

CITY OF INMAN

Independent Auditors' Report

**Financial Statements and Schedules
For the Year Ended June 30, 2013**



CITY OF INMAN
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FINANCIAL SECTION

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Established 1950

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Independent Auditors' Report

The Honorable Bo Cantrell, Mayor
and Members of the City Council
City of Inman

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 City of Inman as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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.

Opinion

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 City of Inman as of June 30, 2013, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013 the City adopted accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

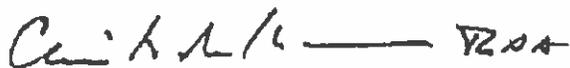
Other Information

Our audit was conducted for the purpose of forming an opinion 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 February 5, 2014, 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Gaffney, SC
February 5, 2014

CITY OF INMAN

Management's Discussion and Analysis

The discussion and analysis provides an overview of the city's financial activities for the year ended June 30, 2013. Please read it in conjunction with the financial statements that follow.

Using this Annual Report

This annual report consists of a series of financial statements. There are government-wide statements, fund financial statements, and 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 as a whole 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 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 and analysis is intended to explain significant changes in financial position and differences in operation between the current and prior year.

	<u>Governmental Activities</u>		<u>Governmental Activities</u>		<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Cash	\$ 1,107	1,035	1,270	1,150	2,377	2,185
Other Assets	192	69	611	605	803	674
Capital Assets	949	1,127	9,277	9,598	10,226	10,725
Total	<u>2,248</u>	<u>2,231</u>	<u>11,158</u>	<u>11,353</u>	<u>13,406</u>	<u>13,584</u>
Other Liabilities	132	73	45	48	177	121
Long-Term Liabilities	504	522	6,118	6,200	6,622	6,722
Total	<u>636</u>	<u>595</u>	<u>6,163</u>	<u>6,248</u>	<u>6,799</u>	<u>6,843</u>
Net Position:						
Net Investment in Capital Assets	445	606	3,159	3,398	3,604	4,004
Restricted	361	252	259	223	620	475
Unrestricted	806	778	1,577	1,483	2,383	2,261
Total	<u>\$ 1,612</u>	<u>1,636</u>	<u>4,995</u>	<u>5,104</u>	<u>6,607</u>	<u>6,740</u>

The net position of the governmental activities decreased \$24 thousand to \$1,612 thousand. Unrestricted net position of the governmental activities increased \$28 thousand. Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints or requirements. Total cash increased \$72 thousand to \$1,107 thousand. Hospitality tax revenue increased by \$52 thousand. Business license revenue decreased by \$9 thousand.

Net position of the business-type activities decreased \$109 thousand to \$4,995 thousand. Cash increased \$120 thousand to \$1,270 thousand. The city received \$76 thousand in Rural Development grants to improve and enlarge the sewerage system in the prior year, but received no such finding in the current fiscal year. Capital assets decreased \$321 thousand primarily due to depreciation and long-term liabilities decreased \$82 thousand.

A condensed version of the Statement of Activities follows:

Change in Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program Revenues:						
Charges for Services	\$ 112	238	1,513	1,412	1,619	1,751
Grants & Contributions	32	11	-	76	555	11
General Revenues:						
Property Taxes	357	356	-	-	365	356
Intergovernmental	130	68	-	-	69	68
Licenses & Fees	764	663	-	-	682	663
Donations	1	-	-	-	41	-
Miscellaneous	14	37	29	30	51	66
Total	<u>1,410</u>	<u>1,373</u>	<u>1,542</u>	<u>1,518</u>	<u>3,382</u>	<u>2,915</u>
EXPENSES						
Depreciation	172	181	455	452	657	636
Administration	116	133	-	-	133	133
Streets, Sanitation, Park	402	284	-	-	282	284
Fire	209	134	-	-	129	134
Police & Judicial	520	584	-	-	569	584
Interest & Fiscal Charges	15	22	274	278	300	296
Sewer	-	-	922	837	922	922
Total	<u>1,434</u>	<u>1,338</u>	<u>1,651</u>	<u>1,567</u>	<u>2,992</u>	<u>2,989</u>
Increase (Decrease) in Net Position	<u>\$ (24)</u>	<u>35</u>	<u>(109)</u>	<u>(49)</u>	<u>390</u>	<u>(74)</u>

Governmental activity revenues were twenty-four thousand dollars less than expenses. Property tax revenues increased \$1 thousand from the previous year. Total revenue decreased by \$16 thousand. Total expenses increased by \$43 thousand.

