

City of Mullins, South Carolina

**BASIC FINANCIAL
STATEMENTS AND
SUPPLEMENTAL INFORMATION**

June 30, 2016

CITY OF MULLINS, SOUTH CAROLINA

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CITY OF MULLINS, SOUTH CAROLINA

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CITY OF MULLINS, SOUTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2016

Established

1872

MAYOR

William “Bo” McMillan

CITY COUNCIL MEMBERS

Patricia Phillips – Mayor Pro Tem

Terry Davis

Linda Schiavo

Jo Sanders

Carolyn Wilson

Sherry Hayes

CITY ADMINISTRATOR

David E. Hudspeth

CITY ATTORNEY

Robert Corley

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, 2016, 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, 2016, 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.

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 January 5, 2017 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
January 5, 2017

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CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

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, 2016. 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 the financial statements and notes to the financial statements to enhance their understanding the City's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$3,766,000 (*net position*). In addition, the City's restricted net position was approximately \$391,000 and the City's unrestricted net position (the amount that may be used to meet the government's ongoing obligations to citizens and creditors) was approximately a (\$2,133,000) deficit for governmental activities. The deficit unrestricted net position is primarily due to the net pension liability of approximately \$3.1 million. Net investment in capital assets was approximately \$5,507,000.
- The government's total net position increased by approximately \$130,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$2,750,000, a decrease of approximately \$10,000 from the prior year's fund balance. This was primarily due to expenditures in the Capital Fund for continued and planned projects and transfers from Hospitality Fund to the General Fund.
- The City's General Fund reported total fund balance of approximately \$2,322,000. Approximately \$2,307,000 of this amount is available for spending at the government's discretion (*unassigned fund balance*). The unassigned fund balance for the General Fund was 55% of total General Fund expenditures for the year ended June 30, 2016.
- The City's capital assets increased by approximately \$670,000 (12%) during the current fiscal year due to capital asset additions of approximately \$1,011,000, offset by depreciation expense of approximately \$330,000.
- The City's indebtedness increased by approximately \$229,000 (25%) during the current year due to a new lease purchase, approximately \$315,000, partially offset by scheduled principal payments of approximately \$86,000.

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.

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.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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.

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.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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"> ▪ Statement of Net Position. ▪ Statement of Activities. 	<ul style="list-style-type: none"> ▪ Balance Sheet. ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances.
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, 2016

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, 2016 compared to June 30, 2015:

	Governmental Activities and Total	
	2016	2015
Assets:		
Current and Other Assets	\$ 3,351,033	\$ 3,377,523
Capital Assets, Net	6,373,039	5,703,523
Total Assets	9,724,072	9,081,046
Deferred Outflow of Resources		
Deferred Pension Charges	298,876	284,886
Liabilities		
Long-Term Obligations	5,491,609	4,878,736
Other Liabilities	621,207	553,894
Total Liabilities	6,112,816	5,432,630
Deferred Inflow of Resources		
Deferred Pension Credits	144,165	297,074
Net Position		
Net Investment in Capital Assets	5,507,480	4,804,300
Restricted	391,345	497,298
Unrestricted	(2,132,858)	(1,665,370)
Total Net Position	\$ 3,765,967	\$ 3,636,228

The City's total assets for governmental activities increased approximately \$643,000 from the prior year to approximately \$9,724,000 at June 30, 2016. Current and other assets decreased approximately \$26,000 (1%). Capital assets increased approximately \$670,000 from the prior year primarily due to current year additions of approximately \$1,011,000 exceeding depreciation expense of approximately \$330,000. Total governmental activities liabilities increased approximately \$680,000 from the prior year primarily due to the City entering into a new lease purchase agreement and an increase in the net pension liability.

The City's net position increased by approximately \$130,000 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 \$3,766,000 at June 30, 2016. The largest portion of the City's net position of approximately \$5,507,000 (146%) 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 \$391,000 (10%) 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 (\$2,133,000) (57%), a deficit, is unrestricted. The City's unrestricted balance without the net pension liability would be approximately \$995,000.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City's net position for fiscal year 2016 compared to 2015.

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,197,489	\$ 1,183,929
Operating Grants and Contributions	142,992	141,712
Capital Grants and Contributions	596,088	222,456
General Revenues:		
Taxes	2,100,018	2,053,579
Other	959,767	980,175
Total Revenues	<u>4,996,354</u>	<u>4,581,851</u>
Expenses:		
General Government	1,027,058	1,228,852
Beautification	54,806	62,385
Street and Sanitation	1,111,211	1,103,126
Court Administration	54,671	53,915
Police	1,533,886	1,492,915
Fire	621,520	567,989
Museum	42,297	40,331
Recreation	291,286	262,561
Maintenance	96,288	71,441
Interest on Long Term Debt	33,592	20,708
Total Expenses	<u>4,866,615</u>	<u>4,904,223</u>
Change in Net Position	129,739	(322,372)
Net Position - Beginning of Year	<u>3,636,228</u>	<u>3,958,600</u>
Net Position - End of Year	<u>\$ 3,765,967</u>	<u>3,636,228</u>

Governmental Activities: Governmental activities increased the City's net position by approximately \$130,000 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 2016 increased approximately \$415,000. Capital contributions from Marion County, approximately \$186,000, related to the renovations to the City Library. Prior year contributions from the County were approximately \$93,000 which related to the City Hall and Library renovations. The City received a donated building and land of approximately \$210,000. A grant of approximately \$113,000 was received by the police department to secure and equip three new police cars.
- Total governmental activities expenses decreased by approximately \$38,000 from the prior year as expenses in total remained relatively similar to the prior year.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

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 \$2,750,000, a decrease of approximately \$10,000 over the prior year fund balance. The decrease in fund balance was due to revenues and other financing sources of approximately \$4,926,000 being exceeded by expenditures of approximately \$4,936,000. Much of the current decrease was planned by the City as they completed several capital items during fiscal year 2016.

Approximately 86% or \$2,359,000 of the total governmental fund balance of approximately \$2,750,000 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), (2) victim's advocate expenditures (\$15,000; restricted), and (3) capital projects (\$263,000; 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 \$2,322,000. 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 \$2,307,000 and represents approximately 55% of total General Fund expenditures for the current year.

The fund balance for the General Fund increased by approximately \$113,000 primarily due to higher property taxes collected of approximately \$45,000. Expenditures increases slightly compared to prior year with the police and fire departments having the most significant increases of approximately \$54,000 and \$71,000, respectively. General government and capital outlay had the largest decreases in expenditures of approximately \$69,000 and \$66,000, respectively.

The Capital Fund accounts for major capital outlays. This fund expended a total of approximately \$627,000 during 2016 related to several major capital projects, most of which were completed during the year, received funding from lease proceeds and grants, and reported an ending fund balance of approximately \$315,000 at June 30, 2016.

