

**CITY OF INMAN**

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**Independent Auditors' Report**

**Financial Statements and Schedules  
For the Year Ended June 30, 2019**



**CITY OF INMAN**  
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**FINANCIAL SECTION**

## Independent Auditors' Report

The Honorable Mayor  
and Members of City Council  
City of Inman, SC

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Inman as of and for the year ended June 30, 2019, 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.

### **Auditors' 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 City'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 opinion.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Inman as of June 30, 2019, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of Net Pension Liability, and the Schedule of the City's Contributions 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.

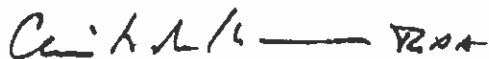
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Inman's basic financial statements. The supplementary information- Municipal Court Fines and Fees, Assessment and Surcharges is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information- Municipal Court Fines and Fees, Assessment and Surcharges is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information- Municipal Court Fines and Fees, Assessment and Surcharges are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2020, on our consideration of the City of Inman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the effectiveness of the City of Inman's 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 the City's internal control over financial reporting and compliance.



Gaffney, SC  
April 20, 2020

## CITY OF INMAN Management's Discussion and Analysis

As management of the City of Inman (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 ending June 30, 2019 ("FY 2019"). Please read this section in conjunction with the financial statements that follow.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of FY 2019 by \$6,587,028 (*net position*). Of this amount, \$1,133,226 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,871,050, with an increase of \$1,075,084 for governmental activities and an increase of \$795,966 for business-type activities.
- As of the close of FY 2019, the City's governmental funds reported combined ending fund balances of \$1,116,923, a decrease of \$434,861 compared to the prior fiscal year. Approximately 44% of this total amount, or \$489,795, is available for spending at the government's discretion (*unassigned fund balance*).
- Unassigned fund balance for the General Fund was \$489,795 at June 30, 2019, or approximately 26% of total General Fund expenditures and transfers out for FY 2019. In addition, the City's unassigned fund balance for the General Fund decreased by \$87,491 compared to the prior fiscal year.
- The City's total capital assets (net of depreciation and amortization) were valued at \$10,315,724 at the close of the fiscal year, an increase of approximately 22%, or \$1,829,038, compared to the prior fiscal year.
- Total long-term debt for the Governmental Activities was \$555,635 at the end of FY 2019, a decrease of \$96,036 compared to the prior fiscal year. For the Enterprise Fund, long-term debt was \$5,344,845 as of the end of FY 2019, a decrease of \$140,529 compared to the prior fiscal year. These decreases reflect a maturation of principle payments.

### Overview of the Financial Statements

This annual report consists of a series of financial statements: the government-wide statements, the fund financial statements, and the notes to the financial statements.

The first several statements are condensed and present a government-wide view of the City's finances. The Statement of Net Position and the Statement of Activities provide information about the City and show a long-term view of the City's finances. In these two reports, the operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as administration, streets, sanitation, parks, fire, police, and judicial. The sewer department is the business-type activity of the City.

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The Statement of Activities focuses on gross and net costs of City programs. This statement summarizes the extent to which programs are self-supporting and use general revenues.

Fund financial statements provide detailed information about the most significant funds rather than the City as a whole. The reports focus separately on major governmental funds and proprietary funds.

Most of the City's basic services are reported in governmental funds. The governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The governmental funds are reported using the modified accrual basis of accounting, which measures cash and other assets that can be converted to cash. The governmental fund statements provide a short-term view of the City's general operations and the basic services it provides. A budgetary comparison is presented for the General Fund, which is the governmental fund that has a legally adopted budget.

The sewer department activities are reported in the proprietary fund reports. The sewer department is an enterprise that the city operates and charges customers for the services that they use. Proprietary fund statements are reported on the accrual basis of accounting. Statements for the City's proprietary funds include net position, revenue, expenses, change in net position and cash flow.

The City has implemented GASB Statement No. 68 "Accounting and Financial Reporting of Pensions." This statement requires cost-sharing employers to present actuarial information about pensions, including a net pension liability, pension expenses, and pension-related inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan.

The notes to the financial statements provide additional disclosures and provide information to assist in understanding the City's financial condition.

### The City as a Whole

This discussion summarizes changes in financial position and differences in operations between FY 2019 and FY 2018.

	Net Position (In thousands)											
	Governmental Activities				Business-Type Activities				Total Government			
	2019	2019	2018	2018	2019	2019	2018	2018	2019	2019	2018	2018
Cash and Cash Equivalents	\$ 1,032	1,032	1,384	1,384	1,739	1,739	1,680	1,680	2,771	2,771	3,064	3,064
Other Assets	248	248	258	258	777	777	561	561	1,025	1,025	819	819
Capital Assets	2,236	2,236	757	757	8,080	8,080	7,720	7,720	10,316	10,316	8,488	8,488
Total	3,516	3,516	2,399	2,399	10,596	10,596	9,970	9,970	14,112	14,112	12,369	12,369
Deferred Outflows	315	-	285	-	131	-	136	-	446	-	401	-
Other Liabilities	102	102	93	93	48	48	41	41	150	150	134	134
Net Pension Liability	1,333	-	1,154	-	563	-	591	-	1,888	0	1,745	0
Long-Term Liabilities	556	556	652	652	5,345	5,345	5,485	5,485	5,901	5,901	6,137	6,137
Total	1,991	658	1,899	745	5,948	5,393	6,117	5,526	7,937	6,051	8,016	6,271
Deferred Inflows	24	-	26	-	10	-	-	-	34	-	28	-
Net Position:												
Net Investment in Capital Assets	1,880	1,880	106	108	2,735	2,735	2,244	2,244	4,415	4,415	2,350	2,350
Restricted	619	618	986	988	420	420	344	344	1,038	1,038	1,310	1,310
Unrestricted	(483)	580	(332)	582	1,818	2,048	1,388	1,856	1,134	2,608	1,056	2,438
Total	1,816	2,858	740	1,654	4,771	5,203	3,976	4,444	6,587	8,061	4,716	6,098

1 - Excludes impact of GASB 68.

As of June 30, 2019, the net position of the governmental activities increased \$1,075,084, from \$740,588 to \$1,815,672. Also, unrestricted net position of the governmental activities decreased \$152,351. Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints or requirements. Also, for the governmental activities, total cash and cash equivalents decreased \$351,762 to approximately \$1.03 million.



For the City's business-type activities, as of June 30, 2019, net position increased \$795,966, to \$4.8 million. Capital assets decreased \$350,895 primarily due to depreciation, while long-term liabilities decreased \$140,529.

The City implemented GASB Statement No. 68 in fiscal year 2015. Thus, for FY 2019, the City recorded a net pension liability of \$1.89 million. See Note 7 for more information related to the City's proportionate share of net pension liabilities of the South Carolina Retirement System and Police Officers' Retirement System.

	Change in Net Position (in thousands)											
	Governmental Activities				Business-Type Activities				Total Government			
	2019		2018		2019		2018		2019		2018	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>												
Program Revenues:												
Charges for Services	\$ 334	334	213	213	1,852	1,852	1,730	1,730	2,186	2,186	1,943	1,943
Grants & Contributions	878	878	426	426	500	500	-	-	1,378	1,378	426	426
General Revenues:												
Property Taxes	596	596	528	528	-	-	-	-	596	596	528	528
Intergovernmental	101	101	107	107	-	-	-	-	101	101	107	107
Licenses & Fees	962	962	905	905	-	-	-	-	962	962	905	905
Donations	-	-	2	2	-	-	-	-	-	-	2	2
Gain on Disposal of Assets	(22)	(22)	0	0	-	-	-	-	(22)	(22)	-	-
Miscellaneous	48	43	15	15	36	34	26	26	84	77	41	41
<b>Total Revenues</b>	<b>2,897</b>	<b>2,892</b>	<b>2,196</b>	<b>2,196</b>	<b>2,388</b>	<b>2,386</b>	<b>1,756</b>	<b>1,756</b>	<b>5,285</b>	<b>5,278</b>	<b>3,952</b>	<b>3,952</b>
<b>EXPENSES</b>												
Administration	410	379	369	354	-	-	-	-	410	379	369	354
Streets, Sanitation, Parks	574	567	598	590	-	-	-	-	574	567	598	590
Fire	273	264	215	199	-	-	-	-	273	264	215	199
Police & Judicial	881	794	748	688	-	-	-	-	881	794	748	688
Interest & Fiscal Charges	22	22	36	36	216	216	220	220	238	238	256	256
Depreciation	-	-	175	175	525	525	-	-	525	525	175	175
Sewer	-	-	-	-	1,008	1,040	1,482	1,486	1,008	1,040	1,482	1,486
<b>Total Expenses</b>	<b>2,160</b>	<b>2,026</b>	<b>2,139</b>	<b>2,042</b>	<b>1,747</b>	<b>1,781</b>	<b>1,702</b>	<b>1,706</b>	<b>3,907</b>	<b>3,807</b>	<b>3,841</b>	<b>3,748</b>
Excess (Deficiency) Before Transfers	737	866	57	154	641	605	54	50	1,378	1,471	111	204
Transfers	60	60	0	0	(60)	(60)	-	-	-	-	-	-
<b>Increase (Decrease) in Net Position</b>	<b>797</b>	<b>926</b>	<b>57</b>	<b>154</b>	<b>581</b>	<b>545</b>	<b>54</b>	<b>50</b>	<b>1,378</b>	<b>1,471</b>	<b>111</b>	<b>204</b>
Net Position- Beginning	740	1,854	683	1,500	3,976	4,444	3,922	4,394	4,716	6,098	4,605	5,894
Prior Period Adjustments	278	278	-	-	214	214	-	-	492	492	-	-
Net Position- Beginning (Restated)	1,018	1,932	683	-	4,190	4,658	3,922	-	5,208	6,590	4,605	5,894
<b>Net Position- Ending</b>	<b>\$ 1,816</b>	<b>2,858</b>	<b>740</b>	<b>1,654</b>	<b>4,771</b>	<b>5,203</b>	<b>3,976</b>	<b>4,444</b>	<b>6,587</b>	<b>8,061</b>	<b>4,716</b>	<b>6,098</b>

1 - Excludes impact of GASB 68.