Operating revenue for the business-type activities increased \$101 thousand due to the level of assistance to other municipalities and entities. The sewer department received \$76 thousand in grants from Rural Development for improvements. Expenses increased \$84 thousand. Business-type activities net position decreased \$109 thousand, and total government net assets decreased \$24 thousand.

Budgetary Highlights

General fund revenues were \$1,028 thousand and \$11 thousand favorable to budget. Expenses were unfavorable by \$31 thousand. Property tax revenues were less than budget by \$8 thousand. Revenues from licenses, fees and permits were \$11 thousand higher than budgeted.

For the fiscal year ended June 30, 2014, the budgeted revenues for the general fund are expected to decrease about \$15,000. Ad valorem (property) taxes are expected and budgeted to approximate the budgeted amounts for the prior year. The police expenditure budget has increased a total of \$3 thousand and the expenditure budget for the street department shows a decrease of \$16 thousand. All other departments' combined expenditures are budgeted to decrease a total of \$2 thousand compared to the prior year.

Capital Asset and Debt Administration

Capital Assets at Year-End (in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities		Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 54	54	69	69	123	123
Buildings, Improvements	1,157	1,209	15,319	15,190	16,476	16,399
Vehicles	230	254	181	175	411	429
Machinery, Equipment, Furniture	1,380	1,380	301	303	1,681	1,683
Subtotal	2,821	2,897	15,870	15,737	18,691	18,634
Accumulated Depreciation	(1,872)	(1,770)	(6,593)	(6,139)	(8,465)	(7,909)
Capital Assets, Net	\$ 949	1,127	9,277	9,598	10,226	10,725

At June 30, 2013, the City had over \$18.5 million invested in gross capital assets including land, buildings, improvements, sewer facilities, vehicles, machinery, equipment and furniture. This was an increase of over \$57 thousand from the prior year.

Debt Outstanding at Year-End (in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities		Government	
	2013	2012	2013	2012	2013	2012
Vehicle Notes	\$ -	522	-	-	-	522
Sewer System	-	-	6,118	6,200	-	6,200
Total	\$ -	522	6,118	6,200	-	6,722

Total debt decreased by a net of \$100 thousand. This net decrease is due to the normal debt principal payments made as scheduled, in excess of a \$31 thousand note issued during the year.

Financial Contact

The City's financial statements are designed to present users with a general overview of the City's accountability. 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, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,057,498	649,079	1,706,577
Investment	49,848	361,699	411,547
Receivables			
Property Taxes, Net	19,266	-	19,266
Intergovernmental	133,233	-	133,233
Other	39,676	169,679	209,355
Restricted Cash	-	259,235	259,235
Note Receivable	-	441,768	441,768
Capital Assets Not Being Depreciated	54,241	69,181	123,422
Capital Assets Being Depreciated	2,766,827	15,801,048	18,567,875
Accumulated Depreciation and Amortization	(1,871,824)	(6,593,367)	(8,465,191)
Total Capital Assets Net of Depreciation and Amortization	949,244	9,276,862	10,226,106
Total Assets	<u>2,248,765</u>	<u>11,158,322</u>	<u>13,407,087</u>
LIABILITIES			
Accounts Payable	79,329	18,595	97,924
Accrued Liabilities	49,774	26,731	76,505
Accrued Interest Payable	3,589	-	3,589
Long-term Liabilities:			
Due Within One Year	48,098	86,062	134,160
Due in More than One Year	455,817	6,031,657	6,487,474
Total Liabilities	<u>636,607</u>	<u>6,163,045</u>	<u>6,799,652</u>
NET POSITION			
Net Investment in Capital Assets	445,329	3,159,143	3,604,472
Restricted For:			
Public Safety	43,795	-	43,795
Streets	65,510	-	65,510
Parks and Recreation	251,552	-	251,552
Bond Retirement	-	259,235	259,235
Unrestricted	805,972	1,576,899	2,382,871
Total Net Position	<u>\$ 1,612,158</u>	<u>4,995,277</u>	<u>6,607,435</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, 2013

