City of Mullins, South Carolina

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

June 30, 2013

CITY OF MULLINS, SOUTH CAROLINA

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YEAR ENDED JUNE 30, 2013

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CITY OF MULLINS, SOUTH CAROLINA

LISTING OF PRINCIPAL OFFICIALS

YEAR ENDED JUNE 30, 2013

Established

1872

MAYOR

William "Bo" McMillan

CITY COUNCIL MEMBERS

Patricia Phillips – Mayor Pro Tem

Terry Davis

Linda Schiavo

Jo Sanders

George Hardwick

Carolyn Wilson

CITY ADMINISTRATOR

David E. Hudspeth

CITY ATTORNEY

Robert Corley

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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, the business-type 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mullins as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows 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 schedule, and the Other Postemployment Benefit Plan Schedule, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mullins' basic financial statements. The accompanying combining and individual fund financial statements, and schedules listed under supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2014 on our consideration of the City of Mullins' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mullins' internal control over financial reporting and compliance.

Kenneth Cobb & Company P.C.

August 12, 2014

As management of the City of Mullins ("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, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information the financial statements and notes to the financial statements to enhance their understanding the City's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately $7,044,000 (*net position*). In addition, the City's unrestricted net position (may be used to meet the government's ongoing obligations to citizens and creditors) was approximately $2,616,000 for its governmental activities.
- The government's total net position increased by approximately $2,881,000 for governmental activities. During the year the City sold their water and sewer operations (the City's only business-type activity) for a loss of approximately $7,661,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately $3,460,000, an increase of approximately $2,318,000 over the prior year's fund balance. This was primarily due to a transfer in from the water and sewer operation of approximately $2,027,000 when the City sold that operation.
- The City's General Fund reported total fund balance of approximately $3,127,000. Approximately 91% of this total amount, or approximately $2,858,000, is available for spending at the government's discretion (*unassigned fund balance*). The unassigned fund balance for the General Fund was approximately 65% of total General Fund expenditures for the year ended June 30, 2013.
- The City's governmental activities total capital assets decreased by approximately $1,000 during the current fiscal year due to capital asset additions of approximately $360,000, offset by depreciation expense of approximately $361,000.
- The City's governmental activities total debt decreased by approximately $276,000 (53%) during the current year due to scheduled principal payments and extra payments made.
- In September 2012, the City sold its water and sewer system to Grand Strand Water and Sewer Authority ("GSWSA"). GSWSA paid the City $1,500,000 and paid City debt (principal and interest) of $1,951,115. GSWSA will pay the City a franchise fee for providing the water and sewer services to the City in future years. In writing off the net assets (primarily capital assets and debt) of the water and sewer system related to this sale, the City recorded a loss on the sale of the water and sewer net assets of approximately $7,661,000.
- The City implemented Governmental Accounting Standards Board ("GASB") Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" ("GASB #63" or "Statement") in 2013. This Statement establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "*Elements of Financial Statements*". In Concepts Statement No. 4, the GASB defines a *deferred outflow of resources* as a consumption of net assets by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net assets by a government that is applicable to a future reporting period; and *net position* as the residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net assets in a statement of financial position. Since the City had no deferred outflows or inflows of resources at June 30, 2013, the City's implementation of GASB #63 had no material effect on the presentation of its 2013 financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

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

Financial Statements

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

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

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

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

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. 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 business-type activity is the City's water and sewer operation for which it charges its customers a fee to provide.

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 three categories: governmental funds and proprietary funds.

Governmental Funds – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most 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.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The City maintained eight (8) 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, Local Hospitality Tax Fund, Fireman's Fund, Volunteer Fireman's Fund, Cemetery Beautification Fund, Special Police Fund, JAG Grant Fund, and the SC Tobacco Museum Fund. The governmental fund financial statements can be found as listed in the table of contents.

Proprietary Funds – The City maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City used one enterprise fund to account for its water and sewer operations. The proprietary 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. Regarding the City's major governmental fund, the City adopts an annual budget for its General Fund, as required by the General Statutes. A required budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with its budget. The City also sponsors a single-employer defined benefit healthcare plan ("OPEB plan"). The City has provided the required schedule of employer contributions and schedule of funding progress for the OPEB plan. Required supplementary information can be found as listed in the table of contents.

Supplementary information, which includes combining and individual fund schedules and a schedule of fines, assessments, and surcharges, are presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Figure A-1
Major Features of the City's Government-Wide and Fund Financial Statements

		Fund Financial Statements	
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary.	Activities the City operates similar to private businesses.
Required Financial Statements	▪ Statement of Net Position. ▪ Statement of Activities.	▪ Balance Sheet. ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances.	▪ Statement of Net Position ▪ Statement of Revenues, Expenses, and Changes in Net Position. ▪ Statement of Cash Flows.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic 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 included.	All assets and liabilities, both financial and capital, and short-term and long-term.
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.	All revenues and expenses during year, regardless of when cash is received or paid.

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, 2013 compared to June 30, 2012:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and Other Assets	$ 3,638,171	1,270,499	-	644,332	3,638,171	$ 1,914,831
Capital Assets, Net	4,338,464	4,339,530	-	11,136,093	4,338,464	15,475,623
Total Assets	7,976,635	5,610,029	-	11,780,425	7,976,635	17,390,454
Liabilities						
Long-Term Obligations	826,114	1,304,478	-	2,041,451	826,114	3,345,929
Other Liabilities	106,546	142,469	-	117,347	106,546	259,816
Total Liabilities	932,660	1,446,947	-	2,158,798	932,660	3,605,745
Net Position						
Net Investment in Capital Assets	4,094,034	3,818,709	-	9,143,113	4,094,034	12,961,822
Restricted	333,482	594,114	-	191,819	333,482	785,933
Unrestricted	2,616,459	(249,741)	-	286,695	2,616,459	36,954
Total Net Position	$ 7,043,975	4,163,082	-	9,621,627	7,043,975	$ 13,784,709

The City's total governmental activities assets increased approximately $2,367,000 from the prior year to approximately $7,977,000 at June 30, 2013. Current and other assets increased approximately $2,368,000 primarily due the transfer in from the water and sewer fund when that operation was sold. Capital assets decreased approximately $1,000 from the prior year primarily due to depreciation expense of approximately $361,000 exceeding capital asset additions of approximately $360,000. Total governmental activities liabilities decreased approximately $514,000 from the prior year primarily due to principal payments made on outstanding debt.

The City's net position increased by approximately $2,881,000 during the current fiscal year due to current year revenues exceeding current year expenses. This was primarily due to the transfer from the water and sewer fund of approximately $2,027,000 when that operation was sold.

The City's assets exceeded liabilities by approximately $7,044,000 at June 30, 2013. The largest portion of the City's net position of approximately $4,094,000 (approximately 58%) 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 $333,000 (approximately 5%) 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 fee, accommodations tax, etc.). The remaining portion of the City's net position is unrestricted net position of approximately $2,616,000 (approximately 37%) may be used to meet the government's ongoing obligations to citizens and creditors.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City's net position for fiscal year 2013 compared to 2012.

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	$ 1,055,513	1,941,501	426,888	1,419,556	1,482,401	$ 3,361,057
Operating Grants and Contributions	389,512	489,948	-	-	389,512	489,948
Capital Grants and Contributions	63,000	-	37,041	401,838	100,041	401,838
General Revenues:						
Taxes	1,942,379	1,985,170	-	-	1,942,379	1,985,170
Other	1,507,043	351,064	39,017	78,668	1,546,060	429,732
Total Revenues	4,957,447	4,767,683	502,946	1,900,062	5,460,393	6,667,745
Expenses:						
General Government	718,651	1,012,057	-	-	718,651	1,012,057
Beautification	73,474	89,520	-	-	73,474	89,520
Street and Sanitation	1,163,514	1,030,359	-	-	1,163,514	1,030,359
Court Administration	34,237	-	-	-	34,237	-
Police	1,224,097	1,254,959	-	-	1,224,097	1,254,959
Fire	450,087	503,273	-	-	450,087	503,273
Museum	31,042	40,433	-	-	31,042	40,433
Recreation	228,314	246,879	-	-	228,314	246,879
Maintenance	43,873	62,271	-	-	43,873	62,271
Accomodations Tax	16,915	10,437	-	-	16,915	10,437
Grants	-	348,158	-	-	-	348,158
Interest on Long Term Debt	24,878	28,286	-	-	24,878	28,286
Transfers to Other Governments	94,000	94,000	-	-	94,000	94,000
Loss on sale of water and sewer operations	-	-	7,661,402	-	7,661,402	-
Water and Sewer	-	-	436,643	1,450,617	436,643	1,450,617
Total Expenses	4,103,082	4,720,632	8,098,045	1,450,617	12,201,127	6,171,249
Change in Net Position Before Transfers	854,365	47,051	(7,595,099)	449,445	(6,740,734)	496,496
Transfers In (Out)	2,026,528	-	(2,026,528)	-	-	-
Change in Net Position	2,880,893	47,051	(9,621,627)	449,445	(6,740,734)	496,496
Net Position - Beginning of Year	4,163,082	4,116,031	9,621,627	9,172,182	13,784,709	13,288,213
Net Position - End of Year	$ 7,043,975	4,163,082	-	9,621,627	7,043,975	$ 13,784,709

