

City of Mullins, South Carolina

**BASIC FINANCIAL
STATEMENTS AND
SUPPLEMENTAL INFORMATION**

June 30, 2014

CITY OF MULLINS, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2014

	<u>Page Number</u>
Table of Contents	i
Listing of Principal Officials	iii
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR'S REPORT	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	12
Statement of Activities	13
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	17
<i>Notes to the Financial Statements</i>	18
REQUIRED SUPPLEMENTARY INFORMATION:	
<u>Budgetary Comparison Schedule - General Fund:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	38
<u>Budgetary Comparison Schedule - Local Hospitality Tax Fund:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	39
<u>Other Postemployment Benefit Plan Schedules:</u>	
Defined Benefit Healthcare Plan - Schedules of Employer Contributions and Funding Progress	40
SUPPLEMENTARY INFORMATION:	
<u>Detailed Budgetary Comparison Schedule - General Fund:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Final Budget and Actual - General Fund	41
<u>Combining and Individual Fund Financial Schedules:</u>	
Combining Balance Sheet - Nonmajor Governmental Funds	48
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	49
Combining Balance Sheet - Nonmajor Special Revenue Funds	50

(Continued)

CITY OF MULLINS, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2014

	<u>Page Number</u>
SUPPLEMENTARY INFORMATION (CONTINUED):	
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	51
Schedule of Fines, Assessments, and Surcharges - General Fund - Victim's Advocate	52
 <u>COMPLIANCE SECTION</u> 	
Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Schedule of Findings and Responses	55

CITY OF MULLINS, SOUTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2014

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

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mullins, South Carolina as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mullins as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mullins' basic financial statements. The accompanying combining and individual 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 January 5, 2015 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.

January 5, 2015

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

As management of the City of Mullins (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. 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 \$6,901,000 (*net position*). In addition, the City's unrestricted net position (the amount that may be used to meet the government's ongoing obligations to citizens and creditors) was approximately \$2,202,000 for governmental activities. The City does not have any business-type activities as it sold its water and sewer operations in the year ended June 30, 2013.
- The government's total net position decreased by approximately \$70,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$3,327,000, a decrease of approximately \$59,000 from the prior year's fund balance. This was primarily due to expenditures in the Capital Fund utilizing reserves from the General Fund that were transferred to the Capital Fund.
- The City's General Fund reported total fund balance of approximately \$2,557,000. All of this amount is available for spending at the government's discretion (*unassigned fund balance*). The unassigned fund balance for the General Fund was 59% of total General Fund expenditures for the year ended June 30, 2014.
- The City's capital assets increased by approximately \$133,000 during the current fiscal year due to capital asset additions of approximately \$836,000, offset by disposals and impairment losses of approximately \$425,000 and depreciation expense of approximately \$278,000.
- The City's indebtedness decreased by approximately \$61,000 (25%) during the current year due to scheduled principal payments.
- The City implemented Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65") in 2014. GASB 65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the City in 2013. Under GASB 65, deferred revenue that is not available or deferred revenue that is received by a government but is applicable to a future year should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources. The implementation of GASB 65 did not have a significant impact to the City.

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.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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 City does not report any business-type activities. The government-wide financial statements can be found as listed in the table of contents.

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

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

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

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

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

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

CITY OF MULLINS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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, 2014 compared to June 30, 2013:

	Governmental Activities and Total	
	2014	2013 *
Assets:		
Current and Other Assets	\$ 3,694,021	\$ 3,638,171
Capital Assets, Net	4,471,738	4,338,464
Total Assets	<u>8,165,759</u>	<u>7,976,635</u>
Liabilities		
Long-Term Obligations	980,775	826,114
Other Liabilities	284,203	180,155
Total Liabilities	<u>1,264,978</u>	<u>1,006,269</u>
Net Position		
Net Investment in Capital Assets	4,288,319	4,094,034
Restricted	410,212	333,482
Unrestricted	2,202,250	2,542,850
Total Net Position	<u>\$ 6,900,781</u>	<u>\$ 6,970,366</u>

* Restated to reflect prior period adjustment of \$73,609, which increased liabilities and decreased unrestricted net position. See Notes to the Financial Statements, Note IV. F.

The City's total assets for governmental activities increased approximately \$189,000 from the prior year to approximately \$8,166,000 at June 30, 2014. Current and other assets increased approximately \$56,000 (less than 2%). Capital assets increased approximately \$133,000 from the prior year primarily due to current year additions of approximately \$836,000 exceeding disposals and impairment losses of approximately \$425,000 and depreciation expense of approximately \$278,000. Total governmental activities liabilities increased approximately \$259,000 from the prior year primarily due to an increase in the outstanding Other Post Employment Benefits Obligation.

The City's net position decreased by approximately \$70,000 during the current fiscal year due to current year expenses exceeding current year revenues.

The City's assets exceeded liabilities by approximately \$6,901,000 at June 30, 2014. The largest portion of the City's net position of approximately \$4,288,000 (62%) 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 \$410,000 (6%) represents resources that are subject to external restrictions on how they may be used. This portion of net position is restricted primarily for tourism related expenditures (i.e., hospitality fees). The remaining portion of the City's net position of approximately \$2,202,000 (32%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City's net position for fiscal year 2014 compared to 2013.

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,139,769	1,055,513	-	426,888	1,139,769	\$ 1,482,401
Operating Grants and Contributions	408,911	389,512	-	-	408,911	389,512
Capital Grants and Contributions	692,349	63,000	-	37,041	692,349	100,041
General Revenues:						
Taxes	2,032,687	1,942,379	-	-	2,032,687	1,942,379
Other	982,817	1,507,043	-	39,017	982,817	1,546,060
Total Revenues	<u>5,256,533</u>	<u>4,957,447</u>	<u>-</u>	<u>502,946</u>	<u>5,256,533</u>	<u>5,460,393</u>
Expenses:						
General Government	1,368,629	718,651	-	-	1,368,629	718,651
Beautification	106,920	73,474	-	-	106,920	73,474
Street and Sanitation	1,320,214	1,163,514	-	-	1,320,214	1,163,514
Court Administration	47,789	34,237	-	-	47,789	34,237
Police	1,537,304	1,224,097	-	-	1,537,304	1,224,097
Fire	555,255	450,087	-	-	555,255	450,087
Museum	48,564	31,042	-	-	48,564	31,042
Recreation	244,754	228,314	-	-	244,754	228,314
Maintenance	88,492	43,873	-	-	88,492	43,873
Accommodations Tax	-	16,915	-	-	-	16,915
Interest on Long Term Debt	8,197	24,878	-	-	8,197	24,878
Transfers to Other Governments	-	94,000	-	-	-	94,000
Loss on sale of water and sewer operations	-	-	-	7,661,402	-	7,661,402
Water and Sewer	-	-	-	436,643	-	436,643
Total Expenses	<u>5,326,118</u>	<u>4,103,082</u>	<u>-</u>	<u>8,098,045</u>	<u>5,326,118</u>	<u>12,201,127</u>
Change in Net Position Before Transfers	(69,585)	854,365	-	(7,595,099)	(69,585)	(6,740,734)
Transfers In (Out)	-	2,026,528	-	(2,026,528)	-	-
Change in Net Position	<u>(69,585)</u>	<u>2,880,893</u>	<u>-</u>	<u>(9,621,627)</u>	<u>(69,585)</u>	<u>(6,740,734)</u>
Net Position - Beginning of Year	7,043,975	4,163,082	-	9,621,627	7,043,975	13,784,709
Prior Period Adjustment	(73,609)	-	-	-	(73,609)	-
Net Position - End of Year	<u>\$ 6,900,781</u>	<u>7,043,975</u>	<u>-</u>	<u>-</u>	<u>6,900,781</u>	<u>\$ 7,043,975</u>

See Notes to the Financial Statements, Note IV.F for discussion of the prior period adjustment.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities: Governmental activities decreased the City's net position by approximately \$70,000 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 2014 included approximately \$687,000 in capital contributions from Marion County for the renovations to City Hall. The City received insurance proceeds in 2013 of approximately \$489,000, which did not occur during 2014. Excluding these non-recurring items, revenues for 2014 increased approximately \$101,000 (2%).
- Total governmental activities expenses increased by approximately \$1,223,000 from the prior year primarily due to higher OPEB expenses of approximately \$449,000 and losses on disposal and impairment of capital assets of approximately \$420,000, combined with increases in other operating expenses totaling approximately \$354,000.