In addition, the fund balance of the Local Hospitality Tax fund decreased by approximately \$42,000, or 27%, over 2015. This decrease was primarily due to a transfer from the Hospitality Fund to the General Fund related to the city museum.

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 \$4,224,000 were under budget by approximately \$89,000. Grant revenue came in under budget by approximately \$150,000 partially offset by property tax collections coming in over budget by approximately \$30,000.
- Actual expenditures of approximately \$4,186,000 were under budget by approximately \$161,000. Costs related to streets and sanitation and police department were below budget offset by the fire department and capital outlay exceeding budget.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets as of June 30, 2016 and June 30, 2015, amounted to approximately \$6,373,000 and \$5,703,000, 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, 2016 and 2015 were as follows:

	Governmental Activities and Total	
	2016	2015
Land	\$ 946,414	\$ 911,414
Construction in Progress	272,335	825,463
Buildings and Improvements	6,375,571	5,064,333
Equipment and Vehicles	2,659,551	2,672,172
Capital Assets	10,253,871	9,473,382
Accumulated Depreciation	3,880,832	3,769,889
Total	<u>\$ 6,373,039</u>	<u>\$ 5,703,493</u>

The total increase in the City's capital assets for the current fiscal year was approximately \$670,000 (12%). Major capital asset events during the current fiscal year included the following:

- Renovations to the City Library of approximately \$217,000, for which approximately \$186,000 was contributed by Marion County. The renovations are expected to be completed in FY 2017.
- Upgrade of Dogwood Park of approximately \$28,000. This project was completed in FY 2016.
- Upgrade of Gapway Recreation Park of approximately \$325,000. This project was completed in FY 2016.
- Equipment and vehicle purchases of approximately \$225,000.
- Donated land and building of approximately \$210,000.
- Depreciation expense of approximately \$330,000.

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, 2016 and 2015 was as follows:

	Governmental Activities and Total	
	2016	2015
Debt		
2009 Fire Truck	\$ 114,117	\$ 149,193
2014 Hospitality Fee Bond	699,000	750,000
2016 Lease Purchase	315,000	-
Total Debt	<u>\$ 1,128,117</u>	<u>\$ 899,193</u>

The total increase in the City's governmental activities debt for the current fiscal year was approximately \$229,000 or 25%, which was due to a new lease purchase partially offset by scheduled principal payments made during the year.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

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, 2016, the City had no bonded debt subject to the 8% limit of approximately \$701,000 (based on an assessed value of approximately \$8,760,000).

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 2017 BUDGET FOR THE CITY

The City's elected officials and staff considered many factors when setting the fiscal year 2017 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, 2016

	PRIMARY GOVERNMENT	
	Governmental Activities	Totals
ASSETS		
Cash and Cash Equivalents	\$ 2,503,696	\$ 2,503,696
Cash and Cash Equivalents, Restricted	384,326	384,326
Receivables, Net:		
Property Taxes	37,842	37,842
Other	4,367	4,367
Intergovernmental Receivables	420,802	420,802
Capital Assets:		
Non-Depreciable	1,218,749	1,218,749
Depreciable, Net	5,154,290	5,154,290
TOTAL ASSETS	9,724,072	9,724,072
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Charges	298,876	298,876
LIABILITIES		
Accounts Payable	269,441	269,441
Accrued Interest Payable	20,226	20,226
Accrued Salaries and Benefits	102,698	102,698
Local Option Sales Tax Credit Roll-Back	207,943	207,943
Court Bonds Outstanding	20,899	20,899
Non-Current Liabilities:		
Due Within One Year	149,147	149,147
Due in More Than One Year	2,214,253	2,214,253
Net Pension Liability	3,128,209	3,128,209
TOTAL LIABILITIES	6,112,816	6,112,816
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Credits	144,165	144,165
NET POSITION		
Net Investment in Capital Assets	5,507,480	5,507,480
Restricted For:		
Victim's Advocate	15,216	15,216
Tourism Related Expenditures	113,571	113,571
Capital Projects	262,558	262,558
Unrestricted Deficit	(2,132,858)	(2,132,858)
TOTAL NET POSITION	\$ 3,765,967	\$ 3,765,967

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, 2016

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government	
					Governmental Activities	Total
PRIMARY GOVERNMENT:						
Governmental Activities:						
General Government	\$ 1,027,058	-	139,756	445,925	(441,377)	\$ (441,377)
Beautification	54,806	-	-	-	(54,806)	(54,806)
Street and Sanitation	1,111,211	774,584	-	-	(336,627)	(336,627)
Court Administration	54,671	-	-	-	(54,671)	(54,671)
Police	1,533,886	194,103	-	112,903	(1,226,880)	(1,226,880)
Fire	621,520	167,181	-	-	(454,339)	(454,339)
Museum	42,297	1,301	2,736	-	(38,260)	(38,260)
Maintenance	96,288	-	-	-	(96,288)	(96,288)
Recreation	291,286	60,320	500	37,260	(193,206)	(193,206)
Interest on Long Term Debt	33,592	-	-	-	(33,592)	(33,592)
Total Governmental Activities	4,866,615	1,197,489	142,992	596,088	(2,930,046)	(2,930,046)
TOTAL - PRIMARY GOVERNMENT	\$ 4,866,615	1,197,489	142,992	596,088	(2,930,046)	(2,930,046)
General Revenues and Transfers:						
General Revenues:						
Taxes:						
Property Taxes					1,905,171	1,905,171
Hospitality Taxes					168,887	168,887
Accommodations Taxes					25,960	25,960
Business Licenses and Franchise Fees					884,025	884,025
Unrestricted Investment Earnings					7,639	7,639
Miscellaneous					60,740	60,740
Insurance Proceeds					1,000	1,000
Gain on Sale of Assets					6,363	6,363
Total General Revenues					3,059,785	3,059,785
CHANGE IN NET POSITION					129,739	129,739
NET POSITION, BEGINNING OF YEAR					3,636,228	3,636,228
NET POSITION, END OF YEAR					3,765,967	\$ 3,765,967