Governmental Activities: Governmental activities increased the City's net position by approximately $2,881,000 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 2013 were consistent with the prior year and were approximately $4,957,000. The most significant change was insurance proceeds received in fiscal year 2013 of approximately $489,000
- Total governmental activities expenses decreased by approximately $618,000 (13%) from the prior year primarily due to changes in the OPEB liability.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

- *Business-Type Activities*: In September 2012, the City sold its water and sewer system to Grand Strand Water and Sewer Authority ("GSWSA"). GSWSA paid the City $1,500,000 and paid City debt (principal and interest) of $1,951,115. GSWSA will pay the City a franchise fee for providing the water and sewer services to the City in future years. In writing off the net assets (primarily capital assets and debt) of the water and sewer system related to this sale, the City recorded a loss on the sale of the water and sewer net assets of approximately $7,661,000.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of approximately $3,460,000, an increase of approximately $2,318,000 over the prior year fund balance. The increase in fund balance was due to insurance proceeds received of approximately $489,000 and a transfer in from the water and sewer fund of approximately $2,027,000.

Approximately 83% or 2,858,000 of the total governmental fund balance of approximately $3,460,000 constitutes unassigned fund balance. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is not available for new spending because it has already been set aside/constrained for (1) inventory ($2,000; nonspendable), (2) tourism related expenditures ($320,000; restricted), (3) firemen's fund ($14,000; restricted), (4) SC tobacco museum ($27,000), Local Option Rollback ($74,000), Future Downtown Development ($166,000); assigned.

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 $3,127,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund ($2,858,000) represents approximately 65% of total General Fund expenditures for the current year.

The fund balance for the General Fund increased by approximately $2,288,000, or 273%, primarily due to insurance proceeds received and the transfer from water and sewer fund as they closed operations.

In addition, the fund balances of the other governmental funds increased by approximately $30,000, or 10%, over 2012. This increase was primarily due to unspent local hospitality tax revenue.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

- In September 2012, the City sold its water and sewer system to Grand Strand Water and Sewer Authority ("GSWSA"). GSWSA paid the City $1,500,000 and paid City debt (principal and interest) of $1,951,115. GSWSA will pay the City a franchise fee for providing the water and sewer services to the City in future years. In writing off the net assets (primarily capital assets and debt) of the water and sewer system related to this sale, the City recorded a loss on the sale of the water and sewer net assets of $7,661,000.

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 not amendments.

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

- Insurance proceeds were collected
- More debt payments made

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's governmental activities capital assets as of June 30, 2013 and June 30, 2012, amounted to approximately $4,338,000 and $4,340,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, construction in progress, buildings, improvements, vehicles, machinery and equipment, water and sewer lines, and other infrastructure. The City's capital assets (net of depreciation) as of June 30, 2013 and 2012 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 943,797	938,797	-	547,357	943,797	$ 1,486,154
Construction in Progress	4,388	157,059	-	433,425	4,388	590,484
Buildings and Improvements	4,329,771	4,089,999	-	14,971,358	4,329,771	19,061,357
Equipment and Vehicles	2,415,882	2,202,238	-	1,251,662	2,415,882	3,453,900
Capital Assets (Historical Cost)	7,693,838	7,388,093	-	17,203,802	7,693,838	24,591,895
Accumulated Depreciation	3,355,374	3,048,562	-	6,067,709	3,355,374	9,116,271
Total	$ 4,338,464	4,339,531	-	11,136,093	4,338,464	$ 15,475,624

The total decrease in the City's capital assets for the current fiscal year was approximately $1,500, (less than 1%). Major capital asset events during the current fiscal year included the following:

- Capital asset additions of approximately $360,000 for governmental activities which consisted primarily of the following:
  - Vehicle purchases of approximately $155,000.
  - Completion of the depot building for approximately $157,000.
  - Depreciation expense of approximately $361,000 for governmental activities.

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

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

As of June 30, 2013 and June 30, 2012, the City had total governmental activities outstanding debt (including lease purchases) of approximately $244,000 and $521,000, respectively. None of the City's total long-term obligations at June 30, 2013 was general obligation debt.

The City's total debt and lease purchases as of June 30, 2013 and 2012 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Debt						
Downtown Improvement	$ -	102,511	-	-	-	$ 102,511
Beach House	535	761	-	-	535	761
Line of Credit	-	115,175	-	-	-	115,175
2009 Fire Truck	215,261	246,328	-	-	215,261	246,328
Fire Truck and Equipment	28,634	56,047	-	-	28,634	56,047
Series 2004 Bond	-	-	-	1,090,755	-	1,090,755
Series 2009 Bond	-	-	-	902,225	-	902,225
Total Notes and Leases Payable	$ 244,430	520,822	-	1,992,980	244,430	$ 2,513,802

The total decrease in the City's governmental activities debt for the current fiscal year was approximately $276,000 or 53%. Major 2013 events for the City's governmental and business-type activities were as follows:

- Selling of the City's water and sewer operations
- Additional debt payments being made to pay off debt with high interest rates

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, 2013, the City had approximately no bonded debt subject to the 8% limit of approximately $694,000 (based on an assessed value of approximately $8,672,000).

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

ECONOMIC FACTORS AND 2014 BUDGET FOR THE CITY

The City's elected officials and staff considered many factors when setting the fiscal year 2014 ("FY 14") 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, 2013

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	$ 2,709,186	-	$ 2,709,186
Cash and Cash Equivalents, Restricted	360,972	-	360,972
Receivables, Net:			
Property Taxes	47,518	-	47,518
Other	3,147	-	3,147
Intergovernmental Receivables	438,013	-	438,013
Prepaid Insurance	76,950	-	76,950
Inventory	2,385	-	2,385
Capital Assets:			
Non-Depreciable	948,185	-	948,185
Depreciable, Net	3,390,279	-	3,390,279
TOTAL ASSETS	**7,976,635**	-	**7,976,635**
LIABILITIES			
Accounts Payable	25,515	-	25,515
Accrued Interest Payable	5,698	-	5,698
Accrued Salaries and Benefits	66,413	-	66,413
Court Bonds Outstanding	7,745	-	7,745
Other Accrued Liabilities	1,175	-	1,175
Non-Current Liabilities:		-	
Due Within One Year	61,530	-	61,530
Due in More Than One Year	764,584	-	764,584
TOTAL LIABILITIES	**932,660**	-	**932,660**
NET POSITION			
Net Investment in Capital Assets	4,094,034	-	4,094,034
Restricted For:			
Tourism Related Expenditures	319,617	-	319,617
Fireman's Fund	13,865	-	13,865
Unrestricted	2,616,459	-	2,616,459
TOTAL NET POSITION	**$ 7,043,975**	-	**$ 7,043,975**

