

**CITY OF INMAN**

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**Independent Auditors' Report**

**Financial Statements and Schedules  
For the Year Ended June 30, 2015**



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

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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, 2015, 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 the City of Inman as of June 30, 2015, 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 1 to the financial statements, in fiscal year 2015 the City adopted new accounting guidance, Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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, budgetary comparison information, and the schedule of the City's proportionate share of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) net pension liability, and the schedule of the City's contributions to the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) 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.

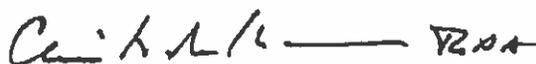
*Other Information*

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 19, 2016, 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 19, 2016

## **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, 2015. 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.

During the current fiscal year 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 expense 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 and analysis is intended to explain significant changes in financial position and differences in operation between the current and prior year.

	Net Position (in thousands)									
	Governmental Activities			Business-Type Activities			Total Government			
	(Restated) <sup>1</sup> 2015	2015	2014	(Restated) <sup>1</sup> 2015	2015	2014	(Restated) <sup>1</sup> 2015	2015	2015	2014
Cash and Investment	\$ 1,098	1,098	1,190	1,398	1,398	1,423	2,496	2,496	2,496	2,613
Other Assets	154	154	142	628	628	607	782	782	782	749
Capital Assets	846	846	814	8,766	8,766	8,922	9,612	9,612	9,612	9,736
Total	2,098	2,098	2,146	10,792	10,792	10,952	12,890	12,890	12,890	13,098
Deferred Outflows	95	-	-	23	-	-	118	-	-	-
Other Liabilities	86	86	74	51	51	47	137	137	137	121
Net Pension Liability	939	-	-	265	-	-	1,204	-	-	-
Long-Term Liabilities	406	406	456	5,942	5,942	6,032	6,348	6,348	6,348	6,488
Total	1,431	492	530	6,258	5,993	6,079	7,689	6,485	6,485	6,609
Deferred Inflows	93	-	-	22	-	-	115	-	-	-
Net Position:										
Net Investment in Capital Assets	440	440	359	2,824	2,824	2,890	3,264	3,264	3,264	3,249
Restricted	340	340	418	331	331	372	671	671	671	790
Unrestricted	(111)	827	838	1,379	1,643	1,611	1,268	2,470	2,470	2,449
Total	669	1,607	1,615	4,534	4,798	4,873	5,203	6,405	6,405	6,488

1 - The City adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, by restating fiscal year 2015 Statement of Net Position.

The net position of the governmental activities decreased \$946 thousand to \$669 thousand. Unrestricted net position of the governmental activities decreased \$949 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 and investment decreased \$92 thousand to \$1,098 thousand.

Net position of the business-type activities decreased \$339 thousand to \$4,534 thousand. Capital assets decreased \$156 thousand primarily due to depreciation and long-term liabilities decreased \$90 thousand.

The City implemented GASB Statement No 68 in fiscal year 2015. As a result, a net pension liability of \$1,204 thousand was recorded. The effects of GASB Statement No. 68 are not reflected in the fiscal year 2014 amounts. Deferred outflows increased by \$118 thousand from the prior year, consisting of \$34 thousand in the difference in liability experience versus expected and an addition of \$84 thousand in retirement contributions required by the new GASB statement. Deferred inflows increased by \$115 thousand from the prior year, which was the difference in pension investment experience from what was expected of \$115 thousand. Governmental activities net position decreased by \$946 thousand due to the implementation of GASB Statement No. 68. As part of the new accounting standard, the City was required to record the net pension liability of \$939 thousand thus reducing governmental activities unrestricted net position by \$949 thousand.

A condensed version of the Statement of Activities follows:

	Change in Net Position (In thousands)					
	Governmental Activities		Business-Type Activities		Total Government	
	(Restated) 1 2015	2015	(Restated) 1 2015	2015	(Restated) 1 2015	2015
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	92	92	1,489	1,489	1,581	1,574
Grants & Contributions	11	11	-	-	11	11
General Revenues:						
Property Taxes	362	362	-	-	-	357
Intergovernmental	138	138	-	-	138	79
Licenses & Fees	710	710	-	-	710	697
Donations	9	9	-	-	9	-
Gain on Disposal of Assets	5	5	-	-	5	-
Miscellaneous	41	41	32	32	73	37
<b>Total</b>	<b>1,368</b>	<b>1,368</b>	<b>1,521</b>	<b>1,521</b>	<b>2,889</b>	<b>2,755</b>
<b>EXPENSES</b>						
Depreciation	169	169	478	478	647	620
Administration	172	167	-	-	172	128
Streets, Sanitation, Park	350	350	-	-	350	290
Fire	155	155	-	-	155	146
Police & Judicial	523	523	-	-	523	521
Interest & Fiscal Charges	12	12	266	266	278	282
Sewer	-	-	855	853	855	887
<b>Total</b>	<b>1,381</b>	<b>1,376</b>	<b>1,599</b>	<b>1,597</b>	<b>2,980</b>	<b>2,874</b>
Increase (Decrease) in Net Position	(13)	(8)	(78)	(76)	(91)	(119)
Net Position- Beginning	1,615	1,615	4,874	4,874	6,489	6,607
Cumulative Effect of GASB 68	(933)	-	(262)	-	(1,195)	-
Net Position- Beginning (Restated)	682	1,615	4,612	4,874	5,294	6,607
Net Position- Ending	\$ 669	\$ 1,607	\$ 4,534	\$ 4,798	\$ 5,203	\$ 6,488

1- The City adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, by restating fiscal year 2015 summary of Statement of Activities.