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, 2016

	SPECIAL REVENUE -			
	GENERAL	LOCAL	CAPITAL	TOTAL
	FUND	HOSPITALITY	FUND	GOVERNMENTAL
		TAX FUND		FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 2,425,682	-	78,014	\$ 2,503,696
Cash and Cash Equivalents, Restricted	-	121,768	262,558	384,326
Receivables, Net:				
Property Taxes	37,842	-	-	37,842
Other	-	-	4,367	4,367
Intergovernmental Receivables	420,802	-	-	420,802
Due From Other Funds	7,897	-	48,663	56,560
TOTAL ASSETS	\$ 2,892,223	121,768	393,602	\$ 3,407,593
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 190,227	300	78,914	\$ 269,441
Accrued Salaries and Benefits	102,698	-	-	102,698
Local Option Sales Tax Credit Roll-Back	207,943	-	-	207,943
Court Bonds Outstanding	20,899	-	-	20,899
Due To Other Funds	48,663	7,897	-	56,560
TOTAL LIABILITIES	570,430	8,197	78,914	657,541
FUND BALANCES				
Restricted For:				
Tourism Related Expenditures	-	113,571	-	113,571
Capital Projects	-	-	262,558	262,558
Victim's Advocate	15,216	-	-	15,216
Unassigned	2,306,577	-	52,130	2,358,707
TOTAL FUND BALANCES	2,321,793	113,571	314,688	2,750,052
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,892,223	121,768	393,602	\$ 3,407,593

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, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,750,052
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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 \$10,253,871 and the accumulated depreciation was \$3,880,832.	6,373,039
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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.	(2,973,498)
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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.	(20,226)
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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	(1,128,117)
Compensated Absence Obligations	(146,348)
Net OPEB Liability	<u>(1,088,935)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 3,765,967</u>
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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 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE - LOCAL HOSPITALITY TAX FUND	CAPITAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes - Property	\$ 1,905,171	-	-	\$ 1,905,171
Taxes - Hospitality	-	168,887	-	168,887
Licenses and Franchise Fees	884,025	-	-	884,025
Sanitation Charges	774,584	-	-	774,584
Police Fines	65,103	-	-	65,103
State Aid	165,716	-	-	165,716
Recreation Fees	60,320	-	-	60,320
Grants	500	-	200,114	200,614
Fire Department	167,181	-	-	167,181
School Resource Officer	129,000	-	-	129,000
Museum	4,037	-	-	4,037
Interest Income	7,580	59	-	7,639
Miscellaneous	60,706	-	-	60,706
TOTAL REVENUES	4,223,923	168,946	200,114	4,592,983
EXPENDITURES				
Current:				
General Government	748,989	47,614	-	796,603
Beautification	46,758	-	-	46,758
Street and Sanitation	1,043,209	-	-	1,043,209
Court	49,263	-	-	49,263
Police	1,366,116	-	-	1,366,116
Fire	517,556	-	-	517,556
Recreation	259,871	-	-	259,871
Maintenance	39,657	-	-	39,657
Museum	39,236	-	-	39,236
Capital Outlay	33,675	-	627,425	661,100
Debt Service:				
Principal Retirement	35,076	51,000	-	86,076
Interest	6,132	24,719	-	30,851
TOTAL EXPENDITURES	4,185,538	123,333	627,425	4,936,296
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	38,385	45,613	(427,311)	(343,313)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	17,278	-	-	17,278
Insurance proceeds	1,000	-	-	1,000
Lease Proceeds	-	-	315,000	315,000
Transfers In	91,718	-	35,000	126,718
Transfers Out	(35,000)	(87,816)	(3,902)	(126,718)
TOTAL OTHER FINANCING SOURCES (USES)	74,996	(87,816)	346,098	333,278
NET CHANGES IN FUND BALANCES	113,381	(42,203)	(81,213)	(10,035)
FUND BALANCES, BEGINNING OF YEAR	2,208,412	155,774	395,901	2,760,087
FUND BALANCES, END OF YEAR	\$ 2,321,793	113,571	314,688	\$ 2,750,052

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, 2016

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (10,035)
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 also increases long term liabilities in the Statement of Net Position.	(315,000)
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.	(2,741)
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.	395,974
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.	86,076
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.	28,378
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.	(10,915)
Under the purchase method, prepaid insurance was expensed when paid in the governmental funds, but the payment is shown as a prepaid item and not an expense in the Statement of Activities. This is the change in the prepaid balance from the prior year.	(81,057)
A net OPEB liability results from not fully funding the annual required contribution to an OPEB Plan in the current and/or prior years and is not reported as a liability in the governmental funds. This amount represents the change in this liability during the current year and is reported in the Statement of Activities.	(243,389)
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	(2,039)
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 capital asset additions of \$614,876 exceeded depreciation expense of \$330,389 in the current period.	284,487
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 129,739

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, 2016

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. This consists of six council members and a City Administrator. 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, 2016

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.

The City implemented GASB Statement No. 72 "*Fair Value Measurement and Application*" ("GASB #72" or "Statement") for the year ended June 30, 2016. The primary objective of this Statement was to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The adoption of these Statements had no impact on the City's governmental fund financial statements but did result in expanded note disclosures. See Note I.C.11 for more information regarding the City's fair value disclosures.

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.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

C. Assets, Liabilities, and Equity

I. 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.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

- (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.

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 purchase method in the governmental funds.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

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 45 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, 2016

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 one type of deferred outflows of resources: 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. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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 one type 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. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

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*

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B. and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of 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 liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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, 2016.

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. 45.

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, 2016

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, 2016, none of the City's bank balances of approximately \$2,843,000 (with a carrying value of approximately \$2,886,000) were exposed to custodial credit risk.

Investments

As of June 30, 2016, 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, 2016

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, 2016 were those imposed by the revenue source (i.e., hospitality fees, accommodation taxes, grants, etc.) and bond/lease proceeds to be used for capital items.

B. Property Taxes and Related Receivables

Property taxes receivable of approximately \$38,000, which is net of an allowance for estimated uncollectible taxes of approximately \$169,000, 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.

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 th	3%
February 2 nd	an additional 7%
March 17 th	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 2016 real and business personal property taxes (which was for tax year 2015) were levied in September 2015 based on a millage rate of 167 mills. The City's assessed value of real and personal property (excluding vehicles) was approximately \$8.8 million for tax year 2015.

C. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2016 consisted of the following:

Fund	Receivables	Payables
General Fund	\$ 7,897	\$ 48,663
Hospitality Tax Fund	-	7,897
Capital Fund	48,663	-
Totals	\$ 56,560	\$ 56,560

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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, 2016, consisted of the following:

Fund	Transfer In	Transfer Out
General Fund	\$ 91,718	\$ 35,000
Hospitality Tax Fund	-	87,816
Capital Fund	35,000	3,902
Totals	\$ 126,718	\$ 126,718

During the course of normal operations and in order to support the numerous functions of the City, transactions between funds may occur. The General Fund transferred approximately \$35,000 to the Capital Fund for capital items and the Hospitality Fund transferred approximately \$88,000 to General fund for the museum.

D. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 911,414	35,000	-	-	\$ 946,414
Construction In Progress	825,463	576,008	-	(1,129,136)	272,335
Total Capital Assets, Non-Depreciable	1,736,877	611,008	-	(1,129,136)	1,218,749
Capital Assets, Depreciable:					
Buildings and Improvements	5,064,333	182,102	-	1,129,136	6,375,571
Equipment and Vehicles	2,672,172	217,740	(230,361)	-	2,659,551
Total Capital Assets, Depreciable	7,736,505	399,842	(230,361)	1,129,136	9,035,122
Less: Accumulated Depreciation for:					
Buildings and Improvements	1,847,697	179,785	-	-	2,027,482
Equipment and Vehicles	1,922,192	150,604	(219,446)	-	1,853,350
Total Accumulated Depreciation	3,769,889	330,389	(219,446)	-	3,880,832
Total Capital Assets, Depreciable, Net	3,966,616	69,453	(10,915)	1,129,136	5,154,290
Governmental Activities Capital Assets, Net	\$ 5,703,493	680,461	(10,915)	-	\$ 6,373,039

Ongoing construction in progress in the City's governmental activities primarily relates to the renovations to the City Library during the year ended June 30, 2016. Marion County, through the Capital Sales Tax Program, has paid for approximately \$186,000 of the City Library renovations during the year ended June 30, 2016. The amount paid for by Marion County is recorded as a capital contribution in the Statement of Activities. Marion County has committed to fund a total of approximately \$242,000 and the City has received a grant in the amount of approximately \$49,000 for the library renovation. The City also received a donation of land and building from a local company of approximately \$175,000 and another land and building donation from a local bank of approximately \$35,000.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

D. Capital Assets (Continued)

As of June 30, 2016, the City estimated that there was approximately \$7,000 in additional costs to complete the library renovations.

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

Functions/Programs	Expense
General Government	\$ 137,776
Beautification	3,716
Streets and Sanitation	29,623
Police	54,324
Fire	61,987
Recreation	42,963
Total - Governmental Activities	<u>\$ 330,389</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, 2016
<i>Hospitality Fee Revenue Bond</i>	
\$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.	\$ 699,000
<i>Lease Purchase Obligations</i>	
2009 Fire Truck lease purchase agreement ("2009 Fire Truck"). Interest rate of 4.11% and maturity date of January 30, 2019. Annual payment is \$41,208.	\$ 114,117
\$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%.	\$ 315,000

Resources from the City's General Fund have been used to liquidate both 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, 2016

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

E. Long-Term Obligations (Continued)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension* in 2009. This Statement established standards for the measurement, recognition and display of Other Post Employment Benefits ("OPEB") expenditures and related liabilities (assets), note disclosures, and required supplementary information in financial reports. For more information on the net OPEB liability (which is shown in the long-term obligation rollforward), see Note IV.C. for more details.

Presented below is a summary of changes in long-term obligations for the City for the year ended June 30, 2016:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Note and Lease Payable					
2009 Fire Truck	\$ 149,193	-	35,076	114,117	\$ 36,518
2014 Hospitality Fee Bond	750,000	-	51,000	699,000	53,000
2016 Lease Purchase	-	315,000	-	315,000	59,629
Total Note and Lease Payable	899,193	315,000	86,076	1,128,117	149,147
Compensated Absences	174,726	-	28,378	146,348	-
Net OPEB Liability	845,546	243,389	-	1,088,935	-
Total Governmental Activities	\$ 1,919,465	558,389	114,454	2,363,400	\$ 149,147

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, 2016, the City did not have any bonded debt subject to the 8% limit, which was approximately \$701,000.

Presented below is a summary of debt service requirements to maturity by year for the City's governmental activities as of June 30, 2016:

Year Ending June 30,	Bonds Payable		Leases Payable		Total
	Principal	Interest	Principal	Interest	
<u>Governmental Activities:</u>					
2017	53,000	24,465	96,147	13,353	\$ 186,965
2018	55,000	22,610	99,287	10,212	187,109
2019	57,000	20,685	102,535	6,964	187,184
2020	59,000	18,690	64,685	3,607	145,982
2021	61,000	16,625	66,463	1,826	145,914
2022-2026	339,000	49,595	-	-	388,595
2027	75,000	2,625	-	-	77,625
Totals	\$ 699,000	155,295	429,117	35,962	\$ 1,319,374

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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, 2015, totaled approximately \$14,390,000. 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, 2015, totaled approximately \$54,388,000. 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"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. The PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. 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.

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 firemen of the state and its political subdivisions.

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.

- 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.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits (continued)

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. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS and 5 percent for the PORS. An increase in the contribution rates adopted by the PEBA Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (continued)

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 as follows for the past three years:

	SCRS Rates			PORS Rates		
	2014	2015	2016	2014	2015	2016
Employer Contribution Rate: [^]						
Retirement*	10.45%	10.75%	10.91%	12.44%	13.01%	13.34%
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>10.60%</u>	<u>10.90%</u>	<u>11.06%</u>	<u>12.84%</u>	<u>13.41%</u>	<u>13.74%</u>
Employee Contribution Rate	<u>7.50%</u>	<u>8.00%</u>	<u>8.16%</u>	<u>7.84%</u>	<u>8.41%</u>	<u>8.74%</u>

[^] 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
2016	\$ 82,577	100%	\$ 129,907	100%
2015	84,284	100%	119,250	100%
2014	\$ 80,704	100%	\$ 122,250	100%

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
2016	\$ 746,630	945,467	\$ 1,692,097
2015	773,243	889,254	1,662,497
2014	\$ 761,358	952,101	\$ 1,713,459

Actuarial Assumptions and Methods

Actuarial valuations 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. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time 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. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (continued)

The June 30, 2015 total pension liability, net pension liability, and sensitivity information were determined by the PEBA's consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on the July 1, 2014 actuarial valuations as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015 using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.50%	7.50%
Projected Salary Increases*	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* Includes inflation at 2.75%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014 valuations for the SCRS and PORS are as follows:

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014 actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission ("RSIC") in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Long-term Expected Rate of Return (continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted by the RSIC for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

Pension Liabilities, 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 total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2015 measurement date, for the SCRS and PORS 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	\$ 44,097,310,230	25,131,828,101	\$ 18,965,482,129	57.0%
PORS	\$ 6,151,321,222	3,971,824,838	\$ 2,179,496,384	64.6%

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability 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.

