*Plan Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the PEBA Board, are insufficient to maintain the period set in statute, the PEBA Board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the PEBA Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for the SCRS and the PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for the SCRS and 21.24 percent for the PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization period.

As noted earlier, both employees and the City are required to contribute to the Plans at rates established and as amended by the PEBA. The City's contributions are actuarially determined but are communicated to and paid by the City as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

	SCRS Rates			PORS Rates		
	2017	2018	2019	2017	2018	2019
Employer Contribution Rate: <sup>^</sup>						
Retirement*	11.41%	13.41%	14.41%	13.84%	15.84%	16.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	<u>11.56%</u>	<u>13.56%</u>	<u>14.56%</u>	<u>14.24%</u>	<u>16.24%</u>	<u>17.24%</u>
Employee Contribution Rate	<u>8.66%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.24%</u>	<u>9.75%</u>	<u>9.75%</u>

<sup>^</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

The required contributions and percentages of amounts contributed by the City to the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2019	\$ 90,330	100%	\$ 164,143	100%
2018	103,514	100%	138,806	100%
2017	\$ 87,837	100%	\$ 127,752	100%

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2018. The State's budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2019 (measurement date) to the City were approximately \$8,000 and \$10,000 for the SCRS and PORS, respectively.



CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

Eligible payrolls of the City covered under the Plans for the past three years were as follows:

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2019	\$ 620,401	952,106	\$ 1,572,507
2018	763,379	854,716	1,618,095
2017	\$ 759,833	897,132	\$ 1,656,965

*Actuarial Assumptions and Methods*

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2018 total pension liability, net pension liability, and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2016 valuations for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.25%	7.25%
Projected Salary Increases*	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

\* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table ("2016 PRSC"), were 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.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

---

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

*Actuarial Assumptions and Methods (Continued)*

Former Job Class	Males	Females
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 and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

*Long-term Expected Rate of Return*

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 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 following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

## CITY OF MULLINS, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

## IV. OTHER INFORMATION (CONTINUED)

## B. Retirement Plans (Continued)

*State Retirement Plans (Continued)**Long-term Expected Rate of Return (Continued)*

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>47.0%</b>		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
<b>Real Assets</b>	<b>10.0%</b>		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
<b>Opportunistic</b>	<b>13.0%</b>		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100.0%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

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

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2018 measurement date, for the SCRS are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,821,730,067	26,414,916,370	\$ 22,406,813,697	54.1%
PORS	\$ 7,403,972,673	4,570,430,247	\$ 2,833,542,426	61.7%

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

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

At June 30, 2019, the City reported liabilities of approximately \$1,651,000 and \$1,750,000 for its proportionate share of the NPL for the SCRS and PORS ("Plans"), respectively. The NPL were measured as of June 30, 2018, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report as of June 30, 2018 that was projected forward to the measurement date. The City's proportion of the NPL were based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2018, the City's SCRS proportion was .007367 percent, which decreased .0002 percent compared to its proportion measured as of June 30, 2017. At June 30, 2018, the City's PORS proportion was .06176 percent, which decreased .00486 percent compared to its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the City recognized pension expense of approximately \$114,000 and \$144,000 for the SCRS and PORS, respectively. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>SCRS</b>		
Differences Between Expected and Actual Experience	\$ 2,980	\$ 9,713
Change in Assumptions	65,487	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	26,220	-
Changes in Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions	-	70,546
City's Contributions Subsequent to the Measurement Date	90,330	-
Total SCRS	185,017	80,259
<b>PORS</b>		
Differences Between Expected and Actual Experience	53,912	-
Change in Assumptions	115,368	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	34,990	-
Changes in Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions	17,070	207,229
City's Contributions Subsequent to the Measurement Date	164,143	-
Total PORS	385,483	207,229

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

Approximately \$90,000 and \$164,000 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2019	\$ 23,098	\$ 30,029	\$ 53,127
2020	22,013	21,236	43,249
2021	(27,291)	(30,216)	(57,507)
2022	(3,392)	(6,938)	(10,330)
Total	<u>\$ 14,428</u>	<u>\$ 14,111</u>	<u>\$ 28,539</u>

*Discount Rate*

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

*Sensitivity Analysis*

The following table presents the sensitivity of the City's proportionate share of the net pension liability of the Plans to changes in the discount rate, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability of the SCRS	\$ 2,109,172	1,650,609	\$ 1,322,781
City's proportionate share of the net pension liability of the PORS	2,358,840	1,749,719	1,250,798
Total	<u>\$ 4,468,012</u>	<u>3,400,328</u>	<u>\$ 2,573,579</u>

*Plans Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

CITY OF MULLINS, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

---

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plans (Continued)*

*Payable to Plans*

The City reported payables of approximately \$11,000 and \$19,000 to the PEBA as of June 30, 2019, representing required employer and employee contributions for the month of June 2019 for the SCRS and PORS, respectively. These amounts are included in Accrued Salaries and Benefits on the financial statements and were paid in July 2019.