Now, moving on to an overview of City operations in FY 2019, governmental activity revenues were \$796,677 dollars more than expenses. Property tax revenues accounted for 20% of revenues in the governmental activities category, increasing by \$68,882 over FY 2018. Nonetheless, total revenues in the governmental activities category increased by \$761,363. Major revenue sources in this category (aside from property taxes) include hospitality tax revenues, which increased by \$13,363, and business license revenues, which increased by \$38,528 and grants for \$877,673. Finally, total expenses associated with governmental activities increased by \$22,421. These numbers show increased economic development in the city, along with funds going towards updating and beautifying the streetscape and park which will also attract more business.

Revenues for the business-type activities (that is, for the sewer fund) increased \$572,092. This increase is due to new customers, as well as, a sewer rate increase that was passed to help fund the future wastewater treatment facility. Revenues from the business-type activities consist almost entirely of charges for service, or user fees, with a little less than 2% of all revenues coming from miscellaneous sources and grant income of \$500,000. Revenue exceeded expense by \$581,496 for FY 2019. Revenues exceeded expenses by \$1,106,890 if depreciation expenses are not included in the calculation. Finally, net position for business-type activities increased 20% compared to FY 2018.

### Budget Highlights

For FY 2019, General Fund revenues totaled \$1.64 million. This was \$107 thousand more than had been budgeted. On the other hand, total expenditures were \$1.87 million, exceeding budgeted amounts by \$117 thousand. Property tax revenues were less than budget by \$39 thousand. Revenues from licenses, fees and permits were \$125 thousand higher than budgeted.

There were no unanticipated expenses for the General Fund for FY 2019. There was a lot of things going on that were offset by grant funds. So, not all budgeted money was spent. There were capital outlays in the police and street departments, but overall spending was under the budgeted amount.

Also, there were no unanticipated expenses for the Sewer Fund for FY 2019.

### Capital Assets

At June 30, 2019, the City had \$22 million invested in gross capital assets including land, buildings, improvements, sewer facilities, vehicles, machinery, equipment, and furniture. This was an increase of approximately \$2,200,000 from the prior year.

#### Capital Assets at Year-End (In thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 71	71	75	75	146	146
Construction In Progress	420	208	155	247	575	-
Buildings, Improvements	2,670	1,339	-	-	2,670	1,339
Sewer Plant & Lines	-	-	15,512	15,475	15,512	15,475
Vehicles	1,531	1,483	344	309	1,875	1,792
Machinery, Equipment, & Furniture	342	328	1,499	616	1,841	944
Subtotal	5,034	3,429	17,585	16,722	22,619	19,696
Accumulated Depreciation	(2,798)	(2,671)	(9,505)	(8,993)	(12,303)	(11,664)
Capital Assets, Net	\$ 2,236	758	8,080	7,729	10,316	8,032

## Debt Service

Finally, as the table below shows, total debt decreased by a net of \$173,000.

### Debt Outstanding at Year-End (In thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
Capital Leases	\$ 273	300	-	-	273	300
Direct Placement- Hospitality Fee Revenue Bond	268	330	-	-	-	-
ConserveFund Loan (Capital Lease)	15	21	-	-	15	21
Direct Placement- Sewer System Revenue Bonds	-	-	5,345	5,485	5,345	5,485
<b>Total</b>	<b>\$ 556</b>	<b>651</b>	<b>5,345</b>	<b>5,485</b>	<b>5,633</b>	<b>5,806</b>

There are many great things happening in Inman that will set the City up for a great future. The investment into the streetscape was the first step in a process to beautify downtown. This investment will be further brought into view at the completion of a downtown master plan which will lay out a strategic path forward for projects of varying types. The new LED street lighting and façade grant program will also help as a catalyst for bringing business and people to the downtown area.

The Sewer Fund also has growth and development at the forefront of operations. The City has received grant funding to help tackle inflow and infiltration of water into the system on the eastside, which will help to regain the city much needed capacity. The extra capacity will be valuable to the sewer department during construction of an expanded Wastewater Treatment Facility. In November of 2019, the City was granted a \$12,843,130 USDA Rural Development loan/grant for the project. With the expansion the City will be getting out ahead of growth with a solid plan set in place.

### Contact for More Information

The City's financial statements offer readers a general overview of the City's use of public resources.

If you have questions about the report or need additional information, please contact the City Clerk at 20 South Main Street, Inman, SC 29349.

**CITY OF INMAN**  
**Statement of Net Position**  
**June 30, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,032,295	1,318,779	2,351,074
Receivables			
Property Taxes, Net	24,572	-	24,572
Intergovernmental	134,179	-	134,179
Other	76,946	142,513	219,459
Prepaid Expense	12,259	2,439	14,698
Restricted Cash	-	420,533	420,533
Note Receivable	-	632,281	632,281
Capital Assets Not Being Depreciated	490,787	-	490,787
Capital Assets Being Depreciated	4,542,830	17,584,631	22,127,461
Accumulated Depreciation	(2,797,891)	(9,504,633)	(12,302,524)
Total Capital Assets Net of Depreciation and Amortization	<u>2,235,726</u>	<u>8,079,998</u>	<u>10,315,724</u>
Total Assets	<u>3,515,977</u>	<u>10,596,543</u>	<u>14,112,520</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Plan Items	<u>314,914</u>	<u>130,606</u>	<u>445,520</u>
<b>LIABILITIES</b>			
Accounts Payable	35,778	20,702	56,480
Accrued Liabilities	60,742	27,074	87,816
Accrued Interest Payable	5,154	-	5,154
Long-term Liabilities:			
Due Within One Year	139,874	145,479	285,353
Due in More than One Year	415,761	5,199,366	5,615,127
Net Pension Liability	<u>1,333,552</u>	<u>553,070</u>	<u>1,886,622</u>
Total Liabilities	<u>1,990,861</u>	<u>5,945,691</u>	<u>7,936,552</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Plan Items	<u>24,358</u>	<u>10,102</u>	<u>34,460</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,680,091	2,735,153	4,415,244
Restricted For:			
Various Purposes	619,119	-	618,025
Debt Service	-	384,698	384,698
Operation and Maintenance	-	35,835	35,835
Unrestricted	<u>(483,538)</u>	<u>1,615,670</u>	<u>1,133,226</u>
Total Net Position	<u>\$ 1,815,672</u>	<u>4,771,356</u>	<u>6,587,028</u>

The accompanying notes to the financial statements are an integral part of this exhibit.

**CITY OF INMAN**  
Statement of Activities  
For the Year Ended June 30, 2019

FUNCTIONS / PROGRAMS	Program Revenues			Net (Expense) Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Administration	\$ 409,895	-	-	-	(409,895)	-	(409,895)
Street & Sanitation	368,417	2,419	-	732,782	366,784	-	366,784
Parks and Recreation	206,334	-	-	120,503	(85,831)	-	(85,831)
Fire	272,830	-	-	-	(272,830)	-	(272,830)
Police & Judicial	880,938	331,460	24,388	-	(525,090)	-	(525,090)
Interest and Fiscal Charges	21,801	-	-	-	(21,801)	-	(21,801)
<b>Total Governmental Activities</b>	<b>2,160,215</b>	<b>333,879</b>	<b>24,388</b>	<b>853,285</b>	<b>(948,663)</b>	<b>-</b>	<b>(948,663)</b>
<b>Business-Type Activities:</b>							
Sewer	1,746,613	1,851,678	-	500,000	-	605,065	605,065
<b>Total Government</b>	<b>\$ 3,906,828</b>	<b>2,185,557</b>	<b>24,388</b>	<b>1,353,285</b>	<b>(948,663)</b>	<b>605,065</b>	<b>(343,598)</b>
<b>General Revenues</b>							
Property Taxes					\$ 596,519	-	596,519
Intergovernmental					100,613	-	100,613
Licenses & Permits					540,625	-	540,625
Hospitality Fees					284,118	-	284,118
Franchise Fees					137,628	-	137,628
Investment Income					78	210	288
Loss on Disposal of Assets					(21,906)	-	(21,906)
Miscellaneous					47,665	36,221	83,886
Transfers					60,000	(60,000)	-
<b>Total General Revenues</b>					<b>1,745,340</b>	<b>(23,569)</b>	<b>1,721,771</b>
<b>Change in Net Position</b>					<b>796,677</b>	<b>581,496</b>	<b>1,378,173</b>
<b>Net Position- Beginning of the Year</b>					<b>740,588</b>	<b>3,975,391</b>	<b>4,715,979</b>
<b>Prior Period Adjustments</b>					<b>278,407</b>	<b>214,469</b>	<b>492,876</b>
<b>Net Position- Beginning of the Year, Restated</b>					<b>1,018,995</b>	<b>4,189,860</b>	<b>5,208,855</b>
<b>Net Position- End of the Year</b>					<b>\$ 1,815,672</b>	<b>4,771,356</b>	<b>6,587,028</b>

The accompanying notes to the financial statements are an integral part of this exhibit.

**CITY OF INMAN**  
**Balance Sheet - Governmental Funds**  
**June 30, 2019**

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General	Streetscape	Hospitality Tax	Special Revenue	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 570,328	339	201,112	260,515	1,032,294
Receivables:					
Taxes	11,599	-	26,192	-	37,791
Intergovernmental	16,122	-	-	118,057	134,179
Other	50,754	-	-	-	50,754
Due from General Fund	-	5,000	-	8,015	13,015
Due from Proprietary Fund	4,250	-	-	-	4,250
Prepaid Expense	8,009	-	-	-	8,009
<b>Total Assets</b>	<b>661,062</b>	<b>5,339</b>	<b>227,304</b>	<b>386,587</b>	<b>1,280,292</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	35,778	-	-	-	35,778
Accrued Liabilities	60,631	-	-	111	60,742
Due to Special Revenue Funds	13,015	-	-	-	13,015
<b>Total Liabilities</b>	<b>109,424</b>	<b>-</b>	<b>-</b>	<b>111</b>	<b>109,535</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue- Property Taxes	53,834	-	-	-	53,834
<b>Total Deferred Inflows of Resources</b>	<b>53,834</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,834</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>163,258</b>	<b>-</b>	<b>-</b>	<b>111</b>	<b>163,369</b>
Fund Balances:					
Nonspendable	8,009	-	-	-	8,009
Restricted For:					
Public Safety	-	-	-	82,857	82,857
Streets	-	5,339	-	118,057	123,396
Parks and Recreation	-	-	227,304	185,562	412,866
Unassigned	489,795	-	-	-	489,795
<b>Total Fund Balances</b>	<b>497,804</b>	<b>5,339</b>	<b>227,304</b>	<b>386,476</b>	<b>1,116,923</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 661,062</b>	<b>5,339</b>	<b>227,304</b>	<b>386,587</b>	<b>1,274,953</b>

The accompanying notes to the financial statements are an integral part of this exhibit.

