

City of Mullins, South Carolina

**BASIC FINANCIAL
STATEMENTS AND
SUPPLEMENTAL INFORMATION**

June 30, 2021

CITY OF MULLINS, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2021

	<u>Page Number</u>
Table of Contents	i
Listing of Principal Officials	iii
 <u>FINANCIAL SECTION</u> 	
INDEPENDENT AUDITOR'S REPORT	1
Management's Discussion and Analysis	5
 Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	13
Statement of Activities	14
 <i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Notes to the Financial Statements	19
 REQUIRED SUPPLEMENTARY INFORMATION:	
<u>Budgetary Comparison Schedule - General Fund:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	47
<u>Budgetary Comparison Schedule - Local Hospitality Tax Fund:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	48
<u>Budgetary Comparison Schedule - Capital Fund:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	49
<u>Other Postemployment Benefit Plan Schedules:</u>	
Defined Benefit Healthcare Plan - Schedule of Changes in City's OPEB Liability	50
<u>Pension Plan Schedules</u>	
Schedule of the City's Proportionate Share of the Net Pension Liability - South Carolina Retirement System	51
Schedule of the City's Contributions - South Carolina Retirement System	52
Schedule of the City's Proportionate Share of the Net Pension Liability - Police Officers' Retirement System	53
Schedule of the City's Contributions - Police Officers' Retirement System	54

(Continued)

CITY OF MULLINS, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2021

	<u>Page Number</u>
SUPPLEMENTARY INFORMATION:	
<u>Detailed Budgetary Comparison Schedule - General Fund:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Final Budget and Actual - General Fund	55
Uniform Schedule of Fines, Assessments, and Surcharges (Per Act 96)	60
 <u>COMPLIANCE SECTION</u>	
Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61
Schedule of Findings and Responses	63

CITY OF MULLINS, SOUTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2021

Established

1872

MAYOR

Robert Woodbury

CITY COUNCIL MEMBERS

Patricia Phillips – Mayor Pro Tem

Terry Davis

Carolyn Wilson

Malcolm E. Kitchen

M Christian Phillips

Andre Campbell

INTERIM CITY ADMINISTRATOR

Holly Jackson

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, 2021, 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. 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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, pension schedules, and the other postemployment benefit plan schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The detailed budgetary comparison schedule and schedule of fines, assessments, and surcharges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the detailed budgetary comparison schedule and schedule of fines, assessments, and surcharges are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022 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 solely 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 effectiveness of the City of Mullins' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mullins' internal control over financial reporting and compliance.

Kenneth Cobb & Company P.C.

Kenneth Cobb & Company, P.C.
Mullins, South Carolina
November 10, 2022

(This page intentionally left blank.)

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

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, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information in the financial statements and notes to the financial statements to enhance their understanding of the City's overall financial performance.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at the close of the fiscal year by approximately \$1,041,000. In addition, the City's restricted net position was approximately \$129,000 and the City's unrestricted deficit net position (the amount that may be used to meet the government's ongoing obligations to citizens and creditors) was approximately a (\$6,745,000) deficit for governmental activities. The deficit unrestricted net position is due to the net pension liability of approximately \$3.5 million and the other post-employment liability of approximately \$5.2 million. Net investment in capital assets was approximately \$5,575,000.
- The government's total net position decreased by approximately \$549,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$1,961,000, a decrease of approximately \$217,000 from the prior year's fund balances. This was primarily due to expenditures in the General Fund exceeding revenue.
- The City's General Fund reported total fund balance of approximately \$1,821,000. Approximately \$1,811,000 of this amount is available for spending at the government's discretion (*unassigned fund balance*). The unassigned fund balance for the General Fund was 34% of total General Fund expenditures for the year ended June 30, 2021.
- The City's capital assets increased by approximately \$126,000 (2%) during the current fiscal year due to additions of approximately \$564,000 partially offset by depreciation expense of approximately \$434,000 and a net disposal of assets of \$5,000.
- The City's indebtedness increased by approximately \$198,000 (24%) during the current year due a new capital lease of approximately \$413,000 partially offset by scheduled principal payments of approximately \$215,000.

OVERVIEW OF FINANCIAL STATEMENTS

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

Financial Statements

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

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

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

CITY OF MULLINS, SOUTH CAROLINA**MANAGEMENT'S DISCUSSION AND ANALYSIS****YEAR ENDED JUNE 30, 2021****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, 2021 compared to June 30, 2020:

	Governmental Activities and Total	
	2021	2020
Assets:		
Current and Other Assets	\$ 2,782,250	\$ 2,728,189
Capital Assets, Net	6,630,075	6,504,334
Total Assets	9,412,325	9,232,523
Deferred Outflow of Resources		
Deferred Pension Charges	726,095	526,552
Deferred OPEB Charges	1,257,369	270,886
Total Deferred Outflow of Resources	1,983,464	797,438
Liabilities		
Long-Term Obligations	9,735,048	7,819,030
Other Liabilities	1,097,541	807,906
Total Liabilities	10,832,589	8,626,936
Deferred Inflow of Resources		
Deferred Pension Credits	361,400	409,903
Deferred OPEB Credits	1,242,497	1,485,241
Total Deferred Inflow of Resources	1,603,897	1,895,144
Net Position		
Net Investment in Capital Assets	5,574,637	5,646,933
Restricted	129,147	131,490
Unrestricted	(6,744,481)	(6,270,542)
Total (Deficit) Net Position	\$ (1,040,697)	\$ (492,119)

The City's total assets and deferred outflow of resources for governmental activities increased approximately \$1,366,000 from the prior year to approximately \$11,396,000 at June 30, 2021. Current and other assets increased approximately \$54,000 (2%). Capital assets increased approximately \$126,000 from the prior year primarily due to additions of approximately \$564,000 partially offset by depreciation expense of approximately \$434,000 and a net disposal of assets of \$5,000. Total governmental activities liabilities increased approximately \$1,914,000 from the prior year primarily due an increase in the Net OPEB liability.

The City's net position decreased by approximately \$549,000 during the current fiscal year due to current year expenses exceeding current year revenues. See the discussion after the next table for more information on revenues and expenses.

The City's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by approximately \$1,041,000 at June 30, 2021. The largest portion of the City's net position of approximately \$5,575,000 reflects its investment in capital assets (i.e., land, buildings, furniture, equipment, infrastructure, etc.) less any related outstanding debt/lease purchase obligations used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since generally the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of approximately \$129,000 represents resources that are subject to external restrictions on how they may be used. This portion of net position is restricted primarily for tourism related expenditures (i.e., hospitality fees), capital projects, and victim's advocate. The remaining portion of the City's net position of approximately (\$6,745,000), a deficit, is unrestricted. The City's unrestricted balance without the net pension and OPEB liability would be approximately \$1,599,000.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City's net position for fiscal year 2021 compared to 2020.