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 approximately \$1,951,000. 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 is not reporting any business-type activities at this time.

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 \$3,327,000, a decrease of approximately \$59,000 over the restated prior year fund balance. The decrease in fund balance was due to revenues and other financing sources of approximately \$4,575,000 being exceeded by expenditures of approximately \$4,634,000. The current year decrease of approximately \$59,000 is an improvement over the prior year decrease of approximately \$198,000, after excluding the non-recurring insurance proceeds of approximately \$489,000 and the transfer in of approximately \$2,027,000 from the water and sewer fund when it closed during 2013.

Approximately 77% or \$2,557,000 of the total governmental fund balance of approximately \$3,327,000 constitutes unassigned fund balance. The remainder of the fund balance is restricted or committed to indicate that it is not available for new spending because it has already been set aside/constrained for (1) tourism related expenditures (\$388,000; restricted), (2) firemen's funds (\$22,000; restricted), (3) renovations to City Hall (\$190,000, committed); and (4) demolition of the Old Brick Warehouse (\$170,000, committed).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was approximately \$2,557,000. 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 (\$2,557,000) represents approximately 59% of total General Fund expenditures for the current year.

The fund balance for the General Fund decreased by approximately \$496,000 primarily due to a transfer of approximately \$551,000 to the Capital Fund to fund renovations to City Hall and the demolition of the Old Brick Warehouse.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

The City established a Capital Fund during 2014 to account for major capital outlays. This fund received a transfer from the General Fund of approximately \$551,000, to be used as noted in the preceding paragraph. This fund expended a total of approximately \$196,000 during 2014 and reported an ending fund balance of approximately \$360,000 at June 30, 2014.

In addition, the fund balances of the other governmental funds increased by approximately \$77,000, or 23%, over 2013. This increase was primarily due to unspent local hospitality tax revenues.

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

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

- Actual revenues of approximately \$4,353,000 exceeded budget by approximately \$263,000. Grant revenues of approximately \$270,000 were recognized that were not budgeted.
- Actual expenditures of approximately \$4,370,000 exceeded budget by approximately \$206,000. Costs incurred for resurfacing streets and clean-up costs related to the ice storm in fiscal 2014 were not budgeted. These costs were reimbursed by the State of South Carolina.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets as of June 30, 2014 and June 30, 2013, amounted to approximately \$4,472,000 and \$4,338,000, respectively. This investment in capital assets includes land, construction in progress, buildings, improvements, vehicles, machinery and equipment, and other infrastructure. The City's capital assets as of June 30, 2014 and 2013 were as follows:

	Governmental Activities and Total	
	2014	2013
Land	\$ 883,797	\$ 943,797
Construction in Progress	784,756	4,388
Buildings and Improvements	3,881,117	4,341,117
Equipment and Vehicles	2,452,827	2,404,536
Capital Assets	8,002,497	7,693,838
Accumulated Depreciation	3,530,759	3,355,374
Total	\$ 4,471,738	4,338,464

CITY OF MULLINS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

The total increase in the City's capital assets for the current fiscal year was approximately \$133,000 (3%). Major capital asset events during the current fiscal year included the following:

- Renovations to City Hall of approximately \$780,000, for which approximately \$687,000 was contributed by Marion County as part of the Capital Sales Tax Program.
- Equipment and vehicle purchases of approximately \$55,000.
- Write down of the carrying value of the Old Brick Warehouse of approximately \$362,000. The City Council decided to demolish this building in fiscal 2014; it was demolished subsequent to June 30, 2014.
- Sale of parcel of land for \$5,000, which had a carrying value of \$60,000
- Depreciation expense of approximately \$278,000.

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

Debt Administration

The City did not have any outstanding general obligation debt. The total outstanding debt as of June 30, 2014 and 2013 was as follows:

	Governmental Activities and Total	
	2014	2013
Debt		
Beach House	\$ 535	\$ 535
2009 Fire Truck	182,884	215,261
Fire Truck and Equipment	-	28,634
Total Notes and Leases Payable	<u>\$ 183,419</u>	<u>244,430</u>

The total decrease in the City's governmental activities debt for the current fiscal year was approximately \$61,000 or 25%, which was due to scheduled principal payments made during the year.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. As of June 30, 2014, the City had no bonded debt subject to the 8% limit of approximately \$678,000 (based on an assessed value of approximately \$8,478,000).

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

ECONOMIC FACTORS AND 2015 BUDGET FOR THE CITY

The City will implement GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("GASB 68"), during the fiscal year ended June 30, 2015. The primary objective of GASB 68 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 GASB 68 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.

CITY OF MULLINS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

ECONOMIC FACTORS AND 2015 BUDGET FOR THE CITY (CONTINUED)

In particular, GASB 68 will require the City to recognize a net pension liability (and related deferred outflows and inflows of resources) 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. It is anticipated that its implementation will not have a significant impact on the City's governmental funds.

The City has been in communications with the PEBA on the effect of implementing GASB 68. Based on recent information provided by the PEBA, it is anticipated that the City's proportionate share of the net pension liability associated with the SCRS and SCPORS will decrease the City's beginning unrestricted net position for the year ended June 30, 2015 by approximately \$3,428,000.

The City's elected officials and staff considered many factors when setting the fiscal year 2015 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
- The City budgeted expenditures of significant hospitality tax reserves and will issue debt for upgrades to two City parks.

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, 2014

	PRIMARY GOVERNMENT	
	Governmental Activities	Totals
ASSETS		
Cash and Cash Equivalents	\$ 2,621,533	\$ 2,621,533
Cash and Cash Equivalents, Restricted	449,993	449,993
Receivables, Net:		
Property Taxes	44,656	44,656
Intergovernmental Receivables	491,719	491,719
Prepaid Insurance	86,120	86,120
Capital Assets:		
Non-Depreciable	1,668,553	1,668,553
Depreciable, Net	2,803,185	2,803,185
TOTAL ASSETS	8,165,759	8,165,759
LIABILITIES		
Accounts Payable	92,868	92,868
Accrued Interest Payable	3,759	3,759
Accrued Salaries and Benefits	72,563	72,563
Local Option Sales Tax Credit Roll-Back	97,545	97,545
Court Bonds Outstanding	7,872	7,872
Other Accrued Liabilities	9,596	9,596
Non-Current Liabilities:		
Due Within One Year	34,226	34,226
Due in More Than One Year	946,549	946,549
TOTAL LIABILITIES	1,264,978	1,264,978
NET POSITION		
Net Investment in Capital Assets	4,288,319	4,288,319
Restricted For:		
Tourism Related Expenditures	388,124	388,124
Fireman's Fund	22,088	22,088
Unrestricted	2,202,250	2,202,250
TOTAL NET POSITION	\$ 6,900,781	\$ 6,900,781