**CITY OF INMAN**  
**Reconciliation of Total Governmental Fund**  
**Balances to Net Position of Governmental Activities**  
**June 30, 2019**

Total fund balances - Governmental funds June 30, 2019	\$ 1,116,923
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Capital Assets not Being Depreciated	1,804,709
Capital Assets Being Depreciated	3,228,908
Accumulated depreciation	<u>(2,797,891)</u>
Total capital assets	<u>2,235,726</u>
Some revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.	
Property taxes	<u>66,808</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Revenue Bond	(268,000)
Capital leases	(273,154)
ConserFund Loan Payable	(14,481)
Accrued Interest	(5,154)
Net Pension Liability	(1,333,552)
Deferred Outflows Related to Pensions	314,914
Deferred Inflows Related to Pensions	<u>(24,358)</u>
Total long-term liabilities	<u>(1,603,785)</u>
Total net position - Governmental activities, June 30, 2019	<u>\$ 1,815,672</u>

The accompanying notes to the financial statements are an integral part of this exhibit.

**CITY OF INMAN**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2019**

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General	Streetscape	Hospitality Tax	Special Revenue	
<b>REVENUES:</b>					
Taxes	\$ 529,927	-	-	-	529,927
Licenses	678,253	-	-	-	678,253
Intergovernmental	348,014	732,782	-	130,349	1,211,145
Fees and Permits	2,419	-	284,118	-	286,537
Fines	71,798	-	-	21,271	93,069
Miscellaneous	15,053	-	-	2,793	17,846
Investment Income	78	-	-	-	78
Total Revenues	<u>1,645,542</u>	<u>732,782</u>	<u>284,118</u>	<u>154,413</u>	<u>2,816,855</u>
<b>EXPENDITURES:</b>					
Current:					
Administration	349,157	-	-	-	349,157
Streets, Sanitation & Parks	278,633	-	119,533	97,212	495,378
Fire	248,112	-	-	5,046	253,158
Police & Judicial	748,982	-	-	13,023	762,005
Capital Outlay	165,889	994,040	137,425	54,660	1,352,014
Debt Service:					
Principal	73,287	-	84,243	-	157,530
Interest and Fiscal Charges	6,660	-	12,875	-	19,535
Total Expenditures	<u>1,870,720</u>	<u>994,040</u>	<u>354,076</u>	<u>169,941</u>	<u>3,388,777</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(225,178)</u>	<u>(261,258)</u>	<u>(69,958)</u>	<u>(15,528)</u>	<u>(571,922)</u>
<b>OTHER FINANCING SOURCES: (Uses)</b>					
Proceeds From Issuance of Capital Lease	61,494	-	-	-	61,494
Insurance Proceeds	15,567	-	-	-	15,567
Transfers In	60,000	140,000	-	-	200,000
Transfers Out	-	-	(140,000)	-	(140,000)
Total Other Financing	<u>137,061</u>	<u>140,000</u>	<u>(140,000)</u>	<u>-</u>	<u>137,061</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(88,117)</u>	<u>(121,258)</u>	<u>(209,958)</u>	<u>(15,528)</u>	<u>(434,861)</u>
<b>FUND BALANCES BEGINNING</b>	<u>585,921</u>	<u>126,597</u>	<u>437,262</u>	<u>402,004</u>	<u>1,551,784</u>
<b>FUND BALANCES ENDING</b>	<u>\$ 497,804</u>	<u>5,339</u>	<u>227,304</u>	<u>386,476</u>	<u>1,116,923</u>

The accompanying notes to the financial statements are an integral part of this exhibit.



**CITY OF INMAN**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**In Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2019**

Total change in fund balances - total governmental funds	\$ (434,861)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	1,352,014
Depreciation Expense	<u>(130,916)</u>
Excess of capital outlay over depreciation and other expense	<u>1,221,098</u>
In the Statement of Activities, Only the Gain on the Sale of Assets is Reported Whereas in the Governmental Funds, the Proceeds from the Sale Increase Financial Resources. Thus, the Change in Net Position Differs from the Change in Fund Balances by the Net Book Value of the Assets Sold or Contributed.	
Net Book Value of Asset Dispositions	<u>(21,906)</u>
Because some revenue will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred property tax revenues increased by this amount this year.	
	<u>66,592</u>
The issuance of long-term debt (e.g., notes, leases) provides current financial resources to governmental funds, however, it has no effect on net assets.	
Proceeds from Issuance of Capital Leases	<u>(65,633)</u>
Governmental Funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the Statement of Activities.	
	<u>(128,486)</u>
Repayment of long-term debt is reported as an expenditure in governmental funds. But the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consisted of:	
Hospitality Fee Revenue Bond Principal Payment	62,000
Capital Lease Principal Payment	88,501
ConserFund Loan Principal Payment	<u>7,029</u>
	<u>157,530</u>
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expensed when due.	
	<u>2,343</u>
Change in net position - Governmental activities, June 30, 2019	<u>\$ 796,677</u>

The accompanying notes to the financial statements are an integral part of this exhibit.

**CITY OF INMAN**  
Statement of Net Position - Proprietary Fund  
June 30, 2019

	Enterprise Sewer Fund
<b>ASSETS</b>	
Current Assets	
Cash	\$ 1,318,779
Investment	-
Accounts Receivable, Net	142,513
Current Portion of Note Receivable	16,200
Prepaid Expense	2,439
Restricted Cash	420,533
	1,900,464
Capital Assets	17,584,631
Less Accumulated Depreciation	(9,504,633)
	8,079,998
Other Assets	
Note Receivable	616,081
Total Assets	10,596,543
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Plan Items	130,606
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	20,702
Accrued Liabilities	27,074
Current Portion of Long-term Debt	145,479
Total Current Liabilities	193,255
Long-term Debt	5,199,366
Net Pension Liability	553,070
Total Liabilities	5,945,691
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Plan Items	10,102
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,735,153
Restricted For:	
Bond Retirement	282,375
Depreciation Contingency	102,323
Operation and Maintenance	35,835
Unrestricted	1,615,670
Total Net Position	\$ 4,771,356

The accompanying notes to the financial statements are an integral part of this exhibit.

**CITY OF INMAN**  
**Statement of Revenues, Expenses, and Changes in**  
**Net Position - Proprietary Fund**  
**June 30, 2019**

	Enterprise Sewer Fund
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 1,754,878
Connection Fees	96,800
Miscellaneous Income	36,221
Total Operating Revenues	1,887,899
<b>OPERATING EXPENSES</b>	
Personnel	381,473
Sewer Operation & Maintenance	450,551
Administrative and General	173,585
Depreciation	525,394
Total Operating Expenses	1,531,003
<b>OPERATING INCOME (LOSS)</b>	356,896
<b>NON-OPERATING REVENUE (EXPENSE)</b>	
Interest Income	210
Interest Expense	(215,610)
Grant Income	500,000
Transfer To General Fund	(60,000)
Total Non-Operating Revenue (Expense)	224,600
Change in Net Position	581,496
Net Position- Beginning of the Year	3,975,391
Prior Period Adjustment	214,469
Net Position- Beginning of the Year, Restated	4,189,860
Net Position- End of the Year	\$ 4,771,356

The accompanying notes to the financial statements are an integral part of this exhibit.

**CITY OF INMAN**  
**Statement of Cash Flows - Proprietary Fund**  
**June 30, 2019**

	<u>Enterprise Fund Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 1,880,634
Cash Payments to Suppliers	(616,581)
Cash Payment to Employees	(412,483)
	<u>851,570</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</b>	
Principal Paid on Capital Debt	(140,529)
Interest Paid on Capital Debt	(215,610)
	<u>(356,139)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Capital Assets	(876,288)
Interest Income Received	210
Additions to Investments	-
Proceeds from Redemption of Certificate of Deposit	264,168
Other Non-Operating Income Received	500,000
Other Non-Operating Transfer	(60,000)
	<u>(171,910)</u>
Net Increase in Cash	323,521
Cash Beginning of the Year	<u>1,415,791</u>
Cash Ending of the Year	<u><u>1,739,312</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	356,896
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	525,394
Pension Plan Items	(29,444)
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(1,659)
(Increase) Decrease in Note Receivable	(5,836)
(Increase) Decrease in Prepaid Expense	115
Increase (Decrease) in Accounts Payable	7,920
Increase (Decrease) in Accrued Liabilities	(1,816)
Net Cash Provided by Operating Activities	<u>\$ 851,570</u>

The accompanying notes to the financial statements are an integral part of this exhibit.

**CITY OF INMAN**  
Notes to Financial Statements  
June 30, 2019

**NOTE 1 – GENERAL STATEMENT**

The City of Inman was incorporated on December 22, 1882, and is located in Spartanburg County, South Carolina, about halfway between Tryon, North Carolina and Spartanburg, South Carolina on Asheville Highway #176. The city population is approximately 2,000, but the service area includes at least 20,000 people. It is governed under the Mayor-council form of government with a municipal council composed of the Mayor and four council members who are elected from the city at large. The City provides administrative, streets, sanitation, parks, fire, police, judicial, community development and sewer services. Its operations are financed by property and ad valorem taxes, fees for licenses and permits, police and court fines, franchise fees, state revenue sharing funds, sewer charges, grants and other miscellaneous revenue sources.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Inman conform to accounting principles (GAAP) generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the applicable pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements, constitutes GAAP for governmental units.