C. Postemployment Benefits Other Than Pensions

*Plan Description*

The City administers a defined benefit postemployment healthcare plan, a single-employer defined benefit other postemployment benefit plan ("OPEB Plan"). This plan provides medical, vision, and prescription drug benefits for retirees who meet certain length of service requirements. As established by City Council on July 1, 1998, an employee becomes eligible for the OPEB Plan when the employee qualifies for retirement benefits from the South Carolina Retirement System or the Police Officers Retirement System and completes 20 years of service with the City.

The City pays the full cost of the OPEB Plan for the full life of each eligible retiree. Currently, the City pays for OPEB Plan benefits on a pay-as-you-go basis. These financial statements assume that a pay as you go basis will continue for the immediate future but at some point in the future the City will begin to fund an account that will be restricted for OPEB Plan benefits. There are no assets accumulated in a trust and there is no stand-alone financial report for the OPEB Plan.

Effective July 1, 2012, the OPEB Plan provides medical, vision, and prescription drug benefits coverage through the City's fully insured, active employee plan until the retiree becomes eligible for Medicare. There are six individuals that retired prior to July 1, 2012 that the City covers under separate billing. Medicare eligible retirees have benefits provided under the BCBS Medicare Supplement Plan F and Medicare Part D prescription drug plan. Retiree benefits are not provided for spouses and dependents.

*Plan Membership*

As of June 30, 2019, the following employees were covered by the OPEB Plan's benefit terms:

Inactive Members or Beneficiaries Currently Receiving Benefit Payments	12
Active Members	58
Total Membership	<u>70</u>

The City's total OPEB liability of \$4,442,808 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

---

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

*Actuarial Assumptions and Method*

Actuarial valuations of the OPEB Plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation, healthcare cost trend rates, and future salary changes. Amounts determined regarding the net OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The following table provides a summary of the significant actuarial assumptions and methods used in the latest actuarial valuation for the OPEB Plan.

Actuarial Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age normal
Assets Backing OPEB Liability	None
Plan Asset Return	0.00%
Bond Yield	3.87%
Discount Rate	3.87% as of June 30, 2018
Inflation	2.25%
Measurement Date	June 30, 2018
Prior Measurement Date	June 30, 2017
Prior Year Discount Rate	3.56%
Projected Salary Increases	3.50% to 9.50% for PORS and 3.00% to 7.00% for SCRS, including inflation
Percentage Participation	95.00%
Mortality Table	RP-2014 Mortality Table
Municipal Bond Index Rate	3.56% as of June 30, 2017 and 3.87% as of June 30, 2018
Health Care Trend 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 5.00% by 2020.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

*Long-Term Expected Rate of Return*

The long-term expected rate of return on OPEB Plan investments is 3.87% at June 30, 2019, which is the municipal bond rate as the OPEB Plan does not have any investments in an irrevocable trust, as defined by GASB 75.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB*

The City's OPEB liability was measured as of June 30, 2018 and the OPEB liability and expense as of June 30, 2019 were calculated using the Entry Age normal as discussed above.

	<u>OPEB Liability</u>
Beginning Balance	\$ 4,444,229
Changes for the year:	
Service Cost	184,998
Interest	157,108
Difference Between Expected/Actual Experience	(15,969)
Changes of Assumptions or Other Inputs	(264,850)
Benefit Payments and Implicit Subsidy Credit	(62,708)
Net Changes	<u>(1,421)</u>
Ending Balance	<u>\$ 4,442,808</u>

Changes of assumptions reflect a change in the discount rate from 3.56% as of June 30, 2017 to 3.87% as of June 30, 2018. Benefit payments include explicit payments of \$55,208 and implicit payments of \$7,500.

