

City of Mullins, South Carolina

**BASIC FINANCIAL  
STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

June 30, 2015

**CITY OF MULLINS, SOUTH CAROLINA**

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**YEAR ENDED JUNE 30, 2015**

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**CITY OF MULLINS, SOUTH CAROLINA**

**LISTING OF PRINCIPAL OFFICIALS**

**YEAR ENDED JUNE 30, 2015**

Established

1872

**MAYOR**

William “Bo” McMillan

**CITY COUNCIL MEMBERS**

Patricia Phillips – Mayor Pro Tem

Terry Davis

Linda Schiavo

Jo Sanders

George Hardwick

Carolyn Wilson

**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, 2015, 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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principles**

As described in Note I.B. to the financial statements, in the fiscal year ended June 30, 2015 the City adopted new accounting guidance, *GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27"* and *GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68"*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule, 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.

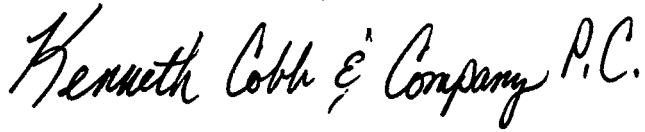
### **Other Information**

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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements 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 combining and individual nonmajor fund financial statements 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 21, 2016 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.

A handwritten signature in black ink that reads "Kenneth Cobb & Company P.C." in a cursive script.

Kenneth Cobb & Company, P.C.  
Mullins, South Carolina  
January 21, 2016

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## CITY OF MULLINS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2015

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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, 2015. 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 \$3,636,000 (*net position*). In addition, the City's restricted net position was approximately \$497,000 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 (\$1,665,000) deficit for governmental activities.
- The government's total net position decreased by approximately \$322,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$2,760,000, a decrease of approximately \$567,000 from the prior year's fund balance. This was primarily due to expenditures in the Capital Fund utilizing reserves from the General Fund and Hospitality Tax Fund that were transferred to the Capital Fund.
- The City's General Fund reported total fund balance of approximately \$2,208,000. Approximately \$2,201,000 of this amount is available for spending at the government's discretion (*unassigned fund balance*). The unassigned fund balance for the General Fund was 53% of total General Fund expenditures for the year ended June 30, 2015.
- The City's capital assets increased by approximately \$1,232,000 during the current fiscal year due to capital asset additions of approximately \$1,518,000, offset by depreciation expense of approximately \$284,000.
- The City's indebtedness increased by approximately \$716,000 (390%) during the current year due to a new hospitality tax revenue bond, approximately \$750,000, partially offset by scheduled principal payments of approximately \$34,000.
- The City implemented Governmental Accounting Standard Boards ("GASB") Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" ("GASB #68") and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*" ("GASB #71" and collectively "Statements") in 2015. These Statements require the City to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for their participation in the South Carolina Retirement System cost-sharing multiple-employer defined benefit pension plan, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the statement of net position) and presents more extensive note disclosures.

The adoption has resulted in the restatement of the City's net position as of July 1, 2014 to reflect the reporting of net pension liabilities and deferred outflows of resources for its qualified Plan in accordance with the provisions of these Statements. The net position of the City's as of July 1, 2014 was decreased by approximately \$2,942,000 reflecting the cumulative change in accounting principle related to the adoption of these Statements. See Note IV.B in the notes to the financial statements for more information regarding the City's retirement plan.

#### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Financial Statements

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

## CITY OF MULLINS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

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#### OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

The City maintained five 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, Local Hospitality Tax Fund, Fireman's Fund, and the Volunteer Fireman's 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, 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 combining and individual fund schedules 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, 2015**

**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"> <li>▪ Statement of Net Position.</li> <li>▪ Statement of Activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance Sheet.</li> <li>▪ Statement of Revenues, Expenditures, and Changes in Fund Balances.</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon, thereafter; no capital assets 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, 2015

#### 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, 2015 compared to June 30, 2014:

	Governmental Activities and Total	
	2015	2014
Assets:		
Current and Other Assets	\$ 3,377,523	\$ 3,694,021
Capital Assets, Net	5,703,523	4,471,738
Total Assets	9,081,046	8,165,759
Deferred Outflow of Resources		
Deferred Pension Charges	284,886	-
Liabilities		
Long-Term Obligations	4,878,736	980,775
Other Liabilities	553,894	284,203
Total Liabilities	5,432,630	1,264,978
Deferred Inflow of Resources		
Deferred Pension Credits	297,074	-
Net Position		
Net Investment in Capital Assets	4,804,300	4,288,319
Restricted	497,298	410,212
Unrestricted	(1,665,370)	2,202,250
Total Net Position	\$ 3,636,228	\$ 6,900,781

The City's total assets for governmental activities increased approximately \$915,000 from the prior year to approximately \$9,081,000 at June 30, 2015. Current and other assets decreased approximately \$316,000 (9%). Capital assets increased approximately \$1,232,000 from the prior year primarily due to current year additions of approximately \$1,518,000 exceeding depreciation expense of approximately \$284,000. Total governmental activities liabilities increased approximately \$4,168,000 from the prior year primarily due to the implementation of GASB #68/71 and recording the net pension liability, an increase in the outstanding Other Post Employment Benefits Obligation, and the City entering into a new hospitality revenue bond.

The City's net position decreased by approximately \$3,265,000 during the current fiscal year due to the implementation of GASB #68/71 and current year expenses exceeding current year revenues.

The City's assets exceeded liabilities by approximately \$3,636,000 at June 30, 2015. The largest portion of the City's net position of approximately \$4,804,000 (132%) 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 \$497,000 (14%) 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 (\$1,665,000) (46%), a deficit, is unrestricted. The City's unrestricted balance without the net pension liability would be approximately \$1,294,000.

**CITY OF MULLINS, SOUTH CAROLINA****MANAGEMENT'S DISCUSSION AND ANALYSIS****YEAR ENDED JUNE 30, 2015****GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following table shows the changes in the City's net position for fiscal year 2015 compared to 2014.

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,183,929	\$ 1,139,769
Operating Grants and Contributions	141,712	408,911
Capital Grants and Contributions	222,456	692,349
General Revenues:		
Taxes	2,053,579	2,032,687
Other	980,175	982,817
Total Revenues	<u>4,581,851</u>	<u>5,256,533</u>
Expenses:		
General Government	1,228,852	1,368,629
Beautification	62,385	106,920
Street and Sanitation	1,103,126	1,320,214
Court Administration	53,915	47,789
Police	1,492,915	1,537,304
Fire	567,989	555,255
Museum	40,331	48,564
Recreation	262,561	244,754
Maintenance	71,441	88,492
Interest on Long Term Debt	20,708	8,197
Total Expenses	<u>4,904,223</u>	<u>5,326,118</u>
Change in Net Position	(322,372)	(69,585)
Net Position - Beginning of Year	6,900,781	6,970,366
Cumulative Change in Accounting Principal - GASB #68/71	(2,942,181)	-
Net Position - End of Year	<u>\$ 3,636,228</u>	<u>6,900,781</u>

See Notes to the Financial Statements, Note I.B. for discussion of GASB #68/71.

## CITY OF MULLINS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

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

*Governmental Activities:* Governmental activities decreased the City's net position by approximately \$322,000 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 2015 decreased approximately \$470,000 in capital contributions from Marion County as most of the work the County paid for, of the renovations to City Hall, occurred in the prior year. There was also a decrease in operating grant revenue due to approximately \$267,000 of grant revenue that was received in 2014 but none was received in 2015. Excluding these non-recurring items, revenues for 2015 increased approximately \$62,000 (1%).
- Total governmental activities expenses decreased by approximately \$422,000 from the prior year primarily due to not having the losses on disposal and impairment of capital assets of approximately \$420,000.