At June 30, 2016, the City reported liabilities of approximately \$1,561,000 and \$1,567,000 for its proportionate share of the net pension liabilities for the SCRS and PORS ("Plans"), respectively. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2014 that was projected forward to the measurement date. The City's proportion of the net pension liabilities 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, 2015, the City's SCRS proportion was .008 percent, which was equal to its proportion measured as of June 30, 2014. At June 30, 2015, the City's PORS proportion was .072 percent, which was equal to its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of approximately \$107,000 and \$108,000 for the SCRS and PORS, respectively. At June 30, 2016, 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
SCRS		
Differences Between Expected and Actual Experience	\$ 38,188	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,792
Changes in Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions	-	21,307
City's Contributions Subsequent to the Measurement Date	82,577	-
Total SCRS	120,765	24,099
PORS		
Differences Between Expected and Actual Experience	48,204	-
Changes in Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions	-	120,066
City's Contributions Subsequent to the Measurement Date	129,907	-
Total PORS	178,111	120,066

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

Approximately \$83,000 and \$130,000 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 net pension liability in the year ended June 30, 2017. 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
2016	\$ (50)	\$ (26,757)	\$ (26,807)
2017	(50)	(26,757)	(26,807)
2018	(9,578)	(28,129)	(37,707)
2019	23,767	9,781	33,548
Total	<u>\$ 14,089</u>	<u>\$ (71,862)</u>	<u>\$ (57,773)</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, 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 7.50 percent, as well as what it would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability of the SCRS	\$ 1,968,276	1,561,238	\$ 1,220,090
City's proportionate share of the net pension liability of the PORS	\$ 2,134,580	1,566,971	\$ 1,059,559

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.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, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Payable to Plans

The City reported payables of approximately \$10,900 and \$17,300 to the PEBA as of June 30, 2016, representing required employer and employee contributions for the month of June 2016 for the SCRS and PORS, respectively. These amounts are included in Accrued Salaries and Benefits on the financial statements and were paid in July 2016.

C. Postemployment Benefits Other Than Pensions

Plan Description

The City sponsors a single-employer defined benefit healthcare plan (the "OPEB Plan") that provides medical, vision, prescription drug, and life insurance benefits to active employees and eligible retirees. 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 and completes 20 years of service with the City.

Information regarding South Carolina Retirement System eligibility may be found in the financial statements as identified in Note IV.B. The OPEB Plan's benefit and contribution requirements for the City and plan members are established and amended by Council. These contributions are neither guaranteed nor mandatory. Council has retained the right to unilaterally modify its payments toward retiree health care benefits at any time.

As of July 1, 2015, the measurement date, there were 73 covered participants; 12 members are retirees (or their spouses) receiving benefits and 61 are active participants.

Benefits and Funding Policy

The City pays the full cost of the OPEB Plan for the full life of each eligible retiree. Currently, the City pays for 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 plan benefits.

Medical, vision, prescription drug, and life insurance benefits coverage is provided through the City's fully insured, active employee plan until the retiree becomes eligible for Medicare. Medicare eligible retirees have benefits provided under the BCBS Medicare Supplement Plan F and Medicare Part D prescription drug plan. A \$10,000 term life insurance benefit is provided to retirees (face value decreases to \$5,000 at age 70). Retiree benefits are not provided for spouses and dependents except through special arrangement. Currently, only one retiree has spouse coverage provided by the City.

The 2016 monthly medical premium for coverage prior to Medicare eligibility is \$420 per retiree. Once a retiree is Medicare eligible, the retiree's coverage is through BCBS Medicare Supplement Plan F ("Plan F").

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Benefits and Funding Policy (Continued)

The City's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial Methods and Assumptions

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

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

Actuarial Valuation Date:	July 1, 2015
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Percentage Payroll Amount; Open Basis
Remaining Amortization Period:	30 Years
Actuarial Assumptions:	
Asset Valuation Method	Market Value
Investment Rate of Return:	4.00% (includes 2.75% inflation)
Discount Rate:	4.00%
Medical Cost Trend Rate:	
Pre-Medicare	7.50% - 5.00%
Post-Medicare	5.50% - 5.00%
Ultimate Trend Rate	5.00%
Year of Ultimate Trend	2020
Payroll Growth:	2.75%
Coverage Elections:	100% of eligible retirees will elect coverage; none of those will elect spouse coverage
Active Participation Marriage Assumption:	100% of all active employees are assumed to be married with female spouses assumed to be 3 years younger
Mortality Table:	RP-2000

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Annual OPEB Costs and Rollforward of Net OPEB Obligation

For 2016, the annual OPEB cost (expense) and the progression of the net OPEB obligation in the OPEB Plan for the most recent plan year (fiscal year 2016) was as follows:

1.	Net OPEB Obligation (Asset), Beginning of the Plan Year	\$ 845,546
2.	One Year's Interest on the Net OPEB Obligation	33,822
3.	ARC (Normal Cost Plus Any Amortization Payments)	308,234
4.	Adjustment to Annual Required Contribution	(33,403)
5.	Annual OPEB Cost: (2)+(3)+(4)	308,653
6.	Contributions Made for the Plan Year	65,264
7.	Increase (Decrease) in Net OPEB Obligation (Asset): (5)-(6)	243,389
8.	Net OPEB Obligation (Asset), End of the Plan Year: (1)+(7)	\$ 1,088,935

Schedule of Employer Contributions

The City did not make any contributions to the OPEB Plan to pre-fund benefits; it made payments of approximately \$65,000 for covered participants' explicit and implicit subsidized benefits.

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan and the net OPEB obligation (asset) were as follows:

Schedule of Employer Contributions					
Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Cost Contributed	Net OPEB Obligation (Asset)	
June 30, 2011	\$ 290,934	\$ 74,196	25.50%	\$	391,191
June 30, 2012	308,217	57,491	18.65%		641,918
June 30, 2013	(173,100)	58,315	-33.69%		410,503
June 30, 2014	280,202	62,455	22.29%		628,250
June 30, 2015	280,591	63,295	22.56%		845,546
June 30, 2016	\$ 308,653	\$ 65,264	21.14%	\$	1,088,935

Schedule of Funding Progress

Fiscal year 2010 was the year of implementation of GASB Statement #45 and the City has elected to implement prospectively. This schedule provides trend information about whether the actuarial values of OPEB Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress for the OPEB Plan is as follows:

Schedule of Funding Progress						
Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered ((b-a)/c)
July 1, 2010	\$ -	2,999,879	\$ 2,999,879	0.00%	\$ 1,870,316	160.39%
July 1, 2013	-	3,410,382	3,410,382	0.00%	1,375,662	247.91%
July 1, 2015	\$ -	3,544,450	\$ 3,544,450	0.00%	\$ 1,539,326	230.26%

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Contingent Liabilities and Commitments

Information Technology and Telephone Services Agreements

During the year ended June 30, 2014, the City signed agreements for information technology and telephone services, including electronic storage, maintenance, data backup, security, and other services for City Hall. The agreements are for 60 months, with the first payments due when the services begin. The City moved into the renovated City Hall in August 2014, and these services began at that time. During 2016, the City added the police department to these agreements. The monthly fees for both agreements total \$4,695. Payments under the terms of these agreements are as follows:

Year Ended June 30	IT Services	Telephone Services	Total
2017	\$ 48,888	7,452	\$ 56,340
2018	48,888	7,452	56,340
2019	48,888	7,452	56,340
2020	6,111	932	7,043
Total	<u>\$ 152,775</u>	<u>23,288</u>	<u>\$ 176,063</u>

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 31st following the 31st anniversary of the completion date.