For the year ended June 30, 2019, the City recognized OPEB expense of approximately \$237,000. At June 30, 2019, the City reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 14,211
Changes of Assumptions	-	592,281
Employer Contributions Subsequent to the Measurement Date	79,341	-
Total	<u>\$ 79,341</u>	<u>\$ 606,492</u>



CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

*OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)*

Amounts reported as deferred inflows of resources (deferred OPEB credits) related to the OPEB Plan will increase (decrease) OPEB expense as follows:

Year Ended June 30,	Total
2019	\$ (105,101)
2020	(105,101)
2021	(105,101)
2022	(105,101)
2023	(105,101)
Thereafter	(80,987)
Total	<u>\$ (606,492)</u>

*Sensitivity of the OPEB Liability to Changes in the Discount Rate*

The following table presents the sensitivity of the City's OPEB liability to changes in the discount rate, calculated using the discount rate of 3.87%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.87%) or 1% point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
OPEB Liability	\$ 5,378,871	4,442,808	\$ 3,716,123

*Sensitivity of the OPEB Liability to Changes in the Medical Cost Trend Rate*

The following table presents the sensitivity of the City's OPEB liability to changes in the medical cost trend rate, calculated using the medical cost trend rate of 7.50%, as well as what it would be if it were calculated using a medical cost trend rate that is 1% point lower (6.50%) or 1% point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Medical Cost Trend Rate (7.50%)	1% Increase (8.50%)
OPEB Liability	\$ 3,617,162	4,442,808	\$ 5,554,663

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

---

IV. OTHER INFORMATION (CONTINUED)

**D. Contingent Liabilities and Commitments**

*Anderson Center Project*

During 2002, the City began the Anderson Center Project ("Project") and entered into several agreements with the Mullins Revitalization Limited Partnership ("Partnership"). The Partnership is responsible for carrying out the development, ownership, and operation of this Project. This Project is providing affordable rental housing to low income, elderly persons. Five downtown buildings were renovated into 22 apartment units and 4 storefronts. The City loaned the Partnership the monies from its community development block grant ("CDBG") of approximately \$330,000 and Home Mortgage and Mortgage Education ("HOME") grant of approximately \$400,000. The CDBG loan of \$330,000 bears no interest and will be repaid in annual maximum installments of \$16,500 beginning December 31<sup>st</sup> following the 31<sup>st</sup> anniversary of the completion date.

Any unpaid principal remaining following the 50<sup>th</sup> anniversary of the completion date, shall be due and payable on December 31<sup>st</sup> following the 51<sup>st</sup> anniversary of the completion date. The Partnership is paying back \$200,000 of the HOME loan directly to the State Housing Finance and Development Authority. The remaining \$200,000 is non-interest bearing and calls for 20 consecutive installments of \$10,000 commencing on December 31, 2034 and continuing through December 31, 2053. The City also has a signed promissory note from the Partnership for \$80,000. This amount represents the City's cash match of \$50,000 and in-kind services performed by the City of \$30,000. The terms of this note are similar to the terms of the above grant notes. Due to the time frame and uncertainty of the payback of the above loans, a note receivable has not been recorded on the City's books.

*Mullins Technology Center*

There were renovations to the Mullins Technology Center ("Center") that were funded using an Economic Development Administration ("EDA") grant of \$200,000. Subsequently, EDA placed a mortgage on the real estate that houses the Center for \$200,000. This mortgage is for 20 years from October 14, 2003 which was the date it was filed. This debt shall become due and payable to the EDA by the City upon the transfer or alienation of the real estate in violation of the financial assistance award. The City does not currently have any plans to change the use of this real estate and thus has not recorded any payable on its books related to this matter.

*Grants*

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2019.

*Litigation*

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

**CITY OF MULLINS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

---

**IV. OTHER INFORMATION (CONTINUED)**

**D. Leases**

In May 2017, the City entered into a lease with a company for a building and land the City owns. The lease agreement has an option to purchase the building and property any time during the lease term. Lease payments are approximately \$65,000 each year through 2021 with an interest rate of 3%. The lease is renewable each year through 2021.

Subsequent to year end, in July 2019, the City and the company agreed to terminate the lease in exchange for the City paying the company \$225,000.

**F. Subsequent Events**

The City entered into a sale agreement in July 2019 with a company for a building and land for \$225,000.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. Management is actively monitoring the impact from this health crisis on its financial condition, liquidity, operations, workforce and constituents.

As local and federal governments recommend or mandate restrictions on business and travel in an effort to curb the COVID-19 outbreak by changing consumer behavior, the City expects such restrictions to negatively impact revenues. Such restrictions are currently expected to be temporary; however, there is considerable uncertainty about their duration. Given the daily evolution of the COVID-19 outbreak, the City cannot estimate the duration or gravity of its impact at this time. If the pandemic continues for a long period of time, it may have a material adverse effect on the City’s results of operations, net position/fund balance and liquidity in 2020.

Subsequent events were evaluated through the date in which the financial statements were available to be issued which was September 10, 2020.