Governmental activity revenues were \$13 thousand dollars less than expenses. Property tax revenues increased by \$5 thousand. Total revenue increased by \$106 thousand. Hospitality tax revenue increased by \$2 thousand. Business license revenue increased by \$4 thousand. Total expenses increased by \$122 thousand due to the purchase of façade lighting, Christmas tree, benches for downtown, [property at # 26 Mill Street for future tourism use, and repairs to the Inman American Legion Baseball field.

Operating revenue for the business-type activities increased \$28 thousand due to the level of assistance to other municipalities and entities and growth of the sewer system. Expenses decreased \$19 thousand due to the preventive maintenance practices that are working. Business-type activities net position decreased by \$339 due to the implementation of GASB Statement No. 68. As part of the new accounting standard, the City was required to record the net pension liability of \$265 thus reducing business-type activities unrestricted net position by \$232.

### Budgetary Highlights

General fund revenues were \$1,097 thousand and \$2 thousand favorable to budget. Expenses were unfavorable by \$9 thousand. Property tax revenues were more than budget by \$2 thousand. Revenues from licenses, fees and permits were \$33 thousand higher than budgeted.

For the fiscal year ended June 30, 2016, the budgeted revenues for the general fund are expected to increase about \$40 thousand. Ad valorem (property) taxes are expected and budgeted to increase compared to budgeted amounts for the prior year. The Police expenditure budget has increased a total of \$4 thousand and the expenditure for the street department shows a decrease of \$34 thousand. All other departments' combined expenditures are budgeted to increase a total of \$44 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 71	54	69	69	140	123
Construction In Progress	-	-	88	-	88	-
Buildings, Improvements	1,211	1,149	15,408	15,319	16,619	16,468
Vehicles	1,401	1,380	360	230	1,761	1,610
Machinery, Equipment, Furniture	306	239	370	355	676	594
Subtotal	2,989	2,822	16,295	15,973	19,284	18,795
Accumulated Depreciation	(2,143)	(2,008)	(7,529)	(7,051)	(9,672)	(9,059)
Capital Assets, Net	\$ 846	814	8,766	8,922	9,612	9,736

At June 30, 2015, the City had over \$19.2 million invested in gross capital assets including land, buildings, improvements, sewer facilities, vehicles, machinery, equipment and furniture. This was an increase of over \$489 thousand from the prior year. The increase of over \$489 thousand from the prior year was due to the purchase of façade lighting and Christmas tree for downtown, freightliner for sewer department, vehicle for street department, equipment and vehicles for police department, building for future tourism use and expansion of sewer line.

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

	Governmental		Business-Type		Total	
	Activities		Activities		Government	
	2015	2014	2015	2014	2015	2014
Capital Lease	\$ 393	437	-	-	393	437
Note Payable	13	19	-	-	13	19
Sewer System	-	-	5,942	6,032	5,942	6,032
<b>Total</b>	<b>\$ 406</b>	<b>456</b>	<b>5,942</b>	<b>6,032</b>	<b>6,348</b>	<b>6,488</b>

Total debt decreased by a net of \$140 thousand. This net decrease is due to the normal debt principal payments made as scheduled.

**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, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,048,055	600,910	1,648,965
Investment	50,130	466,721	516,851
Receivables			
Property Taxes, Net	8,260	-	8,260
Intergovernmental	95,017	-	95,017
Other	44,945	191,884	236,829
Prepaid Expense	6,072	2,549	8,621
Restricted Cash	-	330,845	330,845
Note Receivable	-	432,943	432,943
Capital Assets Not Being Depreciated	70,592	157,165	227,757
Capital Assets Being Depreciated	2,917,923	16,137,651	19,055,574
Accumulated Depreciation and Amortization	(2,142,614)	(7,528,649)	(9,671,263)
Total Capital Assets Net of Depreciation and Amortization	<u>845,901</u>	<u>8,766,167</u>	<u>9,612,068</u>
Total Assets	<u>2,098,380</u>	<u>10,792,019</u>	<u>12,890,399</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Plan Items	<u>94,534</u>	<u>23,021</u>	<u>117,555</u>
<b>LIABILITIES</b>			
Accounts Payable	32,666	18,623	51,289
Accrued Liabilities	49,684	32,972	82,656
Accrued Interest Payable	2,989	-	2,989
Long-term Liabilities:			
Due Within One Year	50,898	94,129	145,027
Due in More than One Year	355,441	5,847,523	6,202,964
Net Pension Liability	<u>939,110</u>	<u>265,354</u>	<u>1,204,464</u>
Total Liabilities	<u>1,430,788</u>	<u>6,258,601</u>	<u>7,689,389</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Plan Items	<u>92,775</u>	<u>22,371</u>	<u>115,146</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	439,562	2,824,515	3,264,077
Restricted For:			
Public Safety	53,508	-	53,508
Streets	80,843	-	80,843
Parks and Recreation	206,204	-	206,204
Bond Retirement	-	330,845	330,845
Unrestricted	<u>(110,766)</u>	<u>1,378,708</u>	<u>1,267,942</u>
Total Net Position	<u>\$ 669,351</u>	<u>4,534,068</u>	<u>5,203,419</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, 2015