#### 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 \$2,760,000, a decrease of approximately \$567,000 over the prior year fund balance. The decrease in fund balance was due to revenues and other financing sources of approximately \$5,109,000 being exceeded by expenditures of approximately \$5,676,000. The current year decrease of approximately \$567,000 was planned by the City as they continue to expend funds on several capital items.

Approximately 82% or \$2,263,000 of the total governmental fund balance of approximately \$2,760,000 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 (\$156,000; restricted), (2) victim's advocate expenditures (\$8,000; restricted), and (3) capital projects (\$334,000; 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 \$2,208,000. 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 (\$2,201,000) represents approximately 53% of total General Fund expenditures for the current year.

The fund balance for the General Fund decreased by approximately \$349,000 primarily due to a transfer of approximately \$348,000 to the Capital Fund to fund the upgrade of two City parks.

The Capital Fund accounts for major capital outlays. This fund expended a total of approximately \$1,413,000 during 2015 related to several major capital projects during the year, received funding from the General Fund, the Hospitality Fund, bond proceeds, and reported an ending fund balance of approximately \$396,000 at June 30, 2015.

In addition, the fund balances of the other governmental funds decreased by approximately \$219,000, or 28%, over 2014. This decrease was primarily due to a transfer from the Hospitality Fund to the Capital Fund for capital projects.

## CITY OF MULLINS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

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#### FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

**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 \$4,184,000 exceeded budget by approximately \$50,000. Property tax collections came in over budget by approximately \$55,000.
- Actual expenditures of approximately \$4,186,000 were under budget by approximately \$11,000. Costs related to court and fire department were slightly below budget offset by general government and capital outlay exceeding budget.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### *Capital Assets*

The City's capital assets as of June 30, 2015 and June 30, 2014, amounted to approximately \$5,703,000 and \$4,472,000, 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, 2015 and 2014 were as follows:

	Governmental Activities and Total	
	2015	2014
Land	\$ 911,414	\$ 883,797
Construction in Progress	825,463	784,756
Buildings and Improvements	5,064,333	3,881,117
Equipment and Vehicles	2,672,172	2,452,827
Capital Assets	9,473,382	8,002,497
Accumulated Depreciation	3,769,889	3,530,759
Total	\$ 5,703,493	4,471,738

The total increase in the City's capital assets for the current fiscal year was approximately \$1,232,000 (28%). Major capital asset events during the current fiscal year included the following:

- Renovations to City Hall of approximately \$297,000, for which approximately \$37,000 was contributed by Marion County as part of the Capital Sales Tax Program. The renovations were completed in FY 2015.
- Upgrade of Dogwood Park of approximately \$242,000.
- Upgrade of Gapway Recreation Park of approximately \$498,000.
- Equipment and vehicle purchases of approximately \$219,000.
- Depreciation expense of approximately \$284,000.

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

## CITY OF MULLINS, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

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

##### *Debt Administration*

The City did not have any outstanding general obligation debt. The total outstanding debt as of June 30, 2015 and 2014 was as follows:

	Governmental Activities and Total	
	2015	2014
Debt		
Beach House	\$ -	\$ 535
2009 Fire Truck	149,193	182,884
2014 Hospitality Fee Bond	750,000	-
Total Debt	<u>\$ 899,193</u>	<u>183,419</u>

The total increase in the City's governmental activities debt for the current fiscal year was approximately \$716,000 or 390%, which was due to a new hospitality fee bond partially offset by scheduled principal payments made during the year.

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, 2015, the City had no bonded debt subject to the 8% limit of approximately \$700,000 (based on an assessed value of approximately \$8,744,000).

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 2016 BUDGET FOR THE CITY

The City's elected officials and staff considered many factors when setting the fiscal year 2016 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, 2015

	PRIMARY GOVERNMENT	
	Governmental Activities	Totals
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,062,894	\$ 2,062,894
Cash and Cash Equivalents, Restricted	733,687	733,687
Receivables, Net:		
Property Taxes	46,093	46,093
Intergovernmental Receivables	453,822	453,822
Prepaid Insurance	81,057	81,057
Capital Assets:		
Non-Depreciable	1,736,877	1,736,877
Depreciable, Net	3,966,616	3,966,616
<b>TOTAL ASSETS</b>	<b>9,081,046</b>	<b>9,081,046</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Pension Charges	284,886	284,886
<b>LIABILITIES</b>		
Accounts Payable	327,508	327,508
Accrued Interest Payable	17,485	17,485
Accrued Salaries and Benefits	91,624	91,624
Local Option Sales Tax Credit Roll-Back	109,066	109,066
Court Bonds Outstanding	8,211	8,211
Non-Current Liabilities:		
Due Within One Year	86,076	86,076
Due in More Than One Year	1,833,389	1,833,389
Net Pension Liability	2,959,271	2,959,271
<b>TOTAL LIABILITIES</b>	<b>5,432,630</b>	<b>5,432,630</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Pension Credits	297,074	297,074
<b>NET POSITION</b>		
Net Investment in Capital Assets	4,804,300	4,804,300
Restricted For:		
Victim's Advocate	7,727	7,727
Tourism Related Expenditures	155,774	155,774
Capital Projects	333,797	333,797
Unrestricted Deficit	(1,665,370)	(1,665,370)
<b>TOTAL NET POSITION</b>	<b>\$ 3,636,228</b>	<b>\$ 3,636,228</b>

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

## CITY OF MULLINS, SOUTH CAROLINA

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
					Primary Government	
PRIMARY GOVERNMENT:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Governmental Activities	Total
<b>Governmental Activities:</b>						
General Government	\$ 1,228,852	-	139,756	222,456	(866,640)	\$ (866,640)
Beautification	62,385	-	-	-	(62,385)	(62,385)
Street and Sanitation	1,103,126	773,144	-	-	(329,982)	(329,982)
Court Administration	53,915	-	-	-	(53,915)	(53,915)
Police	1,492,915	181,509	-	-	(1,311,406)	(1,311,406)
Fire	567,989	164,492	-	-	(403,497)	(403,497)
Museum	40,331	1,447	1,956	-	(36,928)	(36,928)
Maintenance	71,441	-	-	-	(71,441)	(71,441)
Recreation	262,561	63,337	-	-	(199,224)	(199,224)
Interest on Long Term Debt	20,708	-	-	-	(20,708)	(20,708)
<b>Total Governmental Activities</b>	<b>4,904,223</b>	<b>1,183,929</b>	<b>141,712</b>	<b>222,456</b>	<b>(3,356,126)</b>	<b>(3,356,126)</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 4,904,223</b>	<b>1,183,929</b>	<b>141,712</b>	<b>222,456</b>	<b>(3,356,126)</b>	<b>(3,356,126)</b>
General Revenues:						
Taxes:						
Property Taxes					1,859,925	1,859,925
Hospitality Taxes					168,296	168,296
Accommodations Taxes					25,358	25,358
Business Licenses and Franchise Fees					908,027	908,027
Unrestricted Investment Earnings					7,874	7,874
Miscellaneous					62,736	62,736
Insurance Proceeds					1,538	1,538
Total General Revenues					3,033,754	3,033,754
<b>CHANGE IN NET POSITION</b>					<b>(322,372)</b>	<b>(322,372)</b>
NET POSITION, BEGINNING OF YEAR - As Previously Reported					6,900,781	6,900,781
Cumulative Change in Account Principal - GASB #68/71					(2,942,181)	(2,942,181)
NET POSITION, BEGINNING OF YEAR, Restated					3,958,600	3,958,600
<b>NET POSITION, END OF YEAR</b>					<b>3,636,228</b>	<b>\$ 3,636,228</b>