## CITY OF MULLINS, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes - Property	\$ 1,920,000	1,920,000	1,869,430	\$ (50,570)
Privilege Licenses amd Payments in Lieu of License	900,000	900,000	1,010,755	110,755
Sanitation Charges	780,000	780,000	765,804	(14,196)
Police Fines	55,000	55,000	55,310	310
State Shared Revenue	166,000	166,000	180,786	14,786
Recreation Department Receipts	66,000	66,000	45,422	(20,578)
Interest	8,000	8,000	19,531	11,531
Grants	20,000	20,000	154,297	134,297
Miscellaneous	60,000	60,000	57,132	(2,868)
Fire Department	167,000	167,000	160,145	(6,855)
School Resource Officer	135,000	135,000	136,172	1,172
Museum	1,000	1,000	1,702	702
TOTAL REVENUES	4,278,000	4,278,000	4,456,486	178,486
EXPENDITURES				
Current:				
General Government	749,600	749,600	860,350	110,750
Beautification Department	47,700	47,700	56,235	8,535
Streets and Sanitation Department	1,110,200	1,110,200	1,106,928	(3,272)
Court Administration Department	33,600	33,600	12,480	(21,120)
Police Department	1,365,550	1,365,550	1,346,676	(18,874)
Fire Department	496,100	496,100	648,758	152,658
Recreation Department	284,600	284,600	261,696	(22,904)
Maintenance	43,900	43,900	42,104	(1,796)
Museum	50,200	50,200	43,176	(7,024)
Capital Outlay	5,700	5,700	361,998	356,298
Debt Service:				
Principal	176,400	176,400	167,176	(9,224)
Interest	-	-	9,405	9,405
TOTAL EXPENDITURES	4,363,550	4,363,550	4,916,982	553,432
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(85,550)	(85,550)	(460,496)	(374,946)
OTHER FINANCING SOURCES (USES)				
Lease of Capital Assets	70,000	70,000	59,087	(10,913)
Insurance proceeds	-	-	55,370	55,370
Lease Proceeds	-	-	242,304	242,304
Transfers In	43,000	43,000	52,841	9,841
Transfers Out	(86,000)	(86,000)	-	86,000
TOTAL OTHER FINANCING SOURCES (USES)	27,000	27,000	409,602	382,602
NET CHANGE IN FUND BALANCE				
	(58,550)	(58,550)	(50,894)	7,656
FUND BALANCE, BEGINNING OF YEAR				
	2,199,028	2,199,028	2,199,028	-
FUND BALANCE, END OF YEAR				
	\$ 2,140,478	2,140,478	2,148,134	\$ 7,656

The General Fund budgetary comparison schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

The City's original and final budget reflected an expected decrease of fund balance of \$58,550.

**CITY OF MULLINS, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
LOCAL HOSPITALITY TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGETS AND ACTUAL**

**YEAR ENDED JUNE 30, 2019**

	<b>BUDGETED AMOUNTS</b>			
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>				
Taxes - Hospitality Fees	\$ 170,000	170,000	175,422	\$ 5,422
Interest	-	-	184	184
<b>TOTAL REVENUES</b>	<b>170,000</b>	<b>170,000</b>	<b>175,606</b>	<b>5,606</b>
<b>EXPENDITURES</b>				
Current:				
General Government	49,342	49,342	45,535	3,807
Debt Service:				
Principal	57,000	57,000	57,000	-
Interest	20,658	20,658	20,685	(27)
<b>TOTAL EXPENDITURES</b>	<b>127,000</b>	<b>127,000</b>	<b>123,220</b>	<b>3,780</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>43,000</b>	<b>43,000</b>	<b>52,386</b>	<b>9,386</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to the General Fund	(43,000)	(43,000)	(52,841)	(9,841)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(43,000)</b>	<b>(43,000)</b>	<b>(52,841)</b>	<b>(9,841)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(455)</b>	<b>(455)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>114,425</b>	<b>114,425</b>	<b>114,425</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 114,425</b>	<b>114,425</b>	<b>113,970</b>	<b>\$ (455)</b>

The Local Hospitality Tax Fund budgetary comparison schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

## CITY OF MULLINS, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - CAPITAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
State Grants	\$ 30,000	30,000	-	\$ (30,000)
Contributions	5,000	5,000	-	(5,000)
<b>TOTAL REVENUES</b>	<b>35,000</b>	<b>35,000</b>	<b>-</b>	<b>(35,000)</b>
<b>EXPENDITURES</b>				
Capital Outlay	121,000	121,000	37,561	83,439
<b>TOTAL EXPENDITURES</b>	<b>121,000</b>	<b>121,000</b>	<b>37,561</b>	<b>83,439</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(86,000)</b>	<b>(86,000)</b>	<b>(37,561)</b>	<b>48,439</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	86,000	86,000	-	(86,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>86,000</b>	<b>86,000</b>	<b>-</b>	<b>(86,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(37,561)</b>	<b>(37,561)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>58,251</b>	<b>58,251</b>	<b>58,251</b>	<b>-</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 58,251</b>	<b>58,251</b>	<b>20,690</b>	<b>\$ (37,561)</b>