In fiscal year 2004, the City implemented GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Statement No. 34 requires supplementary information in the form of Management's Discussion and Analysis. Statement No. 34 also requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business-type activities on a statement of net assets and statement of activities. The statement of net assets includes both noncurrent assets and noncurrent liabilities which were previously recorded in the General Fixed Assets Group and the General Long-Term Debt Account Group.

In addition to government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The city has also elected to present budgetary comparisons as a required supplementary information. The accrual basis of accounting is utilized by proprietary funds. The following is a summary of the more significant policies.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**A. Scope of the Reporting Entity**, continued

Pursuant to governmental GAAP, in evaluating the City as a reporting entity, management must consider all potential component units. The decision to include any potential component unit in the City's reporting entity was based on the following criteria:

The City's financial accountability for the potential component unit was considered. The City is financially accountable if it appoints a voting majority of the Governing board of the potential unit and (1) it is able to impose its will on the potential component unit or (2) a financial benefit/burden relationship exists between the City and the potential component unit. The potential component unit's fiscal dependence on the city was considered.

The nature and significance of the relationship between the City and the potential component unit was considered to determine whether exclusion of the potential component unit would render the City's financial statements misleading or incomplete.

Based on the above criteria, management has determined that there are no potential component units eligible for inclusion in the City's financial statements. All organizations which are controlled by the City's elected officials are included in the City's reporting entity for these general purpose financial statements. Control in this case means budgetary authority over the organization.

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

The accounts of the City are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City's basic financial statements include both governments-wide (reporting the City as a whole) and fund financial statements (reporting the city's major funds). These statements include the financial activities of the primary government, except for fiduciary funds. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's administrative, streets, sanitation, parks, recreation, fire, police, and judicial services are classified as governmental activities. The city's sewer services are classified as business-type activities.

- *Government-Wide Financial Statements*

In the government wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on an accrual economic resource basis, which recognizes all long-term assets as well as long-term debt. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The City's net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues and grants. Program revenues are associated with the function or a business-type activity. The Capital Grants column reflects capital-specific grants. The net costs are normally covered by General Revenue. The City does not allocate indirect costs. This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**A. Measurement Focus, Basis of Accounting, and Basis of Presentation**, continued

*Government-Wide Financial Statements, continued*

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

• *Governmental Fund Financial Statements*

Governmental fund financial statements include a Balance Sheet and a Statement of Revenue, Expenditures, and Changes in Fund Balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in the Government-wide financial statements. The City has presented all major funds that met the qualification of GASB Statement No. 34. All governmental funds are accounted for on a current financial resources measurement focus and the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized under the modified accrual basis of accounting when due. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to the rule is principal and interest on general long-term debt which is recognized when due.

• *Proprietary Fund Financial Statements*

The proprietary fund financial statements include a Statement of Net Position, a Statement of Revenue, Expenses and Changes in fund Net Position, and a Statement of Cash Flows. The proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The City's enterprise fund is used to account for the activities of the sewer department of the City. This fund account for operations in a manner similar to private business enterprises, where the intent is that costs of providing services to the public are recovered through user charges.

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

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in other fund.

The *Hospitality Tax Fund* is used to account for the hospitality tax revenues that are restricted for expenditures for specific tourism generating purposes.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

The *Streetscape Fund* is used to account for the streetscape grant revenues that are restricted for expenditure for the rebuilding and recovery of economic activity such as, but not limited to, streetscapes, lighting, sidewalks, façade enhancements.

*Proprietary Fund Financial Statements, continued*

The City reports the following major proprietary fund:

The *Sewer Fund* accounts for the activities of the sewer department. The sewer department operates the sewage pumping and collection systems.

The Other Governmental Funds, nonmajor funds, are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. These funds include the following: The Victims Assistance Fund, Police Fund, Park Fund, Reserve Fund, Road Fee Fund, and the Fireman's Fund.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/ to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Deposits and Investments**

Cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition are considered to be cash and cash equivalents. Most short-term cash balances are maintained in a cash and investment pool allocated to each fund based on month-end deposit and investment balances. Investments with a readily determinable fair value are stated at fair value in accordance with GASB Statement 31. All other investments are at cost. The City's current policy does not utilize amortized cost for any applicable investments.

Statutes established by the State of South Carolina allow the City to invest in the following:

1. Obligations of the United States and agencies, the principal and interest of which is fully guaranteed by United States.



**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Deposits and Investments**, continued

2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investments, 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.
3. General obligations of the State of South Carolina or any of its political units; or revenue obligations of the State of South Carolina or its political units, if at that time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two rating 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.
4. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
5. Certificates of Deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) 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.
6. Repurchase agreements when collateralized by securities as set forth in this section;
7. 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 trustees or agent for a bond or other debt issue of the City, 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 (1), (2), (3) and (5) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share to that end, value its assets by the amortized cost method.

**DEPOSITS:**

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails.

It is the policy of the City of Inman to invest all available funds in accounts that will provide maximum return on investment with the least possible risk. Funds will only be deposited with financial institutions that are insured and guaranteed by FDIC, or other Federal or State Regulatory Agencies.

The deposits for the City of Inman primary government at June 30, 2019, were \$2,932,438, of which \$1,310,427 were collateralized with securities held by the pledging institution, in the City's name, or backed by Federal obligations not held in the City's name. The remaining amounts were not insured or collateralized.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**INVESTMENTS:**

***Custodial Credit Risk***

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of 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***

Credit risk is the risk that an insurer 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***

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have an investment policy for concentration of credit risk, but follows the investment policy statutes of the State of South Carolina.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. 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, but they do follow the investment policy statutes of the State of South Carolina.

The City does not typically buy security investments and thus has not developed a policy for credit risk, custodial credit risk, or concentration of credit risk for these types of investments.

The following schedule reconciles cash and investments as reported on the Statement of Net Position to footnote disclosure provided for deposits and investments.

	Governmental Activities	Business-Type Activities	Total
<b><u>Statement of Net Position</u></b>			
Cash and Cash Equivalents	\$ 1,032,295	1,318,779	2,351,074
Restricted Cash		420,533	420,533
Total Statement of Net Assets	1,032,295	1,739,312	2,771,607
<b><u>Disclosure, Deposits and Investments:</u></b>			
Carrying Value of Deposits:			
Held by Banks	1,032,095	1,739,312	2,771,407
Cash on Hand	200	-	200
Total Disclosure, Deposits and Investments	\$ 1,032,295	1,739,312	2,771,607

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Net Position**

The government-wide financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Net Investment in Capital Assets* groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* reflects net position that is subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandated payment of resources and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. At June 30, 2019, restricted net position for the governmental activities was \$618,025 as reported on the government-wide statement of net position.
- *Unrestricted Net Position* represents net position of the City that is not restricted for any project or purpose.

**Fund Balance**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2019, fund balances for government funds are made up of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- *Restricted Fund Balance* – includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City’s Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance* – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the City’s Council or (b) a body (for example: a budget or finance committee) or official to which the City’s Council had delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Fund Balance**, continued

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Fund balances for all major and nonmajor governmental funds as of June 30, 2019, were distributed as follows:

	General Fund	Hospitality Streetscape	Hospitality Tax	Nonmajor Funds	Total
<b>Nonspendable</b>					
Prepaid Expense	\$ 8,009	-	-	-	8,009
<b>Restricted For:</b>					
Public Safety	-	-	-	82,857	82,857
Streets	-	5,339	-	118,057	123,396
Parks & Recreation	-	-	227,304	185,562	412,866
Subtotal	-	5,339	227,304	386,476	619,119
<b>Unassigned</b>	489,795	-	-	-	489,795
<b>TOTAL</b>	\$ 497,804	5,339	227,304	386,476	1,116,923

**A. Property Taxes**

Property taxes on real property and personal property, other than licensed motor vehicles, were billed in October 2018 based on property valuations as of December 31, 2017. The taxes were due on or before January 15, 2019. The first late payment penalty of 3% is applied to payments received after January 15. An additional penalty of 5% is charged for payments made after January 31. Uncollected property taxes as of March 15 are transferred to the Spartanburg County Delinquent Tax Collector at which time and additional 5% penalty is assessed. Property taxes on licensed motor vehicles are collected on a monthly basis in the month in which the individual motor vehicle license is renewed. An enforceable lien attaches to property on which taxes have not been collected.

Spartanburg County bills and collects property taxes and remits them on a monthly basis to the City. Taxes receivable at June 30, 2019, represent property taxes collected within 60 days after year-end. Tax revenues not available are reported as deferred inflows of resources

**B. Allowance for Uncollectible Accounts**

Allowance for uncollectible sewer accounts receivable in the Enterprise Fund at June 30, 2019, is \$5,356.

**C. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position (government-wide and proprietary funds) and the balance sheet (governmental funds) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense/expenditures) until then. The City currently has one type of deferred outflows of resources: The City reports deferred pension charges in its statement of net position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These deferred pension charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**C. Deferred Inflows/Outflows of Resources**, continued

In addition to liabilities, the statement of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports unavailable revenue – property taxes only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The City also reports deferred pension credits in its statement of net position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

**D. Accumulated unpaid Vacation and Sick Pay**

Vacation and sick pay accrue to City employees on a monthly basis based on years of service. Upon separation of employment, accrued vacation will be paid to the terminated employee. The City does not pay unused sick days when employment is terminated. Accrued vacation pay is included in accrued liabilities at year-end (General Fund \$32,459 and Sewer Fund \$15,298) and is not included in long-term debt.

**E. Risk Management**

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 for which the City carries commercial insurance. There have been no significant reductions in coverage from prior year and settlements have not exceeded coverage in the past three years.

**F. Budgetary Information**

Annual budgets, as required by state statutes, are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Annual Budgets are also adopted for the proprietary fund.

The budget calendar is as follows:

First Reading	First Meeting in May
Second Reading	First Meeting in June
Public Hearing	First Meeting in June

Annual appropriations lapse at fiscal year end.