Any unpaid principal remaining following the 50th anniversary of the completion date, shall be due and payable on December 31st following the 51st 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.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Contingent Liabilities and Commitments (Continued)

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, 2016.

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

E. Subsequent Events

In July 2016, the City entered into a contract to purchase a fire truck in the amount of approximately \$271,000 to be paid for using capital lease proceeds. Subsequent events were evaluated through the date in which the financial statements were available to be issued which was January 5, 2017.

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, 2016

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes - Property	\$ 1,875,000	1,875,000	1,905,171	\$ 30,171
Privilege Licenses amd Payments in Lieu of License	865,000	865,000	884,025	19,025
Sanitation Charges	765,000	765,000	774,584	9,584
Police Fines	55,000	55,000	65,103	10,103
State Shared Revenue	165,000	165,000	165,716	716
Recreation Department Receipts	68,400	68,400	60,320	(8,080)
Lease Agreements	5,000	5,000	-	(5,000)
Interest	5,000	5,000	7,580	2,580
Grants	150,000	150,000	500	(149,500)
Miscellaneous	62,000	62,000	60,706	(1,294)
Fire Department	167,000	167,000	167,181	181
School Resource Officer	129,000	129,000	129,000	-
Museum	1,500	1,500	4,037	2,537
TOTAL REVENUES	4,312,900	4,312,900	4,223,923	(88,977)
EXPENDITURES				
Current:				
General Government	748,993	748,993	748,989	(4)
Beautification Department	45,911	45,911	46,758	847
Streets and Sanitation Department	1,209,683	1,209,683	1,043,209	(166,474)
Court Administration Department	50,023	50,023	49,263	(760)
Police Department	1,428,262	1,428,262	1,366,116	(62,146)
Fire Department	479,276	479,276	517,556	38,280
Recreation Department	244,231	244,231	259,871	15,640
Maintenance	43,140	43,140	39,657	(3,483)
Museum	43,484	43,484	39,236	(4,248)
Capital Outlay	12,600	12,600	33,675	21,075
Debt Service:				
Principal	41,000	41,000	35,076	(5,924)
Interest	-	-	6,132	6,132
TOTAL EXPENDITURES	4,346,603	4,346,603	4,185,538	(161,065)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(33,703)	(33,703)	38,385	72,088
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	20,000	20,000	17,278	(2,722)
Insurance proceeds	-	-	1,000	1,000
Transfers In	43,384	43,384	91,718	48,334
Transfers Out	(35,000)	(35,000)	(35,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	28,384	28,384	74,996	46,612
NET CHANGE IN FUND BALANCE	(5,319)	(5,319)	113,381	118,700
FUND BALANCE, BEGINNING OF YEAR	2,208,412	2,208,412	2,208,412	-
FUND BALANCE, END OF YEAR	\$ 2,203,093	2,203,093	2,321,793	\$ 118,700

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 use of fund balance of \$5,319.

CITY OF MULLINS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
LOCAL HOSPITALITY TAX FUNDSCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes - Hospitality Fees	\$ 160,000	160,000	168,887	\$ 8,887
Interest	-	-	59	59
TOTAL REVENUES	160,000	160,000	168,946	8,946
EXPENDITURES				
Current:				
General Government	46,684	46,684	47,614*	(930)
Debt Service:				
Principal	51,000	51,000	51,000	-
Interest	24,719	24,719	24,719	-
TOTAL EXPENDITURES	122,403	122,403	123,333	(930)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	37,597	37,597	45,613	8,016
OTHER FINANCING SOURCES (USES)				
Transfer to the General Fund	(43,384)	(43,384)	(87,816)	(44,432)
TOTAL OTHER FINANCING SOURCES (USES)	(43,384)	(43,384)	(87,816)	(44,432)
NET CHANGE IN FUND BALANCE	(5,787)	(5,787)	(42,203)	(36,416)
FUND BALANCE, BEGINNING OF YEAR	155,774	155,774	155,774	-
FUND BALANCE, END OF YEAR	\$ 149,987	149,987	113,571	\$ (36,416)

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.
The City's original and final budget reflected an expected use of fund balance of \$5,787.

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, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Federal Grants	\$ -	-	112,903	\$ 112,903
State Grants	5,000	5,000	37,260	32,260
Local Grants	-	-	49,951	49,951
Contributions	10,000	10,000	-	(10,000)
TOTAL REVENUES	15,000	15,000	200,114	185,114
EXPENDITURES				
Capital Outlay	360,000	360,000	627,425	(267,425)
TOTAL EXPENDITURES	360,000	360,000	627,425	(267,425)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(345,000)	(345,000)	(427,311)	(82,311)
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	310,000	310,000	315,000	5,000
Transfers In	35,000	35,000	35,000	-
Transfers Out	-	-	(3,902)	(3,902)
TOTAL OTHER FINANCING SOURCES (USES)	345,000	345,000	346,098	1,098
NET CHANGE IN FUND BALANCES	-	-	(81,213)	(81,213)
FUND BALANCES, BEGINNING OF YEAR	395,901	395,901	395,901	-
FUND BALANCES, END OF YEAR	\$ 395,901	395,901	314,688	\$ (81,213)

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

**OTHER POST EMPLOYMENT BENEFIT PLAN SCHEDULES – DEFINED BENEFIT HEALTHCARE PLAN
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS**

YEAR ENDED JUNE 30, 2016

Fiscal year 2010 was the first year of implementation of GASB Statement No. 45 and the City elected to implement prospectively. Therefore, comparative data is only available from that date.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Annual Required Contribution	Annual Contributed	Percentage Funded
June 30, 2010	\$ 253,519	\$ 79,073	31.19%
June 30, 2011	290,934	74,196	25.50%
June 30, 2012	308,217	57,491	18.65%
June 30, 2013	(173,100)	58,315	-33.69%
June 30, 2014	280,202	62,455	22.29%
June 30, 2015	280,591	63,295	22.56%
June 30, 2016	\$ 308,653	\$ 65,264	21.14%

SCHEDULE OF FUNDING PROGRESS

Schedule of Funding Progress						
Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 1, 2010	\$ -	2,999,879	\$ 2,999,879	0.00%	\$ 1,870,316	160.39%
July 1, 2013	\$ -	3,410,382	\$ 3,410,382	0.00%	\$ 1,375,662	247.91%
July 1, 2015	\$ -	3,544,450	\$ 3,544,450	0.00%	\$ 1,539,326	230.26%