The Capital Fund budgetary comparison schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

**CITY OF MULLINS, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULE**

**SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS**

**LAST TWO FISCAL YEARS**

	<b>2019</b>	<b>2018</b>
OPEB Liability:		
Service Cost	\$ 184,998	214,764
Interest	157,108	139,216
Differences Between Expected and Actual Experience	(15,969)	(545)
Changes of Assumptions	(264,850)	(497,433)
Benefit Payments, Including Implicit and Explicit Benefits	(62,708)	(73,263)
Net Change in Total OPEB Liability	(1,421)	(217,261)
OPEB Liability - Beginning of Year	4,444,229	4,661,490
OPEB Liability - End of Year	<u>\$ 4,442,808</u>	<u>4,444,229</u>
Covered-Employee Payroll	\$ 1,501,002	1,501,002
OPEB Liability as a Percentage of Covered-Employee Payroll	295.99%	296.08%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30, 2018 (measurement date).

The City adopted GASB #75 during the year ended June 30, 2018. Information before 2018 is not available.

Significant Changes of Assumptions: Discount Rate changed from 3.56% to 3.87%

**CITY OF MULLINS  
MULLINS, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST SIX FISCAL YEARS**

	Year Ended June 30,				
	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability (Asset)	0.007367%	0.007531%	0.007710%	0.008232%	0.008386%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,650,609	\$ 1,695,349	\$ 1,646,845	\$ 1,561,238	\$ 1,443,791
City's Covered-Employee Payroll	\$ 763,379	\$ 759,833	\$ 746,630	\$ 773,243	\$ 761,358
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	216.22%	223.12%	220.57%	201.91%	189.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.10%	53.34%	52.91%	56.99%	59.92%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.  
The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.  
The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018.



**CITY OF MULLINS  
MULLINS, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CITY'S CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST SIX FISCAL YEARS**

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 90,330	\$ 103,514	\$ 87,837	82,577	84,284
Contributions in Relation to the Contractually Required Contributions:					
Contributions from the City	90,330	95,898	87,837	82,577	84,284
Contributions from the State	-	7,616	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered-Employee Payroll	\$ 620,401	\$ 763,379	\$ 759,833	746,630	773,243
Contributions as a Percentage of Covered-Employee Payroll:	14.56%	13.56%	11.56%	11.06%	10.90%
					10.60%

**Notes to Schedule:**

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

**CITY OF MULLINS  
MULLINS, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
POLICE OFFICERS' RETIREMENT SYSTEM**

**LAST SIX FISCAL YEARS**

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.06175%	0.00666%	0.00742%	0.07190%	0.07916%	0.07916%
City's Proportionate Share of the Net Pension	\$ 1,749,719	\$ 1,825,041	\$ 1,881,100	\$ 1,566,971	\$ 1,515,480	\$ 1,640,986
City's Covered-Employee Payroll	\$ 854,716	\$ 897,132	\$ 945,467	\$ 889,254	\$ 952,101	\$ 937,296
Covered-Employee Payroll	204.71%	203.43%	198.96%	176.21%	159.17%	175.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.73%	60.94%	60.44%	64.57%	67.55%	62.98%

**Notes to Schedule:**

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

**CITY OF MULLINS  
MULLINS, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CITY'S CONTRIBUTIONS  
POLICE OFFICERS' RETIREMENT SYSTEM**

**LAST SIX FISCAL YEARS**

	Year Ended June 30,					
	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 164,143	\$ 138,806	\$ 127,752	129,907	119,250	\$ 122,250
Contributions in Relation to the Contractually Required Contributions:						
Contributions from the City	164,143	129,085	127,752	129,907	119,250	122,250
Contributions from the State	-	9,721	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Covered-Employee Payroll	\$ 952,106	\$ 854,716	\$ 897,132	945,467	889,254	\$ 952,101
Contributions as a Percentage of Covered-Employee Payroll:	17.24%	16.24%	14.24%	13.74%	13.41%	12.84%