On or before March 1, heads of City departments and agencies submit requests for appropriation to the City Clerk who compiles the requests. After adjustments, the City Clerk submits a comprehensive budget request document to City Council. The City Council conducts workshops and public hearings on the proposed budget and adopts the budget not later than June 30.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Budgetary Information, continued**

The appropriated budget is prepared by fund, function and activity. The Mayor and Council are authorized to transfer funds or any portion thereof from any department, activity or purpose to another department, activity or purpose, as may be needed to facilitate the spending plan of the City in the best interest of the City. The Mayor and Council are also authorized to amend the budget to reflect grants received during the year and to carry over remaining balances of grants or one-time state appropriations for special projects, provided that matching local funds as required have been appropriated. At any time in which the total appropriations will be exceeded, City Council must take a vote. Therefore, total appropriations are the legal level of control. There is a supplemental appropriation of \$171,359 for the fiscal year ended June 30, 2019.

The City has an appropriated budget for the enterprise fund but is not required to report budgetary comparisons in the financial statements.

**G. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2019, expenditures exceed appropriations in the General Fund by \$117,495, due primarily to unbudgeted capital expenditures.

**H. New Accounting Standards**

During the year, the City implemented Statement of Governmental Accounting Standard (GASB Statement) No. 88, *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements*. This statement improved the consistency of the information that is disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements, and it provides financial statement users with additional essential information about the City's debt.

**I. New Pronouncements –** The GASB has issued the following statements:

- *Statement No. 84, "Fiduciary Activities."* The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.
- *Statement No. 87, "Leases."* The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**NOTE 3 – RECEIVABLES**

***Non-Intergovernmental:***

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate (governmental activities), including the applicable allowance for uncollectible accounts, are as follows:

	General Fund	Streetscape	Hospitality Tax Fund	Special Revenue Funds	Total
Taxes	\$ 52,460	-	26,192	-	78,652
Other	50,754	-	-	-	50,754
Gross Receivables	103,214	-	26,192	-	129,406
Less Allowance	(40,861)	-	-	-	(40,861)
Net Receivables	<u>\$ 62,353</u>	<u>-</u>	<u>26,192</u>	<u>-</u>	<u>88,545</u>

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 3 – RECEIVABLES**, Continued

***Intergovernmental:***

Intergovernmental receivables consist of the following:

State of South Carolina	\$ 13,757
S.C. State Housing Authority	2,346
Spartanburg County	118,057
Other	19
Total Intergovernmental Receivables	\$ 134,179

**NOTE 4 – RESTRICTED CASH**

Sewer Fund restricted assets consist of cash deposits restricted for the Sewer Fund debt service. Under provisions of the Sewer Revenue Bond Indenture, the City is required to engage a custodian to administer the establishment and maintenance of certain funds. The City has designated SunTrust Bank as the custodian of the reserved funds as shown below.

Year Ended June 30, 2019	Bond and Interest A	Operation and Maintenance B	Depreciation Contingency A	Cushion A	Total
Total Restricted Cash	-	35,835	102,323	282,375	\$ 420,533

A = Required

B = This reserve is funded at the discretion of the City Council

**NOTE 5 – CAPITAL ASSETS**

Capital assets purchased are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions and improvements that significantly extend the useful life of an asset are depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, Sewer Plant	30 years
Sewer Lines	25 years
Improvements	15 years
Fire Trucks	10 years
Other Vehicles	5 years
Machinery, Equipment	5 years
Furniture	5 years

GASB Statement no. 34 requires the City to report and depreciate infrastructure assets (such as sidewalks, street lights, and annexed sewer lines). The City has elected to implement the general provisions of GASB Statement No. 34. The City maintains a minimum capitalization threshold of \$1,000 for all capital assets.

**CITY OF INMAN**  
**Notes To Financial Statements, Continued**  
**June 30, 2019**

**NOTE 5 – CAPITAL ASSETS**, Continued

**A. General Fund**

General fund capital assets are reported under the column Governmental Activities in the Government-Wide Statement of Net Position.

Primary government capital asset activity for the year ended June 30, 2019 is as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 70,597	-	-	-	70,597
Construction in Progress	207,629	1,526,483	-	1,313,922	420,190
<b>Total Capital Assets at</b>					
Historical Cost Not Being Depreciated	<u>278,226</u>	<u>1,526,483</u>	<u>-</u>	<u>1,313,922</u>	<u>490,787</u>
<b>Capital Assets Being Depreciated:</b>					
Buildings and Building Improvements	345,770	17,800	-	1,313,922	1,677,492
Improvements / Infrastructure	993,038	-	-	-	993,038
Machinery, Equipment & Furniture	327,934	13,860	-	-	341,794
Fire Trucks	1,147,785	-	-	-	1,147,785
Vehicles	335,499	72,822	39,850	14,250	382,721
<b>Total Capital Assets at</b>					
Historical Cost Being Depreciated	3,150,026	104,482	39,850	1,328,172	4,542,830
Less Accumulated Depreciation	<u>2,670,669</u>	<u>130,916</u>	<u>17,944</u>	<u>14,250</u>	<u>2,797,891</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>479,357</u>	<u>(26,434)</u>	<u>21,906</u>	<u>-</u>	<u>1,744,939</u>
<b>Government-Type Activities Capital</b>					
<b>Assets, Net</b>	<u>\$ 757,583</u>	<u>1,500,049</u>	<u>21,906</u>	<u>-</u>	<u>2,235,726</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Administration	\$ 11,580
Streets, Sanitation & Park	75,321
Fire	11,026
Police & Judicial	32,989
<b>Total</b>	<u>\$ 130,916</u>

Amortization of asset, recorded under capital lease obligation, has been included with depreciation expense.



**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 5 – CAPITAL ASSETS, Continued**

**B. Enterprise Fund**

Enterprise fund capital assets are reported under the column Business-Type Activities in the Government-Wide Statement of Net Position. They are also reported in the Proprietary Fund Statement of Net Position.

Primary government capital asset activity for the year ended June 30, 2019 is as follows:

<b>Business-Type Activities</b>	<b>Beginning</b>				<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance</b>
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 75,331	-	-		75,331
Construction in Progress	248,801	800,943		(893,123)	154,621
	<u>322,132</u>	<u>800,943</u>	<u>-</u>	<u>(893,123)</u>	<u>229,952</u>
<b>Capital Assets Being Depreciated:</b>					
Sewer Plant	11,536,422	-	-	893,123	12,429,545
Sewer Lines & Infrastructure	3,939,081	-	-		3,939,081
Vehicles	308,885	49,333	-	(14,250)	343,768
Machinery and Equipment	616,272	26,013	-	-	642,285
<b>Total Capital Assets Being Depreciated</b>	<u>16,400,460</u>	<u>75,346</u>	<u>-</u>	<u>878,873</u>	<u>17,354,679</u>
<b>Less Accumulated Depreciation</b>	<u>8,993,489</u>	<u>525,394</u>	<u>-</u>	<u>(14,250)</u>	<u>9,504,633</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>7,406,971</u>	<u>(450,048)</u>	<u>-</u>	<u>893,123</u>	<u>7,850,046</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 7,729,103</u>	<u>350,895</u>	<u>-</u>	<u>-</u>	<u>8,079,998</u>

The depreciation expense of \$525,394 is reported in the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position.

**NOTE 6 – LONG-TERM DEBT**

Competitively sold and directly placed Revenue bonds have been issued to provide funds for the acquisition and construction of major capital facilities including park and recreation facilities, and Revenue bonds directly placed with the US Department of Agriculture, Rural Development have been issued for sewer system improvements. These revenue bonds are secured by the pledge of Hospitality Tax revenues and Sewer System net revenues of the City. Such revenue bonds are recorded in the government wide statement of net position and in the Enterprise Fund.

**1. General Fund**

- The City financed a 2008 fire truck under an equipment lease-purchase agreement with BB&T Bank. The transaction was recorded as a note payable with a 3.79% interest rate. The agreement was dated March 24, 2008, with 11 annual payments of \$58,617.73 and a balloon payment of \$213,833.58 on March 24, 2020. The truck was capitalized at a cost of \$661,410. On March 24, 2012 this equipment base was refinanced at a 2.79% interest rate, due March 24, 2023, with annual payments of \$55,559.32. At June 30, 2019 accumulated depreciation related to this truck was \$611,410 with a net book value of \$0. The future minimum lease payments under the capital lease are as follows: \$207,276 principal and \$14,656 interest.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 6 – LONG-TERM DEBT**, Continued

**A. General Fund, continued**

2. On June 1, 2016, the City entered into a 5 year Conserve Fund Loan Agreement with the SC Office of Regulatory Staff- Energy Office. The original loan was \$35,156.48 with a 2% interest rate, annual payment of \$7,458.74, and due April 1, 2021. The proceeds were used for the installation of energy efficient LED lights in and around the City building facilities.
3. On September 19, 2016, the City financed a 2016 Ford F-150 truck in the amount of \$36,000 under an equipment lease-purchase agreement with a 2.030% interest rate, due September 6, 2019, with annual payments of \$12,490.46. The truck was capitalized at a cost of \$35,680. At June 30, 2019 accumulated depreciation related to this truck was \$20,218.67 with a net book value of \$15,461.33. The future minimum lease payments under the capital lease are as follows: \$12,241.96 principal and \$248.50 interest.
4. On March 5, 2018, the City issued the Hospitality Fee Revenue Bond Series 2019 competitively sold and directly placed with a bank in the amount of \$330,000 bearing interest at the rate of 2.94% per annum, to pay off the Hospitality Fee Revenue Bond Anticipation Note issued in June, 2017. Principal and interest payments are due annually beginning March 1, 2019.
5. On October 5, 2018, the City financed a 2019 Dodge Charger in the amount of \$23,949 under an equipment lease-purchase agreement with a 3.540% interest rate, due October 5, 2023, with annual payments of \$5,310.27. The truck was capitalized at a cost of \$23,949. At June 30, 2019 accumulated depreciation related to this truck was \$2,395 with a net book value of 21,554. The future minimum lease payments under the capital lease are as follows: \$23,949 principal and \$2,602.34 interest.
6. On January 4, 2019 the City financed a 2018 Ford F-150 truck in the amount of \$37,545 under an equipment lease-purchase agreement with a 6.90% interest rate, due December 4, 2021, to be paid in 36 consecutive monthly in advance payments of \$1,150.94 including interest. The truck was capitalized at a cost of \$37,575. At June 30, 2019 accumulated depreciation related to this truck was \$3,750 with a net book value of \$33,795. The future minimum lease payments under the capital lease are as follows: \$37,545 principal and \$3,888.34 interest.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 6 – LONG-TERM DEBT, Continued**