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, 2013

FUNCTIONS/PROGRAMS		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
					Primary Government		
PRIMARY GOVERNMENT:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$ 718,651	18,000	145,677	63,000	(491,974)	-	$ (491,974)
Beautification	73,474	-	-	-	(73,474)	-	(73,474)
Street and Sanitation	1,163,514	773,483	-	-	(390,031)	-	(390,031)
Court Administration	34,237	-	-	-	(34,237)	-	(34,237)
Police	1,224,097	41,066	115,986	-	(1,067,045)	-	(1,067,045)
Fire	450,087	169,589	-	-	(280,498)	-	(280,498)
Museum	31,042	2,384	10,033	-	29,982	-	29,982
Maintenance	43,873	-	-	-	(43,873)	-	(43,873)
Recreation	228,314	50,991	-	-	(225,930)	-	(225,930)
Accomodations tax	16,915	-	25,329	-	8,414	-	8,414
Grants	-	-	92,487	-	92,487	-	92,487
Interest on Long Term Debt	24,878	-	-	-	(24,878)	-	(24,878)
Total Governmental Activities	**4,009,082**	**1,055,513**	**389,512**	**63,000**	**(2,501,057)**	**-**	**(2,501,057)**
Business-Type Activities:							
Water and Sewer	436,643	426,888	-	37,041	-	27,286	27,286
Total Business-Type Activities	**436,643**	**426,888**	**-**	**37,041**	**-**	**27,286**	**27,286**
TOTAL - PRIMARY GOVERNMENT	**$ 4,445,725**	**1,482,401**	**389,512**	**100,041**	**(2,501,057)**	**27,286**	**(2,473,771)**
General Revenues and Transfers:							
General Revenues:							
Taxes:							
Property Taxes					1,777,870	-	1,777,870
Hospitality Taxes					164,509	-	164,509
Unrestricted Investment Earnings					3,727	2,045	5,772
Miscellaneous					103,755	36,972	140,727
Business Licenses and Franchise Taxes					906,866	-	906,866
Insurance Proceeds					489,145	-	489,145
Gain on Sale of Scrap and Assets					3,550	-	3,550
Transfers In (Out)					2,026,528	(2,026,528)	-
Transfers to Other Governments					(94,000)	-	(94,000)
Loss on sale of water and sewer operations					-	(7,661,402)	(7,661,402)
Total General Revenues and Transfers					5,381,950	(9,648,913)	(4,266,963)
CHANGE IN NET POSITION					**2,880,893**	**(9,621,627)**	**(6,740,734)**
NET POSITION, BEGINNING OF YEAR					4,163,082	9,621,627	13,784,709
NET POSITION, END OF YEAR					**7,043,975**	**-**	**$ 7,043,975**

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, 2013

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	$ 2,709,186	-	$ 2,709,186
Cash and Cash Equivalents, Restricted	-	360,972	360,972
Receivables, Net:			
Property Taxes	47,518	-	47,518
Other	3,147	-	3,147
Intergovernmental Receivables	438,013	-	438,013
Due From Other Funds	27,490	-	27,490
Inventory	2,385	-	2,385
TOTAL ASSETS	**$ 3,227,739**	**360,972**	**$ 3,588,711**
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 25,515	-	$ 25,515
Accrued Salaries and Benefits	66,413	-	66,413
Court Bonds Outstanding	7,745	-	7,745
Other Accrued Liabilities	1,175	-	1,175
Due To Other Funds	-	27,490	27,490
TOTAL LIABILITIES	**100,848**	**27,490**	**128,338**
FUND BALANCES			
Nonspendable:			
Inventory	2,385	-	2,385
Restricted For:			
Tourism Related Expenditures	-	319,617	319,617
Fireman's Fund	-	13,865	13,865
Assigned For:			
Future Downtown Development	165,510	-	165,510
Local Option Rollback	73,609	-	73,609
SC Tobacco Museum	27,490	-	27,490
Unassigned	2,857,897	-	2,857,897
TOTAL FUND BALANCES	**3,126,891**	**333,482**	**3,460,373**
TOTAL LIABILITIES AND FUND BALANCES	**$ 3,227,739**	**360,972**	**$ 3,588,711**

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, 2013

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	**$ 3,460,373**
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 $7,693,838 and the accumulated depreciation was $3,355,374.	4,338,464
Under the purchase method prepaid insurance was expensed when paid in the governmental funds, but the payment is shown as a prepaid item and not an expense in the Statement of Activities.	76,950
Accrued interest on the long-term obligations in governmental accounting is not due or payable in the current period, therefore, they have not been reported as a liability in the funds.	(5,698)
Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:	
Note and Lease Payables	(244,430)
Compensated Absence Obligations	(171,181)
Net OPEB Liability	(410,503)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	**$ 7,043,975**

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, 2013

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	$ 1,777,870	186,371	$ 1,964,241
Licenses and Franchise Fees	906,866	-	906,866
Sanitation Charges	773,483	-	773,483
Police Fines	41,066	-	41,066
State Aid	163,620	-	163,620
Recreation Receipts	50,991	-	50,991
Lease Agreements	25,385	-	25,385
Grants	27,111	65,376	92,487
Fire Department	169,589	-	169,589
School Resource Officer	115,986	-	115,986
Museum	2,384	10,033	12,417
Interest Income	3,460	267	3,727
Miscellaneous	54,787	6,030	60,817
TOTAL REVENUES	**4,112,598**	**268,077**	**4,380,675**
EXPENDITURES			
Current:			
General Government	687,555	21,550	709,105
Beautification	75,930	-	75,930
Street and Sanitation	1,167,398	-	1,167,398
Court	38,135	-	38,135
Police	1,275,687	-	1,275,687
Fire	400,065	20,243	420,308
Recreation	231,536	-	231,536
Maintenance	20,849	-	20,849
Museum	44,510	-	44,510
Accomodations tax	16,915	-	16,915
Capital Outlay	113,680	85,006	198,686
Debt Service:			
Principal Retirement	276,392	-	276,392
Interest	33,692	-	33,692
TOTAL EXPENDITURES	4,382,344	126,799	4,509,143
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(269,746)**	**141,278**	**(128,468)**
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	3,550	-	3,550
Insurance proceeds	489,145	-	489,145
Sale of Scrap Metal	21,077	-	21,077
Transfers Out	-	(114,587)	(114,587)
Transfers In	2,138,115	3,000	2,141,115
Transfer From (To) Other Governmental Units	(94,000)	-	(94,000)
TOTAL OTHER FINANCING SOURCES (USES)	2,557,887	(111,587)	2,446,300
NET CHANGES IN FUND BALANCES	**2,288,141**	**29,691**	**2,317,832**
FUND BALANCES, BEGINNING OF YEAR	838,750	303,791	1,142,541
FUND BALANCES, END OF YEAR	**$ 3,126,891**	**333,482**	**$ 3,460,373**

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, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	**$ 2,317,832**
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
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.	8,814
The repayment of principal by debtors to the City is considered income in the governmental funds, but the repayment is shown as a reduction of the notes receivable amounts in the Statement of Net Position.	276,392
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.	(29,443)
Under the purchase method prepaid insurance was expensed when paid in the governmental funds, but the payment is shown as a prepaid item and not an expense in the Statement of Activities.	76,950
A net OPEB liability results from not fully funding the annual required contribution to an OPEB Plan in the current and/or prior years and is not reported as a liability in the governmental funds. This amount represents the change in this liability during the current year and is reported in the Statement of Activities.	231,415
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 $360,401 were exceeded by depreciation expense $361,468 in the current period.	(1,067)
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	**$ 2,880,893**

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 NET POSITION -
PROPRIETARY FUNDS

JUNE 30, 2013

	WATER AND SEWER FUND
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ -
Total Current Assets	-
Non-Current Assets:	
Total Non-Current Assets	-
TOTAL ASSETS	$ -
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ -
Total Current Liabilities	-
Non-Current Liabilities:	
Compensated Absences, Less Current Portion	-
Debt, Less Current Portion	-
Total Long-Term Liabilities	-
TOTAL LIABILITIES	-
NET POSITION	
Unrestricted	-
TOTAL NET POSITION	-
TOTAL LIABILITIES AND NET POSITION	$ -

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, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013

	WATER AND SEWER FUND
OPERATING REVENUES	
Water Billings	$ 194,857
Sewer Billings	197,898
Penalties	10,029
Miscellaneous	61,076
TOTAL OPERATING REVENUES	**463,860**
OPERATING EXPENSES	
Department:	
Water	218,106
Sewer	25,359
Waste Treatment Plant	73,596
Bad Debt	38,762
Depreciation	64,670
TOTAL OPERATING EXPENSES	**420,493**
OPERATING INCOME (LOSS)	**43,367**
NON-OPERATING REVENUES (EXPENSES)	
Grant Revenue	37,041
Interest Income	2,045
Interest on Long-Term Obligations	(16,150)
TOTAL NON-OPERATING REVENUES (EXPENSES)	**22,936**
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	**66,303**
Loss on sale of water and sewer operations	(7,661,402)
Transfers Out	(2,026,528)
CHANGE IN NET POSITION	**(9,621,627)**
NET POSITION, BEGINNING OF YEAR	9,621,627
NET POSITION, END OF YEAR	$ -

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 CASH FLOWS -
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013