	Program Revenues			Net (Expense) Revenue		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS / PROGRAMS						
Governmental Activities:						
Administration	\$ 125,278	-	-	(125,278)	-	(125,278)
Street, Sanitation & Park	462,897	1,000	-	(457,216)	-	(457,216)
Fire	294,807	3,361	74,018	(217,428)	-	(217,428)
Police & Judicial	536,773	7,200	-	(422,622)	-	(422,622)
Interest and Fiscal Charges	14,608	-	-	(14,608)	-	(14,608)
Total Governmental Activities	1,434,363	11,561	74,018	(1,237,152)	-	(1,237,152)
Business-Type Activities:						
Sewer	1,651,276	-	-	-	(138,446)	(138,446)
Total Government	\$ 3,085,639	11,561	74,018	(1,237,152)	(138,446)	(1,375,598)
General Revenues						
Road Fee Revenue			\$ 72,128			72,128
Property Taxes			357,290			357,290
Intergovernmental			76,517			76,517
Licenses			388,921			388,921
Hospitality Fees			199,131			199,131
Franchise Fees			104,343			104,343
Investment Income			144		29,581	29,725
Donations			500			500
Miscellaneous			14,307			14,307
Total General Revenues			1,213,281		29,581	1,242,862
Change in Net Position			(23,871)		(108,866)	(132,736)
Net Position Beginning of Year			1,636,029		5,104,142	6,740,171
Net Position End of Year			\$ 1,612,158		4,995,277	6,607,435

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

CITY OF INMAN
Balance Sheet - Governmental Funds
June 30, 2013

	<u>Major Funds</u>		<u>Nonmajor Fund</u>	Total Governmental Funds
	<u>General</u>	<u>Hospitality Tax</u>	<u>Special Revenue</u>	
ASSETS				
Cash and Cash Equivalents	\$ 775,309	235,769	46,420	1,057,498
Investments	49,848			49,848
Receivables:				
Taxes	48,082	-	-	48,082
Intergovernmental	14,340	-	118,893	133,233
Other	23,893	15,783	-	39,676
Due from Police Fund	2,625	-	-	2,625
Total Assets	<u>\$ 914,097</u>	<u>251,552</u>	<u>165,313</u>	<u>1,330,962</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 25,946	-	53,383	79,329
Accrued Liabilities	49,774	-	-	49,774
Deferred Revenue	37,163	-	-	37,163
Due to General Fund	-	-	2,625	2,625
Total Liabilities	<u>112,883</u>	<u>-</u>	<u>56,008</u>	<u>168,891</u>
Fund Balances:				
Restricted For:				
Public Safety	-	-	109,305	109,305
Parks and Recreation	-	251,552	-	251,552
Unassigned	801,214	-	-	801,214
Total Fund Balances	<u>801,214</u>	<u>251,552</u>	<u>109,305</u>	<u>1,162,071</u>
Total Liabilities and Fund Balances	<u>\$ 914,097</u>	<u>251,552</u>	<u>165,313</u>	<u>1,330,962</u>

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, 2013

Total fund balances - Governmental funds June 30, 2013	\$	1,162,071
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		54,241
Capital Assets Being Depreciated		2,766,827
Accumulated depreciation		<u>(1,871,824)</u>
Total capital assets		<u>949,244</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>8,347</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General obligation debt		(24,863)
Capital leases		(479,052)
Accrued interest		<u>(3,589)</u>
Total long-term liabilities		<u>(507,504)</u>
Total net position - Governmental activities, June 30, 2013	\$	<u><u>1,612,158</u></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, 2013

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	<u>Total</u>
	<u>General</u>	<u>Hospitality Tax</u>	<u>Special Revenue</u>	<u>Governmental Funds</u>
REVENUES:				
Licenses	\$ 388,921	-	-	388,921
Taxes	351,640	-	-	351,640
Intergovernmental	86,100	-	84,969	171,069
Fees and Permits	109,025	199,131	92,970	401,126
Fines	76,136	-	-	76,136
Miscellaneous	15,806	-	-	15,806
Investment Income	144	-	-	144
Total Revenues	<u>1,027,772</u>	<u>199,131</u>	<u>177,939</u>	<u>1,404,842</u>
EXPENDITURES:				
Current:				
Administration	115,997	-	-	115,997
Streets, Sanitation & Park	230,671	117,426	6,618	354,715
Fire	133,414	-	75,583	208,997
Police & Judicial	503,444	-	17,432	520,876
Capital Outlay	31,785	-	9,450	41,235
Debt Service:				
Principal	46,056	-	2,192	48,248
Interest and Fiscal Charges	16,263	-	41	16,304
Total Expenditures	<u>1,077,630</u>	<u>117,426</u>	<u>111,316</u>	<u>1,306,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(49,858)</u>	<u>81,705</u>	<u>66,623</u>	<u>98,470</u>
OTHER FINANCING SOURCES: (Uses)				
Issuance of Note Payable	30,585	-	-	30,585
Transfers In	40,164	-	-	40,164
Transfers Out	-	(30,000)	(10,164)	(40,164)
Total Other Financing	<u>70,749</u>	<u>(30,000)</u>	<u>(10,164)</u>	<u>30,585</u>
NET CHANGE IN FUND BALANCE	<u>20,891</u>	<u>51,705</u>	<u>56,459</u>	<u>129,055</u>
FUND BALANCES BEGINNING	<u>780,323</u>	<u>199,847</u>	<u>52,846</u>	<u>1,033,016</u>
FUND BALANCES ENDING	<u>\$ 801,214</u>	<u>251,552</u>	<u>109,305</u>	<u>1,162,071</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, 2013