**A. General Fund, continued**

A summary of debt service requirements to maturity is listed below:

Year End June 30	Capital Leases		Direct Placement- Hospitality Fee Revenue Bond Series 2018		ConserFund Loan (Capital Lease)		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	76,464	8,329	64,000	7,879	7,169	290	147,633	16,498
2021	68,566	6,039	66,000	5,998	7,312	146	141,878	12,183
2022	64,065	3,634	68,000	4,057	-	-	132,065	7,691
2023	58,930	1,863	70,000	2,058	-	-	128,930	3,921
2024	5,129	182	-	-	-	-	5,129	182
	<u>\$ 273,154</u>	<u>20,047</u>	<u>268,000</u>	<u>19,992</u>	<u>14,481</u>	<u>436</u>	<u>555,635</u>	<u>40,476</u>

**B. Enterprise Fund**

- On June 13, 2017, the City issued at par \$1,255,415 in Sewer System Refunding Revenue Bond, Series 2017 for the purpose of refunding \$1,190,414 outstanding Sewer System Revenue Bond, Series 1999. The City completed the refunding to reduce its total debt service payments and to obtain an economic gain (difference between the present value of the old and new debt service payment) of \$252,150.

	Direct Placement- Sewer System Revenue Bond Series
	2017
Amount	\$ 1,255,415
Monthly Payment	8,377.27
Interest Rate	2.59%

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 6 – LONG-TERM DEBT**, Continued

**C. Enterprise Fund**, continued

2. On December 28, 2008, the United State Department of Agriculture, Rural Development loaned the City \$4,837,000 to finance improvements, enlargements, and extensions to the sewerage system of the City. The schedule below summarized the terms of the Bond Series.

Direct Placement- Sewer System Revenue Bond Series			
	2008 A	2008 B	2008 C
Amount	\$ 2,868,000	998,000	971,000
Monthly Payment	12,677	4,332	4,292
Interest Rate	4.375%	4.250%	4.375%
Maturity Date	12/22/2048	12/22/2048	12/22/2048

The total cost of the Project was \$8,275,000. The remaining costs were financed with grants from Rural Development in the amount of \$3,438,000.

4. A summary of debt service requirements to maturity is listed below.

Year Ended June 30	Total	
	Principal	Interest
2020	\$ 145,479	210,660
2021	150,613	205,526
2022	155,942	200,198
2023	161,470	194,669
2024	167,207	188,932
2025-2029	930,021	850,675
2030-2034	903,856	675,756
2035-2039	762,878	515,182
2040-2044	947,827	330,233
2045-2048	1,019,552	102,253
	<u>\$ 5,344,845</u>	<u>3,474,084</u>

The debt agreements with USDA, Rural Development provide for the City to set aside ten percent of each monthly principal and interest payment in a separate interest bearing account until the balance reaches one full annual payment for all debt payable. At June 30, 2019 the City had set aside funds as follows:

	Annual Payment	Reserve Balance
Revenue Bonds Series 2008	\$ 255,612	\$ 282,375
Revenue Bonds Series 2017	100,527	
Total In Bank Account		<u>\$ 282,375</u>

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 6 – LONG-TERM DEBT**, Continued

**3. Changes in Long-Term Debt**

1. General Fund

	Balance			Balance June 30, 2019	Due Within One Year
	June 30, 2018	Additions	Retirements		
Capital Leases	\$ 300,161	61,494	88,501	273,154	68,705
Direct Placement -					
Hospitality Fee Revenue Bond	330,000	-	62,000	268,000	64,000
ConserFund Loan (Capital Lease)	21,510	-	7,029	14,481	7,169
Net Pension Liability	1,154,038	179,514	-	1,333,552	-
<b>Total</b>	<b>\$ 1,805,709</b>	<b>241,008</b>	<b>157,531</b>	<b>1,889,187</b>	<b>139,874</b>

2. Enterprise Fund

	Balance			Balance June 30, 2019	Due Within One Year
	June 30, 2018	Additions	Retirements		
USDA Rural Development					
Direct Placement -					
Sewer System Revenue Bonds					
Series 2008	\$ 4,305,991	-	69,711	4,236,280	72,805
Series 2017	1,179,383	-	70,818	1,108,565	72,674
Net Pension Liability	590,698	-	37,628	553,070	-
<b>Total</b>	<b>\$ 6,076,072</b>	<b>-</b>	<b>178,157</b>	<b>5,897,915</b>	<b>145,479</b>

Resources from the General Fund have been used to liquidate the governmental activities note payable and capital lease obligation. Resources from Sewer Fund have been used to liquidate the business-type activities debt.

**Events of Default**

The City's outstanding financed purchases (capital leases) related to governmental activities of \$273,154 contain provisions that in an event of default, outstanding amounts become immediately due if the City is unable to make payment. The equipment must then be returned to lessor at the City's expense, and the equipment and all of the City's rights therein shall be deemed surrendered to lessor. The City has pledged a fire pumper truck and three vehicles as collateral for the financed purchases.

For purposes of the Hospitality Fee Revenue Bonds, an event of default would involve, in general, failure to pay debt service, failure to meet the Rate Covenant, and failure to meet other covenants listed after notice by a required portion of bondholders and a cure period. There are various remedies provided in the bond ordinance including acceleration clauses.

For purposes of the Sewer System Revenue Bonds, an event of default would involve, in general, failure to pay debt service payments when due, or for any reason the City and its sewer system is rendered incapable of fulfilling any of its obligations with respect to the debt covenants or conditions. Remedies would include declaring all principle due and payable immediately, and enforcing timely payment by appointing a receiver of the system.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 7 - PENSION AND RETIREMENT PLANS**

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

**Plan Description**

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

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

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 7 - PENSION AND RETIREMENT PLANS**, Continued

**Membership**

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

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

**Benefits**

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of benefit terms for each system is presented below.

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

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

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 7 - PENSION AND RETIREMENT PLANS**, Continued

Benefits, Continued

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

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than eighty-five percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next ten years to a twenty year amortization period.

Effective July 1, 2018, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 14.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 14.41% and 0.15% for the incidental death benefit program. The City's actual retirement and incidental death benefit program contributions for participating employees to the SCRS for the years ended June 30, 2019, 2018, and 2017 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2019	14.410%	\$ 88,720	0.15%	\$ 924
2018	13.410%	\$ 75,140	0.15%	\$ 841
2017	11.410%	\$ 58,334	0.15%	\$ 767



**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 7 - PENSION AND RETIREMENT PLANS**, Continued

**Benefits**, Continued

Effective July 1, 2018, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 17.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 16.84%, 0.20% for the incidental death benefit program, and a 0.20% for the accidental death program. The City's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2019, 2018, and 2017 were:

Fiscal Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
2019	16.840%	\$ 65,809	0.20%	\$ 782	0.20%	\$ -
2018	15.840%	\$ 52,749	0.20%	\$ 666	0.20%	\$ -
2017	13.840%	\$ 41,682	0.20%	\$ 602	0.20%	\$ -

**Actuarial Assumptions and Methods**

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

The June 30, 2018, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2018, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2018.

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

<sup>1</sup> Includes inflation at 2.25%

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

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 7 - PENSION AND RETIREMENT PLANS**, Continued

**Actuarial Assumptions and Methods**, Continued

Assumptions used in the determination of the June 30, 2018, TPL are as follows.

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

**Net Pension Liability**

The NPL is calculated separately for each system and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2018, for SCRS and PORS are presented below.

<u>Plan</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Pension</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Net Position as a Percentage of the Total Pension Liability</u>	<u>City of Inman Portion</u>
SCRS	\$ 48,821,730,067	26,414,916,370	22,406,813,697	54.1%	1,238,079
PORS	7,403,972,673	4,570,430,247	2,833,542,426	61.7%	648,543
					<u>1,886,622</u>

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the <http://www.peba.sc.gov/assets/financialsretirement.pdf>. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

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

At June 30, 2019, the City reported liabilities of \$1,238,079 and \$648,543 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2018, the City's SCRS and PORS proportion was .005525% and .022888%, respectively.

For the year ended June 30, 2019, the City recognized net pension expenses of \$171,215 and \$85,498 for SCRS and PORS, respectively.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 7 - PENSION AND RETIREMENT PLANS**, Continued

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

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Deferred Outflows of Resources			
Difference between Expected and Actual Experience	\$ 2,235	19,983	22,218
Changes of Assumptions	49,120	42,762	91,882
Net difference between Projected and Actual Earnings on Pension Plan Investments	19,667	12,969	32,636
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	120,689	21,862	142,551
City's Contributions Subsequent to the Measurement Date	<u>89,643</u>	<u>66,590</u>	<u>156,233</u>
<b>TOTAL</b>	<b><u>\$ 281,354</u></b>	<b><u>164,166</u></b>	<b><u>445,520</u></b>
Deferred Inflows of Resources			
Difference between Expected and Actual Experience	\$ 7,286	-	7,286
Changes of Assumptions	-	-	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	65	27,109	27,174
<b>TOTAL</b>	<b><u>\$ 7,351</u></b>	<b><u>27,109</u></b>	<b><u>34,460</u></b>

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 7 - PENSION AND RETIREMENT PLANS**, Continued

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

The \$89,643 and \$66,590 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date for SCRS and PORS, respectively, during the year ended June 30, 2019 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	SCRS	PORS
2020	\$ 99,444	39,707
2021	74,516	23,574
2022	10,609	4,772
2023	(209)	2,414
2024	-	-
Thereafter	-	-
	184,360	70,467

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 7 - PENSION AND RETIREMENT PLANS**, Continued