**Notes to Schedule:**

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

## CITY OF MULLINS, SOUTH CAROLINA

## SUPPLEMENTARY INFORMATION - DETAILED BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2019

	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
Taxes - Property			
Property	\$ 1,660,000	1,604,113	\$ (55,887)
Delinquent	85,000	58,744	(26,256)
Local Option	175,000	206,573	31,573
Privilege Licenses and Payments in Lieu of License	900,000	1,010,755	110,755
Sanitation Charges	780,000	765,804	(14,196)
Police Fines	55,000	55,310	310
Local Government Fund	140,000	147,604	7,604
Accommodations Tax	26,000	33,182	7,182
Recreation Department Receipts	66,000	45,422	(20,578)
Interest	8,000	19,531	11,531
Grants	20,000	154,297	134,297
Miscellaneous	60,000	57,132	(2,868)
Fire Department	167,000	160,145	(6,855)
School Resource Officer	135,000	136,172	1,172
Museum	1,000	1,702	702
<b>TOTAL REVENUES</b>	<b>\$ 4,278,000</b>	<b>4,456,486</b>	<b>\$ 178,486</b>
<b>EXPENDITURES</b>			
General Government:			
Salaries	152,700	149,924	2,776
Contractual Services	30,000	22,963	7,037
Hospital Insurance	85,900	103,063	(17,163)
Payroll Taxes	12,100	10,784	1,316
Retirement	23,000	20,671	2,329
Accounting and Legal	66,000	72,970	(6,970)
Advertising	2,500	2,208	292
Utilities	12,500	7,173	5,327
Telephone	11,000	7,806	3,194
Office Supplies	7,000	5,947	1,053
Insurance and Workmen's Compensation	287,000	291,983	(4,983)
Municipal Dues and Fees	3,800	5,388	(1,588)
Supplies and Minor Equipment	5,000	4,496	504
Maintenance to Equipment	500	-	500
Maintenance to Building	5,000	19,509	(14,509)
Gas, Oil, and Tires	-	399	(399)
Travel and Meals	19,800	31,617	(11,817)
Miscellaneous	13,800	92,221	(78,421)
Marion County Drug Program	\$ 3,000	3,334	\$ (334)

**CITY OF MULLINS, SOUTH CAROLINA**

**SUPPLEMENTARY INFORMATION - DETAILED BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGETS AND ACTUAL**

**YEAR ENDED JUNE 30, 2019**

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
General Government:			
Employee Christmas Expenses	\$ 3,000	2,573	\$ 427
Sales and Use Tax	1,000	1,256	(256)
Training	4,000	3,368	632
Uniforms	1,000	697	303
Capital Outlay	-	50,943	(50,943)
Total General Government	<u>749,600</u>	<u>911,293</u>	<u>(161,693)</u>
Beautification Department:			
Salaries	31,100	30,914	186
Hospital Insurance	5,900	6,546	(646)
Payroll Taxes	2,300	2,321	(21)
Retirement	4,400	6,526	(2,126)
Telephone	-	650	(650)
Consultant fee	2,500	5,322	(2,822)
Maintenance to Equipment	1,500	1,249	251
Gas, Oil, and Tires	-	340	(340)
Uniforms	-	2,367	(2,367)
Total Beautification Department	<u>47,700</u>	<u>56,235</u>	<u>(8,535)</u>
Streets and Sanitation Department:			
Salaries	285,600	239,888	45,712
Temporary Staffing	10,000	35,548	(25,548)
Hospital Insurance	66,000	53,479	12,521
Payroll Taxes	21,400	17,604	3,796
Retirement	40,700	34,465	6,235
Utilities	125,000	133,130	(8,130)
Telephone	2,000	3,567	(1,567)
Supplies and Minor Equipment	22,000	20,424	1,576
Maintenance to Equipment	30,000	35,821	(5,821)
Maintenance to Buildings	10,000	420	9,580
Gas, Oil, and Tires	35,000	54,096	(19,096)
Uniforms	7,500	10,968	(3,468)
Miscellaneous	5,000	5,901	(901)
Contractual Services	450,000	461,617	(11,617)
Debt Service:			
Principal	40,000	40,000	-
Total Streets and Sanitation Department	<u>\$ 1,150,200</u>	<u>1,146,928</u>	<u>\$ 3,272</u>