Total change in fund balances - total governmental funds	\$	129,055
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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:</p>		
Capital outlay		41,235
Depreciation Expense		<u>(172,190)</u>
Excess of capital outlay over depreciation and other expense		<u>(130,955)</u>
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.</p>		
		<u>(46,980)</u>
<p>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.</p>		
		<u>5,650</u>
<p>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.</p>		
		<u>(30,585)</u>
<p>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:</p>		
Debt Principal Retirement		7,915
Capital Lease Payments - Principal		<u>40,333</u>
		<u>48,248</u>
<p>In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expensed when due.</p>		
		<u>1,696</u>
Change in net position - Governmental activities, June 30, 2013	\$	<u>(23,871)</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, 2013

	Enterprise Sewer Fund
ASSETS	
Current Assets	
Cash	\$ 649,079
Investment	361,699
Accounts Receivable, Net	169,679
Current Portion of Note Receivable	4,295
Restricted Cash	259,235
	1,443,987
Capital Assets	15,870,229
Less Accumulated Depreciation	6,593,367
	9,276,862
Other Assets	
Note Receivable	437,473
Total Assets	11,158,322
LIABILITIES	
Current Liabilities:	
Accounts Payable	18,595
Accrued Liabilities	26,731
Current Portion of Long-term Debt	86,062
Total Current Liabilities	131,388
Long-term Debt	6,031,657
Total Liabilities	6,163,045
NET POSITION	
Net Investment in Capital Assets	3,159,143
Restricted For:	
Bond Retirement	259,235
Unrestricted	1,576,899
Total Net Position	\$ 4,995,277

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, 2013

	<u>Enterprise Sewer Fund</u>
OPERATING REVENUES	
Charges for Services	\$ 1,490,389
Connection Fees	7,580
Total Operating Revenues	<u>1,497,969</u>
OPERATING EXPENSES	
Personnel	356,949
Sewer Operation & Maintenance	395,582
Administrative and General	169,777
Depreciation	454,847
Total Operating Expenses	<u>1,377,155</u>
OPERATING INCOME (LOSS)	120,814
NON-OPERATING REVENUE (EXPENSE)	
Grant - Rural Development	-
Interest Income	29,581
Interest Expense	(274,121)
Other Income	14,861
Total Non-Operating Revenue (Expense)	<u>(229,679)</u>
Change in Net Position	(108,865)
Total Net Position Beginning	<u>5,104,142</u>
Total Net Position Ending	<u>\$ 4,995,277</u>

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, 2013

	Enterprise Fund Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 1,483,639
Cash Payments to Suppliers	(568,180)
Cash Payment to Employees	(357,254)
Other Cash Received	7,580
	565,785
CASH FLOWS FROM CAPITAL AND RELATED FINANCING	
Proceeds of Grants to Purchase Capital Assets	-
Principal Paid on Capital Debt	(82,291)
Interest Paid on Capital Debt	(274,121)
	(356,412)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Capital Assets	(133,803)
Interest Income Received	29,581
Additions to Investments	(4,633)
Other Non-Operating Income Received	14,861
	(93,994)
Net Increase in Cash	115,379
Cash Beginning of the Year	1,150,001
Cash Ending of the Year	\$ 1,265,380
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	120,814
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	454,847
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(6,750)
Increase (Decrease) in Accounts Payable	(2,821)
Increase (Decrease) in Accrued Liabilities	(305)
Net Cash Provided by Operating Activities	\$ 565,785

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

CITY OF INMAN
Notes to Financial Statements
June 30, 2013

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 basic financial statement (rather than as required supplementary information). The accrual basis of accounting is utilized by proprietary funds. The following is a summary of the more significant policies.