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

## CITY OF MULLINS, SOUTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	SPECIAL REVENUE -			
	GENERAL	LOCAL	OTHER	TOTAL
	FUND	HOSPITALITY	GOVERNMENTAL	GOVERNMENTAL
		TAX FUND	FUNDS	FUNDS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,000,790	-	62,104	\$ 2,062,894
Cash and Cash Equivalents, Restricted	-	160,774	572,913	733,687
Receivables, Net:				
Property Taxes	46,093	-	-	46,093
Intergovernmental Receivables	453,822	-	-	453,822
<b>TOTAL ASSETS</b>	<b>\$ 2,500,705</b>	<b>160,774</b>	<b>635,017</b>	<b>\$ 3,296,496</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 83,392	5,000	239,116	\$ 327,508
Accrued Salaries and Benefits	91,624	-	-	91,624
Local Option Sales Tax Credit Roll-Back	109,066	-	-	109,066
Court Bonds Outstanding	8,211	-	-	8,211
<b>TOTAL LIABILITIES</b>	<b>292,293</b>	<b>5,000</b>	<b>239,116</b>	<b>536,409</b>
<b>FUND BALANCES</b>				
Restricted For:				
Tourism Related Expenditures	-	155,774	-	155,774
Capital Projects	-	-	333,797	333,797
Victim's Advocate	7,727	-	-	7,727
Unassigned	2,200,685	-	62,104	2,262,789
<b>TOTAL FUND BALANCES</b>	<b>2,208,412</b>	<b>155,774</b>	<b>395,901</b>	<b>2,760,087</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,500,705</b>	<b>160,774</b>	<b>635,017</b>	<b>\$ 3,296,496</b>

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

**CITY OF MULLINS, SOUTH CAROLINA**

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

**JUNE 30, 2015**

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 2,760,087**

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 \$9,473,382 and the accumulated depreciation was \$3,769,889.	5,703,493
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 Net Position.	81,057
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.	(2,971,459)
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.	(17,485)
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	(899,193)
Compensated Absence Obligations	(174,726)
Net OPEB Liability	<u>(845,546)</u>

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 3,636,228**

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, 2015

	SPECIAL REVENUE -			
	GENERAL	LOCAL	OTHER	TOTAL
	FUND	HOSPITALITY	GOVERNMENTAL	GOVERNMENTAL
		TAX FUND	FUNDS	FUNDS
<b>REVENUES</b>				
Taxes - Property	\$ 1,859,925	-	-	\$ 1,859,925
Taxes - Hospitality	-	168,296	-	168,296
Licenses and Franchise Fees	908,027	-	-	908,027
Sanitation Charges	773,144	-	-	773,144
Police Fines	61,509	-	-	61,509
State Aid	165,114	-	-	165,114
Recreation Fees	63,337	-	-	63,337
Fire Department	164,492	-	-	164,492
School Resource Officer	120,000	-	-	120,000
Museum	3,957	-	-	3,957
Interest Income	7,738	136	-	7,874
Miscellaneous	56,511	-	1,080	57,591
<b>TOTAL REVENUES</b>	<b>4,183,754</b>	<b>168,432</b>	<b>1,080</b>	<b>4,353,266</b>
<b>EXPENDITURES</b>				
Current:				
General Government	817,767	55,280	-	873,047
Beautification	53,759	-	-	53,759
Street and Sanitation	1,033,530	-	-	1,033,530
Court	48,566	-	-	48,566
Police	1,312,342	-	-	1,312,342
Fire	446,863	-	23,168	470,031
Recreation	254,289	-	-	254,289
Maintenance	40,534	-	-	40,534
Museum	37,196	-	-	37,196
Capital Outlay	99,574	-	1,412,689	1,512,263
Debt Service:				
Principal Retirement	33,691	-	-	33,691
Interest	7,517	-	-	7,517
<b>TOTAL EXPENDITURES</b>	<b>4,185,628</b>	<b>55,280</b>	<b>1,435,857</b>	<b>5,676,765</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,874)</b>	<b>113,152</b>	<b>(1,434,777)</b>	<b>(1,323,499)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	1,538	-	-	1,538
Sale of Scrap Metal	4,591	-	-	4,591
Bond Proceeds	-	-	750,000	750,000
Transfers Out	(352,973)	(350,000)	-	(702,973)
Transfers In	-	4,498	698,475	702,973
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(346,844)</b>	<b>(345,502)</b>	<b>1,448,475</b>	<b>756,129</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(348,718)</b>	<b>(232,350)</b>	<b>13,698</b>	<b>(567,370)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>2,557,130</b>	<b>388,124</b>	<b>382,203</b>	<b>3,327,457</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 2,208,412</b>	<b>155,774</b>	<b>395,901</b>	<b>\$ 2,760,087</b>

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

CITY OF MULLINS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2015

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (567,370)**

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. (750,000)

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. (13,191)

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. 222,456

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. 33,691

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. (5,620)

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. (2,383)

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. (5,063)

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. (217,296)

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 governmental funds but are reported in the Statement of Activities (29,278)

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 \$1,295,933 exceeded  
depreciation expense of \$284,251 in the current period. 1,011,682

**TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (322,372)**

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, 2015

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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/government, 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, 2015

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**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. 68 “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*” (“GASB #68”) and GASB Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*” (“GASB #71” and collectively “Statements”) in 2015. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments who participate in a cost-sharing multiple employer plan are now required to recognize a liability for their proportionate share of the net pension liability of that plan. It is GASB’s intention that these Statements will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City’s financial obligations to current and former employees for past services rendered. In particular, these Statements require the City to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System, South Carolina Police Officers Retirement System, etc. (“Plans”), cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the statement of net position) and present more extensive note disclosures.

The adoption of these Statements had no impact on the City’s governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority (“PEBA”) who administers the Plans. See Note IV.B for more information regarding the City’s retirement plans.



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

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

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. Non-major funds are aggregated and presented in a single column.

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 and non-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 non-major 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.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

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

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 Funds:

Local Hospitality Tax Fund (major fund)  
Fireman's Fund (non-major fund) (this fund ended as of June 30, 2015)  
Volunteer Fireman's Fund (non-major fund) (this fund ended as of June 30, 2015)

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

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

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

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

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity

1. *Cash, Cash Equivalents, and Investments*

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.

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 generally recorded at fair market value (as estimated by the City) at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated on the straight-line method using the following estimated useful lives:

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

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

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

**5. *Compensated Absences***

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

**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.

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

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

**7. Fund Balance (continued)**

**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.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports *unavailable revenue – property taxes* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The City also 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.

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

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

**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.

**11. 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.

**12. 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.

**13. 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, 2015, none of the City's bank balances of approximately \$2,794,000 (with a carrying value of approximately \$2,797,000) were exposed to custodial credit risk.

#### *Investments*

As of June 30, 2015, 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.