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, 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government	
Governmental Activities					Total	
PRIMARY GOVERNMENT:						
Governmental Activities:						
General Government	\$ 1,368,629	5,000	138,869	692,349	(532,411)	\$ (532,411)
Beautification	106,920	-	-	-	(106,920)	(106,920)
Street and Sanitation	1,320,214	762,382	270,042	-	(287,790)	(287,790)
Court Administration	47,789	-	-	-	(47,789)	(47,789)
Police	1,537,304	151,940	-	-	(1,385,364)	(1,385,364)
Fire	555,255	164,298	-	-	(390,957)	(390,957)
Museum	48,564	6,855	-	-	(41,709)	(41,709)
Maintenance	88,492	-	-	-	(88,492)	(88,492)
Recreation	244,754	49,294	-	-	(195,460)	(195,460)
Interest on Long Term Debt	8,197	-	-	-	(8,197)	(8,197)
Total Governmental Activities	5,326,118	1,139,769	408,911	692,349	(3,085,089)	(3,085,089)
TOTAL - PRIMARY GOVERNMENT	\$ 5,326,118	1,139,769	408,911	692,349	(3,085,089)	(3,085,089)
General Revenues:						
Taxes:						
Property Taxes					1,820,821	1,820,821
Hospitality Taxes					162,467	162,467
Accommodations Taxes					49,399	49,399
Unrestricted Investment Earnings					9,484	9,484
Miscellaneous					107,040	107,040
Business Licenses and Franchise Taxes					850,922	850,922
Insurance Proceeds					15,371	15,371
Total General Revenues					3,015,504	3,015,504
CHANGE IN NET POSITION					(69,585)	(69,585)
NET POSITION, BEGINNING OF YEAR - As Previously Reported					7,043,975	7,043,975
Prior Period Adjustment					(73,609)	(73,609)
NET POSITION, BEGINNING OF YEAR, as Adjusted					<u>6,970,366</u>	<u>6,970,366</u>
NET POSITION, END OF YEAR					<u>6,900,781</u>	<u>\$ 6,900,781</u>

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, 2014

	SPECIAL REVENUE -			TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	LOCAL HOSPITALITY TAX FUND	OTHER GOVERNMENTAL FUNDS	
ASSETS				
Cash and Cash Equivalents	\$ 2,610,723	-	10,810	\$ 2,621,533
Cash and Cash Equivalents, Restricted	-	428,147	21,846	449,993
Receivables, Net:				
Property Taxes	44,656	-	-	44,656
Intergovernmental Receivables	491,719	-	-	491,719
Due From Other Funds	40,023	-	349,547	389,570
TOTAL ASSETS	\$ 3,187,121	428,147	382,203	\$ 3,997,471
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 92,868	-	-	\$ 92,868
Accrued Salaries and Benefits	72,563	-	-	72,563
Local Option Sales Tax Credit Roll-Back	97,545	-	-	97,545
Court Bonds Outstanding	7,872	-	-	7,872
Other Accrued Liabilities	9,596	-	-	9,596
Due To Other Funds	349,547	40,023	-	389,570
TOTAL LIABILITIES	629,991	40,023	-	670,014
FUND BALANCES				
Restricted For:				
Tourism Related Expenditures	-	388,124	-	388,124
Fireman's Funds	-	-	22,088	22,088
Committed For:				
Renovations to City Hall	-	-	189,715	189,715
Demolition of Old Brick Warehouse	-	-	170,400	170,400
Unassigned	2,557,130	-	-	2,557,130
TOTAL FUND BALANCES	2,557,130	388,124	382,203	3,327,457
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,187,121	428,147	382,203	\$ 3,997,471

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, 2014

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 3,327,457
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 \$8,002,497 and the accumulated depreciation was \$3,530,759.	4,471,738
Under the purchase method, prepaid insurance was expensed when paid in the governmental funds, but the payment is shown as a prepaid item and not an expense in the Statement of Net Position.	86,120
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.	(3,759)
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	(183,419)
Compensated Absence Obligations	(169,106)
Net OPEB Liability	(628,250)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 6,900,781</u>

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, 2014

	GENERAL FUND	SPECIAL REVENUE - LOCAL HOSPITALITY TAX FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes - Property	\$ 1,820,820	-	20,853	\$ 1,841,673
Taxes - Hospitality Fees	-	162,467	-	162,467
Licenses and Franchise Fees	850,922	-	-	850,922
Sanitation Charges	762,384	-	-	762,384
Police Fines	31,940	-	-	31,940
State Aid	188,268	-	-	188,268
Recreation Receipts	49,294	-	-	49,294
Lease Agreements	10,804	-	-	10,804
Grants	270,042	-	5,256	275,298
Fire Department	164,298	-	-	164,298
School Resource Officer	120,000	-	-	120,000
Museum	6,855	-	-	6,855
Interest Income	9,343	139	1	9,483
Debt Set-Off	14,828	-	-	14,828
Miscellaneous	52,864	-	4,960	57,824
TOTAL REVENUES	4,352,662	162,606	31,070	4,546,338
EXPENDITURES				
Current:				
General Government	756,537	49,837	11,800	818,174
Beautification	94,685	-	-	94,685
Street and Sanitation	1,259,767	-	-	1,259,767
Court	43,355	-	-	43,355
Police	1,388,535	-	-	1,388,535
Fire	439,748	-	25,858	465,606
Recreation	220,853	-	20,224	241,077
Maintenance	49,329	-	7,334	56,663
Museum	46,122	-	-	46,122
Capital Outlay	-	-	148,616	148,616
Debt Service:				
Principal Retirement	61,011	-	-	61,011
Interest	10,136	-	-	10,136
TOTAL EXPENDITURES	4,370,078	49,837	213,832	4,633,747
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(17,416)	112,769	(182,762)	(87,409)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	5,000	-	-	5,000
Insurance proceeds	15,371	-	-	15,371
Sale of Scrap Metal	7,731	-	-	7,731
Transfers Out	(551,100)	(44,262)	(6,352)	(601,714)
Transfers In	44,262	-	557,452	601,714
TOTAL OTHER FINANCING SOURCES (USES)	(478,736)	(44,262)	551,100	28,102
NET CHANGES IN FUND BALANCES	(496,152)	68,507	368,338	(59,307)
FUND BALANCES, BEGINNING OF YEAR, as Originally Reported	3,126,891	319,617	13,865	3,460,373
Prior Period Adjustment	(73,609)	-	-	(73,609)
FUND BALANCE, Beginning of Year, As Restated	3,053,282	319,617	13,865	3,386,764
FUND BALANCES, END OF YEAR	\$ 2,557,130	388,124	382,203	\$ 3,327,457

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, 2014

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (59,307)
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.	1,939
Contributed infrastructure and other capital assets are not recognized in the governmental funds as no current financial resource has been received, but they are recognized in the Statement of Activities as a capital grant.	687,093
The repayment of bond and debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	61,011
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.	2,075
In the Statement of Activities the gain or loss on the disposal or impairment of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed or impaired.	(424,552)
Under the purchase method, prepaid insurance was expensed when paid in the governmental funds, but the payment is shown as a prepaid item and not an expense in the Statement of Activities. This is the change in the prepaid balance from the prior year.	9,170
A net OPEB liability results from not fully funding the annual required contribution to an OPEB Plan in the current and/or prior years and is not reported as a liability in the governmental funds. This amount represents the change in this liability during the current year and is reported in the Statement of Activities.	(217,747)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$148,616 were exceeded by depreciation expense of \$277,883 in the current period.	<u>(129,267)</u>
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (69,585)</u>

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

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

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

Major Operations

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

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

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The City implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*" ("GASB 65") in 2014. GASB 65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement supplements and extends the reach of GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", which was adopted by the City in 2013. Under this Statement, deferred revenue that is not available or deferred revenue that is received by a government but is applicable to a future year should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources. The implementation of GASB 65 did not have a material impact to the City's 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 – unearned until expenditures are made. Property tax revenues are recognized in the year in which they are due and receivable, and collected or expected to be collected within 60 days. Generally, a 60 day availability period is used for franchise taxes, licenses, and intergovernmental revenues. Penalties, fines and forfeitures, hospitality taxes, miscellaneous revenues, and interest associated with the current fiscal period are recorded when cash is received because they are generally not measurable until actually received.