Governmental Accounting Standards Board Statement No. 63: The Water District has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position in the financial statements for the fiscal year ended June 30, 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

A. Scope of the Reporting Entity

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:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Scope of the Reporting Entity, Continued

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, fire, police, judicial, and community development 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: invested in capital assets, net of related debt; 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. 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, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, Cops Grant Fund, Police 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.
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.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Deposits And Investments, continued

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.

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

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, 2013, were \$2,433,195. Of this amount \$2,389,344 was insured or 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, and \$43,851 was uncollateralized.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2013

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
<u>Statement of Net Position</u>			
Cash and Cash Equivalents	\$ 1,057,498	\$ 649,079	\$ 1,706,577
Restricted Cash	-	259,235	259,235
Investments	49,848	361,699	411,547
Total Statement of Net Assets	\$ 1,107,346	\$ 1,270,013	\$ 2,377,359
<u>Disclosure, Deposits and Investments:</u>			
Carrying Value of Deposits:			
Held by Banks	\$ 1,057,298	\$ 908,314	\$ 1,965,612
Carrying Value of Investments:			
Certificates of Deposit	49,848	354,051	403,899
Stocks	-	7,648	7,648
Cash on Hand	200	-	200
Total Disclosure, Deposits and Investments	\$ 1,107,346	\$ 1,270,013	\$ 2,377,359

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2013

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, 2013, restricted net position for the governmental activities was \$360,857 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, 2013, 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, 2013

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, 2013, were distributed as follows:

	General Fund	Hospitality Tax	Nonmajor Funds	Total
Restricted For:				
Public Safety	-	-	43,795	43,795
Streets	-	-	65,510	65,510
Parks & Tourism	-	251,552	-	251,552
Subtotal	-	251,552	109,305	360,857
Unassigned	801,214	-	-	801,214
TOTAL	\$ 801,214	251,552	109,305	\$ 1,162,071

A. Property Taxes

Property taxes on real property and personal property, other than licensed motor vehicles, were billed in October 2012 based on property valuations as of December 31, 2011. The taxes were due on or before January 15, 2013. 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, 2013, represent property taxes collected within 60 days after year-end. Because the City records as receivable the amounts collected through August 31, there are no uncollected delinquent taxes included in either assets or revenue, and therefore, no allowance for uncollectible delinquent taxes receivable has been provided.

B. Allowance for Uncollectible Accounts

Allowance for uncollectible sewer accounts receivable in the Enterprise Fund at June 30, 2013, is \$6,644.

C. 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 = \$28,182 And Sewer Fund = \$13,199) and is not included in long-term debt.

D. 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.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. 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.

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 no supplemental appropriation for the fiscal year ended June 30, 2013. The City exceeded its legal appropriation for the general fund in the amount of \$30,980 for the fiscal year ended June 30, 2013.

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

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	Hospitality Tax	Total
Taxes	\$ 48,082	-	48,082
Other	23,894	15,783	39,677
Gross Receivables	71,976	15,783	87,759
Less Allowance	28,815	-	28,815
Net Receivables	<u>\$ 43,161</u>	<u>15,783</u>	<u>58,944</u>

Intergovernmental:

Intergovernmental receivables consist of the following:

State of South Carolina	\$ 11,933
S.C. State housing Authority	2,384
Spartanburg County	65,510
Other	53,406
Total Intergovernmental Receivables	<u>\$ 133,233</u>

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2013

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, 2013	Bond and Interest A	Operation and Maintenance B	Depreciation and Contingency B	Cushion A (See Note B.2)	Total
Total Restricted Cash	\$-0-	\$-0-	\$-0-	\$259,235	\$259,235

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, 2013

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 and are presented in the schedule on the next page.