**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, 2015 were those imposed by the revenue source (i.e., hospitality fees, accommodation taxes, grants, etc.) and bond proceeds to be used for capital items.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

B. Property Taxes and Related Receivables

Property taxes receivable of approximately \$46,000, which is net of an allowance for estimated uncollectible taxes of approximately \$159,000, 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 15<sup>th</sup> of the following year. Penalties are assessed on unpaid taxes on the following dates:

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

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

The City's fiscal year 2015 real and business personal property taxes (which was for tax year 2014) were levied in September 2014 based on a millage rate of 167 mills. The City's assessed value of real and personal property (excluding vehicles) was approximately \$8.7 million for tax year 2014.

C. Interfund Receivables, Payables and Transfers

*Interfund Receivables and Payables*

Interfund balances at June 30, 2015 were zero as none of the funds had any receivables or payables.

*Interfund Transfers*

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Fund	Transfer In	Transfer Out
General Fund	\$ -	\$ 352,973
Hospitality Tax Fund	4,498	350,000
Capital Fund	698,475	-
Totals	\$ 702,973	\$ 702,973

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 \$348,000 to the Capital Fund and the Hospitality Fund transferred approximately \$350,000 to fund construction of two new City parks.



## CITY OF MULLINS, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

## D. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 883,797	30,000	(2,383)	-	\$ 911,414
Construction In Progress	784,756	1,122,059	-	(1,081,352)	825,463
Total Capital Assets, Non-Depreciable	<u>1,668,553</u>	<u>1,152,059</u>	<u>(2,383)</u>	<u>(1,081,352)</u>	<u>1,736,877</u>
Capital Assets, Depreciable:					
Buildings and Improvements	3,881,117	146,985	(45,121)	1,081,352	5,064,333
Equipment and Vehicles	2,452,827	219,345	-	-	2,672,172
Total Capital Assets, Depreciable	<u>6,333,944</u>	<u>366,330</u>	<u>(45,121)</u>	<u>1,081,352</u>	<u>7,736,505</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	1,753,719	139,099	(45,121)	-	1,847,697
Equipment and Vehicles	1,777,040	145,152	-	-	1,922,192
Total Accumulated Depreciation	<u>3,530,759</u>	<u>284,251</u>	<u>(45,121)</u>	<u>-</u>	<u>3,769,889</u>
Total Capital Assets, Depreciable, Net	<u>2,803,185</u>	<u>82,079</u>	<u>-</u>	<u>1,081,352</u>	<u>3,966,616</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,471,738</u>	<u>1,234,138</u>	<u>(2,383)</u>	<u>-</u>	<u>\$ 5,703,493</u>

Ongoing construction in progress in the City's governmental activities primarily relates to the construction of two city parks and renovations to the City Library during the year ended June 30, 2015. Marion County, through the Capital Sales Tax Program, has paid for approximately \$37,000 of the renovation costs for the City Hall, and approximately \$56,000 of the City Library renovations as of June 30, 2015. 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 SC National Guard of approximately \$130,000.

As of June 30, 2015, the City estimated that there was approximately \$286,000 in additional costs to complete the two new parks.

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

Functions/Programs	Expense
General Government	\$ 124,844
Beautification	3,892
Streets and Sanitation	28,989
Police	48,723
Fire	60,151
Recreation	17,652
Total - Governmental Activities	<u>\$ 284,251</u>

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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

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, 2015
<b><i>Hospitality Fee Revenue Bond</i></b>	
\$750,000 hospitality fee revenue bond issued in December 2014, 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 are being used for upgrading two city parks.	\$ 750,000
<b><i>Lease Purchase Obligations</i></b>	
2009 Fire Truck lease purchase. Interest rate of 4.11% and maturity date of January 30, 2019. Annual payment is \$41,208.	\$ 149,193

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

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, 2015:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Note and Lease Payable					
Beach House	\$ 535	-	535	-	\$ -
2009 Fire Truck	182,884	-	33,691	149,193	35,076
2014 Hospitality Fee Bond	-	750,000	-	750,000	51,000
Total Note and Lease Payable	<u>183,419</u>	<u>750,000</u>	<u>34,226</u>	<u>899,193</u>	<u>86,076</u>
Compensated Absences	169,106	5,620	-	174,726	-
Net OPEB Liability	628,250	217,296	-	845,546	-
Total Governmental Activities	<u>\$ 980,775</u>	<u>972,916</u>	<u>34,226</u>	<u>1,919,465</u>	<u>\$ 86,076</u>

**CITY OF MULLINS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2015**

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

**E. Long-Term Obligations (Continued)**

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, 2015, the City did not have any bonded debt subject to the 8% limit, which was approximately \$700,000.

Presented below is a summary of debt service requirements to maturity by year for the City's governmental activities as of June 30, 2015:

Year Ending June 30,	Bonds Payable		Note and Lease Payable		Total
	Principal	Interest	Principal	Interest	
<b><u>Governmental Activities:</u></b>					
2016	\$ 51,000	24,719	35,076	6,132	\$ 116,927
2017	53,000	24,465	36,518	4,690	118,673
2018	55,000	22,610	38,018	3,189	118,817
2019	57,000	20,685	39,581	1,626	118,892
2020	59,000	18,690	-	-	77,690
2021-2025	327,000	61,040	-	-	388,040
2026-2027	148,000	7,805	-	-	155,805
Totals	\$ 750,000	180,014	149,193	15,637	\$ 1,094,844

**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, 2014, totaled approximately \$21,590,000. 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, 2014, totaled approximately \$52,879,000. 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.

**IV. OTHER INFORMATION (CONTINUED)**

**A. Risk Management (Continued)**

**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, 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, which consists of five elected officials, also reviews certain PEBA Board ("Board") decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. 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.

*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.

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*Plan Membership (continued)*

- 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.

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.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Plan Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and 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 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 Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the 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.

As noted above, 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		
	2013	2014	2015	2013	2014	2015
Employer Rate:						
Retirement	10.45%	10.45%	10.75%	11.90%	12.44%	13.01%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributic	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	<u>10.60%</u>	<u>10.60%</u>	<u>10.90%</u>	<u>12.30%</u>	<u>12.84%</u>	<u>13.41%</u>
Employee Rate	<u>7.00%</u>	<u>7.50%</u>	<u>8.00%</u>	<u>7.00%</u>	<u>7.84%</u>	<u>8.41%</u>

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
2015	\$ 84,284	100%	\$ 119,250	100%
2014	80,704	100%	122,250	100%
2013	\$ 82,693	100%	\$ 115,287	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
2015	\$ 773,243	889,254	\$ 1,662,497
2014	761,358	952,101	1,713,459
2013	\$ 780,124	937,296	\$ 1,717,420

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company.

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. For the year ended June 30, 2014, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

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	\$ 42,955,205,796	25,738,521,026	\$ 17,216,684,770	59.92%
PORS	\$ 5,899,529,434	3,985,101,996	\$ 1,914,427,438	67.55%

At June 30, 2015, the City reported liabilities of approximately \$1,444,000 and \$1,515,000 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, 2014, 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, 2013 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, 2014, the City's SCRS proportion was .008 percent, which was equal to its proportion measured as of June 30, 2013. At June 30, 2014, the City's PORS proportion was .079 percent, which was equal to its proportion measured as of June 30, 2013.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

For the year ended June 30, 2015, the City recognized pension expense of approximately \$101,000 and \$133,000 for the SCRS and PORS, respectively. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>SCRS</b>		
Differences Between Expected and Actual Experience	\$ 40,911	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	121,722
City's Contributions Subsequent to the Measurement Date	84,284	-
Total SCRS	<u>\$ 125,195</u>	<u>\$ 121,722</u>
<b>PORS</b>		
Differences Between Expected and Actual Experience	\$ 40,441	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	175,352
City's Contributions Subsequent to the Measurement Date	119,250	-
Total PORS	<u>\$ 159,691</u>	<u>\$ 175,352</u>

Approximately \$84,000 and \$119,000 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized in pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2016	\$ (17,776)	\$ (33,350)	\$ (51,126)
2017	(17,776)	(33,350)	(51,126)
2018	(17,776)	(33,350)	(51,126)
2019	(27,483)	(34,861)	(62,344)
Total	<u>\$ (80,811)</u>	<u>\$ (134,911)</u>	<u>\$ (215,722)</u>

*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. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.



CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Actuarial Assumptions and Methods (continued)*

The following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2013, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Salary Increases	Levels off at 3.5%	Levels off at 4.0%
Includes Inflation at	2.75%	2.75%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

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

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Actuarial Assumptions and Methods (continued)*

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5%		
Cash	2%	0.30	0.01
Short Duration	3%	0.60	0.02
Domestic Fixed Income	13%		
Core Fixed Income	7%	1.10	0.08
High Yield	2%	3.50	0.07
Bank Loans	4%	2.80	0.11
Global Fixed Income	9%		
Global Fixed Income	3%	0.80	0.02
Emerging Markets Debt	6%	4.10	0.25
Global Public Equity	31%	7.80	2.42
Global Tactical Asset Allocation	10%	5.10	0.51
Alternatives	32%		
Hedge Funds (Low Beta)	8%	4.00	0.32
Private Debt	7%	10.20	0.71
Private Equity	9%	10.20	0.92
Real Estate (Broad Market)	5%	5.90	0.29
Commodities	3%	5.10	0.15
Total Expected Real Return	100%		5.88
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			8.63

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 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	\$ 1,868,355	1,443,791	\$ 1,089,583
City's proportionate share of the net pension liability of the PORS	\$ 2,117,844	1,515,480	\$ 1,017,074

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*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](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

*Payable to Plans*

The City reported payables of approximately \$11,600 and \$15,500 to the PEBA as of June 30, 2015, representing required employer and employee contributions for the month of June 2015 for the SCRS and PORS, respectively. These amounts are included in Accrued Salaries and Benefits on the financial statements and were paid in July 2015.

**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, 2013, the measurement date, there were 73 covered participants; 16 members are retirees (or their spouses) receiving benefits and 57 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 2015 monthly medical premium for coverage prior to Medicare eligibility is \$410 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, 2015

### 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, 2013
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	8.50% - 5.00%
Post-Medicare	6.50% - 5.00%
Ultimate Trend Rate	5.00%
Year of Ultimate Trend	2018
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, 2015

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

*Annual OPEB Costs and Rollforward of Net OPEB Obligation*

For 2015, 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 2015) was as follows:

1.	Net OPEB Obligation (Asset), Beginning of the Plan Year	\$	628,250
2.	One Year's Interest on the Net OPEB Obligation		25,130
3.	ARC (Normal Cost Plus Any Amortization Payments)		279,468
4.	Adjustment to Annual Required Contribution		(24,007)
5.	Annual OPEB Cost: (2)+(3)+(4)		280,591
6.	Contributions Made for the Plan Year		63,295
7.	Increase (Decrease) in Net OPEB Obligation (Asset): (5)-(6)		217,296
8.	Net OPEB Obligation (Asset), End of the Plan Year: (1)+(7)	\$	845,546

*Schedule of Employer Contributions*

The City did not make any contributions to the OPEB Plan to pre-fund benefits; it made payments of approximately \$63,000 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, 2010	\$ 253,519	\$ 79,073	31.19%	\$	174,453
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

*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%

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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. The monthly fees for both agreements total \$4,537. Payments under the terms of these agreements are as follows:

Year Ended June 30	IT Services	Telephone Services	Total
2016	\$ 45,600	8,844	\$ 54,444
2017	45,600	8,844	54,444
2018	45,600	8,844	54,444
2019	45,600	8,844	54,444
2020	5,700	1,106	6,806
Total	<u>\$ 188,100</u>	<u>36,482</u>	<u>\$ 224,582</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 31<sup>st</sup> following the 31<sup>st</sup> anniversary of the completion date.

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

*Mullins Technology Center*

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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**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, 2015.

*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**

Renovations and improvements to the City Library began in FY 2015 with funding from the Capital Sales Tax Program by the County. In July 2015, Council voted to cover a shortage of funds to renovate the Library in the amount of approximately \$35,000.

In August 2015, the old Train Depot building and land was donated to the City. This Depot houses the City's Tobacco Museum.

**F. Other Matters**

During fiscal year 2015, the City no longer is responsible for the Fireman's and Volunteer Fireman's funds and thus appropriate funds have been remitted to the proper entities. These funds have been closed in the City accounting records in fiscal year 2015.

**G. Cumulative Change in Accounting Principle**

The adoption of GASB #68 has resulted in the restatement of the City's net position as of July 1, 2014 for its government-wide financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the City's government-wide financial statements as of July 1, 2014 was decreased by approximately \$2,942,000, reflecting the cumulative change in accounting principle related to the adoption of these Statements.

## 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, 2015

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes - Property	\$ 1,805,000	1,805,000	1,859,925	\$ 54,925
Privilege Licenses amd Payments in Lieu of License	915,000	915,000	908,027	(6,973)
Sanitation Charges	785,000	785,000	773,144	(11,856)
Police Fines	50,000	50,000	61,509	11,509
State Shared Revenue	164,000	164,000	165,114	1,114
Recreation Department Receipts	56,000	56,000	63,337	7,337
Lease Agreements	5,000	5,000	-	(5,000)
Interest	5,000	5,000	7,738	2,738
Grants	10,000	10,000	-	(10,000)
Miscellaneous	45,000	45,000	56,511	11,511
Fire Department	166,000	166,000	164,492	(1,508)
School Resource Officer	126,000	126,000	120,000	(6,000)
Museum	1,500	1,500	3,957	2,457
TOTAL REVENUES	4,133,500	4,133,500	4,183,754	50,254
EXPENDITURES				
Current:				
General Government	790,661	790,661	817,767	27,106
Beautification Department	60,510	60,510	53,759	(6,751)
Streets and Sanitation Department	1,055,316	1,055,316	1,033,530	(21,786)
Court Administration Department	83,401	83,401	48,566	(34,835)
Police Department	1,310,546	1,310,546	1,312,342	1,796
Fire Department	488,905	488,905	446,863	(42,042)
Recreation Department	243,272	243,272	254,289	11,017
Maintenance	44,089	44,089	40,534	(3,555)
Museum	43,384	43,384	37,196	(6,188)
Capital Outlay	35,800	35,800	99,574	63,774
Debt Service:				
Principal	41,000	41,000	33,691	(7,309)
Interest	-	-	7,517	7,517
TOTAL EXPENDITURES	4,196,884	4,196,884	4,185,628	(11,256)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(63,384)	(63,384)	(1,874)	61,510
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	20,000	20,000	-	(20,000)
Insurance proceeds	-	-	1,538	1,538
Sale of Scrap Metal	-	-	4,591	4,591
Transfer to Special Revenue Funds	43,384	43,384	(4,498)	(47,882)
Transfer to Capital Fund	-	-	(348,475)	(348,475)
TOTAL OTHER FINANCING SOURCES (USES)	63,384	63,384	(346,844)	(410,228)
NET CHANGE IN FUND BALANCE	-	-	(348,718)	(348,718)
FUND BALANCE, BEGINNING OF YEAR, as Originally Reported	2,557,130	2,557,130	2,557,130	-
FUND BALANCE, END OF YEAR	\$ 2,557,130	2,557,130	2,208,412	\$ (348,718)

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.