	WATER AND SEWER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Users	$ 527,371
Payments to Suppliers for Goods and Services	55,265
Payments for Personal Services	(459,356)
NET CASH PROVIDED BY OPERATING ACTIVITIES	123,280
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State and Federal Grants	41,093
Transfers to Other Funds	(1,975,937)
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	(1,934,844)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds on Sale of Capital Assets	3,410,021
Bond and Revolving Fund Loan Closing Costs	17,148
Bond and Revolving Fund Loan Principal Payments	(1,992,980)
Bond and Revolving Fund Loan Interest Payments	(51,826)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	1,382,363
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	2,045
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,045
NET DECREASE IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS	**(427,156)**
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	427,156
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year	$ -

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 CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013

Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:		
Operating Income (Loss)	$	43,367
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation and Amortization Expense		64,670
Change in Account Representing Operating Activities:		
Accounts Receivable		142,062
Prepaids and Inventory		3,323
Accounts Payable		(25,405)
Accrued Salaries and Benefits		(16,477)
Customer Deposits		(39,789)
Compensated Absences		(48,471)
Net Cash Provided by (Used in) Operating Activities	$	123,280
Noncash Investing and Capital and Related Financing Items		
Loss on Sale	$	(7,661,402)
Depreciation and Amortization Expense	$	64,670

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

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

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

Major Operations

The City's major governmental operations: general administration/government, beautification, street and sanitation, police, fire, museum, recreation, maintenance, accommodation taxes, and grants. The City also provided water and sewer services (business-type operations) to its customers up until September 2012, when the City sold its water and sewer system to the Grand Strand Water and Sewer Authority (see Note IV.E for more details).

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.

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

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

The City implemented Governmental Accounting Standards Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" ("GASB #63") in 2013. GASB #63 establishes financial reporting requirements and related disclosures for certain elements of a statement of financial position that were discussed in the GASB's 2007 Concepts Statement No. 4, "*Elements of Financial Statements*". In Concepts Statement No. 4, the GASB defines a *deferred outflow of resources* as a consumption of net assets by a government that is applicable to a future reporting period; a *deferred inflow of resources* as an acquisition of net assets by a government that is applicable to a future reporting period; and *net position* as the residual of all other elements presented in a statement of financial position (the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources). Under GASB #63, amounts for items that the GASB has designated to be deferred outflows of resources are to be presented in a statement of financial position in a separate section following assets, while amounts for items that the GASB has designated to be deferred inflows of resources are to be presented in a separate section following liabilities. The residual of assets and deferred outflows of resources over liabilities and deferred inflows of resources is to be reported as net position rather than as net assets in a statement of financial position. Since the City had no deferred outflows or inflows of resources at June 30, 2013, the City's implementation of GASB #63 had no material effect on the presentation of its 2013 financial statements.

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 – deferred 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. Penalties, franchise taxes, licenses, intergovernmental revenues, fines and forfeitures, 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, 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 reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases or lease purchases are reported as other financing sources.

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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 major 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 (except for those accounted for in the Proprietary Fund) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting.

The City's major and non-major funds are as follows:

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

The ***Special Revenue Funds, non-major 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 non-major Special Revenue Funds:

Local Hospitality Tax Fund
Fireman's Fund
Volunteer Fireman's Fund
JAG Grant Fund
Cemetery Beautification Fund*
Special Police Fund*
SC Tobacco Museum Fund*

*closed during fiscal year 2013

Proprietary Fund Types are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The City does not have any internal service funds and has one enterprise fund.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges/fees for water and sewer services. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City's proprietary fund types and major and non-major funds are as follows:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has the following Enterprise Funds:

The **Water and Sewer Fund, a major fund** and a budgeted fund is used to account for the City's water and sewer operations. The City operated a wastewater treatment facilities and provided sewer taps for the City of Mullins and the surrounding areas. The water and sewer system of the City was sold to the Grand Strand Water and Sewer Authority in September 2012 (see Note IV.E for more details).

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

(e) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The City's cash and investment objectives are preservation of capital, liquidity and yield. The City reports its cash and investments at fair value which is normally determined by quoted market prices. The City currently or in the past year has primarily used the following investments 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 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, water, sewer, storm water, and other fees and charges.

3. *Inventories and Prepaid Items*

The costs of inventories and prepaid items are accounted for using the purchase method. If inventories are on hand at year end, the City may elect to record these amounts as assets.

4. *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These 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. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the Government-Wide Statement of Net Position and in the respective 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 fair market value (as estimated by the City) at the date of donation. The City has adopted a prospective approach to reporting infrastructure assets effective July 1, 2004.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

4. *Capital Assets (Continued)*

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest cost are capitalized for all assets that require an acquisition period to get them ready for their intended use

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
Infrastructure	50 years
Equipment	5-30 years
Vehicles	5-15 years

5. *Compensated Absences*

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

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. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts.

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

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

7. *Fund Balance*

The City classifies its governmental fund balances as follows:

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

7. *Fund Balance (Continued)*

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. *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.

9. *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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

10. 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, 2013, none of the City's bank balances of approximately $3,184,000 (with a carrying value of approximately $3,070,000) were exposed to custodial credit risk.

Investments

As of June 30, 2013, the City had no investments.

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.

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, 2013 were those imposed by the revenue source (i.e. hospitality fees, accommodation taxes, grants, etc.).

A. Receivables

Property Taxes

Property taxes receivable of approximately $48,000 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 immaterial the City has elected not to record a receivable.

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

January 16th	3%
February 2nd	an additional 7%
March 17th	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 2013 real and business personal property taxes (which was for tax year 2012) were levied in September 2012 based on a millage rate of 167 mills. The City's assessed value of real and personal property (excluding vehicles) was approximately $8.7 million for tax year 2012.

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

B. Receivables (Continued)

Interfund Receivables and Payables

Interfund balances at June 30, 2013, consisted of the following individual fund receivables and payables (all of which are expected to be repaid within one year):

Fund	Receivables	Payables
Major Governmental Funds:		
General Fund	$ 27,490	$ -
Non-Major Governmental Funds:		
SC Tobacco Museum Fund	-	27,490
Totals	$ 27,490	$ 27,490

The interfund receivables and payables are generally the result of the General Fund financing salaries and other operating expenditures for Special Revenue Funds. The payable in the SC Tobacco Museum Fund is a result of closing the fund.

Interfund Transfers

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Fund	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	$ 2,138,115	$ -
Non-Major Governmental Funds:		
Local Hospitality Tax Fund	-	48,102
Firemen's Fund	-	3,000
Volunter Firemen's Fund	3,000	247
Cemetary Beautification Fund	-	35,574
Special Police Fund	-	174
SC Tobacco Museum Fund	-	27,490
Proprietary Fund:		
Water and Sewer Fund	-	2,026,528
Totals	$ 2,141,115	$ 2,141,115

During the course of normal operations and in order to support the numerous functions of the City, transactions between funds may occur. The Hospitality Tax Fund transferred approximately $48,000 to the General Fund to reimburse costs associated with the City's tobacco museum. The Water and Sewer transfer was the remaining cash on hand after the sale was complete.

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

D. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2013, was as follows:

Governmental Activities:	Beginning Balance	Increases *	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable:					
Land	$ 938,797	5,000	-	-	$ 943,797
Construction In Progress	157,059	4,388	-	(157,059)	4,388
Total Capital Assets, Non-Depreciable	1,095,856	9,388	-	(157,059)	948,185
Capital Assets, Depreciable:					
Buildings and Improvements	4,089,999	82,713	-	157,059	4,329,771
Equipment and Vehicles	2,202,238	268,300	54,656	-	2,415,882
Total Capital Assets, Depreciable	6,292,237	351,013	54,656	157,059	6,745,653
Less: Accumulated Depreciation for:					
Buildings and Improvements	1,581,560	127,787	-	-	1,709,347
Equipment and Vehicles	1,467,002	233,681	54,656	-	1,646,027
Total Accumulated Depreciation	3,048,562	361,468	54,656	-	3,355,374
Total Capital Assets, Depreciable, Net	3,243,675	(10,455)	-	157,059	3,390,279
Governmental Activities Capital Assets, Net	$ 4,339,531	(1,067)	-	-	$ 4,338,464

* This includes approximately $98,000 of assets transferred from the water and sewer fund and donated assets of approximately $63,000.

Ongoing construction in progress in the City's governmental activities primarily relates to the rebuilding City Hall.