	Governmental Activities	
	2021	2020
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,279,294	\$ 1,280,794
Operating Grants and Contributions	310,800	239,458
Capital Grants and Contributions	93,600	-
General Revenues:		
Taxes	2,082,112	2,020,459
Other	1,119,025	1,064,777
Total Revenues	<u>4,884,831</u>	<u>4,605,488</u>
Expenses:		
General Government	999,059	1,270,871
Beautification	53,197	52,999
Street and Sanitation	1,528,981	1,157,009
Court Administration	23,232	25,055
Police	1,497,125	1,446,698
Fire	880,680	775,494
Museum	46,048	64,749
Maintenance	58,759	45,460
Recreation	310,976	321,789
Interest on Long Term Debt	30,352	40,015
Loss on Disposal of Capital Assets	5,000	104,623
Total Expenses	<u>5,433,409</u>	<u>5,304,762</u>
Change in Net Position	(548,578)	(699,274)
(Deficit) Net Position - Beginning of Year	(492,119)	207,155
(Deficit) Net Position - End of Year	<u>\$ (1,040,697)</u>	<u>\$ (492,119)</u>

Governmental Activities: Governmental activities decreased the City's net position by approximately \$549,000 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 2021 increased approximately \$279,000. The increase was primarily due to capital contributions increase of approximately \$94,000, operating grants increase of approximately \$71,000, and an increase in other revenue of approximately \$54,000 and an increase of approximately \$62,000 in taxes.
- Total governmental activities expenses increased from the prior year approximately \$129,000. Streets and Sanitation expenses increased approximately \$372,000, Police expenses increased approximately \$50,000, and Fire expenses increased approximately \$105,000 partially offset by General Government expenses decreased approximately \$272,000, Loss on disposal of capital assets decreased approximately \$100,000.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

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 \$1,961,000, a decrease of approximately \$217,000 over the prior year fund balance. The decrease in fund balance was due to revenues and other financing sources of approximately \$5,204,000 being exceeded by expenditures of approximately \$5,422,000, most of which occurred in the general fund.

Approximately 93% or \$1,831,000 of the total governmental fund balance of approximately \$1,961,000 constitutes unassigned fund balance. The City has approximately \$8,000 of nonspendable fund balance related to prepaids. 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 (\$119,000; restricted), and (2) victim's advocate expenditures (\$2,000; 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 \$1,821,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund is approximately \$1,811,000 and represents approximately 34% of total General Fund expenditures for the current year.

The fund balance for the General Fund decreased by approximately \$205,000. Revenue increased approximately \$182,000, primarily due to property taxes increase of approximately \$69,000, licenses and franchise fees increase of approximately \$56,000, fire department increase of approximately \$29,000, and grants increase of approximately \$78,000 partially offset by school resource officer decrease of approximately \$34,000. Expenditures increased by approximately \$687,000 compared to prior year with capital outlay increase of approximately \$566,000, streets and sanitation increase of approximately \$187,000, and fire increase of approximately \$65,000 and partially offset by a decrease in police of approximately \$38,000 and a decrease in debt service of approximately \$32,000.

The Capital Fund accounts for major capital outlays. This fund expended a total of approximately \$0 during 2021 and reported an ending fund balance of approximately \$21,000 at June 30, 2021.

In addition, the fund balance of the Local Hospitality Tax fund decreased by approximately \$12,000, or 9%, over 2020. This decrease was primarily expenditures exceeding revenues.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

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 \$4,603,000 were over budget by approximately \$306,000. The major differences were property tax collections came in under budget by approximately \$60,000, privilege licenses and payments came in over budget by approximately \$128,000, grants was over budget by \$140,000, miscellaneous were under budget by \$36,000 and fire department were over budget by \$136,000.
- Actual expenditures of approximately \$5,312,000 were over budget by approximately \$736,000. Costs related to the streets and sanitation department (approximately \$210,000), and fire department (approximately \$128,000), and capital outlay (approximately \$541,000) exceeded budget. Costs related to police department (approximately \$134,000) and recreation department (approximately \$36,000) were under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets as of June 30, 2021 and June 30, 2020, amounted to approximately \$6,630,000 and \$6,504,000, 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, 2021 and 2020 were as follows:

	Governmental Activities and Total	
	2021	2020
Land	\$ 934,914	\$ 939,914
Buildings and Improvements	6,789,301	6,789,301
Equipment and Vehicles	4,159,559	3,595,109
Capital Assets	11,883,774	11,324,324
Accumulated Depreciation	5,253,699	4,819,990
Total	\$ 6,630,075	\$ 6,504,334

The total increase in the City's capital assets for the current fiscal year was approximately \$126,000 (2%). Major capital asset events during the current fiscal year included the following:

- Depreciation expense of approximately \$434,000.
- Capital asset additions of approximately \$564,000.
- Net capital asset disposals of approximately \$5,000.

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, 2021

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, 2021 and 2020 was as follows:

	Governmental Activities and Total	
	2021	2020
Debt		
2014 Hospitality Fee Bond	\$ 412,843	\$ 475,443
2016 Lease Purchase	-	69,562
2017 Lease Purchase	66,599	99,666
2019 Capital Lease	150,647	196,792
2020 Lease	12,246	15,938
2021 Lease Purchase	413,103	-
Total Debt	<u>\$ 1,055,438</u>	<u>\$ 857,401</u>

The total increase in the City's governmental activities debt for the current fiscal year was approximately \$198,000 or 23%, which was due to a new lease 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, 2021, the City had no bonded debt subject to the 8% limit of approximately \$658,000 (based on an assessed value of approximately \$8,229,000).

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 2022 BUDGET FOR THE CITY

The City's elected officials and staff considered many factors when setting the fiscal year 2022 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, 2021

	PRIMARY GOVERNMENT	
	Governmental Activities	Totals
ASSETS		
Cash and Cash Equivalents	\$ 1,685,952	\$ 1,685,952
Cash and Cash Equivalents, Restricted	275,688	275,688
Receivables, Net:		
Property Taxes	28,006	28,006
Other	259,623	259,623
Intergovernmental Receivables	524,642	524,642
Prepaid Insurance	8,339	8,339
Capital Assets:		
Non-Depreciable	934,914	934,914
Depreciable, Net	5,695,161	5,695,161
TOTAL ASSETS	9,412,325	9,412,325
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Charges	726,095	726,095
Deferred Other Postemployment Benefits Charges	1,257,369	1,257,369
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,983,464	1,983,464
LIABILITIES		
Accounts Payable	280,323	280,323
Accrued Interest Payable	13,980	13,980
Accrued Salaries and Benefits	140,213	140,213
Local Option Sales Tax Credit Roll-Back	262,318	262,318
Court Bonds Outstanding	10,045	10,045
Unearned Revenues	128,821	128,821
Non-Current Liabilities:		
Due Within One Year	261,841	261,841
Due in More Than One Year	1,012,092	1,012,092
Net OPEB Liability	5,236,346	5,236,346
Net Pension Liability	3,486,610	3,486,610
TOTAL LIABILITIES	10,832,589	10,832,589
DEFERRED INFLOWS OF RESOURCES		
Deferred Pension Credits	361,400	361,400
Deferred Other Postemployment Benefits Credits	1,242,497	1,242,497
TOTAL DEFERRED INFLOWS OF RESOURCES	1,603,897	1,603,897
NET POSITION		
Net Investment in Capital Assets	5,574,637	5,574,637
Restricted For:		
Prepays	8,339	8,339
Victim's Advocate	1,985	1,985
Tourism Related Expenditures	118,823	118,823
Unrestricted Deficit	(6,744,481)	(6,744,481)
TOTAL NET POSITION (DEFICIT)	\$ (1,040,697)	\$ (1,040,697)