**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 THREE FISCAL YEARS

	Year Ended June 30,		
	2016	2015	2014
City's Proportion of the Net Pension Liability (Asset)	0.008232%	0.008386%	0.008386%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,561,238	\$ 1,443,791	\$ 1,504,149
City's Covered-Employee Payroll	\$ 773,243	\$ 761,358	\$ 780,124
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	201.91%	189.63%	192.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.99%	59.92%	56.39%

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
SOUTH CAROLINA RETIREMENT SYSTEM

LAST THREE FISCAL YEARS

	Year Ended June 30,		
	2016	2015	2014
Contractually Required Contribution	\$ 82,577	\$ 84,284	\$ 80,704
Contributions in Relation to the Contractually Required Contribution:	82,577	84,284	80,704
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 746,630	\$ 773,243	\$ 761,358
Contributions as a Percentage of Covered- Employee Payroll:	11.06%	10.90%	10.60%

**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 THREE FISCAL YEARS

	Year Ended June 30,		
	2016	2015	2014
City's Proportion of the Net Pension Liability (Asset)	0.07190%	0.07916%	0.07916%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,566,971	\$ 1,515,480	\$ 1,640,986
City's Covered-Employee Payroll	\$ 889,254	\$ 952,101	\$ 937,296
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	176.21%	159.17%	175.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 THREE FISCAL YEARS

	Year Ended June 30,		
	2016	2015	2014
Contractually Required Contribution	\$ 129,907	\$ 119,250	\$ 122,250
Contributions in Relation to the Contractually Required Contribution:	129,907	119,250	122,250
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 945,467	\$ 889,254	\$ 952,101
Contributions as a Percentage of Covered- Employee Payroll:	13.74%	13.41%	12.84%

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, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Taxes - Property			
Property	\$ 1,630,000	1,630,256	\$ 256
Delinquent	75,000	83,288	8,288
Local Option	170,000	191,627	21,627
Privilege Licenses and Payments in Lieu of License	865,000	884,025	19,025
Sanitation Charges	765,000	774,584	9,584
Police Fines	55,000	65,103	10,103
State Shared Revenue			
Local Government Fund	140,000	139,756	(244)
Accommodations Tax	25,000	25,960	960
Recreation Department Receipts	68,400	60,320	(8,080)
Lease Agreements	5,000	-	(5,000)
Interest	5,000	7,580	2,580
Grants	150,000	500	(149,500)
Miscellaneous	62,000	60,706	(1,294)
Fire Department	167,000	167,181	181
School Resource Officer	129,000	129,000	-
Museum	1,500	4,037	2,537
TOTAL REVENUES	\$ 4,312,900	4,223,923	\$ (88,977)
EXPENDITURES			
General Government:			
Salaries	194,972	200,138	(5,166)
Contractual Services	30,860	39,170	(8,310)
Hospital Insurance	100,000	98,390	1,610
Payroll Taxes	14,915	15,360	(445)
Retirement	21,564	24,813	(3,249)
Accounting and Legal	66,200	64,492	1,708
Advertising	2,500	4,032	(1,532)
Utilities	6,000	10,749	(4,749)
Telephone	11,832	10,163	1,669
Office Supplies	5,500	7,029	(1,529)
Insurance and Workmen's Compensation	250,000	210,470	39,530
Municipal Dues and Fees	2,950	7,952	(5,002)
Purchase leased equipment	3,000	2,099	901
Supplies and Minor Equipment	3,700	3,970	(270)
Maintenance to Equipment	500	1,881	(1,381)
Maintenance to Building	5,000	7,821	(2,821)
Travel and Meals	17,500	22,959	(5,459)
Tax- Housing Authority	-	-	-
Miscellaneous	5,300	9,501	(4,201)
Marion County Drug Program	\$ 3,000	3,085	\$ (85)

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, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
General Government:			
Employee Christmas Expenses	\$ 700	1,948	\$ (1,248)
Sales and Use Tax	2,000	598	1,402
Unemployment Insurance	1,000	-	1,000
Training	-	2,006	(2,006)
Uniforms	-	363	(363)
Capital Outlay	-	5,390	(5,390)
Total General Government	748,993	754,379	(5,386)
Beautification Department:			
Salaries	29,932	30,337	(405)
Hospital Insurance	5,722	5,847	(125)
Payroll Taxes	2,252	2,271	(19)
Retirement	3,255	3,310	(55)
Telephone	750	327	423
Consultant fee	1,500	2,261	(761)
Maintenance to Equipment	-	105	(105)
Tree Removals	250	28	222
Gas, Oil, and Tires	1,500	1,741	(241)
Uniforms	750	531	219
Total Beautification Department	45,911	46,758	(847)
Streets and Sanitation Department:			
Salaries	289,964	265,778	24,186
Temporary Staffing	-	31,505	(31,505)
Hospital Insurance	70,272	59,552	10,720
Payroll Taxes	21,800	19,574	2,226
Retirement	31,517	29,045	2,472
Utilities	125,000	118,537	6,463
Telephone	2,000	1,723	277
Office Supplies	200	-	200
Supplies and Minor Equipment	20,000	19,861	139
Maintenance to Equipment	20,000	25,183	(5,183)
Maintenance to Roads and Streets	-	-	-
Maintenance to Buildings	500	201	299
Gas, Oil, and Tires	38,000	35,313	2,687
Uniforms	7,500	7,622	(122)
Miscellaneous	132,930	2,495	130,435
Contractual Services	450,000	426,820	23,180
Capital Outlay	1,500	10,045	(8,545)
Total Streets and Sanitation Department	\$ 1,211,183	1,053,254	\$ 157,929

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, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
Court Administration Department:			
Salaries	\$ 32,056	37,063	\$ (5,007)
Hospital Insurance	2,400	2,619	(219)
Payroll Taxes	2,452	2,532	(80)
Retirement	3,545	3,689	(144)
Contractual Services	3,120	-	3,120
Legal Costs	1,000	40	960
Telephone	500	-	500
Office Supplies	500	321	179
Dues and Fees	300	100	200
Travel and meals	3,100	2,583	517
Education and Training	950	316	634
Miscellaneous	100	-	100
Total Court Administration Department	50,023	49,263	760
Police Department:			
Salaries	791,981	800,074	(8,093)
Hospital Insurance	211,671	176,813	34,858
Payroll Taxes	58,483	57,581	902
Retirement	102,776	104,602	(1,826)
Utilities	6,000	3,468	2,532
Telephone	18,500	20,768	(2,268)
Office Supplies and Postage	800	1,441	(641)
Dues and Fees	1,000	2,400	(1,400)
Supplies and Minor Equipment	13,750	5,357	8,393
Maintenance to Equipment	17,500	23,034	(5,534)
Maintenance to Building	2,500	724	1,776
Gas, Oil, and Tires	57,000	51,918	5,082
Travel and meals	3,900	2,875	1,025
Uniforms	15,710	7,445	8,265
Combined Drug Unit	4,300	4,300	-
Education and Training	4,250	318	3,932
Prisoner Expenditures	5,000	10,925	(5,925)
Victim's Advocate	500	508	(8)
Miscellaneous	1,000	19,252	(18,252)
Marion County Law Enforcement	35,000	35,000	-
Contractual Services	76,641	37,313	39,328
Capital Outlay	4,600	1,084	3,516
Total Police Department	1,432,862	1,367,200	65,662
Fire Department:			
Salaries	237,083	252,103	(15,020)
Hospital Insurance	39,689	44,163	(4,474)
Payroll Taxes	15,396	18,380	(2,984)
Retirement	\$ 27,653	30,074	\$ (2,421)