## CITY OF MULLINS, SOUTH CAROLINA

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

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

YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes - Hospitality Fees	\$ 160,000	160,000	168,296	\$ 8,296
Interest	-	-	136	136
<b>TOTAL REVENUES</b>	<b>160,000</b>	<b>160,000</b>	<b>168,432</b>	<b>8,432</b>
<b>EXPENDITURES</b>				
Current:				
General Government	41,616	41,616	55,280	(13,664)
Debt Service	75,000	75,000	-	75,000
<b>TOTAL EXPENDITURES</b>	<b>116,616</b>	<b>116,616</b>	<b>55,280</b>	<b>61,336</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>43,384</b>	<b>43,384</b>	<b>113,152</b>	<b>69,768</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from the General Fund	(43,384)	(43,384)	4,498	47,882
Transfer to the Capital Projects Fund	-	-	(350,000)	(350,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(43,384)</b>	<b>(43,384)</b>	<b>(345,502)</b>	<b>(302,118)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(232,350)</b>	<b>(232,350)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>388,124</b>	<b>388,124</b>	<b>388,124</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 388,124</b>	<b>388,124</b>	<b>155,774</b>	<b>\$ (232,350)</b>

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

**CITY OF MULLINS, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**YEAR ENDED JUNE 30, 2015**

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%

**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 ((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%

**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 TWO FISCAL YEARS**

---

	<b>Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability (Asset)	0.008386%	0.008386%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,443,791	\$ 1,504,149
City's Covered-Employee Payroll	\$ 761,358	\$ 780,124
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	189.63%	192.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 TWO FISCAL YEARS**

---

	<b>Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Contractually Required Contribution	\$ 84,284	\$ 80,704
Contributions in Relation to the Contractually Required Contribution:	84,284	80,704
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 773,243	\$ 761,358
Contributions as a Percentage of Covered- Employee Payroll:	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 TWO FISCAL YEARS**

---

	<b>Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability (Asset)	0.07916%	0.07916%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,515,480	\$ 1,640,986
City's Covered-Employee Payroll	\$ 952,101	\$ 937,296
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	159.17%	175.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 TWO FISCAL YEARS**

---

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

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>			
Taxes - Property			
Property	\$ 1,580,000	1,615,523	\$ 35,523
Delinquent	75,000	92,868	17,868
Local Option	150,000	151,534	1,534
Privilege Licenses and Payments in Lieu of License	915,000	908,027	(6,973)
Sanitation Charges	785,000	773,144	(11,856)
Police Fines	50,000	61,509	11,509
State Shared Revenue			
Local Government Fund	140,000	139,756	(244)
Accommodations Tax	24,000	25,358	1,358
Recreation Department Receipts	56,000	63,337	7,337
Lease Agreements	5,000	-	(5,000)
Interest	5,000	7,738	2,738
Grants	10,000	-	(10,000)
Miscellaneous	45,000	56,511	11,511
Fire Department	166,000	164,492	(1,508)
School Resource Officer	126,000	120,000	(6,000)
Museum	1,500	3,957	2,457
<b>TOTAL REVENUES</b>	<b>\$ 4,133,500</b>	<b>4,183,754</b>	<b>\$ 50,254</b>

**EXPENDITURES**

General Government:			
Salaries	172,964	198,116	(25,152)
Salary Allocation	65,000	-	65,000
Contractual Services	23,100	39,598	(16,498)
Hospital Insurance	100,000	105,608	(5,608)
Payroll Taxes	13,231	15,254	(2,023)
Retirement	18,853	22,453	(3,600)
Accounting and Legal	51,000	84,978	(33,978)
Advertising	2,500	2,182	318
Utilities	9,000	11,468	(2,468)
Telephone	7,400	17,818	(10,418)
Office Supplies	5,000	7,649	(2,649)
Insurance and Workmen's Compensation	243,277	229,026	14,251
Municipal Dues and Fees	6,450	8,091	(1,641)
Purchase leased equipment	2,200	4,702	(2,502)
Supplies and Minor Equipment	2,250	5,678	(3,428)
Maintenance to Equipment	500	274	226
Maintenance to Building	1,500	12,840	(11,340)
Travel and Meals	17,641	16,101	1,540
Tax- Housing Authority	14,000	-	14,000
Tax - Acqua City	7,500	-	7,500
Miscellaneous	13,095	27,869	(14,774)
Marion County Drug Program	\$ 3,000	3,240	\$ (240)

**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, 2015**

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
General Government:			
Employee Christmas Expenses	\$ 2,000	2,795	\$ (795)
Sales and Use Tax	2,000	511	1,489
Unemployment Insurance	5,000	-	5,000
Training	1,100	1,122	(22)
Uniforms	1,100	394	706
Capital Outlay	10,300	50,425	(40,125)
Debt Service:			
Principal	41,000	33,691	7,309
Interest	-	7,517	(7,517)
Total General Government	<u>841,961</u>	<u>909,400</u>	<u>(67,439)</u>
Beautification Department:			
Salaries	38,494	32,846	5,648
Hospital Insurance	5,500	5,895	(395)
Payroll Taxes	2,811	2,482	329
Retirement	4,005	3,822	183
Telephone	1,500	513	987
Consultant fee	2,450	5,130	(2,680)
Maintenance to Equipment	1,000	160	840
Tree Removals	250	1,070	(820)
Gas, Oil, and Tires	3,000	1,341	1,659
Uniforms	1,500	500	1,000
Total Beautification Department	<u>60,510</u>	<u>53,759</u>	<u>6,751</u>
Streets and Sanitation Department:			
Salaries	256,486	275,083	(18,597)
Temporary Staffing	-	9,907	(9,907)
Hospital Insurance	60,000	58,712	1,288
Payroll Taxes	19,662	20,459	(797)
Retirement	28,068	28,735	(667)
Travel	250	-	250
Utilities	125,000	131,552	(6,552)
Telephone	2,400	1,776	624
Office Supplies	200	92	108
Supplies and Minor Equipment	20,000	14,072	5,928
Maintenance to Equipment	20,000	19,643	357
Maintenance to Roads and Streets	-	-	-
Maintenance to Buildings	1,000	2,278	(1,278)
Gas, Oil, and Tires	40,000	41,966	(1,966)
Uniforms	6,000	10,570	(4,570)
Miscellaneous	1,250	1,155	95
Contractual Services	475,000	417,530	57,470
Capital Outlay	1,500	-	1,500
Total Streets and Sanitation Department	<u>\$ 1,056,816</u>	<u>1,033,530</u>	<u>\$ 23,286</u>



CITY OF MULLINS, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - DETAILED BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2015