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

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

Local Hospitality Tax Fund (major fund)
Fireman's Fund (non-major fund)
Volunteer Fireman's Fund (non-major fund)

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.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity

1. Cash, Cash Equivalents, and Investments

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

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

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

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

2. Receivables and Payables

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

CITY OF MULLINS, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

2. Receivables and Payables (Continued)

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

3. Prepaid Items

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

4. Capital Assets

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

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

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

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

5. Compensated Absences

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

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

6. *Accrued Liabilities and Long-Term Obligations*

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

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

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

7. *Fund Balance*

The City classifies its governmental fund balances as follows:

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

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

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

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

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.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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.

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.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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, 2014, none of the City's bank balances of approximately \$3,076,000 (with a carrying value of approximately \$3,072,000) were exposed to custodial credit risk.

Investments

As of June 30, 2014, the City had no investments as defined by GASB No. 40.

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

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

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

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

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2014 were those imposed by the revenue source (i.e., hospitality fees, accommodation taxes, grants, etc.).

B. Property Taxes and Related Receivables

Property taxes receivable of approximately \$45,000, which is net of an allowance for estimated uncollectible taxes of approximately \$147,000, represent current real and personal property as well as delinquent real and personal property taxes collected within 60 days of year end. Because the amount of delinquent real and personal property taxes not collected within 60 days of year end is not considered material, the City has elected not to record a receivable.

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

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

CITY OF MULLINS, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

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

B. Property Taxes and Related Receivables (Continued)

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 2014 real and business personal property taxes (which was for tax year 2013) were levied in September 2013 based on a millage rate of 167 mills. The City's assessed value of real and personal property (excluding vehicles) was approximately \$8.5 million for tax year 2013.

C. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2014, consisted of the following individual fund receivables and payables (all of which are expected to be repaid within one year):

Fund	Receivables	Payables
General Fund	\$ 40,023	\$ 349,547
Hospitality Tax Fund	-	40,023
Firemen's Fund	111	-
Volunteer Firemen's Fund	131	-
Capital Fund	349,305	-
Totals	<u>\$ 389,570</u>	<u>\$ 389,570</u>

The interfund receivables are generally the result of the General Fund financing operating expenditures for Special Revenue Funds. The General Fund payable to the Capital Fund is the result of budgeted transfers recorded during the year which exceeded the cash that had been moved from the General Fund to the Capital Fund.

Interfund Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Fund	Transfer In	Transfer Out
General Fund	\$ 44,262	\$ 551,100
Hospitality Tax Fund	-	44,262
Firemen's Fund	-	6,352
Volunteer Firemen's Fund	6,352	-
Capital Fund	551,100	-
Totals	<u>\$ 601,714</u>	<u>\$ 601,714</u>

During the course of normal operations and in order to support the numerous functions of the City, transactions between funds may occur. The Hospitality Tax Fund transferred approximately \$44,000 as budgeted to the General Fund to reimburse costs associated with the City's tobacco museum. The General Fund transferred approximately \$551,000 to the Capital Fund to fund renovations to City Hall and the demolition of the Old Brick Warehouse.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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

D. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance *	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 943,797	-	(60,000)	-	\$ 883,797
Construction In Progress	4,388	780,368	-	-	784,756
Total Capital Assets, Non-Depreciable	<u>948,185</u>	<u>780,368</u>	<u>(60,000)</u>	<u>-</u>	<u>1,668,553</u>
Capital Assets, Depreciable:					
Buildings and Improvements	4,341,117	-	(460,000)	-	3,881,117
Equipment and Vehicles	2,404,536	55,341	(7,050)	-	2,452,827
Total Capital Assets, Depreciable	<u>6,745,653</u>	<u>55,341</u>	<u>(467,050)</u>	<u>-</u>	<u>6,333,944</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	1,717,554	134,299	(98,134)	-	1,753,719
Equipment and Vehicles	1,637,820	143,584	(4,364)	-	1,777,040
Total Accumulated Depreciation	<u>3,355,374</u>	<u>277,883</u>	<u>(102,498)</u>	<u>-</u>	<u>3,530,759</u>
Total Capital Assets, Depreciable, Net	<u>3,390,279</u>	<u>(222,542)</u>	<u>(364,552)</u>	<u>-</u>	<u>2,803,185</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,338,464</u>	<u>557,826</u>	<u>(424,552)</u>	<u>-</u>	<u>\$ 4,471,738</u>

* Beginning balances were adjusted for insignificant differences between buildings and improvements and equipment and vehicles, with no net impact.

Ongoing construction in progress in the City's governmental activities primarily relates to the renovation of City Hall during the year ended June 30, 2014. The City moved into the renovated City Hall during August 2014. Marion County, through the Capital Sales Tax Program, has paid for approximately \$691,000 of the renovation costs as of June 30, 2014, including approximately \$687,000 for the year ended June 30, 2014. The amount paid for by Marion County is recorded as a capital contribution in the Statement of Activities. Marion County has committed to fund a total of \$742,000 for the renovation.

As of June 30, 2014, the City estimated that there was approximately \$313,000 in additional costs to complete the renovation of City Hall.

During the year ended June 30, 2014, the City decided to demolish the Old Brick Warehouse. This building had a net book value of approximately \$362,000. Accordingly, the City recognized an impairment loss for this amount, which is included in General Government activities in the Statement of Activities. The City signed a contract for the demolition for approximately \$182,000, and the Old Brick Warehouse was demolished subsequent to June 30, 2014.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Capital Assets (Continued)

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

Functions/Programs	Expense
General Government	\$ 117,533
Beautification	3,892
Streets and Sanitation	30,426
Police	47,359
Fire	58,616
Recreation	20,057
Total - Governmental Activities	<u>\$ 277,883</u>

E. Long-Term Obligations

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

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

<i>Note Payables</i>	<u>Balance at June 30, 2014</u>
Beach House note payable. Interest rate of 7%.	\$ 535
 <i>Lease Purchase Obligations</i>	
2009 Fire Truck lease purchase. Interest rate of 4.11% and maturity date of January 30, 2019.	\$ 182,884

Resources from the City’s General Fund have been used to liquidate all of the governmental activities long-term obligations.

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.