Long-term Expected Rate of Return, Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>47.0%</b>		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
<b>Real Assets</b>	<b>10.0%</b>		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
<b>Opportunistic</b>	<b>13.0%</b>		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	345.00%	0.07%
Other Opportunistic Strategies	3.0%	5.09%	0.11%
<b>Diversified Credit</b>	<b>18.0%</b>		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
<b>Total Expected Real Return</b>	<b>100.0%</b>		<b>5.03%</b>
<b>Inflation for Actuarial Purposes</b>			<b>2.25%</b>
<b>Total Expected Nominal Return</b>			<b>7.28%</b>

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 7 - PENSION AND RETIREMENT PLANS**, Continued

**Discount Rate**

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

**Sensitivity Analysis**

The following table presents the City's proportionate share of the SCRS and PORS net pension liability calculated using the discount rate of 7.25 percent, as well as what the City's respective NPL would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

<u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u>			
<u>Plan</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
SCRS	\$ 1,582,035	1,238,079	992,183
PORS	874,316	648,543	463,615

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using the discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

<u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u>			
<u>Plan</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
SCRS	\$ 28,631,746,951	22,406,813,697	17,956,582,707
PORS	3,819,969,291	2,833,542,426	2,025,575,990

**Additional Financial and Actuarial Information**

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' <http://www.peba.sc.gov/assets/financialsretirement.pdf> (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the [http://www.peba.sc.gov/assets/06.30.2017-accounting-valuation-report\\_final-for-webpage.pdf](http://www.peba.sc.gov/assets/06.30.2017-accounting-valuation-report_final-for-webpage.pdf).

**NOTE 8 - SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES**

In accordance with South Carolina code sections 14-1-206, 14-1-207, and 14-1-208, a schedule of victim services is shown as other supplementary information in these financial statements. The \$71,797 of court fines is reported as revenue in the General Fund. The City maintained a Victim Services Account for the fiscal year. The \$31,531 of funds available for carry-forward is reported as a cash asset of the Special Revenue Fund.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 9 – DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

As of August 26, 1996, laws governing Section 457 plans were changed to state that plans were not eligible unless all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

Johnson & Higgins/Kirke-Van Orsdel, Inc., 400 Locust Street, Des Moines, Iowa, 50306 (under state contract) are the program administrators of the 457 Plan, as well as the other available 401K Plan. The choice of deferred compensation options are selected by the participant. As recommended by GASB No. 32, *Accounting and Financial Reporting for IRC Section 457 Deferred compensation Plans*, the value of the assets under the Plan are not included in the City's financial statements.

**NOTE 10 – CONTINGENCIES**

Due to the nature of the City's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result from litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies at June 30 if the related liability has not been recorded yet a loss is reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The City maintains insurance against certain loss contingencies with tort liability policies and physical damage coverage. At the date of this report, the City is not a party to any lawsuits which, in the opinion of the City's management and legal council, would give rise to any material loss contingency. Settlements have not exceeded insurance coverage limits for the last three fiscal years.

The City has received proceeds from State and Federal grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies.

**NOTE 11 – COMMITMENTS**

The City has entered into an agreement with the Town of Chesnee to provide specified services necessary to operate its waste treatment facilities in exchange for \$38,000 annually to be paid monthly, in addition to labor and materials cost of maintenance and repairs. The total amount received under this agreement for the fiscal year ended June 30, 2019 was \$89,149 including reimbursement for the costs for maintenance and repairs and is included in operating revenues in the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.

The City has received USDA/Rural Development grants totaling \$3,438,000, which the City used to initially expand its sewer treatment facility. These grants and the assets they purchased carry the restriction that the City shall "Not transfer or dispose of the system, or any part thereof, being constructed or improved with such grant funds without the written consent of the Grantor."

**CITY OF INMAN**  
**Notes To Financial Statements, Continued**  
**June 30, 2019**

**NOTE 12 – LOAN RECEIVABLE**

The City has entered into a Sewer System Improvements Agreement with Spartanburg County School District One whereby the City constructed a sewer line extension for the benefit of the District, and obtained financing from USDA/Rural Development in the form of a grant and a loan. This grant portion does not have to be repaid however the loan is to be repaid over a forty year period with interest. The District agreed to be responsible for 1.853% of the monthly payments, or \$2,315 per month over the term of the loan. The total amount of principal and interest payment and a summary of the loan receivable activity for the fiscal year ended June 30, 2019 is shown below:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Adjustment</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>
Loan Receivable - Spartanburg County School District One	\$ 417,810	-	220,075	5,606	632,281

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	16,200	11,580	27,780
2021	16,503	11,277	27,780
2022	16,812	10,969	27,781
2023	17,126	10,654	27,780
2024	17,446	10,334	27,780
2025-2029	92,243	46,657	138,900
2030-2034	101,191	37,709	138,900
2035-2039	111,007	27,893	138,900
2040-2044	121,776	17,125	138,901
2045-2049	121,977	5,346	127,323
	<u>\$ 632,281</u>	<u>189,544</u>	<u>821,825</u>

The entire amount of the original loan (\$456,833) was shown as a sewer connection charge and included in revenue on the Statement of Revenue, Expenses and Changes in Net Position – Proprietary Fund for the June 30, 2010 fiscal year. A prior period adjustment was made at the end of FY 2019 because the note receivable from Spartanburg County School District One was understated at June 30, 2018 by \$214,469.



**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2019

**NOTE 13 – TAX ABATEMENTS**

The City receives support in the form of property tax revenue from Spartanburg County. The County has entered into various property tax abatement agreements with local businesses.

Companies that are located in South Carolina and are classified as manufacturing facilities are subject to *ad valorem taxes*. The fair market value is multiplied by the assessment ratio, generally equal to 10.5%, to produce the assessed value and then multiplied by the millage rate. The County provide certain tax reductions through the following programs:

1. Fee in Lieu of Ad Valorem Tax
2. Special Source Revenue Credit

The *Fee in Lieu of Ad Valorem Tax* program is intended to encourage investment in commercial and industrial investments in South Carolina. The property tax reduction is granted pursuant to Chapter 44 of Title 12 of the South Carolina Code of Laws of South Carolina 1976 as amended. Taxpayers are eligible to receive a reduction in property taxes, through reduced assessed values and locked millage rates, if they enter into an agreement with the County and invest at least \$2.5 million in taxable property (or some other negotiated investment floor) within a 5 year period. Under the *Fee in Lieu of Ad Valorem Tax* program, if a taxpayer does not make the required investment within the 5 year period, then the reduced property taxes terminate and the taxpayer must repay the County the difference between the abated taxes received and what the taxpayer would have paid had it not had the benefit of the *Fee in Lieu of Ad Valorem Tax* program.

Spartanburg County have multiple taxpayers that have entered into agreements under the *Fee in Lieu of Ad Valorem Tax* program. In the aggregate, these taxpayers, without the benefit of the program would pay significantly more in *ad valorem* tax. However, due to the benefit provided by the *Fee in Lieu of Ad Valorem Tax* program, the taxpayers paid less in the most recent fiscal year, as shown in the table below.

The *Special Source Revenue Credit* program is intended to encourage investment into infrastructure serving the County or infrastructure serving a commercial or manufacturing enterprise in the County. The property tax reduction is granted pursuant to Chapter 1 of Title 4 of the South Carolina Code of Laws of South Carolina 1976, as amended. All property that is located in an MCIP, *Multi-County Industrial Park*, is exempt from property taxes, but property owners must pay an amount equivalent to the property taxes that would otherwise be due. The companies that make an agreement with the county based on this option are based on infrastructure credits or credits based on investments /money spent to improve a facility. Taxpayers are eligible to receive a percentage reduction off their total property tax liability if the taxpayer is located in a multicounty park, enters into an agreement with the County and agrees to make an investment in taxable property in the County and create jobs. If the taxpayer does not meet its investment or job commitments, the taxpayer must repay a portion of the reduction.

The County has several taxpayers that have entered into agreements with the counties under the Special Source Revenue Credit program. In the aggregate, these taxpayers, without the benefits of the program would pay more in *ad valorem* tax in the most recent fiscal year. However, due to the benefit provided by the *Special Source Revenue Credit* program, the taxpayers pay significantly less as shown below.

	<u>Fee in Lieu of Tax</u>	<u>Special Source Revenue Credits</u>	<u>Total</u>	<u>Total Ad Valorem Tax</u>
Spartanburg County	\$ 7,084,645	3,945,354	11,029,999	19,318,640
City of Inman's Portion	2,392	-	2,392	21

#### **NOTE 14 – PRIOR PERIOD ADJUSTMENTS**

During the prior year, \$278,407 was spent on the streetscape project recorded as expenditures in governmental funds. The City failed to capitalize this amount as construction in progress in June 30, 2018 governmental activities statements. The beginning net position for governmental activities of \$740,588, as originally reported, has been increased to \$1,018,995.

In addition, the enterprise sewer fund note receivable from Spartanburg County School District One was understated at June 30, 2018 by \$214,469. The beginning net position for sewer fund of \$3,975,391, as originally reported, has been increased to \$4,189,860.

#### **NOTE 15 – SUBSEQUENT EVENTS**

In November 6, 2019, the City was granted a \$12,843,130 USDA Rural Development loan/grant. The funds from this loan/grant will be used to expand the existing WWTP capacity and needed plant personnel, additional storage and maintenance space.

Due to the COVID 19 Pandemic that materialized subsequent to the balance sheet date, June 30, 2019, the City is evaluating what effect it will have on the operation of the City with respect to revenues, the collectability of receivables including timing concessions, the ability to obtain necessary materials and supplies, the health and stability of the workforce, and the ability to be mobile, access service locations, and continue to provide essential services at an appropriate level, all within the guidelines and mandates of federal, state and local governments and officials. At this time, as of the date of this report, the management is unsure of the effect of this circumstance and will be monitoring and evaluating on an ongoing basis to determine the effect of this on its ongoing operations, and the value of its assets and obligations long term.