	FINAL BUDGET	ACTUAL	VARIANCE
Court Administration Department:			
Salaries	\$ 59,885	35,612	\$ 24,273
Hospital Insurance	5,278	2,301	2,977
Payroll Taxes	4,581	2,480	2,101
Retirement	6,527	3,608	2,919
Contractual Services	1,680	1,190	490
Legal Costs	500	130	370
Office Supplies	500	124	376
Dues and Fees	300	335	(35)
Travel and meals	3,100	2,081	1,019
Education and Training	950	690	260
Miscellaneous	100	15	85
Total Court Administration Department	83,401	48,566	34,835
Police Department:			
Salaries	764,949	783,787	(18,838)
Hospital Insurance	170,000	163,383	6,617
Payroll Taxes	55,382	57,152	(1,770)
Retirement	96,483	99,494	(3,011)
Utilities	8,000	3,404	4,596
Telephone	14,000	19,313	(5,313)
Office Supplies and Postage	1,500	1,207	293
Dues and Fees	1,000	1,193	(193)
Supplies and Minor Equipment	15,250	13,484	1,766
Maintenance to Equipment	25,000	24,343	657
Maintenance to Building	1,500	414	1,086
Gas, Oil, and Tires	50,000	56,071	(6,071)
Travel and meals	3,050	1,589	1,461
Uniforms	16,150	9,134	7,016
Combined Drug Unit	4,300	4,300	-
Education and Training	2,500	1,972	528
Prisoner Expenditures	5,000	22,450	(17,450)
Victim's Advocate	5,000	665	4,335
Miscellaneous	1,000	3,025	(2,025)
Marion County Law Enforcement	47,000	35,000	12,000
Contractual Services	23,482	10,962	12,520
Capital Outlay	14,000	28,083	(14,083)
Total Police Department	1,324,546	1,340,425	(15,879)
Fire Department:			
Salaries	224,000	226,610	(2,610)
Hospital Insurance	47,500	39,101	8,399
Payroll Taxes	15,600	16,652	(1,052)
Retirement	\$ 27,300	27,789	\$ (489)

**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, 2015**

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Fire Department:			
Utilities	\$ 15,000	18,641	\$ (3,641)
Telephone	4,000	4,261	(261)
Office Supplies	500	366	134
Dues and Fees	1,275	191	1,084
Supplies and Minor Equipment	24,400	25,423	(1,023)
Maintenance to Equipment	28,900	17,530	11,370
Maintenance to Building	2,000	4,196	(2,196)
Gas, Oil, and Tires	25,000	15,439	9,561
Travel and Meals	2,000	289	1,711
Uniforms	1,800	5,043	(3,243)
Education and Training	2,450	1,543	907
Miscellaneous	5,180	2,447	2,733
Professional Service	15,000	6,342	8,658
Marion County Fire Service	47,000	35,000	12,000
Capital Outlay	10,000	17,550	(7,550)
Total Fire Department	<u>498,905</u>	<u>464,413</u>	<u>34,492</u>
Recreation Department:			
Salaries	97,540	97,568	(28)
Temporary Staffing	27,000	33,110	(6,110)
Hospital Insurance	11,206	10,596	610
Payroll Taxes	7,463	7,272	191
Retirement	10,263	9,972	291
Utilities	22,500	24,640	(2,140)
Telephone	2,500	1,429	1,071
Office Supplies	300	112	188
Dues and Fees	1,500	2,503	(1,003)
Contractual Services	2,000	1,075	925
Supplies and Minor Equipment	23,000	30,828	(7,828)
Maintenance on Equipment	3,000	526	2,474
Maintenance on Building	5,000	2,959	2,041
Gas, Oil, and Tires	3,500	2,766	734
Travel and Meals	3,500	6,187	(2,687)
Uniforms	500	366	134
Canteen	15,000	16,885	(1,885)
Miscellaneous	7,500	5,495	2,005
Capital Outlay	-	3,516	(3,516)
Total Recreation Department	<u>243,272</u>	<u>257,805</u>	<u>(14,533)</u>
Maintenance Department:			
Salaries	18,170	21,082	(2,912)
Hospital Insurance	5,549	5,260	289
Payroll Taxes	\$ 1,390	1,568	\$ (178)

## 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, 2015

	FINAL BUDGET	ACTUAL	VARIANCE
Maintenance Department:			
Retirement	\$ 1,980	2,234	\$ (254)
Utilities	4,000	2,656	1,344
Telephone	1,000	592	408
Supplies and Minor Equipment	5,000	4,200	800
Maintenance on Equipment	1,000	2,052	(1,052)
Gas, Oil, and Tires	1,500	431	1,069
Uniforms	1,000	459	541
Miscellaneous	500	-	500
Capial Outlay	3,000	-	3,000
Total Maintenance Department	44,089	40,534	3,555
Museum Department			
Salaries	26,275	22,818	3,457
Hospital Insurance	-	41	(41)
Payroll Taxes	2,087	1,746	341
Retirement	2,572	2,883	(311)
Utilities	7,000	5,314	1,686
Telephone	900	874	26
Office Supplies	100	-	100
Supplies and Minor Equipment	500	356	144
Maintenance on Equipment	500	18	482
Maintenance on Building	1,000	445	555
Travel and Meals	250	169	81
Museum Purchases	1,700	2,532	(832)
Marketing	500	-	500
Total Museum Department	43,384	37,196	6,188
<b>TOTAL EXPENDITURES</b>	<b>4,196,884</b>	<b>4,185,628</b>	<b>11,256</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(63,384)</b>	<b>(1,874)</b>	<b>61,510</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Capital Assets	20,000	-	(20,000)
Insurance Proceeds	-	1,538	1,538
Sale of Scrap Metal	-	4,591	4,591
Transfer to Hospitality Tax Fund	43,384	(4,498)	(47,882)
Transfer to Capital Fund	-	(348,475)	(348,475)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>63,384</b>	<b>(346,844)</b>	<b>(410,228)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(348,718)</b>	<b>(348,718)</b>
FUND BALANCES, BEGINNING OF YEAR	2,557,130	2,557,130	-
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 2,557,130</b>	<b>2,208,412</b>	<b>\$ (348,718)</b>

## CITY OF MULLINS, SOUTH CAROLINA

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2015

	CAPITAL FUND	SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 62,104	-	\$ 62,104
Cash and Cash Equivalents, Restricted	572,913	-	572,913
<b>TOTAL ASSETS</b>	<b>635,017</b>	<b>-</b>	<b>635,017</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	239,116	-	239,116
<b>TOTAL LIABILITIES</b>	<b>239,116</b>	<b>-</b>	<b>239,116</b>
<b>FUND BALANCES</b>			
Restricted For:			
Capital Projects	333,797	-	333,797
Unassigned	62,104	-	62,104
<b>TOTAL FUND BALANCES</b>	<b>395,901</b>	<b>-</b>	<b>395,901</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 635,017</b>	<b>-</b>	<b>\$ 635,017</b>

## CITY OF MULLINS, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	CAPITAL FUND	SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>			
Miscellaneous	\$ -	1,080	\$ 1,080
<b>TOTAL REVENUES</b>	<b>-</b>	<b>1,080</b>	<b>1,080</b>
<b>EXPENDITURES</b>			
Current:			
Fire	-	23,168	23,168
Capital Outlay	1,412,689	-	1,412,689
<b>TOTAL EXPENDITURES</b>	<b>1,412,689</b>	<b>23,168</b>	<b>1,435,857</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,412,689)</b>	<b>(22,088)</b>	<b>(1,434,777)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond Proceeds	750,000	-	750,000
Transfers In	698,475	-	698,475
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,448,475</b>	<b>-</b>	<b>1,448,475</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>35,786</b>	<b>(22,088)</b>	<b>13,698</b>
FUND BALANCES, BEGINNING OF YEAR	360,115	22,088	382,203
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 395,901</b>	<b>-</b>	<b>\$ 395,901</b>