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, 2021

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government	
					Governmental Activities	Total
PRIMARY GOVERNMENT:						
Governmental Activities:						
General Government	\$ 999,059	-	167,698	-	(831,361)	\$ (831,361)
Beautification	53,197	-	-	-	(53,197)	(53,197)
Street and Sanitation	1,528,981	770,506	130,803	-	(627,672)	(627,672)
Court Administration	23,232	-	-	-	(23,232)	(23,232)
Police	1,497,125	132,306	-	-	(1,364,819)	(1,364,819)
Fire	880,680	328,657	-	93,600	(458,423)	(458,423)
Museum	46,048	4,105	-	-	(41,943)	(41,943)
Maintenance	58,759	-	-	-	(58,759)	(58,759)
Recreation	310,976	43,720	12,299	-	(254,957)	(254,957)
Loss on Sale of Capital Assets	5,000	-	-	-	(5,000)	(5,000)
Interest on Long Term Debt	30,352	-	-	-	(30,352)	(30,352)
Total Governmental Activities	5,433,409	1,279,294	310,800	93,600	(3,749,715)	(3,749,715)
TOTAL - PRIMARY GOVERNMENT	\$ 5,433,409	1,279,294	310,800	93,600	(3,749,715)	(3,749,715)
General Revenues and Transfers:						
General Revenues:						
Taxes:						
Property Taxes					1,894,858	1,894,858
Hospitality Taxes					154,139	154,139
Accommodations Taxes					33,115	33,115
Business Licenses and Franchise Fees					1,027,876	1,027,876
Unrestricted Investment Earnings					13,526	13,526
Miscellaneous					43,791	43,791
Insurance Proceeds					33,832	33,832
Total General Revenues					3,201,137	3,201,137
CHANGE IN NET POSITION					(548,578)	(548,578)
DEFICIT NET POSITION, BEGINNING OF YEAR					(492,119)	(492,119)
NET DEFICIT, END OF YEAR					(1,040,697)	\$ (1,040,697)

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, 2021

	SPECIAL REVENUE -			
	GENERAL	LOCAL	CAPITAL	TOTAL
	FUND	HOSPITALITY	FUND	GOVERNMENTAL
		TAX FUND		FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 1,647,521	-	38,431	\$ 1,685,952
Cash and Cash Equivalents, Restricted	92,203	183,485	-	275,688
Receivables, Net:				
Property Taxes	28,006	-	-	28,006
Other	259,623	-	-	259,623
Intergovernmental Receivables	524,642	-	-	524,642
Due From Other Funds	82,403	-	-	82,403
Prepaid Insurance	8,339	-	-	8,339
TOTAL ASSETS	\$ 2,642,737	183,485	38,431	\$ 2,864,653
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 280,323	-	-	\$ 280,323
Accrued Salaries and Benefits	140,213	-	-	140,213
Local Option Sales Tax Credit Roll-Back	262,318	-	-	262,318
Court Bonds Outstanding	10,045	-	-	10,045
Due To Other Funds	-	64,662	17,741	82,403
Unearned Revenues	128,821	-	-	128,821
TOTAL LIABILITIES	821,720	64,662	17,741	904,123
FUND BALANCES				
Nonspendable:				
Prepays	8,339	-	-	8,339
Restricted For:				
Tourism Related Expenditures	-	118,823	-	118,823
Victim's Advocate	1,985	-	-	1,985
Unassigned	1,810,693	-	20,690	1,831,383
TOTAL FUND BALANCES	1,821,017	118,823	20,690	1,960,530
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,642,737	183,485	38,431	\$ 2,864,653

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, 2021

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,960,530**

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 \$11,883,775 and the accumulated depreciation was \$5,253,700. **6,630,075**

The City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position. **(3,121,915)**

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. **(13,980)**

The City's net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to the City's OPEB Plan are not reported in the governmental funds but is in the Statement of Net Positions. **(5,221,474)**

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

Note and Lease Payables	(1,055,438)
Compensated Absence Obligations	(218,495)

TOTAL (DEFICIT) NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (1,040,697)**

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, 2021

	SPECIAL REVENUE -			TOTAL
	GENERAL	LOCAL	CAPITAL	GOVERNMENTAL
	FUND	HOSPITALITY	FUND	FUNDS
		TAX FUND		
REVENUES				
Taxes - Property	\$ 1,894,858	-	-	\$ 1,894,858
Taxes - Hospitality	-	154,139	-	154,139
Licenses and Franchise Fees	1,027,876	-	-	1,027,876
Sanitation Charges	770,506	-	-	770,506
Police Fines	31,056	-	-	31,056
State Aid	183,476	-	-	183,476
Recreation Fees	43,720	-	-	43,720
Grants	160,438	-	-	160,438
Fire Department	328,657	-	-	328,657
School Resource Officer	101,250	-	-	101,250
Museum	4,105	-	-	4,105
Interest Income	13,334	192	-	13,526
Miscellaneous	43,791	-	-	43,791
TOTAL REVENUES	4,603,067	154,331	-	4,757,398
EXPENDITURES				
Current:				
General Government	780,271	31,600	-	811,871
Beautification	47,422	-	-	47,422
Street and Sanitation	1,321,396	-	-	1,321,396
Court	20,863	-	-	20,863
Police	1,295,190	-	-	1,295,190
Fire	717,681	-	-	717,681
Recreation	232,986	-	-	232,986
Maintenance	45,332	-	-	45,332
Museum	42,899	-	-	42,899
Capital Outlay	643,432	-	-	643,432
Debt Service:				
Principal Retirement	152,466	62,600	-	215,066
Interest	12,344	15,090	-	27,434
TOTAL EXPENDITURES	5,312,282	109,290	-	5,421,572
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(709,215)	45,041	-	(664,174)
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	33,832	-	-	33,832
Lease Proceeds	413,103	-	-	413,103
Transfers In	57,150	-	-	57,150
Transfers Out	-	(57,150)	-	(57,150)
TOTAL OTHER FINANCING SOURCES (USES)	504,085	(57,150)	-	446,935
NET CHANGES IN FUND BALANCES	(205,130)	(12,109)	-	(217,239)
FUND BALANCES, BEGINNING OF YEAR	2,026,147	130,932	20,690	2,177,769
FUND BALANCES, END OF YEAR	\$ 1,821,017	118,823	20,690	\$ 1,960,530

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, 2021

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (217,239)

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

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into capital leases increases long term liabilities in the Statement of Net Position. (413,103)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (2,918)

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. 93,600

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. 215,066

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. (41,078)

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. (5,000)

Change's in the City's net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to the City's OPEB Plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (199,279)

Changes in the City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities (15,768)

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 \$470,851 exceeded depreciation expense of \$433,710 in the current period. 37,141

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (548,578)

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, 2021

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

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

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

Major Operations

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

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

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The City's major funds are as follows:

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

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

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

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

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity

1. *Cash, Cash Equivalents, and Investments*

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

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

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

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

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

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

2. *Receivables and Payables*

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

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

3. *Prepaid Items*

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

4. *Capital Assets*

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

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

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

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

5. *Compensated Absences*

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

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

6. *Accrued Liabilities and Long-Term Obligations*

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

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

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

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

7. Fund Balance

The City classifies its governmental fund balances as follows:

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

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

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

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

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

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

8. Deferred Outflows/Inflows of Resources

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

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

9. *Net Position*

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

10. *Pensions and Other Postemployment Benefits*

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

11. Fair Value

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

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

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

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

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

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

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

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value. The City does not have any investments as of June 30, 2021.