Primary government capital asset activity for the year ended June 30, 2013 is as follows:

Governmental Activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 54,241	-	-	54,241
Total Capital Assets at Historical Cost Not Being Depreciated	<u>54,241</u>	<u>-</u>	<u>-</u>	<u>54,241</u>
Capital Assets Being Depreciated:				
Buildings	336,538	-	52,200	284,338
Improvements / Infrastructure	872,938	-	-	872,938
Machinery, Equipment & Furniture	231,874	-	-	231,874
Fire Trucks	1,147,785	-	-	1,147,785
Vehicles	253,900	47,759	71,767	229,892
Total Capital Assets at Historical Cost Being Depreciated	2,843,035	47,759	123,967	2,766,827
Less Accumulated Depreciation and Amortization	1,770,098	172,190	70,464	1,871,824
Total Capital Assets Being Depreciated, Net	<u>1,072,937</u>	<u>(124,431)</u>	<u>53,503</u>	<u>895,003</u>
Government-Type Activities Capital Assets, Net	<u>\$ 1,127,178</u>	<u>(124,431)</u>	<u>53,503</u>	<u>949,244</u>

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

Administration	\$ 9,281
Streets, Sanitation & Park	61,202
Fire	85,811
Police & Judicial	15,896
Total	<u>\$ 172,190</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, 2013

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, 2013 is as follows:

Business-Type Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 69,181	-	-	69,181
Capital Assets Being Depreciated:				
Sewer Plant	11,528,156	8,266	-	11,536,422
Sewer Lines & Infrastructure	3,662,188	120,037	-	3,782,225
Vehicles	175,247	5,500	-	180,747
Machinery and Equipment	301,654	-	-	301,654
Total Capital Assets Being Depreciated	<u>15,667,245</u>	<u>133,803</u>	<u>-</u>	<u>15,801,048</u>
Less Accumulated Depreciation	<u>6,138,520</u>	<u>454,847</u>	<u>-</u>	<u>6,593,367</u>
Total Capital Assets Being Depreciated, Net	<u>9,528,725</u>	<u>(321,044)</u>	<u>-</u>	<u>9,207,681</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,597,906</u>	<u>(321,044)</u>	<u>-</u>	<u>9,276,862</u>

The depreciation expense of \$454,847 is reported in the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position.

NOTE 6 – LONG-TERM DEBT

A. 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, 2013 accumulated amortization related to this truck was \$347,240 with a net book value of \$314,170. The future minimum lease payments under the capital lease are as follows: \$479,052 principal and \$76,542 interest.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2013

NOTE 6 – LONG-TERM DEBT, Continued

A. General Fund, Continued

2. Two police vehicles were purchased under a note payable with Palmetto Bank. The original loan was \$30,585 with a 3.25% interest rate. The note was dated July 5, 2012, with 5 annual payments of \$6,759.70. The vehicles are collateral for the debt. The automobiles are capitalized at a cost of \$37,108.50.
3. A summary of debt service requirements to maturity is listed below:

Year Ended June 30	Capital Leases		Note Payable		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 42,194	13,365	5,904	856	48,098	14,221
2015	43,371	12,188	6,107	652	49,478	12,840
2016	44,581	10,978	6,317	442	50,898	11,420
2017	45,825	9,734	6,535	225	52,360	9,959
2018	47,103	8,456	-	-	47,103	8,456
2019-2023	255,978	21,821	-	-	255,978	21,821
	<u>\$ 479,052</u>	<u>76,542</u>	<u>24,863</u>	<u>2,175</u>	<u>503,915</u>	<u>78,717</u>

B. Enterprise Fund

1. On August 30, 1999, the United States Department of Agriculture, Rural Development loaned \$1,802,300 to the City to finance improvement, enlargements and extensions to the sewerage system of the City. The loan was provided by the issuance of a \$1,494,300 Sewer System Revenue Bond Series 1999A and a \$308,000 Sewer System Revenue Bond Series 1999 B. The schedule below summarized the terms of both Bonds Series.

	Sewer System Revenue Bond Series	
	1999 A	1999 B
Amount	\$ 1,494,300	308,000
Monthly Payment	\$ 6,964	1,436
Interest Rate	4.75%	4.75%
Maturity Date	8/28/2039	8/28/2039

The total cost of the Sewer Improvement Project was \$3,390,000. The remaining costs of the Project were financed with a grant from Rural Development in the amount of \$1,587,700.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2013

NOTE 6 – LONG-TERM DEBT, Continued

B. 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.

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.