**CITY OF MULLINS, SOUTH CAROLINA**

**COMBINING BALANCE SHEET -  
NONMAJOR SPECIAL REVENUE FUNDS**

**JUNE 30, 2015**

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	<b>FIREMEN'S FUND</b>	<b>VOLUNTEER FIREMEN'S FUND</b>	<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>
<b>ASSETS</b>			
<b>TOTAL ASSETS</b>	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
<b>TOTAL LIABILITIES</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>FUND BALANCES</b>			
<b>TOTAL FUND BALANCES</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>

CITY OF MULLINS, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2015

	<b>FIREMEN'S FUND</b>	<b>VOLUNTER FIREMEN'S FUND</b>	<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>
<b>REVENUES</b>			
Miscellaneous	\$ 100	980	\$ 1,080
<b>TOTAL REVENUES</b>	<b>100</b>	<b>980</b>	<b>1,080</b>
<b>EXPENDITURES</b>			
Current:			
Fire	19,566	3,602	23,168
<b>TOTAL EXPENDITURES</b>	<b>19,566</b>	<b>3,602</b>	<b>23,168</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(19,466)</b>	<b>(2,622)</b>	<b>(22,088)</b>
FUND BALANCES, BEGINNING OF YEAR	19,466	2,622	22,088
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>

**CITY OF MULLINS, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2015**

**Court Fines**

Total Court Fines Collected	\$ 45,113
Court Fines Retained by the City	(45,113)
Court Fines Remitted to the State Treasurer	\$ -

**Court Other Assessments**

Total Court Other Assessments Collected	\$ 52,298
Court Other Assessments Retained by the City	(5,842)
Court Other Assessments Remitted to the State Treasurer	\$ 46,456

**DUI, DUS, BUS Assessments, Surcharges and Pullout**

Total DUI, DUS, BUI Assessments, Surcharges and Pullout Collected	\$ 22,728
DUI, DUS, BUI Assessments, Surcharges and Pullout Retained by the City	(2,550)
DUI, DUS, BUI Assessments, Surcharges and Pullout Remitted to the State Treasurer	\$ 20,178

**Victim's Advocate**

Total Court Assessments Allocated to Victim's Advocate	\$ 5,842
Court Surcharges Allocated to Victim's Advocate	2,550
Funds Allocated to Victim's Advocate	8,392
Victim's Advocate Expenditures	(665)
Funds Available to Carry Forward	7,727
Funds Carry Forward from Prior Year	-
Fund Balance for Victim's Advocate	\$ 7,727



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

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

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

**INDEPENDENT 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, 2015, 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 21, 2016.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses listed as items #2015-001, #2015-002, and #2015-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses listed as items #2015-004 and #2015-005 to be significant deficiencies.

### **Compliance and Other Matters**

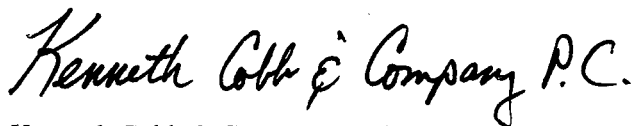
As part of obtaining reasonable assurance about whether the City of Mullins' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items #2015-004 and #2015-005.

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

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

### **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.  
Mullins, South Carolina  
January 21, 2016

City of Mullins, South Carolina  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the fiscal year ended June 30, 2015

I. FINDINGS – FINANCIAL STATEMENTS AUDIT

**MATERIAL WEAKNESSES**

#2015-001 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.

#2015-002 Supervisory Approval and Documentation of Adjusting Journal Entries (initially reported 6/26/09)

Condition: None of the forty-seven journal entries were approved by a supervisor and thirteen of the forty-seven journal entries had no support or documentation on file.

Criteria: Good business practice.

Effect: City financial records may be adjusted without the knowledge or approval of management.

Recommendation: Journal entries should be reviewed by a supervisor or someone not involved in the journal entry process. The reviewer should sign off on the journal entry and accompanying documentation as approved. Documentation should be on file for all adjusting journal entries.

Response: Journal entries are reported to the City Administrator either as they occur or during the preparation of the year end financial reports. In the future, this information will be reduced to a monthly and/or annual report that will be approved by the City Administrator and placed on file for review.

City of Mullins, South Carolina  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the fiscal year ended June 30, 2015

#2015-003 Incomplete Financial Statements being provided/reviewed (initially reported 1/5/15)

Condition: There was no evidence that the City's balance sheet was reviewed by management or by the Mayor and Council; nor was there evidence that the Mayor and Council were provided a balance sheet to review on a regular basis.

Criteria: Because of limited staff size, supervision and review by management and those charged with governance becomes the more significant control function. Presently, management, Mayor, and Council receive and review revenues and expenditures of the City; however good business practices would include their receiving complete financial statements of the City, not just revenues and expenditures.

Effect: Because only revenues and expenditures are analyzed and reviewed, the review process is much less likely to detect errors in reporting. For example, at year end, we detected where a revenue line item was understated by \$12,000. This occurred because the bill payments were posted against the revenue line item instead of the accounts payable line item.

Recommendation: Management, Mayor, and Council should be provided with a complete financial statement (balance sheet and revenue and expenditure report) on a monthly basis and should review and compare and question items that may differ from expectations.

Response: City council is provided a monthly financial report that includes all revenues and expenses, a budget to actual report, balances of all cash accounts and a check register. In addition, the City's Finance Committee Chair is provided detailed reports on major expense categories of the City. The City Administrator attempts to provide concise and comprehensive reports to City Council for their review. The Administrator did not provide a balance sheet because he did not believe it to be useful in Council's review of city expenses. However, in the future the Administrator will review the balance sheet each month and provide a copy to Council.

City of Mullins, South Carolina  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the fiscal year ended June 30, 2015

**SIGNIFICANT DEFICIENCIES**

#2015-004 Purchasing goods and services (initially reported 6/3/08)

Condition: During the disbursement testing the following instances were noted: There was one instance in which documentation did not equal the amount of check. There were twelve instances of no purchase order being prepared or the purchase order was prepared after the invoice date.(seven of these instances were related to projects that had been publicly bid and awarded by Council, however the purchase orders were never completed) There was one instance of an invoice being coded incorrectly and eight instances of no bids being taken.

Criteria: City policy states when purchase orders and bids are to be taken. Documentation should be kept to support the checks being paid. The City's chart of accounts should be utilized to help ensure proper account coding is taking place.

Effect: The lowest prices may not be obtained and the City is not in compliance with their purchasing policy.

Recommendation: The City's purchasing policy should be adhered to throughout the purchasing process.

Response: All department heads have been instructed to ensure that all purchases are made per the terms of the new ordinance.

#2015-005 Unbudgeted and unapproved capital outlay purchase

Condition: The City paid \$47,485 for a capital outlay purchase. This item was not budgeted in the FY-15 budget and approval was not mentioned in the Council minutes.

Criteria: City budget procedures state when items should be budgeted and when budgets should be amended.

Effect: Budgeting and adherence to budgets is an essential part of accounting for governmental funds. When material capital outlays are made outside of the budget, the potential is there for expenditures to exceed budgeted expenditures and thus lead to deficiencies and reductions to the City's fund balance.

Recommendation: It is good business practice to include any new line items (including amounts) in the Council minutes. If these amounts are material and cannot be transferred from other line items then a budget amendment should be prepared.

Response: This capital outlay was for the purchase and placement of a decorative city clock and its amenities and was installed in conjunction with the City Hall renovation project. At the time, the City had an understanding that the project would be funded by a grant from a local, non-profit organization. City Council understands and acknowledges that this was completed outside of the procurement process stipulated by ordinance. Council believes this was an isolated violation of policy and does not expect any additional purchases to be made in this manner.