12. Other Postemployment Benefits

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

13. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

14. Comparative Data

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2021, none of the City's bank balances of approximately \$1,966,000 (with a carrying value of approximately \$1,962,000) were exposed to custodial credit risk.

Investments

As of June 30, 2021, the City had no investments as defined by GASB No. 40.

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

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

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

A. Deposits and Investments (Continued)

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

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2021 were those imposed by the revenue source (i.e., hospitality fees, accommodation taxes, grants, etc.) and court fees and fines.

B. Property Taxes and Related Receivables

Property taxes receivable of approximately \$28,000, which is net of an allowance for estimated uncollectible taxes of approximately \$180,000, represent current real and personal property as well as delinquent real and personal property taxes collected within 60 days of year end. Because the amount of delinquent real and personal property taxes not collected within 60 days of year end is not considered material, the City has elected not to record a receivable for these taxes due and not collected.

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

January 16 th	3%
February 2 nd	an additional 7%
March 17 th	an additional 5%

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

The City's fiscal year 2021 real and business personal property taxes (which was for tax year 2020) were levied in September 2020 based on a millage rate of 167 mills. The City's assessed value of real and personal property (excluding vehicles) was approximately \$8.1 million for tax year 2020.

C. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2021 consisted of the following:

Fund	Receivables	Payables
General Fund	\$ 82,403	\$ -
Hospitality Tax Fund	-	64,662
Capital Fund	-	17,741
Totals	\$ 82,403	\$ 82,403

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

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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

C. Interfund Receivables, Payables and Transfers (Continued)

Interfund Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Fund	Transfer In	Transfer Out
General Fund	\$ 57,150	\$ -
Hospitality Tax Fund	-	57,150
Totals	<u>\$ 57,150</u>	<u>\$ 57,150</u>

During the course of normal operations and in order to support the numerous functions of the City, transactions between funds may occur. The Hospitality Fund transferred approximately \$57,000 to General fund for the museum.

D. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 939,914	-	(5,000)	\$ 934,914
Construction In Progress	-	-	-	-
Total Capital Assets, Non-Depreciable	<u>939,914</u>	<u>-</u>	<u>(5,000)</u>	<u>934,914</u>
Capital Assets, Depreciable:				
Buildings and Improvements	6,789,301	-	-	6,789,301
Equipment and Vehicles	3,595,108	564,451	-	4,159,559
Total Capital Assets, Depreciable	<u>10,384,409</u>	<u>564,451</u>	<u>-</u>	<u>10,948,860</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	2,431,968	194,843	-	2,626,811
Equipment and Vehicles	2,388,021	238,867	-	2,626,888
Total Accumulated Depreciation	<u>4,819,989</u>	<u>433,710</u>	<u>-</u>	<u>5,253,699</u>
Total Capital Assets, Depreciable, Net	<u>5,564,420</u>	<u>130,741</u>	<u>-</u>	<u>5,695,161</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,504,334</u>	<u>130,741</u>	<u>(5,000)</u>	<u>\$ 6,630,075</u>

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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

D. Capital Assets (Continued)

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

Functions/Programs	Expense
General Government	\$ 120,744
Beautification	1,407
Streets and Sanitation	40,674
Police	89,028
Fire	120,737
Recreation	61,120
Total - Governmental Activities	<u>\$ 433,710</u>

E. Long-Term Obligations

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

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

	Balance at June 30, 2021
<i>Hospitality Fee Revenue Bond</i>	
\$750,000 hospitality fee revenue bond issued in December 2014 ("2014 Hospitality Fee Bond"), due in annual installments of \$51,000 to \$75,000 beginning December 1, 2015 through December 1, 2027 plus interest of 3.50% annually. The proceeds of this bond were used for upgrading two city parks.	\$ 412,843
<i>Lease Purchase Obligations</i>	
\$325,000 lease purchase agreement was entered into in November 2016 ("2016 Lease Purchase") for the purchase of a street sweeper and fire equipment, with 10 semi-annual payments (including interest) of \$33,468 beginning May 7, 2017 through November 7, 2021. \$200,000 of this lease is at a 0.0% interest and \$125,000 is at an interest rate of 2.75%.	\$ 66,599
\$242,304 lease agreement was entered into in November 2019 ("2019 Capital Lease") for the purchase of police vehicles, with monthly payments (including interest) of \$4,557 beginning June 3, 2019 through June 3, 2024 with interest rates between 4.60% and 5.08%.	\$ 150,648
\$19,400 lease agreement was entered into in July 2019 ("2020 Lease") for the purchase of computer equipment, with monthly payments (including interest) of \$367 beginning July 2019 thru June 2024 with interest rate of 5%.	\$ 12,246
\$420,115 lease agreement was entered into in January 2021 ("2021 Capital Lease") for the purchase of two garbage trucks, with annual payments (including interest) of \$88,920 beginning December 22, 2021 through December 22, 2025 with interest rate of 2.50%.	\$ 413,103

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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

E. Long-Term Obligations (Continued)

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

Presented below is a summary of changes in long-term obligations for the City for the year ended June 30, 2021:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Note and Lease Payable					
2014 Hospitality Fee Bond	\$ 475,443	-	62,600	412,843	\$ 63,000
2016 Lease Purchase	69,562	-	69,562	-	-
2017 Lease Purchase	99,666	-	33,067	66,599	66,599
2019 Capital Lease	196,792	-	46,145	150,647	48,436
2020 Lease	15,938	-	3,692	12,246	3,880
2021 Lease Purchase	-	413,103	-	413,103	79,926
Total Note and Lease Payable	857,401	413,103	215,066	1,055,438	261,841
Compensated Absences	177,417	41,078	-	218,495	-
OPEB Liability	3,807,840	1,428,506	-	5,236,346	-
Total Governmental Activities	\$ 4,842,658	1,882,687	215,066	6,510,279	\$ 261,841

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, 2021, the City did not have any bonded debt subject to the 8% limit, which was approximately \$658,000.

Presented below is a summary of debt service requirements to maturity by year for the City's governmental activities as of June 30, 2021:

Year Ending June 30,	Bonds Payable		Leases Payable		Total
	Principal	Interest	Principal	Interest	
Governmental Activities:					
2022	\$ 63,000	14,490	198,841	17,818	\$ 294,149
2023	65,000	12,285	135,336	12,671	225,292
2024	68,000	10,010	138,119	7,888	224,017
2025	70,000	7,630	84,562	4,357	166,549
2026	73,000	5,180	85,737	2,205	166,122
2027	73,843	2,625	-	-	76,468
Totals	\$ 412,843	52,220	642,595	44,939	\$ 1,152,597

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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, 2020, totaled approximately \$14,492,000. 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, 2020, totaled approximately \$60,286,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

Health Insurance

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

B. Retirement Plans

State Retirement Plans

The City participates in the State of South Carolina's retirement plans. The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit plans. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plans (Continued)

The PEBA issues a Comprehensive Annual Financial Report containing financial statements and required supplementary information for the System' Pension Trust Funds. The Comprehensive Annual Financial Report is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the Comprehensive Annual Financial Report of the state.