Management has through April 20, 2020, the date the financial statements were available to be issued, considered whether events have occurred or circumstances exist subsequent to the date of the financial statements, June 30, 2019, that would have materially significant effect on the carrying amounts of assets or liabilities, including estimates, and no such items have been identified.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF INMAN**  
**Schedule of General Fund - Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2019**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Taxes	568,960	568,960	529,927	(39,033)
Licenses, Permits, Fees	\$ 553,110	553,110	678,253	125,143
Intergovernmental	256,115	323,474	348,014	24,540
Police Fines	80,249	80,249	71,797	(8,452)
Garbage Service	5,050	5,050	2,419	(2,631)
Miscellaneous	8,050	8,050	15,131	7,081
Total Revenues	<u>1,471,534</u>	<u>1,538,893</u>	<u>1,645,541</u>	<u>106,648</u>
<b>EXPENDITURES:</b>				
Administration:				
Salaries, Benefits	222,063	230,563	213,334	17,229
Debt Service	7,459	7,459	7,459	-
Capital Outlay	46,208	46,208	26,423	19,785
Utilities	24,000	24,000	20,396	3,604
Other	76,700	114,700	116,032	(1,332)
Streets, Sanitation & Park:				
Salaries, Benefits	63,530	63,530	57,548	5,982
Sanitation Contract	121,000	121,000	119,177	1,823
Streets Lights	55,000	55,000	53,547	1,453
Capital Outlay	-	-	61,952	(61,952)
Utilities	2,100	2,100	2,150	(50)
Other	42,920	47,920	46,211	1,709
Fire:				
Salaries, Benefits	118,696	161,196	170,309	(9,113)
Debt Service	30,000	30,000	30,000	-
Capital Outlay	12,500	12,500	13,860	(1,360)
Utilities	10,000	10,000	11,842	(1,842)
Other	75,061	88,262	78,487	9,775
Police & Judicial:				
Salaries, Benefits	559,809	609,612	631,175	(21,563)
Debt Service	7,200	7,200	29,129	(21,929)
Capital Outlay	-	-	72,277	(72,277)
Utilities	2,000	2,000	1,614	386
Other	105,620	119,975	107,798	12,177
Total Expenditures	<u>1,581,866</u>	<u>1,753,225</u>	<u>1,870,720</u>	<u>(117,495)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(110,332)</u>	<u>(214,332)</u>	<u>(225,179)</u>	<u>(10,847)</u>
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from Issuance of Capital Lease	-	-	61,495	61,495
Insurance Proceeds	-	-	15,567	15,567
Transfers In	60,000	60,000	60,000	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>60,000</u>	<u>60,000</u>	<u>137,062</u>	<u>77,062</u>
<b>NET CHANGE IN FUND BALANCE</b>	(50,332) *	(154,332) *	(88,117)	66,215
<b>FUND BALANCES BEGINNING</b>			<u>585,921</u>	
<b>FUND BALANCES ENDING</b>			<u>497,804</u>	

\* This amount represents fund balances budgeted by ordinance.

**CITY OF INMAN**  
**Schedule of Hospitality Fund - Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2019**

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Taxes	-	-	-	-
Licenses, Permits, Fees	\$ 170,000	170,000	284,118	114,118
Intergovernmental	-	-	-	-
Police Fines	-	-	-	-
Garbage Service	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>170,000</u>	<u>170,000</u>	<u>284,118</u>	<u>114,118</u>
<b>EXPENDITURES:</b>				
Administration:				
Salaries, Benefits	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Streets, Sanitation & Parks:				
Salaries, Benefits	-	-	-	-
Debt Service	97,700	97,700	97,118	582
Sanitation Contract	-	-	-	-
Streets Lights	-	-	-	-
Capital Outlay	-	121,478	137,425	(15,947)
Utilities	-	-	-	-
Other	172,000	172,000	119,533	52,467
Fire:				
Salaries, Benefits	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Police & Judicial:				
Salaries, Benefits	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Total Expenditures	<u>269,700</u>	<u>391,178</u>	<u>354,076</u>	<u>37,102</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(99,700)</u>	<u>(221,178)</u>	<u>(69,958)</u>	<u>151,220</u>
<b>OTHER FINANCING SOURCES:</b>				
Proceeds from Issuance of Capital Lease	-	-	-	-
Insurance Proceeds	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	(140,000)	140,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(140,000)</u>	<u>140,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(99,700) *	(221,178) *	(209,958)	291,220
<b>FUND BALANCES BEGINNING</b>			<u>437,262</u>	
<b>FUND BALANCES ENDING</b>			<u>227,304</u>	

\* This amount represents fund balances budgeted by ordinance.

**CITY OF INMAN**  
**GASB 68 Required Supplementary Information**  
**For The Year Ended June 30, 2019**

**Schedule of the City's  
Proportionate Share of the Net Pension Liability (SCRS)**

	2019	2018	2017	2016
City's proportion of the net pension liability (asset)	0.005525%	0.005067%	0.004660%	0.004465%
State's proportionate share of the net pension liability (asset) associated with the City	\$ 22,406,813,697	\$ 22,511,608,226	\$ 21,359,952,398	18,965,482,129
City's proportionate share of the net pension liability (asset)	<u>1,238,079</u>	<u>1,140,663</u>	<u>995,369</u>	<u>846,809</u>
City's covered-employee payroll	\$ 560,280	\$ 511,253	\$ 451,225	418,648
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	2.21%	2.23%	2.21%	2.02%
Plan fiduciary net position as a percentage of the total pension liability	54.1%	53.3%	52.9%	57.0%

**Schedule of the City's  
Proportionate Share of the Net Pension Liability (PORS)**

	2019	2018	2017	2016
City's proportion of the net pension liability (asset)	0.022888%	0.02205%	0.02423%	0.02393%
State's proportionate share of the net pension liability (asset) associated with the City	\$ 2,833,542,426	\$ 2,739,560,823	\$ 2,536,474,726	2,179,496,384
City's proportionate share of the net pension liability (asset)	<u>648,543</u>	<u>604,073</u>	<u>614,689</u>	<u>521,445</u>
City's covered-employee payroll	\$ 333,014	\$ 301,169	\$ 313,512	300,882
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.95%	2.01%	1.96%	1.73%
Plan fiduciary net position as a percentage of the total pension liability	61.7%	60.9%	60.4%	64.6%

\*This schedule will continue to build prospectively until a 10 year trend of data is compiled.

**CITY OF INMAN**  
**GASB 68 Required Supplementary Information**  
**For The Year Ended June 30, 2019**

**Schedule of City's Contributions (SCRS)**

	2019	2018	2017	2016
Contractually required contribution	\$ 89,643	\$ 75,981	\$ 59,101	\$ 49,906
Contributions in relation to the contractually required contribution	(89,643)	(75,981)	(59,101)	(49,906)
Contribution deficiency (excess)	-	-	-	-
City's covered-employee payroll	\$ 615,680	\$ 560,280	\$ 511,253	\$ 451,225
Contributions as a percentage of covered-employee payroll	14.56%	13.56%	11.56%	11.06%

\*This schedule will continue to build prospectively until a 10 year trend of data is compiled.

**Schedule of City's Contributions (PORS)**

	2019	2018	2017	2016
Contractually required contribution	\$ 66,590	\$ 53,415	\$ 42,284	\$ 42,450
Contributions in relation to the contractually required contribution	(66,590)	(53,415)	(42,284)	(42,450)
Contribution deficiency (excess)	-	-	-	-
City's covered-employee payroll	\$ 390,789	\$ 333,014	\$ 301,169	\$ 313,512
Contributions as a percentage of covered-employee payroll	17.04%	16.04%	14.04%	13.54%

\*This schedule will continue to build prospectively until a 10 year trend of data is compiled.

**SUPPLEMENTARY INFORMATION**



CITY OF INMAN  
Municipal Court  
Summary Schedule of Court Fines and Fees, Assessments and Surcharges  
For The Year Ended June 30, 2019

**FOR THE STATE TREASURER'S OFFICE:**

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected			187,301	187,301
Court fines and assessments remitted to State Treasurer			102,682	102,682
<b>Total Court Fines and Assessments retained</b>			<b>84,619</b>	<b>84,619</b>
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained			4,120	4,120
Assessments retained			8,813	8,813
<b>Total Surcharges and Assessments retained for victim services</b>			<b>12,933</b>	<b>12,933</b>

**FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)**

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
<b>Carryforward from Previous Year – Beginning Balance</b>	<b>15,209</b>		<b>15,209</b>
<b>Victim Service Revenue:</b>			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	4,120		4,120
Victim Service Surcharges Retained by City/County Treasurer	8,813		8,813
Interest Earned			
Other	11,328		11,328
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
<b>Contribution Received from Victim Service Contracts:</b>			
(1) City of Landrum	1,000		1,000
(2) Town of Campobello	3,765		3,765
(3) City of			

**CITY OF INMAN**  
**Municipal Court**  
**Summary Schedule of Court Fines and Fees, Assessments and Surcharges**  
**For The Year Ended June 30, 2019**

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	<u>General Sessions</u>	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>		<b>44,235</b>		<b>44,235</b>
<b>Expenditures for Victim Service Program:</b>		<b>Municipal</b>	<b>County</b>	<b>Total</b>
Salaries and Benefits		9,927		9,927
Operating Expenditures		2,777		2,777
<b>Victim Service Contract(s):</b>				
(1) Entity's Name				
(2) Entity's Name				
<b>Victim Service Donation(s):</b>				
(1) Domestic Violence Shelter:				
(2) Rape Crisis Center:				
(3) Other local direct crime victims service agency:				
Transferred to General Fund				
<b>Total Expenditures from Victim Service Fund/Program (B)</b>		<b>12,704</b>		<b>12,704</b>
<b>Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)</b>		<b>31,531</b>		<b>31,531</b>
<b>Less: Prior Year Fund Deficit Repayment</b>				
<b>Carryforward Funds – End of Year</b>		<b>31,531</b>		<b>31,531</b>

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

City of Inman  
Inman, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Inman as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprised City of Inman's basic financial statements, and have issued our report thereon dated April 20, 2020.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

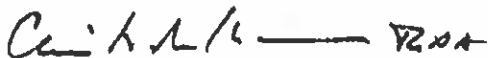
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**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.



Gaffney, SC  
April 20, 2020