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

Year Ended June 30	Total	
	Principal	Interest
2014	\$ 86,062	270,350
2015	90,005	266,407
2016	94,129	262,283
2017	98,445	257,967
2018	102,955	253,457
2019-2023	590,051	1,192,009
2024-2028	738,330	1,043,730
2029-2033	923,955	858,105
2034-2037	1,156,368	625,692
2038-2043	1,011,495	374,329
2044-2048	1,127,588	150,472
2049-2053	98,336	1,020
	\$ 6,117,719	5,555,821

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, 2013 the City had set aside funds as follows:

	Annual Payment	Reserve Balance
Revenue Bonds Series 1999	\$ 100,800	\$ 100,800
Revenue Bonds Series 2008	255,612	158,435
Total In Bank Account		\$ 259,235

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2013

NOTE 6 – LONG-TERM DEBT, Continued

C. Changes in Long-Term Debt

1. General Fund

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Capital Leases	\$ 519,385	-	40,333	479,052	42,194
Note Payable	2,193	30,585	7,915	24,863	5,904
Total	\$ 521,578	30,585	48,248	503,915	48,098

2. Enterprise Fund

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
USDA Rural Development Sewer System Revenue Bonds					
Series 1999	\$ 1,533,720	-	28,565	1,505,155	29,952
Series 2008	4,666,290	-	53,726	4,612,564	56,110
Total	\$ 6,200,010	-	82,291	6,117,719	86,062

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.

NOTE 7 – RETIREMENT PLANS

Employees participate in either the South Carolina Retirement System (SCRS) or Police Officers Retirements System (PORS). Both plans are cost sharing multiple-employer defined benefit pension plans administered by the South Carolina Retirement Systems (a Division of the State Budget and Control Board). Payroll of \$677,059 for the City was covered by the plans. Benefit provisions are established under the authority of Title 9 of the S.C. Code of Laws. Both employees and employers are required to contribute to the Plan at rates established under authority of Title 9 of the Code of Laws. There are no investments in, loans to, or leases with the City and related parties to the Plan. A summary of basic provisions is listed below.

	SCRS	PORS
Employee Contributions	7.0% of earnings	7.0% of earnings
Employer Contributions	10.45% of earnings	11.90% of earnings
Vesting Requirement	5 years	5 years
Normal Retirement Age	65	55
Years of Credited Service	28	25
Early Retirement Provision	yes	no
Disability Retirement Provision	yes	yes
Death Benefit Provision	yes	yes
Accidental Death Program	no	yes

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2013

NOTE 7 – RETIREMENT PLANS, Continued

A SCRS participant may take early retirement at age 60 with 5% reduction for each year under 65 or at age 55 with 25 years service and 4% reduction for each year of service under 28 years of service. The SCRS normal service retirement formula is 1.82% of the average final compensation times years of credited service. The PORS formula is 2.14% of the average final compensation times years of credited service. Both plans require five years of credited service for disability retirement unless the injury is job related. Accumulated employee contributions and credited interest is payable within six months, but no less than 90 days after termination of all covered employment for both plans. All employers contribute at the actuarially established rates that follow.

	SCRS	PORS
Normal	3.36%	7.11%
Unfunded Accrued Liability	5.88%	3.54%
Subtotal	9.24%	10.65%
Accidental Death	0%	0.20%
Group Life Insurance	0.15%	0.20%
	9.39%	11.05%

The City's plan required and actual contributions for current year and each of the preceding two years are presented below.

Year Ended June 30	Employee Contributions	Employer Contributions	Total Contributions
2013	\$ 47,271	74,738	122,009
2012	42,572	66,879	109,451
2011	42,974	66,327	109,301

The pension benefit obligations (expressed in millions) as of July 1, 2008, are shown below. A comprehensive annual financial report containing financial statements and required supplementary information for SCRS and PORS is issued each year by the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

	SCRS	PORS
Unfunded Accrued Liability	\$ 10,963.70	955.80
Unfunded Acrued Liability Liquidation	29 years	30 years

In addition to providing pension plan and supplemental benefits, the state currently provides its retired employees with health care benefits. All post retirement benefits paid to the City's retired members are made from the South Carolina Retirement System and from the South Carolina's General Fund (Health Care).

Several optional deferred compensation plans are available to the City's employees. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(K), and 403(b) are accounted for by the State of South Carolina. Employees may withdraw the current value of their contributions when they terminate employment. With approval of the State's Deferred Compensation Commission, employees may also withdraw the current value of their contributions prior to termination of employment if they meet certain requirements. These requirements differ among the plans. Compensation deferred under the Section 457, 401(K), and 403(b) plans is placed in trust for the contributing employees. Neither the State nor the City has any liability for losses under the plans.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2013

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 \$192,696 of court fines is reported as revenue in the General Fund. The City maintained a Victim Services Account for the fiscal year. The \$27,315 of funds available for carry-forward is reported as a cash asset of the Special Revenue Fund.

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.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2013

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, 2013 was \$60,835 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."