Plan Description

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

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

Plan Membership

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be 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 the PORS. Magistrates are required to participate in the 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.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plans (Continued)

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

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

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

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

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS ("Plans") contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plans (Continued)

Additionally, the PEBA Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the PEBA Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

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

	SCRS Rates			PORS Rates		
	2019	2020	2021	2019	2020	2021
Employer Contribution Rate: [^]						
Retirement*	14.41%	15.41%	15.41%	16.84%	17.84%	17.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	14.56%	15.56%	15.56%	17.24%	18.24%	18.24%
Employee Contribution Rate	9.00%	9.00%	9.00%	9.75%	9.75%	9.75%

[^] Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

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

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2021	\$ 96,933	100%	\$ 173,393	100%
2020	94,667	100%	173,918	100%
2019	\$ 90,330	100%	\$ 164,143	100%

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2020. The State's budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2020 (measurement date) to the City were approximately \$8,000 and \$10,000 for the SCRS and PORS, respectively.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plans (Continued)

The City recognized contributions (on-behalf benefits) from the State of approximately \$8,000 and \$10,000 for the year ended June 30, 2021. These contributions by the State are recognized as intergovernmental revenues and pension expenditures in the City's governmental fund financial statements.

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
2021	\$ 622,961	950,618	\$ 1,573,579
2020	608,403	953,497	1,561,900
2019	\$ 620,401	952,106	\$ 1,572,507

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation (previous report was issued for the period ending June 30, 2015).

The June 30, 2020 total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2019. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020 (measurement date) for the SCRS and PORS.

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

* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table ("2016 PRSC"), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plans (Continued)

Long-term Expected Rate of Return (Continued)

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Real Rate of Return	100.0%		5.80%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			8.05%

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

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2019 measurement date, for the SCRS and PORS are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 51,844,187,763	26,292,418,682	\$ 25,551,769,081	50.7%
PORS	\$ 8,046,386,629	4,730,174,642	\$ 3,316,211,987	58.8%

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plans (Continued)

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

At June 30, 2021, the City reported liabilities of approximately \$1,393,000 and \$2,093,000 for its proportionate share of the NPL for the SCRS and PORS ("Plans"), respectively. The NPL were measured as of June 30, 2020, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report as of July 1, 2019 that was projected forward to the measurement date. The City's proportion of the NPL were based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2020, the City's SCRS proportion was .005454 percent, which decreased .0004 percent compared to its proportion measured as of June 30, 2019. At June 30, 2020, the City's PORS proportion was .06312 percent, which decreased .00252 percent compared to its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of approximately \$34,000 and \$252,000 for the SCRS and PORS, respectively. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 16,079	\$ 5,269
Change in Assumptions	1,707	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	102,501	-
Changes in Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions	-	239,610
City's Contributions Subsequent to the Measurement Date	96,933	-
Total SCRS	217,220	244,879
PORS		
Differences Between Expected and Actual Experience	44,484	9,214
Change in Assumptions	25,543	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	214,333	-
Changes in Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions	51,122	107,307
City's Contributions Subsequent to the Measurement Date	173,393	-
Total PORS	508,875	116,521

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plans (Continued)

Approximately \$97,000 and \$173,000 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2022	\$ (90,473)	\$ 42,813	\$ (47,660)
2023	(70,647)	65,775	(4,872)
2024	10,372	57,863	68,235
2025	26,156	52,510	78,666
Total	<u>\$ (124,592)</u>	<u>\$ 218,961</u>	<u>\$ 94,369</u>

Discount Rate

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

Sensitivity Analysis

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

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability of the SCRS	\$ 1,727,033	1,393,468	\$ 1,114,937
City's proportionate share of the net pension liability of the PORS	2,770,968	2,093,142	1,548,892
Total	<u>\$ 4,498,001</u>	<u>3,486,610</u>	<u>\$ 2,663,829</u>

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued Comprehensive Annual Financial Report containing financial statements and required supplementary information for the SCRS and PORS. The Comprehensive Annual Financial Report is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plans (Continued)

Payable to Plans

The City reported payables of approximately \$13,000 and \$20,000 to the PEBA as of June 30, 2021, representing required employer and employee contributions for the month of June 2021 for the SCRS and PORS, respectively. These amounts are included in Accrued Salaries and Benefits on the financial statements and were paid in July 2021.

C. Postemployment Benefits Other Than Pensions

Plan Description

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

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

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

Plan Membership

As of June 30, 2021, the following employees were covered by the OPEB Plan's benefit terms:

Inactive Members or Beneficiaries Currently Receiving Benefit Payments	12
Active Members	<u>52</u>
Total Membership	<u><u>64</u></u>

The City's total OPEB liability of \$5,236,346 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Actuarial Assumptions and Method

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

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

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

Actuarial Valuation Date	Jne 30, 2019
Acuarial Cost Method	Entry Age normal
Assets Backing OPEB Liability	None
Plan Asset Return	0.00%
Bond Yield	2.21%
Discount Rate	2.21%
Measurement Date	June 30, 2020
Prior Measurement Date	June 30, 2019
Prior Year Discount Rate	3.50%
Projected Salary Increases	3.00%
Percentage Participation	100.00%
Mortality Table	RP-2014 Mortality Table

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB Plan investments is 2.21% at June 30, 2021, which is the municipal bond rate as the OPEB Plan does not have any investments in an irrevocable trust, as defined by GASB 75.

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

The City's OPEB liability was measured as of June 30, 2020 and the OPEB liability and expense as of June 30, 2021 were calculated using the Entry Age normal as discussed above.

	<u>OPEB Liability</u>
Beginning Balance	\$ 3,807,840
Changes for the year:	
Service Cost	192,365
Interest	132,128
Difference Between Expected/Actual Experience	(10,067)
Changes of Assumptions or Other Inputs	1,180,185
Benefit Payments and Implicit Subsidy Credit	<u>(66,105)</u>
Net Changes	<u>1,428,506</u>
Ending Balance	<u>\$ 5,236,346</u>

Changes of assumptions reflect a change in the discount rate from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020. Benefit payments include explicit payments of \$61,705 and implicit payments of \$4,400.

For the year ended June 30, 2021, the City recognized OPEB expense of approximately \$253,000. At June 30, 2021, the City reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 855,960
Changes of Assumptions	1,192,364	386,537
Employer Contributions Subsequent to the Measurement Date	<u>65,005</u>	<u>-</u>
Total	<u>\$ 1,257,369</u>	<u>\$ 1,242,497</u>

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

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

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

<u>Year Ended June 30,</u>	<u>Total</u>
2021	\$ (71,082)
2022	(71,082)
2023	(71,082)
2024	(31,428)
2025	18,479
Thereafter	176,062
Total	<u>\$ (50,133)</u>

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following table presents the sensitivity of the City's OPEB liability to changes in the discount rate, calculated using the discount rate of 2.21%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (1.21%) or 1% point higher (3.21%) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
OPEB Liability	\$ 6,478,923	5,236,346	\$ 4,287,805

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

The following table presents the sensitivity of the City's OPEB liability to changes in the medical cost trend rate, calculated using the medical cost trend rate of 7.25%, as well as what it would be if it were calculated using a medical cost trend rate that is 1% point lower (6.25%) or 1% point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Medical Cost Trend Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
OPEB Liability	\$ 4,116,037	5,236,346	\$ 6,794,410

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

D. Contingent Liabilities and Commitments

Anderson Center Project

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

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

Mullins Technology Center

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

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, 2021.