CITY OF MULLINS, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

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

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the City for the year ended June 30, 2014:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Note and Lease Payable					
Beach House	\$ 535	-	-	535	\$ 535
2009 Fire Truck	215,261	-	32,377	182,884	33,691
Fire Truck and Equipment	28,634	-	28,634	-	-
Total Note and Lease Payable	244,430	-	61,011	183,419	34,226
Compensated Absences	171,181	-	2,075	169,106	-
Net OPEB Liability	410,503	217,747	-	628,250	-
Total Governmental Activities	\$ 826,114	217,747	63,086	980,775	\$ 34,226

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, 2014, the City did not have any bonded debt subject to the 8% limit, which was approximately \$678,000.

Presented below is a summary of debt service requirements to maturity by year for the City's governmental activities as of June 30, 2014:

Year Ending June 30,	Note and Lease Payable		Total
	Principal	Interest	
Governmental Activities:			
2015	\$ 34,226	7,517	\$ 41,743
2016	35,076	6,132	41,208
2017	36,518	4,690	41,208
2018	38,018	3,189	41,207
2019	39,581	1,626	41,207
Totals	\$ 183,419	23,154	\$ 206,573

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

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

The City pays an annual premium to SCMIRF for its general risk insurance. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF's net assets/position from its most recently issued audited financial statements at December 31, 2013, totaled approximately \$28,412,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The City pays an annual premium to SCMIT for its workers compensation insurance. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net assets/position from its most recently issued audited financial statements at December 31, 2013, totaled approximately \$48,279,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

Health Insurance

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

B. Retirement Plans

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.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Both the City and its employees 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		
	2012	2013	2014	2012	2013	2014
Employer Rate:						
Retirement	9.385%	10.450%	10.450%	11.363%	11.900%	12.440%
Incidental Death Benefit	0.150%	0.150%	0.150%	0.200%	0.200%	0.200%
Accidental Death Benefi	0.000%	0.000%	0.000%	0.200%	0.200%	0.200%
	<u>9.535%</u>	<u>10.600%</u>	<u>10.600%</u>	<u>11.763%</u>	<u>12.300%</u>	<u>12.840%</u>
Employee Rate	<u>6.50%</u>	<u>7.00%</u>	<u>7.50%</u>	<u>6.50%</u>	<u>7.00%</u>	<u>7.84%</u>

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

Year Ended June 30	SCRS		SCPORS	
	Required	% Contributed	Required	% Contributed
2012	\$ 164,412	100%	\$ 180,402	100%
2013	137,302	100%	180,898	100%
2014	\$ 137,806	100%	\$ 196,872	100%

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
2012	\$ 1,035,018	1,009,918	2,044,936	\$ 2,073,281
2013	780,124	937,296	1,717,420	1,787,965
2014	\$ 761,358	952,100	1,713,458	\$ 1,746,297

D. 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.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Postemployment Benefits Other Than Pensions (Continued)

Plan Description (Continued)

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

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

Benefits and Funding Policy

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

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

The 2014 monthly medical premium for coverage prior to Medicare eligibility is approximately \$350 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.

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.

CITY OF MULLINS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Postemployment Benefits Other Than Pensions (Continued)

Actuarial Methods and Assumptions (Continued)

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 Pay roll Amount; Open Basis
Remaining Amortization Period:	30 Years
Actuarial Assumptions:	
Asset Valuation Method	Market Value
Investment Rate of Return:	4.00% (includes 2.75% inflation)
Discount Rate:	4.00%
Medical Cost Trend Rate:	
Pre-Medicare	8.50% - 5.00%
Post-Medicare	6.50% - 5.00%
Ultimate Trend Rate	5.00%
Year of Ultimate Trend	2018
Payroll Growth:	2.75%
Coverage Elections:	100% of eligible retirees will elect coverage; none of those will elect spouse coverage
Active Participation Marriage Assumption:	100% of all active employees are assumed to be married with female spouses assumed to be 3 years younger
Mortality Table:	RP-2000

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

Annual OPEB Costs and Rollforward of Net OPEB Obligation

For 2014, 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 2014) was as follows:

1. Net OPEB Obligation (Asset), Beginning of the Plan Year	\$ 410,503
2. One Year's Interest on the Net OPEB Obligation	16,420
3. ARC (Normal Cost Plus Any Amortization Payments)	279,468
4. Adjustment to Annual Required Contribution	(15,686)
5. Annual OPEB Cost: (2)+(3)+(4)	280,202
6. Contributions Made for the Plan Year	62,455
7. Increase (Decrease) in Net OPEB Obligation (Asset): (5)-(6)	217,747
8. Net OPEB Obligation (Asset), End of the Plan Year: (1)+(7)	<u>\$ 628,250</u>

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

D. Postemployment Benefits Other Than Pensions (Continued)

Schedule of Employer Contributions

The City did not make any contributions to the OPEB Plan to pre-fund benefits; it made payments of approximately \$62,000 for covered participants' explicit and implicit subsidized benefits.

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

Schedule of Employer Contributions					
Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Cost Contributed		Net OPEB Obligation (Asset)
June 30, 2010	\$ 253,519	\$ 79,073	31.19%	\$	174,453
June 30, 2011	290,934	74,196	25.50%		391,191
June 30, 2012	308,217	57,491	18.65%		641,918
June 30, 2013	(173,100)	58,315	-33.69%		410,503
June 30, 2014	\$ 280,202	\$ 62,455	22.29%	\$	628,250

Schedule of Funding Progress

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

Schedule of Funding Progress						
Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial 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
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

E. Contingent Liabilities and Commitments

Information Technology and Telephone Services Agreements

During the year ended June 30, 2014, the City signed agreements for information technology and telephone services, including electronic storage, maintenance, data backup, security, and other services for City Hall. The agreements are for 60 months, with the first payments due when the services begin. The City moved into the renovated City Hall in August 2014, and these services began at that time. The monthly fees for both agreements total \$4,537. Payments under the terms of these agreements are as follows:

Year Ended June 30	IT Services	Telephone Services	Total
2015	\$ 39,900	7,739	\$ 47,639
2016	45,600	8,844	54,444
2017	45,600	8,844	54,444
2018	45,600	8,844	54,444
2019	45,600	8,844	54,444
2020	5,700	1,105	\$ 6,805
Total	<u>\$ 228,000</u>	<u>44,220</u>	<u>\$ 272,220</u>

Anderson Center Project

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

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

Mullins Technology Center

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

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

E. Contingent Liabilities and Commitments (Continued)

Grants

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2014.

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

F. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions*" ("GASB 68"), which was issued by GASB in June 2012, is required to be implemented by the City for the fiscal year ended June 30, 2015. The primary objective of GASB 68 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 GASB 68 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, GASB 68 will require the City to recognize a net pension liability (and related deferred outflows and inflows of resources) 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. It is anticipated that its implementation will not have a significant impact on the City's governmental funds.

The City has been in communications with the PEBA on the effect of implementing GASB 68. Based on recent information provided by the PEBA, it is anticipated that the City's proportionate share of the net pension liability associated with the SCRS and SCPORS will decrease the City's beginning unrestricted net position for the year ended June 30, 2015 by approximately \$3,428,000.

G. Prior Period Adjustment

During the year ended June 30, 2014, the City determined that it had not been accounting for its Local Option Sales Tax Credit roll-back appropriately, as this amount was being recognized through the current year's operations, instead of being reflected as a liability. Accordingly, the City has reduced beginning fund balance and recorded a liability for the General Fund by approximately \$74,000, which was the balance as of June 30, 2013, to adjust this item. This adjustment also impacted the Government-Wide financial statements by the same amount. The City's revenues decreased by approximately \$14,000 from the amount originally reported for the year ended June 30, 2013.