Capital asset additions and depreciation expense for governmental activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Government	$ 92,098	$ 104,324
Beautification	-	3,892
Streets and Sanitation	132,802	124,817
Court	5,979	-
Police	114,881	48,272
Fire	14,641	59,155
Recreation	-	21,008
Total - Governmental Activities	$ 360,401	$ 361,468

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

D. Capital Assets (Continued)

Capital asset activity for the City's business-type activities for the year ended June 30, 2013, was as follows:

Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable:					
Land	$ 547,357	-	547,357	-	$ -
Construction In Progress	433,425	-	433,425	-	-
Total Capital Assets, Non-Depreciable	980,782	-	980,782	-	-
Capital Assets, Depreciable:					
Buildings and Systems	14,971,358	-	14,971,358	-	-
Equipment and Vehicles	1,251,662	-	1,251,662	-	-
Total Capital Assets, Depreciable	16,223,020	-	16,223,020	-	-
Less: Accumulated Depreciation for:					
Buildings and Systems	4,894,433	-	4,894,433	-	-
Equipment and Vehicles	1,173,276	-	1,173,276	-	-
Total Accumulated Depreciation	6,067,709	-	6,067,709	-	-
Total Capital Assets, Depreciable, Net	10,155,311	-	10,155,311	-	-
Business-Type Activities Capital Assets, Net	$ 11,136,093	-	11,136,093	-	$ -

The business-type activities (water and sewer system) of the City were sold to the Grand Strand Water and Sewer Authority in September 2012 (see Note IV.E for more details).

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

F. 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. Revenue Bonds ("RB") are obligations of the City that are secured by revenue from the water/sewer enterprise fund. Notes payable ("NP") and lease purchase ("LP") obligations are special obligations of the City payable from the general revenues of the City. The full faith, credit, and taxing powers of the City are not pledged for the payment of RB, NP, and LP obligations nor the interest thereon.

Details on the City's outstanding debt issues and lease purchase obligations as of June 30, 2013 are as follows:

Note Payables	Balance at June 30, 2013
Beach House note payable. Interest rate of 7%.	$ 535
Lease Purchase Obligations	
2009 Fire Truck lease purchase. Interest rate of 4.11% and maturity date of January 30, 2019.	$ 215,261
Fire Truck & Equipment lease purchase. Interest rate of 4.45% and maturity date of March 1, 2014.	$ 28,634

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

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

F. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the City's governmental and business-type activities for the year ended June 30, 2013:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Note and Lease Payable					
Downtown Improvemnet	$ 102,511	-	102,511	-	$ -
Beach House	761	-	226	535	535
Line of Credit	115,175	-	115,175	-	-
2009 Fire Truck	246,328	-	31,067	215,261	32,361
Fire Truck and Equipment	56,047	-	27,413	28,634	28,634
Total Note and Lease Payable	520,822	-	276,392	244,430	61,530
Compensated Absences	141,738	29,443	-	171,181	-
Net OPEB Liability	641,918	-	231,415	410,503	-
Total Governmental Activities	$ 1,304,478	29,443	507,807	826,114	$ 61,530
Business-Type Activities:					
Bonds Payable:					
2004 Series	$ 1,090,755	-	1,090,755	-	$ -
2009 Series	902,225	-	902,225	-	-
Total Bonds Payable	1,992,980	-	1,992,980	-	-
Compensated Absences	48,471	-	48,471	-	-
Total Business-Type Activities	$ 2,041,451	-	2,041,451	-	$ -

Resources from the City's General Fund have been used to liquidate all of the governmental activities long-term obligations. Resources from the City's enterprise fund were used to liquidate the bonds payable liabilities until the water and sewer system were sold to the Grand Strand Water and Sewer Authority in September 2012 (see Note IV.E for more details).

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, 2013, the City had approximately zero bonded debt subject to the 8% limit of approximately $694,000.

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

F. Long-Term Obligations (Continued)

Presented below is a summary of debt service requirements to maturity by year for the City's governmental activities as of June 30, 2013:

Year Ending June 30,	Note and Lease Payable Principal	Note and Lease Payable Interest	Total
Governmental Activities:			
2014	$ 61,546	10,160	$ 71,706
2015	33,691	7,517	41,208
2016	35,076	6,132	41,208
2017	36,518	4,690	41,208
2018	38,018	3,189	41,207
2019	39,581	1,627	41,208
Totals	$ 244,430	33,315	$ 277,745

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. For the year ended June 30, 2013, the City made premium payments totaling approximately $132,000. 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, 2012, totaled approximately $29,180,000. 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. For the year ended June 30, 2013, the City made premium payments totaling approximately $99,000. 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, 2012, totaled approximately $49,467,000. 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.

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans

Full time employees of the City are covered under two different plans. City employees, except for fire and police department civil service personnel, participate in the South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan. City police officers and firemen participate in the South Carolina Police Officers' Retirement System ("SCPORS"), a cost-sharing multiple-employer defined benefit pension plan.

The SCRS was established by the South Carolina state legislature on July 1, 1945, for the benefit of teachers and employees of the State and its political subdivisions. The SCPORS was established by the South Carolina state legislature on July 1, 1962, for the benefit of police officers and firemen. Both the SCRS and the SCPORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plans' provisions are established under Title 9 of the South Carolina Code of Laws and were originally administered by the South Carolina Budget and Control Board. Effective July 1, 2012, the South Carolina General Assembly transferred administration of the SCRS and SCPORS to the newly created South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA has the authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the retirement benefits is issued and publicly available by writing to the South Carolina Public Employee Benefit Authority, Post Office Box 11960, Columbia, South Carolina 29211-1960.

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 earnings.

	SCRS Rates			SCPORS Rates		
	2011	2012	2013	2011	2012	2013
Employer Rate:						
Retirement	9.240%	9.385%	10.450%	11.130%	11.363%	11.900%
Incidental Death Benefit	0.150%	0.150%	0.150%	0.200%	0.200%	0.200%
Accidental Death Benefit	0.000%	0.000%	0.000%	0.200%	0.200%	0.200%
	9.390%	9.535%	10.600%	11.530%	11.763%	12.300%
Employee Rate	6.50%	6.50%	7.00%	6.50%	6.50%	7.00%

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

	SCRS		SCPORS	
Year Ended June 30	Required	% Contributed	Required	% Contributed
2011	$ 165,960	100%	$ 184,481	100%
2012	164,412	100%	180,402	100%
2013	$ 137,302	100%	$ 180,898	100%

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Current year eligible payrolls covered under both systems and the total payroll of the City were as follows:

Year Ended June 30	SCRS Payroll	SCPORS Payroll	Total SCRS/PORS Payroll	Total City Payroll
2011	$ 1,054,381	1,046,406	2,100,787	$ 2,131,529
2012	1,035,018	1,009,918	2,044,936	2,073,281
2013	$ 780,124	937,296	1,717,420	$ 1,787,965

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions

Plan Description

The City sponsors a single-employer defined benefit healthcare plan (the "OPEB Plan") that provides medical, vision, prescription drug, and life insurance benefits to active employees and eligible retirees. As established by City Council on July 1, 1998, an employee becomes eligible for the OPEB Plan when the employee qualifies for retirement benefits from the South Carolina Retirement System and completes 20 years of service with the City.

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

As of July 1, 2013, the measurement date, there were 73 covered participants; 16 members are retirees (or their spouse) receiving benefits and 57 are active participants.

Benefits and Funding Policy

The City pays the full cost of the OPEB Plan for the full life of each eligible retiree. Currently, the City pays for plan benefits on a "pay as you go" basis. These financial statements assume that a "pay as you go" basis will continue for the immediate future but at some point in the future the City will begin to fund an account that will be restricted for plan benefits.

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

The 2013 monthly medical premium for since coverage prior to Medicare eligibility is approximately $681 per retiree. Once a retiree is Medicare eligible, the retiree's coverage is through BCBS Medicare Supplement Plan F ("Plan F").