Litigation

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

E. Subsequent Events

In October 2021, the City entered into a new lease agreement of approximately \$843,000 for the purchase of two new fire trucks. In May 2022, the City entered into a new lease agreement of approximately \$238,000 for the purchase of new fire equipment.

Subsequent events were evaluated through the date in which the financial statements were available to be issued which was November 10, 2022.

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, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes - Property	\$ 1,955,000	1,955,000	1,894,858	\$ (60,142)
Privilege Licenses and Payments in Lieu of License	900,000	900,000	1,027,876	127,876
Sanitation Charges	712,435	712,435	770,506	58,071
Police Fines	62,000	62,000	31,056	(30,944)
State Shared Revenue	175,000	175,000	183,476	8,476
Recreation Department Receipts	50,000	50,000	43,720	(6,280)
Interest	8,000	8,000	13,334	5,334
Grants	20,000	20,000	160,438	140,438
Miscellaneous	80,000	80,000	43,791	(36,209)
Fire Department	193,000	193,000	328,657	135,657
School Resource Officer	135,000	135,000	101,250	(33,750)
Museum	7,000	7,000	4,105	(2,895)
TOTAL REVENUES	4,297,435	4,297,435	4,603,067	305,632
EXPENDITURES				
Current:				
General Government	788,990	788,990	780,271	(8,719)
Beautification Department	49,318	49,318	47,422	(1,896)
Streets and Sanitation Department	1,111,297	1,111,297	1,321,396	210,099
Court Administration Department	40,537	40,537	20,863	(19,674)
Police Department	1,429,070	1,429,070	1,295,190	(133,880)
Fire Department	590,173	590,173	717,681	127,508
Recreation Department	268,671	268,671	232,986	(35,685)
Maintenance	42,492	42,492	45,332	2,840
Museum	58,498	58,498	42,899	(15,599)
Capital Outlay	102,498	102,498	643,432	540,934
Debt Service:				
Principal	94,920	94,920	152,466	57,546
Interest	-	-	12,344	12,344
TOTAL EXPENDITURES	4,576,464	4,576,464	5,312,282	735,818
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(279,029)	(279,029)	(709,215)	(430,186)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	70,000	70,000	-	(70,000)
Insurance proceeds	-	-	33,832	33,832
Lease Proceeds	-	-	413,103	413,103
Transfers In	60,000	60,000	57,150	(2,850)
Transfers Out	(86,100)	(86,100)	-	86,100
TOTAL OTHER FINANCING SOURCES (USES)	43,900	43,900	504,085	460,185
NET CHANGE IN FUND BALANCE	(235,129)	(235,129)	(205,130)	29,999
FUND BALANCE, BEGINNING OF YEAR	2,026,147	2,026,147	2,026,147	-
FUND BALANCE, END OF YEAR	\$ 1,791,018	1,791,018	1,821,017	\$ 29,999

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

The City's original and final budget reflected an expected decrease of fund balance of \$235,129.

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, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes - Hospitality Fees	\$ 167,200	167,200	154,139	\$ (13,061)
Interest	-	-	192	192
TOTAL REVENUES	167,200	167,200	154,331	(12,869)
EXPENDITURES				
Current:				
General Government	29,600	29,600	31,600	(2,000)
Debt Service:				
Principal	55,000	55,000	62,600	(7,600)
Interest	22,600	22,600	15,090	7,510
TOTAL EXPENDITURES	107,200	107,200	109,290	(2,090)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	60,000	60,000	45,041	(14,959)
OTHER FINANCING SOURCES (USES)				
Transfer to the General Fund	(60,000)	(60,000)	(57,150)	2,850
TOTAL OTHER FINANCING SOURCES (USES)	(60,000)	(60,000)	(57,150)	2,850
NET CHANGE IN FUND BALANCE	-	-	(12,109)	(12,109)
FUND BALANCE, BEGINNING OF YEAR	130,932	130,932	130,932	-
FUND BALANCE, END OF YEAR	\$ 130,932	130,932	118,823	\$ (12,109)

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

CITY OF MULLINS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - CAPITAL FUND

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

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Contributions	\$ 15,000	15,000	-	\$ (15,000)
TOTAL REVENUES	15,000	15,000	-	(15,000)
EXPENDITURES				
Current:				
Capital Outlay	101,100	101,100	-	101,100
TOTAL EXPENDITURES	101,100	101,100	-	101,100
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(86,100)	(86,100)	-	86,100
OTHER FINANCING SOURCES (USES)				
Transfers In	86,100	86,100	-	(86,100)
TOTAL OTHER FINANCING SOURCES (USES)	86,100	86,100	-	(86,100)
NET CHANGE IN FUND BALANCES	-	-	-	-
FUND BALANCES, BEGINNING OF YEAR	20,690	20,690	20,690	-
FUND BALANCES, END OF YEAR	\$ 20,690	20,690	20,690	\$ -

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

CITY OF MULLINS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULE

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

LAST FOUR FISCAL YEARS

	Year Ended			
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
OPEB Liability:				
Service Cost	\$ 192,365	\$ 172,707	184,998	\$ 214,764
Interest	132,128	170,580	157,108	139,216
Differences Between Expected and Actual Experience	(10,067)	(1,130,256)	(15,969)	(545)
Changes of Assumptions	1,180,185	222,763	(264,850)	(497,433)
Benefit Payments, Including Implicit and Explicit Benefits	(66,105)	(70,762)	(62,708)	(73,263)
Net Change in Total OPEB Liability	1,428,506	(634,968)	(1,421)	(217,261)
OPEB Liability - Beginning of Year	3,807,840	4,442,808	4,444,229	4,661,490
OPEB Liability - End of Year	<u>\$ 5,236,346</u>	<u>\$ 3,807,840</u>	<u>4,442,808</u>	<u>\$ 4,444,229</u>
Covered-Employee Payroll	\$ 1,431,705	\$ 1,431,705	1,501,002	\$ 1,501,002
OPEB Liability as a Percentage of Covered-Employee Payroll	365.74%	265.97%	295.99%	296.08%

Notes to Schedule:

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

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

Significant Changes of Assumptions

Discount Rate	2.21%	3.50%	3.87%	3.56%
---------------	-------	-------	-------	-------

**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 EIGHT FISCAL YEARS

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability (Asset)	0.005454%	0.005875%	0.007367%	0.007531%	0.007710%	0.008232%	0.008386%	0.008386%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,393,468	\$ 1,341,545	\$ 1,650,609	\$ 1,695,349	\$ 1,646,845	\$ 1,561,238	\$ 1,443,791	\$ 1,504,149
City's Covered-Employee Payroll	\$ 608,403	\$ 620,401	\$ 763,379	\$ 759,833	\$ 746,630	\$ 773,243	\$ 761,358	\$ 780,124
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	229.04%	216.24%	216.22%	223.12%	220.57%	201.91%	189.63%	192.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%	56.39%

Notes to Schedule:

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

**CITY OF MULLINS
MULLINS, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 96,933	\$ 94,667	\$ 90,330	\$ 103,514	\$ 87,837	\$ 82,577	\$ 84,284	\$ 80,704
Contributions in Relation to the Contractually Required Contribution:								
Contributions from the City	89,317	94,667	82,714	95,898	87,837	82,577	84,284	80,704
Contributions from the State	7,616	-	7,616	7,616	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 622,961	\$ 608,403	\$ 620,401	\$ 763,379	\$ 759,833	\$ 746,630	\$ 773,243	\$ 761,358
Contributions as a Percentage of Covered-Employee Payroll:	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%

Notes to Schedule:

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

**CITY OF MULLINS
MULLINS, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.06312%	0.06564%	0.06175%	0.00666%	0.00742%	0.07190%	0.07916%	0.07916%
City's Proportionate Share of the Net Pension	\$ 2,093,142	\$ 1,881,251	\$ 1,749,719	\$ 1,825,041	\$ 1,881,100	\$ 1,566,971	\$ 1,515,480	\$ 1,640,986
City's Covered-Employee Payroll	\$ 953,497	\$ 952,106	\$ 854,716	\$ 897,132	\$ 945,467	\$ 889,254	\$ 952,101	\$ 937,296
Covered-Employee Payroll	219.52%	197.59%	204.71%	203.43%	198.96%	176.21%	159.17%	175.08%
53 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.79%	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%	62.98%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.
The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018.