**CITY OF MULLINS, SOUTH CAROLINA**

**SUPPLEMENTARY INFORMATION - DETAILED BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGETS AND ACTUAL**

**YEAR ENDED JUNE 30, 2019**

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Court Administration Department:			
Salaries	\$ 25,500	8,823	\$ 16,677
Hospital Insurance	3,000	719	2,281
Payroll Taxes	2,000	382	1,618
Retirement	3,100	1,431	1,669
Office Supplies	-	90	(90)
Dues and Fees	-	50	(50)
Travel and meals	-	210	(210)
Education and Training	-	775	(775)
Total Court Administration Department	<u>33,600</u>	<u>12,480</u>	<u>21,120</u>
Police Department:			
Salaries	793,100	771,435	21,665
Hospital Insurance	148,600	148,706	(106)
Payroll Taxes	58,400	57,181	1,219
Retirement	124,400	126,720	(2,320)
Utilities	-	4,578	(4,578)
Telephone	18,500	19,374	(874)
Dues and Fees	3,000	3,560	(560)
Supplies and Minor Equipment	20,800	13,790	7,010
Maintenance to Equipment	17,500	7,498	10,002
Maintenance to Building	-	218	(218)
Gas, Oil, and Tires	50,000	50,714	(714)
Travel and meals	4,000	1,055	2,945
Uniforms	18,850	16,783	2,067
Combined Drug Unit	4,300	138	4,162
Education and Training	4,500	1,772	2,728
Prisoner Expenditures	5,000	-	5,000
Victim's Advocate	500	-	500
Miscellaneous	2,000	4,565	(2,565)
Marion County Law Enforcement	35,000	35,000	-
Contractual Services	57,100	83,589	(26,489)
Capital Outlay	5,700	287,329	(281,629)
Total Police Department	<u>1,371,250</u>	<u>1,634,005</u>	<u>(262,755)</u>
Fire Department:			
Salaries	210,800	255,010	(44,210)
Hospital Insurance	46,600	48,706	(2,106)
Payroll Taxes	15,900	18,650	(2,750)
Retirement	\$ 35,800	39,982	\$ (4,182)

CITY OF MULLINS, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - DETAILED BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2019

	FINAL BUDGET	ACTUAL	VARIANCE
Fire Department:			
Utilities	\$ 20,000	22,060	\$ (2,060)
Telephone	5,000	7,545	(2,545)
Office Supplies	2,000	2,252	(252)
Dues and Fees	3,800	1,891	1,909
Supplies and Minor Equipment	37,500	74,661	(37,161)
Maintenance to Equipment	32,900	76,978	(44,078)
Maintenance to Building	8,400	12,724	(4,324)
Gas, Oil, and Tires	15,000	33,166	(18,166)
Travel and Meals	3,100	3,557	(457)
Uniforms	2,800	6,041	(3,241)
Education and Training	2,800	3,168	(368)
Miscellaneous	11,200	2,342	8,858
Professional Service	7,500	5,025	2,475
Marion County Fire Service	35,000	35,000	-
Debt Service:			
Principal	136,400	127,177	9,223
Interest	-	9,404	(9,404)
Total Fire Department	632,500	785,339	(152,839)
Recreation Department:			
Salaries	112,400	107,430	4,970
Officials	40,000	-	40,000
Temporary Staffing	-	26,634	(26,634)
Hospital Insurance	12,300	12,006	294
Payroll Taxes	8,400	7,947	453
Retirement	16,000	14,038	1,962
Utilities	32,000	31,863	137
Telephone	2,500	2,051	449
Office Supplies	200	-	200
Dues and Fees	2,500	2,855	(355)
Contractual Services	1,500	275	1,225
Supplies and Minor Equipment	30,000	26,879	3,121
Maintenance on Equipment	2,000	3,087	(1,087)
Maintenance on Building	2,000	5,825	(3,825)
Gas, Oil, and Tires	2,800	448	2,352
Travel and Meals	2,500	6,851	(4,351)
Uniforms	500	-	500
Canteen	14,000	9,015	4,985
Miscellaneous	3,000	4,492	(1,492)
Capital Outlay	-	23,726	(23,726)
Total Recreation Department	284,600	285,422	(822)
Maintenance Department:			
Salaries	22,700	23,152	(452)
Hospital Insurance	6,100	5,965	135
Payroll Taxes	\$ 1,600	1,703	\$ (103)