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

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Actuarial Methods and Assumptions

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

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

Actuarial Valuation Date:	July 1, 2013
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Percentage Payroll Amount; Open Basis
Remaining Amortization Period:	30 Years
Actuarial Assumptions:	
Asset Valuation Method	Market Value, 80% - 120% Corridor
Investment Rate of Return:	4.00% (includes 2.75% inflation)
Discount Rate:	4.00%
Medical Cost Trend Rate:	
Pre-Medicare	8.50% - 5.00%
Post-Medicare	6.50% - 5.00%
Ultimate Trend Rate	5.00%
Year of Ultimate Trend	2018
Payroll Growth:	3.5% (2.75% inflation plus .75% real rate of wage increase)
Coverage Elections:	100% of eligible retirees will elect coverage, and 0% of those will elect to cover the spouse
Active Participation Marriage Assumption:	100% of all active employees are assumed to be married with female spouses assumed to be 3 years younger
Mortality Table:	RP-2000

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

IV. OTHER INFORMATION (CONTINUED)

C. Postemployment Benefits Other Than Pensions (Continued)

Annual OPEB Costs and Rollforward of Net OPEB Obligation

For 2013, the annual OPEB cost (expense) and the progression of the net OPEB obligation in the OPEB Plan for the most recent plan year (fiscal year 2013) was as follows:

1.	Net OPEB Obligation (Asset), Beginning of the Plan Year	$ 641,918
2.	One Year's Interest on the Net OPEB Obligation	25,677
3.	ARC (Normal Cost Plus Any Amortization Payments)	282,591
4.	Adjustment to Annual Required Contribution	(481,368)
5.	Annual OPEB Cost: (2)+(3)	(173,100)
6.	Contributions Made for the Plan Year	58,315
7.	Increase (Decrease) in Net OPEB Obligation (Asset): (4)-(5)	(231,415)
8.	Net OPEB Obligation (Asset), End of the Plan Year: (1)+(6)	$ 410,503

Schedule of Employer Contributions

The City did not make any explicit contributions to the OPEB Plan to pre-fund benefits but made payments of $58,315 for covered participants' premiums.

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

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2010	$ 253,519	$ 79,073	31.19%	$ 174,453
June 30, 2011	290,934	74,196	25.50%	391,191
June 30, 2012	308,217	57,491	18.65%	641,918
June 30, 2013	$ (173,100)	$ 58,315	-33.69%	$ 410,503

Schedule of Funding Progress

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

Schedule of Funding Progress

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

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, 2013.

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. Sale of Water and Sewer Operations

In September 2012, the City sold its water and sewer system to Grand Strand Water and Sewer Authority ("GSWSA"). GSWSA paid the City $1,500,000 and paid City debt (principal and interest) of $1,951,115. GSWSA will pay the City a franchise fee for providing the water and sewer services to the City in future years.

In writing off the net assets (primarily capital assets and debt) of the water and sewer system related to this sale, the City recorded a loss on the sale of the water and sewer net assets of approximately $7,661,000.

IV. OTHER INFORMATION (CONTINUED)

F. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" ("Statement"), was issued by the GASB in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan.

It is GASB's intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City's financial obligations to current and former employees for past services rendered.

In particular, the City will be required to report a net pension liability for its participation in the SCRS and SCPORS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. In general, it should not have a significant impact on the City's governmental funds.

The effect of implementation of this Statement has not been determined at this time, but it is anticipated that it will materially decrease the City's unrestricted net position. This Statement is required to be implemented by the City no later than the fiscal year ending June 30, 2015.

G. Subsequent Events

In February 2014 the City entered into an agreement to rebuild City Hall. The City will be responsible for approximately $500,000 of the total expenses of approximately $1,300,000.

CITY OF MULLINS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes	$ 1,998,000	1,998,000	1,777,870	$ (220,130)
Privilege Licenses & Payments in Lieu of License	816,000	816,000	906,866	90,866
Sanitation Charges	817,650	817,650	773,483	(44,167)
Police Fines	70,000	70,000	41,066	(28,934)
State Shared Revenue	147,000	147,000	163,620	16,620
Recreation Department Receipts	44,000	44,000	50,991	6,991
Lease Agreements	13,000	13,000	25,385	12,385
Interest	1,000	1,000	3,460	2,460
Grants	20,000	20,000	27,111	7,111
Miscellaneous	30,000	30,000	54,787	24,787
Fire Department	159,000	159,000	169,589	10,589
School Resource Officer	68,000	68,000	115,986	47,986
Museum	1,500	1,500	2,384	884
TOTAL REVENUES	4,185,150	4,185,150	4,112,598	(72,552)
EXPENDITURES				
Current:				
General Government	636,100	636,100	687,555	51,455
Beautification Department	75,300	75,300	75,930	630
Streets and Sanitation Department	1,055,400	1,055,400	1,167,398	111,998
Court Administration Department	39,600	39,600	38,135	(1,465)
Police Department	1,215,300	1,215,300	1,275,687	60,387
Fire Department	450,550	450,550	400,065	(50,485)
Recreation Department	184,900	184,900	231,536	46,636
Maintenance	57,530	57,530	20,849	(36,681)
Museum	41,335	41,335	44,510	3,175
Accomodations tax	23,000	23,000	16,915	(6,085)
Capital Outlay	264,237	264,237	113,680	(150,557)
Debt Service:				
Principal	146,000	146,000	276,392	130,392
Interest	-	-	33,692	33,692
TOTAL EXPENDITURES	4,189,252	4,189,252	4,382,344	193,092
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,102)	(4,102)	(269,746)	(265,644)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	50,000	50,000	3,550	(46,450)
Insurance proceeds	-	-	489,145	489,145
Sale of Scrap Metal	-	-	21,077	21,077
Transfer from Water and Sewer Fund	-	-	2,026,528	2,026,528
Transfer from Special Revenue Funds	48,102	48,102	111,587	63,485
Transfer From (To) Other Governmental Units	(94,000)	(94,000)	(94,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	4,102	4,102	2,557,887	2,553,785
NET CHANGE IN FUND BALANCES	-	-	2,288,141	2,288,141
FUND BALANCES, BEGINNING OF YEAR	838,750	838,750	838,750	-
FUND BALANCES, END OF YEAR	$ 838,750	838,750	3,126,891	$ 2,288,141

Note: The notes to the budgetary comparison schedule is an integral part of this schedule.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

YEAR ENDED JUNE 30, 2013

NOTE 1 – BASIS OF ACCOUNTING

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

CITY OF MULLINS, SOUTH CAROLINA

REQUIRED SUPPLMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFIT PLAN SCHEDULES – DEFINED BENEFIT HEALTHCARE PLAN
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS

YEAR ENDED JUNE 30, 2013

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending	Annual Required Contribution	Annual Contributed	Percentage Funded
June 30, 2010	$ 253,519	$ 79,073	31.19%
June 30, 2011	290,934	74,196	25.50%
June 30, 2012	308,217	57,491	18.65%
June 30, 2013	$ (173,100)	$ 58,315	-33.69%

SCHEDULE OF FUNDING PROGRESS

Schedule of Funding Progress

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

CITY OF MULLINS, 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, 2013

REVENUES	FINAL BUDGET	ACTUAL	VARIANCE
Taxes			
Property	$ 1,775,000	1,548,047	$ (226,953)
Delinquent	83,000	89,994	6,994
Local Option	140,000	139,829	(171)
Privilege Licenses & Payments in Lieu of License	816,000	906,866	90,866
Sanitation Charges	817,650	773,483	(44,167)
Police Fines	70,000	41,066	(28,934)
State Shared Revenue			
Local Government Fund	124,000	138,291	14,291
Accommodations Tax	23,000	25,329	2,329
Recreation Department Receipts	44,000	50,991	6,991
Lease Agreements	13,000	25,385	12,385
Interest	1,000	3,460	2,460
Grants	20,000	27,111	7,111
Miscellaneous	30,000	54,787	24,787
Fire Department	159,000	169,589	10,589
School Resource Officer	68,000	115,986	47,986
Museum	1,500	2,384	884
TOTAL REVENUES	**$ 4,185,150**	**4,112,598**	**$ (72,552)**