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 9.48% 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, 2013 is shown below:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
Loan Receivable - Spartanburg County School District One	\$ 445,840	-	4,072	441,768

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2013

NOTE 12 – LOAN RECEIVABLE, Continued

Year Ended June 30	Principal	Interest	Total
2014	\$ 4,295	23,485	27,780
2015	4,530	23,250	27,780
2016	4,778	23,002	27,780
2017	5,039	22,741	27,780
2018	5,316	22,464	27,780
2019-2023	31,271	107,629	138,900
2024-2028	40,816	98,084	138,900
2029-2033	53,276	85,624	138,900
2034-2038	69,538	69,362	138,900
2039-2043	90,764	48,136	138,900
2044-2048	118,469	20,431	138,900
2049-2053	13,676	214	13,890
	<u>441,768</u>	<u>544,422</u>	<u>986,190</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.

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, 2013

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES:				
Licenses, Permits, Fees	\$ 482,000	482,000	493,265	11,265
Taxes	360,000	360,000	351,640	(8,360)
Intergovernmental	88,550	88,550	86,100	(2,450)
Police Fines	75,000	75,000	76,136	1,136
Garbage Service	6,000	6,000	4,681	(1,319)
Miscellaneous	5,100	5,100	15,950	10,850
Total Revenues	<u>1,016,650</u>	<u>1,016,650</u>	<u>1,027,772</u>	<u>11,122</u>
EXPENDITURES:				
Administration:				
Salaries, Benefits	65,365	65,365	65,089	276
Utilities	16,000	16,000	15,091	909
Capital Outlay	-	-	-	-
Other	48,882	48,882	35,817	13,065
Reserve	-	-	-	-
Streets, Sanitation & Park:				
Salaries, Benefits	45,740	45,740	42,375	3,365
Sanitation Contract	82,000	82,000	84,096	(2,096)
Capital Outlay, Debt Service	-	-	-	-
Other	93,560	93,560	104,200	(10,640)
Fire:				
Salaries, Benefits	85,100	85,100	89,394	(4,294)
Capital Outlay, Debt Service	62,500	62,500	55,559	6,941
Other	43,400	43,400	44,020	(620)
Police & Judicial:				
Salaries, Benefits	412,320	412,320	408,833	3,487
Capital Outlay, Debt Service	14,083	14,083	38,545	(24,462)
Other	77,700	77,700	94,611	(16,911)
Total Expenditures	<u>1,046,650</u>	<u>1,046,650</u>	<u>1,077,630</u>	<u>(30,980)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(30,000)</u>	<u>(30,000)</u>	<u>(49,858)</u>	<u>(19,858)</u>
OTHER FINANCING SOURCES:				
Issuance of Note Payable	-	-	30,585	30,585
Transfers In	30,000	30,000	40,164	10,164
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>70,749</u>	<u>40,749</u>
NET CHANGE IN FUND BALANCE	-	-	20,891	20,891
FUND BALANCES BEGINNING	<u>726,157</u>	<u>726,157</u>	<u>780,323</u>	<u>54,166</u>
FUND BALANCES ENDING	<u>\$ 726,157</u>	<u>726,157</u>	<u>801,214</u>	<u>75,057</u>

SUPPLEMENTARY INFORMATION

CITY OF INMAN
Municipal Court
Summary Schedule of Court Fines and Fees, Assessments and Surcharges
June 30, 2013

Total Fines, Assessments, Surcharges Collected	\$	192,696
Amounts Remitted to State Treasurer:		
Assessments		(69,285)
Surcharges		(34,824)
Allocated to Victim Services		<u>(11,363)</u>
Amount Retained by City Treasurer	\$	<u><u>77,224</u></u>
Victim Services Funds		
Beginning Fund Balance	\$	21,067
Court Assessments and Surcharges Allocated		11,363
Other Revenue and Transfers		2,700
Victim Services Expenditures		<u>(7,815)</u>
Ending Fund Balance	\$	<u><u>27,315</u></u>

Independent Auditors' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Based On An Audit Of Financial Statements Performed
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, 2013, 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 February 5, 2014.

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 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.

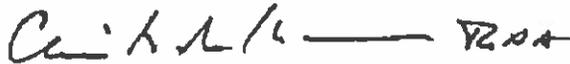
Compliance and Other Matters

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*.

We noted certain matters that we reported to management of City of Inman in a separate letter dated February 5, 2014.

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
February 5, 2014