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, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
Fire Department:			
Utilities	\$ 20,000	13,711	\$ 6,289
Telephone	5,000	9,576	(4,576)
Office Supplies	1,500	1,416	84
Dues and Fees	1,725	2,420	(695)
Supplies and Minor Equipment	15,600	25,554	(9,954)
Maintenance to Equipment	26,200	45,315	(19,115)
Maintenance to Building	7,800	5,619	2,181
Gas, Oil, and Tires	18,000	14,462	3,538
Travel and Meals	2,000	2,071	(71)
Uniforms	4,140	6,783	(2,643)
Education and Training	3,400	1,518	1,882
Miscellaneous	11,590	2,945	8,645
Professional Service	7,500	6,446	1,054
Marion County Fire Service	35,000	35,000	-
Capital Outlay	-	3,040	(3,040)
Debt Service:			
Principal	41,000	35,076	5,924
Interest	-	6,132	(6,132)
Total Fire Department	520,276	561,804	(41,528)
Recreation Department:			
Salaries	99,486	94,305	5,181
Temporary Staffing	27,000	42,078	(15,078)
Hospital Insurance	11,340	11,005	335
Payroll Taxes	7,611	6,903	708
Retirement	10,594	9,822	772
Utilities	22,500	31,473	(8,973)
Telephone	2,000	3,740	(1,740)
Office Supplies	200	19	181
Dues and Fees	1,500	3,772	(2,272)
Contractual Services	7,000	1,500	5,500
Supplies and Minor Equipment	23,000	30,033	(7,033)
Maintenance on Equipment	2,000	1,068	932
Maintenance on Building	2,500	652	1,848
Gas, Oil, and Tires	3,500	2,536	964
Travel and Meals	2,500	2,051	449
Uniforms	7,000	1,647	5,353
Canteen	12,000	15,209	(3,209)
Miscellaneous	2,500	2,058	442
Capital Outlay	6,500	14,116	(7,616)
Total Recreation Department	250,731	273,987	(23,256)
Maintenance Department:			
Salaries	21,071	21,336	(265)
Hospital Insurance	5,670	5,471	199
Payroll Taxes	\$ 1,574	1,556	\$ 18

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, 2016

	FINAL BUDGET	ACTUAL	VARIANCE
Maintenance Department:			
Retirement	\$ 2,275	2,332	\$ (57)
Utilities	3,000	2,253	747
Telephone	800	2	798
Supplies and Minor Equipment	3,000	4,093	(1,093)
Maintenance on Equipment	1,000	1,425	(425)
Gas, Oil, and Tires	1,000	741	259
Uniforms	750	415	335
Miscellaneous	-	33	(33)
Capial Outlay	3,000	-	3,000
Total Maintenance Department	43,140	39,657	3,483
Museum Department			
Salaries	26,275	25,934	341
Hospital Insurance	-	39	(39)
Payroll Taxes	2,087	1,983	104
Retirement	2,572	2,823	(251)
Utilities	7,000	5,589	1,411
Telephone	900	1,488	(588)
Office Supplies	200	-	200
Supplies and Minor Equipment	500	195	305
Maintenance on Equipment	500	18	482
Maintenance on Building	1,000	376	624
Exhibitions	-	134	(134)
Travel and Meals	250	-	250
Museum Purchases	1,700	657	1,043
Marketing	500	-	500
Total Museum Department	43,484	39,236	4,248
TOTAL EXPENDITURES	4,346,603	4,185,538	161,065
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(33,703)	38,385	72,088
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	20,000	17,278	(2,722)
Insurance Proceeds	-	1,000	1,000
Transfer from Hospitality Tax Fund	43,384	91,718	48,334
Transfer to Capital Fund	(35,000)	(35,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	28,384	74,996	46,612
NET CHANGE IN FUND BALANCES	(5,319)	113,381	118,700
FUND BALANCES, BEGINNING OF YEAR	2,208,412	2,208,412	-
FUND BALANCES, END OF YEAR	\$ 2,203,093	2,321,793	\$ 118,700

CITY OF MULLINS, SOUTH CAROLINA

**SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES
GENERAL FUND - VICTIM'S ADVOCATE**

YEAR ENDED JUNE 30, 2016

Court Fines

Total Court Fines Collected	\$ 43,070
Court Fines Retained by the City	<u>(43,070)</u>
Court Fines Remitted to the State Treasurer	<u>\$ -</u>

Court Other Assessments

Total Court Other Assessments Collected	\$ 50,955
Court Other Assessments Retained by the City	<u>(5,693)</u>
Court Other Assessments Remitted to the State Treasurer	<u>\$ 45,262</u>

DUI, DUS, BUS Assessments, Surcharges and Pullout

Total DUI, DUS, BUI Assessments, Surcharges and Pullout Collected	\$ 21,882
DUI, DUS, BUI Assessments, Surcharges and Pullout Retained by the City	<u>(2,304)</u>
DUI, DUS, BUI Assessments, Surcharges and Pullout Remitted to the State Treasurer	<u>\$ 19,578</u>

Victim's Advocate

Total Court Assessments Allocated to Victim's Advocate	\$ 5,693
Court Surcharges Allocated to Victim's Advocate	<u>2,304</u>
Funds Allocated to Victim's Advocate	7,997
Victim's Advocate Expenditures	<u>(508)</u>
Funds Available to Carry Forward	7,489
Funds Carry Forward from Prior Year	<u>7,727</u>
Fund Balance for Victim's Advocate	<u>\$ 15,216</u>

**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, 2016, 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 January 5, 2017.

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 significant deficiency. This significant deficiency is reported as findings #2016-001.

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
January 5, 2017

City of Mullins, South Carolina
SCHEDULE OF FINDINGS AND RESPONSES
For the fiscal year ended June 30, 2016

I. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

#2016-001 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.

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.

Response: 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.