**CITY OF MULLINS
MULLINS, SOUTH CAROLINA**

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT FISCAL YEARS

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 173,393	\$ 173,918	\$ 164,143	\$ 138,806	\$ 127,752	129,907	119,250	\$ 122,250
Contributions in Relation to the Contractually Required Contribution:								
Contributions from the City	163,672	173,918	154,422	129,085	127,752	129,907	119,250	122,250
Contributions from the State	9,721	-	9,721	9,721	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 950,618	\$ 953,497	\$ 952,106	\$ 854,716	\$ 897,132	945,467	889,254	\$ 952,101
Contributions as a Percentage of Covered-Employee Payroll:	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%	12.84%

Notes to Schedule:

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

CITY OF MULLINS, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - DETAILED BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2021

	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES			
Taxes - Property			
Property	\$ 1,685,000	1,555,221	\$ (129,779)
Delinquent	50,000	98,507	48,507
Local Option	220,000	241,130	21,130
Privilege Licenses and Payments in Lieu of License	900,000	1,027,876	127,876
Sanitation Charges	712,435	770,506	58,071
Police Fines	62,000	31,056	(30,944)
State Shared Revenue			
Local Government Fund	140,000	150,361	10,361
Accommodations Tax	35,000	33,115	(1,885)
Recreation Department Receipts	50,000	43,720	(6,280)
Interest	8,000	13,334	5,334
Grants	20,000	160,438	140,438
Miscellaneous	80,000	43,791	(36,209)
Fire Department	193,000	328,657	135,657
School Resource Officer	135,000	101,250	(33,750)
Museum	7,000	4,105	(2,895)
TOTAL REVENUES	\$ 4,297,435	4,603,067	\$ 305,632
EXPENDITURES			
General Government:			
Salaries	201,691	145,573	56,118
Contractual Services	30,368	61,165	(30,797)
Hospital Insurance	89,119	111,151	(22,032)
Payroll Taxes	15,429	11,206	4,223
Retirement	31,383	25,094	6,289
Accounting and Legal	54,000	75,586	(21,586)
Advertising	2,000	1,419	581
Utilities	7,000	8,344	(1,344)
Telephone	7,500	5,785	1,715
Office Supplies	4,000	9,007	(5,007)
Insurance and Workmen's Compensation	285,000	253,380	31,620
Municipal Dues and Fees	4,000	20,631	(16,631)
Supplies and Minor Equipment	5,000	6,750	(1,750)
Maintenance to Building	2,000	14,526	(12,526)
Travel and Meals	15,000	6,759	8,241
Miscellaneous	27,500	19,032	8,468
Marion County Drug Program	\$ 1,000	3,045	\$ (2,045)

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, 2021

	FINAL BUDGET	ACTUAL	VARIANCE
General Government:			
Employee Christmas Expenses	\$ 3,000	628	\$ 2,372
Sales and Use Tax	500	-	500
Training	3,000	1,190	1,810
Uniforms	500	-	500
Capital Outlay	-	5,300	(5,300)
Debt Service:			
Principal	-	3,692	(3,692)
Interest	-	713	(713)
Total General Government	788,990	789,976	(986)
Beautification Department:			
Salaries	31,480	32,336	(856)
Hospital Insurance	6,590	6,674	(84)
Payroll Taxes	2,389	2,449	(60)
Retirement	4,859	4,309	550
Telephone	-	584	(584)
Consultant fee	2,500	644	1,856
Maintenance to Equipment	1,500	-	1,500
Uniforms	-	426	(426)
Capital Outlay	-	34,148	(34,148)
Total Beautification Department	49,318	81,570	(32,252)
Streets and Sanitation Department:			
Salaries	290,625	258,830	31,795
Temporary Staffing	-	20,336	(20,336)
Hospital Insurance	75,124	53,918	21,206
Payroll Taxes	22,233	19,453	2,780
Retirement	42,315	38,225	4,090
Utilities	125,000	142,244	(17,244)
Telephone	2,000	5,108	(3,108)
Supplies and Minor Equipment	22,000	150,109	(128,109)
Maintenance to Equipment	30,000	47,383	(17,383)
Maintenance to Buildings	10,000	356	9,644
Gas, Oil, and Tires	30,000	49,620	(19,620)
Uniforms	7,500	6,986	514
Miscellaneous	4,500	10,378	(5,878)
Contractual Services	450,000	518,450	(68,450)
Capital Outlay	-	553,760	(553,760)
Debt Service:			
Principal	-	20,022	(20,022)
Total Streets and Sanitation Department	\$ 1,111,297	1,895,178	\$ (783,881)

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, 2021

	FINAL BUDGET	ACTUAL	VARIANCE
Court Administration Department:			
Salaries	\$ 19,050	17,182	\$ 1,868
Hospital Insurance	12,146	297	11,849
Payroll Taxes	998	196	802
Retirement	1,443	1,077	366
Contractual Services	500	-	500
Legal Costs	1,000	-	1,000
Dues and Fees	200	50	150
Travel and meals	4,000	937	3,063
Education and Training	1,000	952	48
Miscellaneous	200	172	28
Total Court Administration Department	40,537	20,863	19,674
Police Department:			
Salaries	818,343	761,595	56,748
Hospital Insurance	132,304	151,020	(18,716)
Payroll Taxes	61,073	56,972	4,101
Retirement	145,618	134,965	10,653
Utilities	-	1,837	(1,837)
Telephone	17,000	14,431	2,569
Dues and Fees	3,000	4,320	(1,320)
Supplies and Minor Equipment	20,000	3,822	16,178
Maintenance to Equipment	11,000	16,103	(5,103)
Maintenance to Building	-	100	(100)
Gas, Oil, and Tires	40,000	38,634	1,366
Travel and meals	2,000	583	1,417
Uniforms	10,000	30,631	(20,631)
Combined Drug Unit	4,300	-	4,300
Education and Training	2,500	1,472	1,028
Prisoner Expenditures	1,000	-	1,000
Victim's Advocate	-	2,551	(2,551)
Miscellaneous	2,000	1,703	297
Marion County Law Enforcement	35,000	35,000	-
Contractual Services	123,932	39,451	84,481
Capital Outlay	22,998	22,666	332
Debt Service:			
Principal	-	46,144	(46,144)
Interest	-	7,852	(7,852)
Total Police Department	1,452,068	1,371,852	80,216
Fire Department:			
Salaries	272,975	254,701	18,274
Hospital Insurance	49,939	57,736	(7,797)
Payroll Taxes	18,588	18,946	(358)
Retirement	\$ 40,671	43,301	\$ (2,630)