## CITY OF MULLINS, SOUTH CAROLINA

## SUPPLEMENTARY INFORMATION - DETAILED BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2019

	FINAL BUDGET	ACTUAL	VARIANCE
Maintenance Department:			
Retirement	\$ 3,000	3,309	\$ (309)
Utilities	3,000	1,863	1,137
Telephone	800	159	641
Supplies and Minor Equipment	4,000	3,333	667
Maintenance on Equipment	1,000	913	87
Gas, Oil, and Tires	1,000	470	530
Uniforms	700	1,237	(537)
Total Maintenance Department	43,900	42,104	1,796
Museum Department			
Salaries	31,000	29,158	1,842
Hospital Insurance	-	39	(39)
Payroll Taxes	2,400	2,231	169
Retirement	4,500	3,780	720
Utilities	7,000	6,338	662
Telephone	800	599	201
Office Supplies	100	-	100
Supplies and Minor Equipment	500	409	91
Maintenance on Equipment	500	-	500
Maintenance on Building	1,000	622	378
Travel and Meals	200	-	200
Museum Purchases	1,700	-	1,700
Marketing	500	-	500
Total Museum Department	50,200	43,176	7,024
<b>TOTAL EXPENDITURES</b>	<b>4,363,550</b>	<b>4,916,982</b>	<b>(553,432)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(85,550)</b>	<b>(460,496)</b>	<b>(374,946)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Lease of Capital Assets	70,000	59,087	(10,913)
Insurance Proceeds	-	55,370	55,370
Lease Proceeds	-	242,304	242,304
Transfer from Hospitality Tax Fund	43,000	52,841	9,841
Transfer to Capital Fund	(86,000)	-	86,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>27,000</b>	<b>409,602</b>	<b>382,602</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(58,550)</b>	<b>(50,894)</b>	<b>7,656</b>
FUND BALANCES, BEGINNING OF YEAR	2,199,028	2,199,028	-
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 2,140,478</b>	<b>2,148,134</b>	<b>\$ 7,656</b>



## CITY OF MULLINS, SOUTH CAROLINA

## UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2019

## FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected			94,264	94,264
Court fines and assessments remitted to State Treasurer			(52,015)	(52,015)
<b>Total Court Fines and Assessments retained</b>			<b>42,249</b>	<b>42,249</b>
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained			1,760	1,760
Assessments retained			4,594	4,594
<b>Total Surcharges and Assessments retained for victim services</b>			<b>6,354</b>	<b>6,354</b>

## FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
<b>Carryforward from Previous Year – Beginning Balance</b>	<b>41,161</b>		<b>41,161</b>
<b>Victim Service Revenue:</b>			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	4,594		4,594
Victim Service Surcharges Retained by City/County Treasurer	1,760		1,760
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
<b>Contribution Received from Victim Service Contracts:</b>			
(1) Town of			
(2) Town of			
(3) City of			
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	<b>47,515</b>		<b>47,515</b>
<b>Expenditures for Victim Service Program:</b>	<b>Municipal</b>	<b>County</b>	<b>Total</b>
Salaries and Benefits	-		-
Operating Expenditures	-		-
<b>Victim Service Contract(s):</b>			
(1) Entity's Name			
(2) Entity's Name			
<b>Victim Service Donation(s):</b>			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	<b>-</b>		<b>-</b>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
<b>Less: Prior Year Fund Deficit Repayment</b>			
<b>Carryforward Funds – End of Year</b>	<b>47,515</b>		<b>47,515</b>

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

To the Mayor and City Council  
City of Mullins  
Mullins, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mullins as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Mullins' basic financial statements and have issued our report thereon dated September 10, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Mullins' 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 City of Mullins' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mullins' 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. This significant deficiency is reported as finding #2019-001.

## **Compliance and Other Matters**

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

## **City of Mullins' Response to Findings**

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

## **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.

*Kenneth Cobb & Company P.C.*

Kenneth Cobb & Company, P.C.  
Mullins, South Carolina  
September 10, 2020

City of Mullins, South Carolina  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the fiscal year ended June 30, 2019

I. FINDINGS – FINANCIAL STATEMENTS AUDIT

**SIGNIFICANT DEFICIENCY**

#2019-001 Inadequate segregation of duties (initially reported 6/3/08)

Condition: Due to a small staff size, the City does not have complete segregation of duties.

Criteria: The ideal internal control system would not allow one person to perform a transaction from beginning to end.

Cause: There are insufficient personnel to properly segregate all financial functions of the City.

Effect: An error in financial reporting may not be detected in a timely manner or the misappropriation of assets could be concealed.

Recommendation: We recommend that the Mayor, City Council and management use supervisory reviews such as monitoring financial statements and budget reports, and segregate duties where cost beneficial to do so.

Views of Responsible Officials and Planned Corrective Actions: City Council hired an outside accounting firm in August 2013 for the purpose of processing accounts payables, maintaining the general ledger and producing monthly financial statements. This firm obtains approvals from the Mayor and City Administrator prior to paying any invoices. The City will continue to maintain a purchase order system that requires that all purchases have a purchase order. The purchase order will be entered into the system, and matched to all invoices by the City Clerk. Financial statements produced by the accounting firm will be reviewed by the City Clerk, City Administrator, and distributed to City Council on a monthly basis. While additional separation of duties might provide more controls, the City believes the steps taken adequately separate the key tasks involved in the management of and reporting of the finances of the City.