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, 2013

EXPENDITURES	FINAL BUDGET	ACTUAL	VARIANCE
General Government:			
Salaries	$ 148,500	147,090	$ 1,410
Contractual Services	-	20,590	(20,590)
Hospital Insurance	74,600	72,461	2,139
Payroll Taxes	12,700	11,036	1,664
Retirement	17,000	15,333	1,667
Accounting and Legal	32,000	20,784	11,216
Advertising	3,000	2,311	689
Utilities	8,000	4,978	3,022
Telephone	5,500	8,545	(3,045)
Office Supplies	15,000	9,347	5,653
Insurance and Workmen's Compensation	220,000	288,202	(68,202)
Municipal Dues and Fees	10,000	5,112	4,888
Depot Rent	8,000	8,097	(97)
Purchase leased equipment	2,800	3,098	(298)
Supplies and Minor Equipment	6,000	12,322	(6,322)
Maintenance to Equipment	5,000	2,604	2,396
Maintenance to Building	12,000	3,408	8,592
Gas, Oil, and Tires	3,000	-	3,000
Travel and Meals	13,500	19,163	(5,663)
Tax- Housing Authority	12,000	14,018	(2,018)
Miscellaneous	15,000	6,791	8,209
Marion County Drug Program	3,000	2,520	480
Employee Christmas Expenses	3,000	1,503	1,497
Sales and Use Tax	1,500	3,948	(2,448)
Unemployment Insurance	5,000	4,294	706
Capital Outlay	192,237	9,470	182,767
Debt Service:			
Principal	146,000	276,392	(130,392)
Interest	-	33,692	(33,692)
Total General Government	974,337	1,007,109	(32,772)
Beautification Department:			
Salaries	46,800	52,365	(5,565)
Hospital Insurance	9,400	8,256	1,144
Payroll Taxes	3,600	3,947	(347)
Retirement	5,000	5,367	(367)
Tree Planting	750	656	94
Telephone	900	1,084	(184)
Fertilization/Chemicals	450	194	256
Equipment	1,000	58	942
Maintenance to Equipment	1,000	452	548
Tree Removals	400	-	400
Gas, Oil, and Tires	3,500	3,023	477
Miscellaneous	-	320	(320)
Uniforms	1,500	208	1,292
Christmas Decorations	1,000	-	1,000
Total Beautification Department	$ 75,300	75,930	$ (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, 2013

	FINAL BUDGET	ACTUAL	VARIANCE
Streets and Sanitation Department:			
Salaries	$ 276,000	247,357	$ 28,643
Temporary Staffing	-	38,599	(38,599)
Hospital Insurance	60,900	56,206	4,694
Payroll Taxes	21,300	18,550	2,750
Retirement	29,100	25,117	3,983
Utilities	130,000	124,323	5,677
Telephone	1,000	2,233	(1,233)
Supplies and Minor Equipment	9,000	28,641	(19,641)
Maintenance to Equipment	13,500	28,817	(15,317)
Gas, Oil, and Tires	40,000	55,483	(15,483)
Uniforms	5,600	8,664	(3,064)
Miscellaneous	1,000	61,830	(60,830)
Contractual Services	468,000	471,578	(3,578)
Capital Outlay	30,000	34,085	(4,085)
Total Streets and Sanitation Department	1,085,400	1,201,483	(116,083)
Court Administration Department:			
Salaries	31,450	32,164	(714)
Hospital Insurance	50	31	19
Payroll Taxes	2,500	1,185	1,315
Retirement	3,300	1,618	1,682
Legal Costs	200	160	40
Dues and Fees	500	265	235
Travel and meals	1,500	1,434	66
Miscellaneous	100	1,278	(1,178)
Capital Outlay	4,000	5,979	(1,979)
Total Court Administration Department	$ 43,600	44,114	$ (514)

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, 2013

	FINAL BUDGET	ACTUAL	VARIANCE
Police Department:			
Salaries	$ 790,300	823,836	$ (33,536)
Hospital Insurance	117,800	154,326	(36,526)
Payroll Taxes	60,700	61,952	(1,252)
Retirement	97,000	95,531	1,469
Utilities	3,000	1,695	1,305
Telephone	17,500	14,108	3,392
Dues and Fees	1,200	3,723	(2,523)
Supplies and Minor Equipment	10,000	10,277	(277)
Maintenance to Equipment	18,000	17,044	956
Maintenance to Building	1,000	3,972	(2,972)
Gas, Oil, and Tires	60,000	56,110	3,890
Travel and meals	3,000	2,481	519
Uniforms	8,000	16,142	(8,142)
Combined Drug Unit	4,300	4,300	-
Education and Training	2,000	125	1,875
Prisoner Expenditures	5,000	2,880	2,120
Victim's Advocate	10,000	540	9,460
Miscellaneous	6,500	6,645	(145)
Capital Outlay	38,000	49,505	(11,505)
Total Police Department	1,253,300	1,325,192	(71,892)
Fire Department:			
Salaries	268,000	242,350	25,650
Hospital Insurance	33,000	30,302	2,698
Payroll Taxes	18,400	18,313	87
Retirement	29,400	26,639	2,761
Utilities	9,500	11,922	(2,422)
Telephone	2,500	3,285	(785)
Office Supplies	-	153	(153)
Supplies and Minor Equipment	15,000	10,407	4,593
Maintenance to Equipment	30,000	19,153	10,847
Maintenance to Building	1,000	360	640
Gas, Oil, and Tires	21,000	23,417	(2,417)
Travel and Meals	750	1,392	(642)
Uniforms	2,500	3,253	(753)
Education and Training	3,500	2,966	534
Miscellaneous	1,000	1,521	(521)
Professional Service	15,000	4,632	10,368
Capital Outlay	-	14,641	(14,641)
Total Fire Department	$ 450,550	414,706	$ 35,844

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, 2013

	FINAL BUDGET	ACTUAL	VARIANCE
Recreation Department:			
Salaries	$ 68,000	89,214	$ (21,214)
Officials	20,000	29,264	(9,264)
Temporary Staffing	15,600	13,787	1,813
Hospital Insurance	4,800	6,301	(1,501)
Payroll Taxes	5,300	6,732	(1,432)
Retirement	7,200	8,644	(1,444)
Utilities	22,500	20,484	2,016
Telephone	2,000	2,513	(513)
Dues and Fees	2,500	3,209	(709)
Supplies and Minor Equipment	5,500	20,307	(14,807)
Maintenance on Equipment	2,500	2,443	57
Maintenance on Building	4,000	1,987	2,013
Gas, Oil, and Tires	3,000	4,660	(1,660)
Travel and Meals	750	1,315	(565)
Uniforms	9,500	8,823	677
Canteen	11,000	10,040	960
Miscellaneous	750	1,813	(1,063)
Total Recreation Department	184,900	231,536	(46,636)
Maintenance Department:			
Salaries	33,430	5,256	28,174
Hospital Insurance	4,500	1,203	3,297
Payroll Taxes	2,600	389	2,211
Retirement	3,600	557	3,043
Utilities	4,000	4,090	(90)
Telephone	400	1,157	(757)
Supplies and Minor Equipment	5,500	5,010	490
Maintenance on Equipment	800	1,069	(269)
Gas, Oil, and Tires	1,000	1,234	(234)
Uniforms	1,700	884	816
Total Maintenance Department	57,530	20,849	36,681
Museum Department			
Salaries	26,275	26,584	(309)
Hospital Insurance	40	38	2
Payroll Taxes	2,100	2,034	66
Retirement	2,800	2,647	153
Utilities	7,000	5,664	1,336
Telephone	770	1,005	(235)
Office Supplies	-	1,156	(1,156)
Maintenance on Equipment	250	2,924	(2,674)
Exhibitions	500	250	250
Travel and Meals	150	368	(218)
Museum Shop	1,200	1,840	(640)
Maintenance	250	-	250
Total Museum Department	$ 41,335	44,510	$ (3,175)

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, 2013

	FINAL BUDGET	ACTUAL	VARIANCE
Accommodation Tax:			
Wildlife Action	$ 2,000	2,000	$ -
Chamber of Commerce	7,500	7,500	-
Golden Leaf	5,000	5,000	-
NAACP Freedom Banquet	600	250	350
Pee Dee RTA	1,500	1,500	-
Miscellaneous	500	(300)	800
Contingency	5,900	965	4,935
Total Accommodation Tax	23,000	16,915	6,085
TOTAL EXPENDITURES	**4,189,252**	**4,382,344**	**(193,092)**
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	**(4,102)**	**(269,746)**	**(265,644)**
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	50,000	3,550	(46,450)
Insurance Proceeds	-	489,145	489,145
Sale of Scrap Metal	-	21,077	21,077
Transfer from Water and Sewer Fund	-	2,026,528	2,026,528
Transfer from Special Revenue Funds	48,102	111,587	63,485
Transfer From (To) Other Governmental Units	(94,000)	(94,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	**4,102**	**2,557,887**	**2,553,785**
NET CHANGE IN FUND BALANCES	-	**2,288,141**	**2,288,141**
FUND BALANCES, BEGINNING OF YEAR	838,750	838,750	-
FUND BALANCES, END OF YEAR	**$ 838,750**	**3,126,891**	**$ 2,288,141**

CEMETERY BEAUTIFICATION FUND	SPECIAL POLICE FUND	SC TOBACCO MUSEUM FUND	JAG GRANT FUND	TOTAL SPECIAL REVENUE FUNDS
-	-	27,490	-	$ 360,972
-	-	**27,490**	-	**360,972**
-	-	27,490	-	27,490
-	-	**27,490**	-	**27,490**
-	-	-	-	319,617
-	-	-	-	13,865
-	-	-	-	**333,482**
-	-	**27,490**	-	**$ 360,972**