CITY OF MULLINS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

H. Subsequent Events

In August 2014, the City Council approved a motion to close all bank accounts pertaining to the Fire Beach House and One Percent funds and to disassociate the City from these accounts. In August and September 2014, the City transferred the balances in all of the cash accounts for its Firemen's Fund and its Volunteer Firemen's Fund to the City's Fire Chief and then closed these bank accounts. The City no longer has any responsibility for these accounts and will close these two special revenue funds in fiscal 2015.

In addition, Marion County is expected to begin the renovations and improvements to the Library in January 2015 using funds from the Capital Sales Tax Program. The Library is owned by the City but is operated by the County. This project is estimated to cost approximately \$250,000 and should be completed by June 2015.

CITY OF MULLINS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2014

REVENUES	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
Taxes - Property	\$ 1,860,000	1,860,000	1,820,820	\$ (39,180)
Privilege Licenses and Payments in Lieu of License	860,000	860,000	850,922	(9,078)
Sanitation Charges	800,000	800,000	762,384	(37,616)
Police Fines	50,000	50,000	31,940	(18,060)
State Shared Revenue	164,000	164,000	188,268	24,268
Recreation Department Receipts	40,000	40,000	49,294	9,294
Lease Agreements	5,000	5,000	10,804	5,804
Interest	500	500	9,343	8,843
Grants	-	-	270,042	270,042
Miscellaneous	39,000	39,000	52,864	13,864
Debt Set-Off	-	-	14,828	14,828
Fire Department	167,000	167,000	164,298	(2,702)
School Resource Officer	102,000	102,000	120,000	18,000
Museum	2,500	2,500	6,855	4,355
TOTAL REVENUES	4,090,000	4,090,000	4,352,662	262,662
EXPENDITURES				
Current:				
General Government	715,400	715,400	756,537	41,137
Beautification Department	98,834	98,834	94,685	(4,149)
Streets and Sanitation Department	1,052,451	1,052,451	1,259,767	207,316
Court Administration Department	64,243	64,243	43,355	(20,888)
Police Department	1,375,358	1,375,358	1,388,535	13,177
Fire Department	454,749	454,749	439,748	(15,001)
Recreation Department	225,571	225,571	220,853	(4,718)
Maintenance	44,894	44,894	49,329	4,435
Museum	44,262	44,262	46,122	1,860
Capital Outlay	17,500	17,500	-	(17,500)
Debt Service:				
Principal	71,000	71,000	61,011	(9,989)
Interest	-	-	10,136	10,136
TOTAL EXPENDITURES	4,164,262	4,164,262	4,370,078	205,816
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(74,262)	(74,262)	(17,416)	56,846
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	30,000	30,000	5,000	(25,000)
Insurance proceeds	-	-	15,371	15,371
Sale of Scrap Metal	-	-	7,731	7,731
Transfer from Special Revenue Funds	44,262	44,262	44,262	-
Transfer to Capital Fund	-	-	(551,100)	(551,100)
TOTAL OTHER FINANCING SOURCES (USES)	74,262	74,262	(478,736)	(552,998)
NET CHANGE IN FUND BALANCE	-	-	(496,152)	(496,152)
FUND BALANCE, BEGINNING OF YEAR, as Originally Reported	3,126,891	3,126,891	3,126,891	-
Prior Period Adjustment	-	-	(73,609)	(73,609)
FUND BALANCE, BEGINNING OF YEAR, as Adjusted	3,126,891	3,126,891	3,053,282	(73,609)
FUND BALANCE, END OF YEAR	\$ 3,126,891	3,126,891	2,557,130	\$ (569,761)

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

CITY OF MULLINS, SOUTH CAROLINA

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

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

YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Taxes - Hospitality Fees	\$ 160,000	160,000	162,467	\$ 2,467
Interest	-	-	139	139
TOTAL REVENUES	160,000	160,000	162,606	2,606
EXPENDITURES				
Current:				
General Government	115,738	115,738	49,837	65,901
TOTAL EXPENDITURES	115,738	115,738	49,837	65,901
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	44,262	44,262	112,769	68,507
OTHER FINANCING SOURCES (USES)				
Transfer to the General Fund	(44,262)	(44,262)	(44,262)	-
TOTAL OTHER FINANCING SOURCES (USES)	(44,262)	(44,262)	(44,262)	-
NET CHANGE IN FUND BALANCE	-	-	68,507	68,507
FUND BALANCE, BEGINNING OF YEAR	319,617	319,617	319,617	-
FUND BALANCE, END OF YEAR	\$ 319,617	319,617	388,124	\$ 68,507

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

CITY OF MULLINS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

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, 2014

REVENUES	FINAL BUDGET	ACTUAL	VARIANCE
Taxes - Property			
Property	\$ 1,630,000	1,579,116	\$ (50,884)
Delinquent	80,000	69,681	(10,319)
Local Option	150,000	172,023	22,023
Privilege Licenses and Payments in Lieu of License	860,000	850,922	(9,078)
Sanitation Charges	800,000	762,384	(37,616)
Police Fines	50,000	31,940	(18,060)
State Shared Revenue			
Local Government Fund	140,000	138,869	(1,131)
Accommodations Tax	24,000	49,399	25,399
Recreation Department Receipts	40,000	49,294	9,294
Lease Agreements	5,000	10,804	5,804
Interest	500	9,343	8,843
Grants	-	270,042	270,042
Miscellaneous	39,000	52,864	13,864
Debt Set-Off	-	14,828	14,828
Fire Department	167,000	164,298	(2,702)
School Resource Officer	102,000	120,000	18,000
Museum	2,500	6,855	4,355
TOTAL REVENUES	\$ 4,090,000	4,352,662	\$ 262,662

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, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
EXPENDITURES			
General Government:			
Salaries	\$ 207,255	197,405	\$ 9,850
Contractual Services	14,950	25,592	(10,642)
Hospital Insurance	90,000	89,396	604
Payroll Taxes	15,855	14,728	1,127
Retirement	21,658	19,741	1,917
Accounting and Legal	25,000	73,368	(48,368)
Advertising	3,000	3,141	(141)
Utilities	5,000	7,803	(2,803)
Telephone	9,000	8,864	136
Office Supplies	3,000	7,178	(4,178)
Insurance and Workmen's Compensation	225,000	212,505	12,495
Municipal Dues and Fees	5,000	14,140	(9,140)
Depot Rent	-	8,421	(8,421)
Purchase leased equipment	3,600	5,626	(2,026)
Supplies and Minor Equipment	5,000	10,279	(5,279)
Maintenance to Equipment	4,000	776	3,224
Maintenance to Building	1,500	3,146	(1,646)
Travel and Meals	20,000	22,872	(2,872)
Tax- Housing Authority	14,000	-	14,000
Tax - Acqua City	26,000	-	26,000
Miscellaneous	3,582	24,183	(20,601)
Marion County Drug Program	3,000	3,310	(310)
Employee Christmas Expenses	3,000	2,068	932
Sales and Use Tax	2,000	1,995	5
Unemployment Insurance	5,000	-	5,000
Capital Outlay	15,000	-	15,000
Debt Service:			
Principal	71,000	61,011	9,989
Interest	-	10,136	(10,136)
Total General Government	<u>801,400</u>	<u>827,684</u>	<u>(26,284)</u>
Beautification Department:			
Salaries	65,644	66,913	(1,269)
Hospital Insurance	10,508	9,379	1,129
Payroll Taxes	5,022	5,027	(5)
Retirement	6,860	6,918	(58)
Tree Planting	750	224	526
Telephone	1,200	1,250	(50)
Fertilization/Chemicals	450	197	253
Equipment	1,000	179	821
Maintenance to Equipment	1,000	715	285
Tree Removals	400	-	400
Gas, Oil, and Tires	3,500	2,008	1,492
Miscellaneous	-	(78)	78
Uniforms	1,500	1,953	(453)
Capital Outlay	1,000	-	1,000
Total Beautification Department	<u>\$ 98,834</u>	<u>94,685</u>	<u>\$ 4,149</u>