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, 2021

	FINAL BUDGET	ACTUAL	VARIANCE
Fire Department:			
Utilities	\$ 20,000	25,096	\$ (5,096)
Telephone	8,000	5,623	2,377
Office Supplies	2,000	4,977	(2,977)
Dues and Fees	4,000	1,416	2,584
Supplies and Minor Equipment	14,500	55,705	(41,205)
Maintenance to Equipment	36,000	148,297	(112,297)
Maintenance to Building	20,000	19,640	360
Gas, Oil, and Tires	30,000	24,434	5,566
Travel and Meals	6,000	1,561	4,439
Uniforms	5,000	4,781	219
Education and Training	6,000	3,022	2,978
Miscellaneous	14,000	2,213	11,787
Professional Service	7,500	7,632	(132)
Marion County Fire Service	35,000	38,600	(3,600)
Capital Outlay	71,000	8,765	62,235
Debt Service:			
Principal	94,920	82,608	12,312
Interest	-	3,779	(3,779)
Total Fire Department	756,093	812,833	(56,740)
Recreation Department:			
Salaries	114,072	103,275	10,797
Temporary Staffing	30,000	21,890	8,110
Hospital Insurance	12,933	6,458	6,475
Payroll Taxes	8,727	7,739	988
Retirement	16,089	14,889	1,200
Utilities	35,000	28,262	6,738
Telephone	2,000	1,280	720
Office Supplies	-	616	(616)
Dues and Fees	1,000	1,240	(240)
Contractual Services	750	-	750
Supplies and Minor Equipment	30,000	24,289	5,711
Maintenance on Equipment	2,000	3,859	(1,859)
Maintenance on Building	2,000	3,344	(1,344)
Gas, Oil, and Tires	2,500	331	2,169
Travel and Meals	2,500	2,627	(127)
Uniforms	100	-	100
Canteen	6,000	4,707	1,293
Miscellaneous	3,000	8,180	(5,180)
Capital Outlay	8,500	18,793	(10,293)
Total Recreation Department	277,171	251,779	25,392
Maintenance Department:			
Salaries	23,180	24,621	(1,441)
Hospital Insurance	6,236	6,351	(115)
Payroll Taxes	\$ 1,773	1,859	\$ (86)

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, 2021

	FINAL BUDGET	ACTUAL	VARIANCE
Maintenance Department:			
Retirement	\$ 3,603	3,783	\$ (180)
Utilities	2,000	2,000	-
Telephone	-	196	(196)
Supplies and Minor Equipment	3,500	5,410	(1,910)
Maintenance on Equipment	1,000	180	820
Gas, Oil, and Tires	500	506	(6)
Uniforms	700	426	274
Total Maintenance Department	42,492	45,332	(2,840)
Museum Department			
Salaries	27,607	18,261	9,346
Hospital Insurance	13,388	5,857	7,531
Payroll Taxes	2,112	1,255	857
Retirement	3,891	2,175	1,716
Utilities	4,500	6,845	(2,345)
Telephone	600	504	96
Office Supplies	100	154	(54)
Supplies and Minor Equipment	1,000	3,900	(2,900)
Maintenance on Equipment	100	48	52
Maintenance on Building	500	481	19
Exhibitions	1,000	-	1,000
Travel and Meals	200	42	158
Museum Purchases	3,000	2,877	123
Marketing	500	500	-
Total Museum Department	58,498	42,899	15,599
TOTAL EXPENDITURES	4,576,464	5,312,282	(735,818)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(279,029)	(709,215)	(430,186)
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	70,000	-	(70,000)
Insurance Proceeds	-	33,832	33,832
Lease Proceeds	-	413,103	413,103
Transfer from Hospitality Tax Fund	60,000	57,150	(2,850)
Transfer to Capital Fund	(86,100)	-	86,100
TOTAL OTHER FINANCING SOURCES (USES)	43,900	504,085	460,185
NET CHANGE IN FUND BALANCES	(235,129)	(205,130)	29,999
FUND BALANCES, BEGINNING OF YEAR	2,026,147	2,026,147	-
FUND BALANCES, END OF YEAR	\$ 1,791,018	1,821,017	\$ 29,999

CITY OF MULLINS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2021

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			60,743	60,743
Court fines and assessments remitted to State Treasurer			(30,376)	(30,376)
Total Court Fines and Assessments retained			30,367	30,367
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			1,334	1,334
Assessments retained			2,644	2,644
Total Surcharges and Assessments retained for victim services			3,978	3,978

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	558		558
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	2,644		2,644
Victim Service Surcharges Retained by City/County Treasurer	1,334		1,334
Interest Earned			
Grant Funds Received			
General Funds Transferred to Victim Service Fund			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	4,536		4,536
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	-		-
Operating Expenditures	-		-
Victim Service Contract(s):			
(1) Marion County	2,551		2,551
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	2,551		2,551
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	1,985		1,985

**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, 2021, 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 November 10, 2022.

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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 as items #2021-001 and #2021-002 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 deficiency described in the accompanying schedule of findings and responses as item #2021-003 to be a significant deficiency.

Compliance and Other Matters

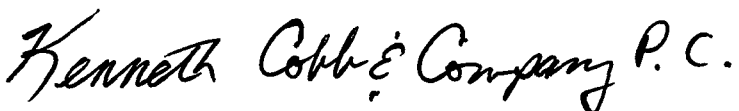
As part of obtaining reasonable assurance about whether the City of Mullins' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Mullins' Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Kenneth Cobb & Company, P.C.
Mullins, South Carolina
November 10, 2022

City of Mullins, South Carolina
SCHEDULE OF FINDINGS AND RESPONSES
For the fiscal year ended June 30, 2021

I. FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

#2021-001 Purchasing goods and services

Condition: During the disbursement testing of accounts payable the following items were noted: There were two instances in which the invoice documentation was less than the amount of the payment made.

Criteria: Checks should always equal documentation.

Cause: Reconciling of amounts to be paid with amounts actually paid are not being performed.

Effect: Loss of cash and expenditures are overstated.

Recommendation: Never issue a check for an amount different than what the invoice states.

Views of Responsible Officials and Planned Corrective Action: It is our intention to be more conscientious when paying invoices, this includes reconciling invoices and check amounts before bills are submitted and then again during the approval phase.

#2021-002 Payroll fringe disbursements

Condition: During the journal entry testing it was discovered that payroll liabilities (child support) continued to be paid even after an employee was terminated.

Criteria: Checks should always equal documentation.

Cause: Reconciling of amounts withheld to amounts paid are not being performed.

Effect: Loss of cash and expenditures are overstated.

Recommendation: Never issue a check for payroll liabilities unless they are withheld from an employees paycheck.

Views of Responsible Officials and Planned Corrective Action: It is our intention to reconcile payroll liabilities with each payroll completed and then to check again during the approval process.

City of Mullins, South Carolina
SCHEDULE OF FINDINGS AND RESPONSES
For the fiscal year ended June 30, 2021

SIGNIFICANT DEFICIENCY

#2021-003 Inadequate segregation of duties(repeat comment)

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Actions: Due to the small size of our staff there are limited measures we can take to satisfy a more robust segregation of duties. It is our intention to separate duties as much as we can and to check behind each other once they are completed.