CEMETARY BEAUTIFICATION FUND	SPECIAL POLICE FUND	SC TOBACCO MUSEUM FUND	JAG GRANT FUND	TOTAL SPECIAL REVENUE FUNDS
-	-	-	-	$ 164,509
-	-	-	-	21,862
-	-	-	65,376	65,376
-	-	10,033	-	10,033
184	-	12	-	267
-	-	-	-	6,030
184	-	**10,045**	**65,376**	**268,077**
-	-	-	-	21,550
-	-	-	-	20,243
-	-	-	65,376	85,006
-	-	-	**65,376**	**126,799**
184	-	**10,045**	-	**141,278**
-	-	-	-	3,000
(35,574)	(174)	(27,490)	-	(114,587)
(35,574)	**(174)**	**(27,490)**	-	**(111,587)**
(35,390)	**(174)**	**(17,445)**	-	**29,691**
35,390	174	17,445	-	303,791
-	-	-	-	$ **333,482**

CITY OF MULLINS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2013

Court Fines		
Court Fines Collected	$	34,634
Court Fines Retained by City		(34,634)
Court Fines Remitted to the State Treasurer	$	-
Court Assessments		
Court Assessments Collected	$	39,771
Court Assessments Retained by City		(4,450)
Court Assessments Remitted to the State Treasurer	$	35,321
Court Surcharges		
Court Fines Collected	$	17,995
Court Fines Retained by City		(1,400)
Court Fines Remitted to the State Treasurer	$	16,595
Victim's Advocate		
Court Assessments Allocated to Victim's Advocate	$	4,450
Court Surcharges Allocated to Victim's Advocate		1,400
Funds Allocated to Victim's Advocate		5,850
Victim's Advocate Expenditures		(5,850)
Funds Available to Carry Forward		-
Funds Carry Forward from Prior Year		-
Fund Balance for Victim's Advocate	$	-

KENNETH COBB
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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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mullins as of and for the year ended June 30, 2013, 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 August 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Mullins' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mullins' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mullins' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses listed as items #2013-1, #2013-2, #2013-3, #2013-5, #2013-6, #2013-7, and #2013-9 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 listed as item #2013-4 to be a significant deficiency in internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mullins' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items #2013-2, #2013-5, #2013-8, and #2013-9.

City of Mullins' Response to Findings

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

Purpose of this Report

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

Kenneth Cobb & Company P.C.

August 12, 2014

City of Mullins, South Carolina
SCHEDULE OF FINDINGS AND RESPONSES
For the fiscal year ended June 30, 2013

I. FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

#2013-1 Inadequate segregation of duties (initially reported 6/3/08)

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

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

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

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

Response: City Council hired an outside accounting firm in August 2013 for the purpose of processing accounts payables, maintaining the general ledger and producing monthly financial statements. This firm will obtain approvals from the Mayor and City Administrator prior to paying any invoices. The city will continue to maintain a purchase order system that requires that all purchases have a purchase order. The purchase order will be entered into the system by the city clerk and matched to all invoices by the accounts payable clerk. Financial statements produced by the accounting firm will be reviewed by the city clerk, city administrator and distributed to city council on a monthly basis.

#2013-2 Purchasing goods and services (initially reported 6/3/08)

Condition: During the disbursement testing the following instances were noted: Twenty instances of documentation not equal to amount of checks paid, Two instances of no purchase order being prepared or purchase order prepared after the invoice date, Five instances of invoices being coded incorrectly, Three instances of no bids being taken, and Seven instances of no approval on invoices paid.

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

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

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

Response: On December 10, 2013 City Council amended the procurement ordinance and now requires the City Administrator to sign requisitions, and requires the City Clerk to issue purchase orders on all purchases over $500. All department heads have been instructed to ensure that all purchases are made per the terms of the new ordinance.

City of Mullins, South Carolina

SCHEDULE OF FINDINGS AND RESPONSES

For the fiscal year ended June 30, 2013

#2013-3 Supervisory Approval and Documentation of Adjusting Journal Entries (initially reported 6/26/09)

Condition: None of the twenty-five journal entries, that we tested were approved by a supervisor and Ten of the twenty-five journal entries had no support or documentation on file.

Criteria: Good business practice.

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

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

Response: Journal entries will be made by the City's accounting firm and approved by the city clerk and city administrator.

#2013-5 Audits not Submitted Timely to the State Treasurer (initially reported 1/25/13)

Condition: The City's audit was not submitted to the South Carolina State Treasurer's office within the 13 months allowed.

Criteria: The SC Code of Laws (section 5-7-240) states that Council is required to provide for independent annual audits of financial statements and transactions of municipality and agencies funded by municipal funds.

Effect: If the audit is not completed within thirteen months of the end of the fiscal year, the SC State Treasurer is allowed to withhold certain funding until the audit is completed.

Recommendation: The books and records should be fully adjusted and ready for audit in a timely manner so that the audit can be submitted by the due date.

Response: The accounting firm hired by city council to maintain the financial reports of the city will be expected to produce reports on a timely basis. Management expects all adjustments and reporting to be completed soon after the close of the fiscal year, which will allow for completion of the audit within the thirteen month time frame.

#2013-6 Support for gasoline useage does not equal the number of gallons purchased

Condition: No support was available to document the use of in excess of 11,000 gallons of gasoline purchased by the City.

Criteria: Documentation of where or how something was consumed or used is good business practice.

Effect: Possible misappropriation of over 11,000 gallons of gasoline.

Recommendation: Stronger controls should be put in place to monitor and document the gasoline usage.

Response: Gasoline purchases since the beginning of FY-14 have been made through an automated fuel card system that provides detailed reports on purchases made. Purchases are logged and reported as they occur. Reports provided indicate when the purchase was made, the type of fuel that was purchased along with the quantity, and the department the purchase is to be charged to. Fuel purchase reports are routinely reviewed by city staff and management.

#2013-7 Bad debts not approved prior to being written off

Condition: Water and Sewer bad debts ($38,762) were written off prior to obtaining proper approval.

Criteria: Good business practice.

Effect: Staff could improperly write off accounts, at their discretion.

Recommendation: Obtain proper approval prior to any account being written off.

Response: The city administrator or city council will approve any write-off of bad debt as appropriate.

#2013-9 Approval of Bonus Payroll

Condition: There was a Christmas Bonus given to all employees equal to two weeks pay but the only approval found for this was solely from the Mayor Pro Tem.

Criteria: The City's budget policy states that any revisions that alter the total appropriations of any fund must be approved by Council.

Effect: This could cause budget overruns.

Recommendation: Improve documention of any discussions and/or votes taken in the Council minutes.

Response: All payroll or accounts payable checks are currently approved by the Mayor and City Administrator based on established protocols. Any additional payroll disbursements will require full Council approval and documentation.

SIGNIFICANT DEFICIENCIES

#2013-4 Numerous Adjustments Needed to City's Financial Records (initially reported 1/25/13)

Condition: There were numerous adjustments required to be posted to the City's financial records subsequent to the beginning of the audit. Examples include: debt payments were not included in the City's records and had to be added back to the City's records and transfers between funds were in balance but had to be adjusted to include all activity.

Criteria: The City should post all known adjustments to its accounting software before closing their fiscal year end.

Effect: The Mayor and Council can not fully rely on financial statements that have not been accurately adjusted.

Recommendation: All adjustments should be posted to the City's accounting software.

Response: Management expects the number of adjustments needed to decrease because of the new accounting and bill payment system. The city's accounting firm will post all adjustments needed on a timely basis.

City of Mullins, South Carolina
SCHEDULE OF FINDINGS AND RESPONSES
For the fiscal year ended June 30, 2013

OTHER MATTERS

#2013-8 Payment of health insurance premiums for spouse and/or dependents of current and former elected officials(initially reported 8/24/11)

Condition: City ordinance number 2.12.030 appears to permit the paying of health insurance premiums for dependents of current elected officials and for dependents of any former elected officials that served the City for twenty years or more.

Criteria: There may be some evidence that indicates this ordinance is in conflict with an opinion provided by the Municipal Association of South Carolina.

Effect: The City could be in violation of SC Code of Laws.

Recommendation: The City should investigate the legalities of this situation and decide if any changes should be made.

Response: On December 10, 2013 City Council amended City ordinance number 2.12.030 and eliminated the provision that allowed dependents of current or former City Council members to receive health insurance benefits.