CITY OF MULLINS, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - DETAILED BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
Streets and Sanitation Department:			
Salaries	\$ 251,528	240,766	\$ 10,762
Temporary Staffing	-	20,704	(20,704)
Hospital Insurance	57,796	59,422	(1,626)
Payroll Taxes	19,242	18,781	461
Retirement	26,285	25,722	563
Utilities	130,000	123,276	6,724
Telephone	2,400	2,117	283
Office Supplies	200	58	142
Supplies and Minor Equipment	20,000	22,416	(2,416)
Maintenance to Equipment	25,000	19,781	5,219
Maintenance to Roads and Streets	-	217,070	(217,070)
Gas, Oil, and Tires	40,000	33,040	6,960
Uniforms	7,000	10,135	(3,135)
Miscellaneous	-	6,123	(6,123)
Contractual Services	473,000	460,356	12,644
Capital Outlay	2,500	-	2,500
Total Streets and Sanitation Department	1,054,951	1,259,767	(204,816)
Court Administration Department:			
Salaries	51,772	35,554	16,218
Hospital Insurance	-	51	(51)
Payroll Taxes	3,961	2,742	1,219
Retirement	5,410	3,602	1,808
Legal Costs	500	80	420
Office Supplies	500	150	350
Dues and Fees	500	530	(30)
Travel and meals	1,500	554	946
Miscellaneous	100	92	8
Total Court Administration Department	\$ 64,243	43,355	\$ 20,888

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, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
Police Department:			
Salaries	\$ 813,000	813,294	\$ (294)
Hospital Insurance	161,104	167,484	(6,380)
Payroll Taxes	62,195	60,938	1,257
Retirement	84,959	99,893	(14,934)
Utilities	5,000	4,515	485
Telephone	25,000	12,325	12,675
Office Supplies and Postage	1,500	1,060	440
Dues and Fees	1,000	4,515	(3,515)
Supplies and Minor Equipment	12,000	17,609	(5,609)
Maintenance to Equipment	25,000	17,331	7,669
Maintenance to Building	2,500	364	2,136
Gas, Oil, and Tires	50,000	64,931	(14,931)
Travel and meals	3,000	1,776	1,224
Uniforms	15,000	28,540	(13,540)
Combined Drug Unit	4,300	4,300	-
Education and Training	2,000	476	1,524
Prisoner Expenditures	5,000	5,000	-
Miscellaneous	8,800	14,184	(5,384)
Marion County Law Enforcement	94,000	70,000	24,000
Total Police Department	1,375,358	1,388,535	(13,177)
Fire Department:			
Salaries	245,656	248,881	(3,225)
Hospital Insurance	36,779	38,118	(1,339)
Payroll Taxes	18,793	18,874	(81)
Retirement	25,671	28,001	(2,330)
Utilities	13,000	15,186	(2,186)
Telephone	4,000	3,922	78
Office Supplies	1,500	176	1,324
Supplies and Minor Equipment	25,000	22,817	2,183
Maintenance to Equipment	37,000	19,087	17,913
Maintenance to Building	2,000	3,765	(1,765)
Gas, Oil, and Tires	19,000	24,641	(5,641)
Travel and Meals	750	3,182	(2,432)
Uniforms	2,100	4,188	(2,088)
Education and Training	7,500	2,106	5,394
Miscellaneous	1,000	2,094	(1,094)
Professional Service	15,000	4,710	10,290
Total Fire Department	\$ 454,749	439,748	\$ 15,001

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, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
Recreation Department:			
Salaries	\$ 90,400	94,407	\$ (4,007)
Temporary Staffing	27,000	27,237	(237)
Hospital Insurance	10,508	10,458	50
Payroll Taxes	6,916	7,122	(206)
Retirement	9,447	9,232	215
Utilities	25,000	20,029	4,971
Telephone	2,500	2,386	114
Office Supplies	300	-	300
Dues and Fees	2,500	1,784	716
Supplies and Minor Equipment	21,000	25,673	(4,673)
Maintenance on Equipment	3,000	1,348	1,652
Maintenance on Building	5,000	4,199	801
Gas, Oil, and Tires	3,500	1,859	1,641
Travel and Meals	1,000	1,391	(391)
Uniforms	500	597	(97)
Canteen	15,000	12,202	2,798
Miscellaneous	2,000	929	1,071
Total Recreation Department	225,571	220,853	4,718
Maintenance Department:			
Salaries	19,000	19,586	(586)
Hospital Insurance	5,254	5,077	177
Payroll Taxes	1,454	714	740
Retirement	1,986	903	1,083
Utilities	5,000	2,990	2,010
Telephone	800	1,190	(390)
Supplies and Minor Equipment	5,500	2,577	2,923
Maintenance on Equipment	1,000	1,406	(406)
Gas, Oil, and Tires	2,200	13,998	(11,798)
Uniforms	1,700	888	812
Capial Outlay	1,000	-	1,000
Total Maintenance Department	44,894	49,329	(4,435)
Museum Department			
Salaries	26,275	29,490	(3,215)
Hospital Insurance	100	38	62
Payroll Taxes	2,087	2,256	(169)
Retirement	2,850	2,584	266
Utilities	7,000	7,448	(448)
Telephone	900	1,104	(204)
Office Supplies	100	7	93
Supplies and Minor Equipment	500	764	(264)
Maintenance on Equipment	500	150	350
Maintenance on Building	1,000	97	903
Travel and Meals	250	69	181
Museum Purchases	1,700	1,051	649
Marketing	1,000	1,064	(64)
Total Museum Department	\$ 44,262	46,122	\$ (1,860)

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, 2014

	FINAL BUDGET	ACTUAL	VARIANCE
TOTAL EXPENDITURES	\$ 4,164,262	4,370,078	\$ (205,816)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(74,262)	(17,416)	56,846
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	30,000	5,000	(25,000)
Insurance Proceeds	-	15,371	15,371
Sale of Scrap Metal	-	7,731	7,731
Transfer from Special Revenue Funds	44,262	44,262	-
Transfer to Capital Fund	-	(551,100)	(551,100)
TOTAL OTHER FINANCING SOURCES (USES)	74,262	(478,736)	(552,998)
NET CHANGE IN FUND BALANCES	-	(496,152)	(496,152)
FUND BALANCES, BEGINNING OF YEAR, as Originally Reported	3,126,891	3,126,891	-
Prior Period Adjustment	-	(73,609)	(73,609)
FUND BALANCES, BEGINNING OF YEAR, as Adjusted	<u>3,126,891</u>	<u>3,053,282</u>	<u>(73,609)</u>
FUND BALANCES, END OF YEAR	\$ <u>3,126,891</u>	<u>2,557,130</u>	\$ <u>(569,761)</u>

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CITY OF MULLINS, SOUTH CAROLINA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>CAPITAL FUND</u>	<u>SPECIAL REVENUE FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 10,810	-	\$ 10,810
Cash and Cash Equivalents, Restricted	-	21,846	21,846
Due from Other Funds	349,305	242	349,547
TOTAL ASSETS	<u>360,115</u>	<u>22,088</u>	<u>382,203</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted For:			
Fireman's Fund	-	22,088	22,088
Committed For:			
Renovations to City Hall	189,715		189,715
Demolition of Old Brick Warehouse	170,400	-	170,400
TOTAL FUND BALANCES	<u>360,115</u>	<u>22,088</u>	<u>382,203</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 360,115</u>	<u>22,088</u>	<u>\$ 382,203</u>

CITY OF MULLINS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	CAPITAL FUND	SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Brokers Premium Tax	\$ -	20,853	\$ 20,853
State Grants	5,256	-	5,256
Interest Income	-	1	1
Miscellaneous	-	4,960	4,960
TOTAL REVENUES	5,256	25,814	31,070
EXPENDITURES			
Current:			
General Government	11,800	-	11,800
Fire	8,267	17,591	25,858
Recreation	20,224	-	20,224
Maintenance	7,334	-	7,334
Capital Outlay	148,616	-	148,616
TOTAL EXPENDITURES	196,241	17,591	213,832
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(190,985)	8,223	(182,762)
OTHER FINANCING SOURCES (USES)			
Transfers In	551,100	6,352	557,452
Transfers Out	-	(6,352)	(6,352)
TOTAL OTHER FINANCING SOURCES (USES)	551,100	-	551,100
NET CHANGE IN FUND BALANCES	360,115	8,223	368,338
FUND BALANCES, BEGINNING OF YEAR	-	13,865	13,865
FUND BALANCES, END OF YEAR	\$ 360,115	22,088	\$ 382,203

CITY OF MULLINS, SOUTH CAROLINA

COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2014

	<u>FIREMEN'S FUND</u>	<u>VOLUNTEER FIREMEN'S FUND</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
ASSETS			
Cash and Cash Equivalents, Restricted	\$ 19,355	2,491	\$ 21,846
Due from Other Funds	111	131	242
TOTAL ASSETS	<u>19,466</u>	<u>2,622</u>	<u>22,088</u>
LIABILITIES AND FUND BALANCES			
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted For:			
Fireman's Fund	19,466	2,622	22,088
TOTAL FUND BALANCES	<u>19,466</u>	<u>2,622</u>	<u>22,088</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 19,466</u>	<u>2,622</u>	<u>\$ 22,088</u>

CITY OF MULLINS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

	<u>FIREMEN'S FUND</u>	<u>VOLUNTER FIREMEN'S FUND</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
REVENUES			
Brokers Premium Tax	\$ 20,853	-	\$ 20,853
Interest Income	1	-	1
Miscellaneous	-	4,960	4,960
TOTAL REVENUES	<u>20,854</u>	<u>4,960</u>	<u>25,814</u>
EXPENDITURES			
Current:			
Fire	7,611	9,980	17,591
TOTAL EXPENDITURES	<u>7,611</u>	<u>9,980</u>	<u>17,591</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>13,243</u>	<u>(5,020)</u>	<u>8,223</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	6,352	6,352
Transfers Out	(6,352)	-	(6,352)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,352)</u>	<u>6,352</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	6,891	1,332	8,223
FUND BALANCES, BEGINNING OF YEAR	<u>12,575</u>	<u>1,290</u>	<u>13,865</u>
FUND BALANCES, END OF YEAR	<u>\$ 19,466</u>	<u>2,622</u>	<u>\$ 22,088</u>

CITY OF MULLINS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

Court Fines

Total Court Fines Collected	\$ 32,943
Court Fines Retained by the City	<u>(32,943)</u>
Court Fines Remitted to the State Treasurer	<u>\$ -</u>

Court Other Assessments

Total Court Other Assessments Collected	\$ 30,550
Court Other Assessments Retained by the City	<u>(3,429)</u>
Court Other Assessments Remitted to the State Treasurer	<u>\$ 27,121</u>

DUI, DUS, BUS Assessments, Surcharges and Pullout

Total DUI, DUS, BUI Assessments, Surcharges and Pullout Collected	\$ 10,512
DUI, DUS, BUI Assessments, Surcharges and Pullout Retained by the City	<u>(950)</u>
DUI, DUS, BUI Assessments, Surcharges and Pullout Remitted to the State Treasurer	<u>\$ 9,562</u>

Victim's Advocate

Total Court Assessments Allocated to Victim's Advocate	\$ 3,429
Court Surcharges Allocated to Victim's Advocate	<u>950</u>
Funds Allocated to Victim's Advocate	4,379
Victim's Advocate Expenditures - see * below	<u>(4,379)</u>
Funds Available to Carry Forward	-
Funds Carry Forward from Prior Year	<u>-</u>
Fund Balance for Victim's Advocate	<u>\$ -</u>

* Actual expenditures to run the victim's advocate program were \$7,463. The above amount (\$4,379) was used so a negative balance would not be created in the victim's advocate fund balance account.

CERTIFIED PUBLIC ACCOUNTANTS

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South Carolina Association of CPA's

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Mullins as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Mullins' basic financial statements and have issued our report thereon dated January 5, 2015.

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 #2014-1, #2014-3, and #2014-5 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 #2014-2 and #2014-4 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 #2014-2.

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 Coble & Company P.C.

January 5, 2015

City of Mullins, South Carolina
SCHEDULE OF FINDINGS AND RESPONSES
For the fiscal year ended June 30, 2014

I. FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

#2014-1 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, and matched to all invoices by the City Clerk. Financial statements produced by the accounting firm will be reviewed by the City Clerk, City Administrator, and distributed to City Council on a monthly basis. While additional separation of duties might provide more controls, the City believes the steps taken adequately separate the key tasks involved in the management of and reporting of the finances of the City.

#2014-3 Supervisory Approval and Documentation of Adjusting Journal Entries (initially reported 6/26/09)

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

Criteria: Good business practice.

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

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

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

City of Mullins, South Carolina
SCHEDULE OF FINDINGS AND RESPONSES
For the fiscal year ended June 30, 2014

#2014-5 Incomplete Financial Statements being provided to Mayor and Council

Condition: Currently the Mayor and Council are not provided a balance sheet with the monthly income statement that is being provided.

Criteria: Since the City has a small staff, supervision by necessity becomes the more significant control function. Without adequate and complete financial statements, Mayor and Council's supervision is hindered.

Effect: The Mayor and Council's oversight of the financial statements has been limited by being provided with an incomplete financial statement.

Recommendation: Provide Mayor and Council balance sheets on a monthly basis. The Mayor and Council should review all financial statements and question management accordingly.

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

SIGNIFICANT DEFICIENCIES

#2014-2 Purchasing goods and services (initially reported 6/3/08)

Condition: During the disbursement testing the following instances were noted: Three instances of documentation not equal to amount of checks paid, Nine instances of no purchase order being prepared or purchase order prepared after the invoice date, One instance of invoices being coded incorrectly, One instances of no bids being taken, and Three 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 that 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, 2014

#2014-4 Timely Approval of Bank Reconciliations

Condition: Management did not approve bank reconciliations in a timely manner.

Criteria: Good internal control.

Effect: Errors or misappropriations may not be detected, in a timely manner.

Recommendation: Bank reconciliations should be approved as soon as possible after month end.

Response: Bank reconciliations are now prepared by the 15th of the month following the statement date and reviewed and signed by the Administrator, then provided to City Council at their next meeting. The City will ensure that this process continues.