	Program Revenues			Net (Expense) Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS / PROGRAMS</b>							
Governmental Activities:							
Administration	\$ 187,690	200	-	-	(187,490)	-	(187,490)
Street, Sanitation & Park	405,995	6,388	-	-	(399,607)	-	(399,607)
Fire	236,821	-	3,921	-	(232,900)	-	(232,900)
Police & Judicial	537,845	85,597	7,200	-	(445,048)	-	(445,048)
Interest and Fiscal Charges	12,511	-	-	-	(12,511)	-	(12,511)
<b>Total Governmental Activities</b>	<b>1,380,862</b>	<b>92,185</b>	<b>11,121</b>	<b>-</b>	<b>(1,277,556)</b>	<b>-</b>	<b>(1,277,556)</b>
Business-Type Activities:							
Sewer	1,598,772	1,494,948	-	-	(103,824)	(103,824)	(103,824)
<b>Total Government</b>	<b>\$ 2,979,634</b>	<b>1,587,133</b>	<b>11,121</b>	<b>-</b>	<b>(1,277,556)</b>	<b>(103,824)</b>	<b>(1,381,380)</b>
<b>General Revenues</b>							
Property Taxes					\$ 361,916	-	361,916
Intergovernmental					138,373	-	138,373
Licenses					394,617	-	394,617
Hospitality Fees					195,018	-	195,018
Franchise Fees					120,218	-	120,218
Investment Income					506	25,977	26,483
Gain on Disposal of Assets					5,113	-	5,113
Donation					8,600	-	8,600
Miscellaneous					40,523	-	40,523
<b>Total General Revenues</b>					<b>1,264,884</b>	<b>25,977</b>	<b>1,290,861</b>
<b>Change in Net Position</b>					<b>(12,672)</b>	<b>(77,847)</b>	<b>(90,519)</b>
<b>Net Position Beginning of Year</b>					<b>1,614,671</b>	<b>4,873,524</b>	<b>6,488,195</b>
<b>Cumulative Effect of GASB 68</b>					<b>(932,648)</b>	<b>(261,609)</b>	<b>(1,194,257)</b>
<b>Net Position End of Year</b>					<b>\$ 669,351</b>	<b>4,534,068</b>	<b>5,203,419</b>

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

**CITY OF INMAN**  
**Balance Sheet - Governmental Funds**  
**June 30, 2015**

	<u>Major Funds</u>		<u>Nonmajor Fund</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Hospitality Tax</u>	<u>Special Revenue</u>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 805,132	189,415	53,508	1,048,055
Investments	50,130	-	-	50,130
Receivables:				
Taxes	48,510	-	-	48,510
Intergovernmental	14,174	-	80,843	95,017
Other	28,156	16,789	-	44,945
Due from General Fund	-	-	2,064	2,064
Prepaid Expense	6,072	-	-	6,072
<b>Total Assets</b>	<b>\$ 952,174</b>	<b>206,204</b>	<b>136,415</b>	<b>1,294,793</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 32,666	-	-	32,666
Accrued Liabilities	49,684	-	-	49,684
Due to Police Fund	2,064	-	-	2,064
<b>Total Liabilities</b>	<b>84,414</b>	<b>-</b>	<b>-</b>	<b>84,414</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue- Property Taxes	50,346	-	-	50,346
<b>Total Deferred Inflows of Resources</b>	<b>50,346</b>	<b>-</b>	<b>-</b>	<b>50,346</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>134,760</b>	<b>-</b>	<b>-</b>	<b>134,760</b>
Fund Balances:				
Restricted For:				
Public Safety	-	-	55,572	55,572
Streets	-	-	80,843	-
Parks and Recreation	-	206,204	-	206,204
Unassigned	817,414	-	-	817,414
<b>Total Fund Balances</b>	<b>817,414</b>	<b>206,204</b>	<b>136,415</b>	<b>1,160,033</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 952,174</b>	<b>206,204</b>	<b>136,415</b>	<b>1,294,793</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, 2015**

Total fund balances - Governmental funds June 30, 2015	\$ 1,160,033
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	70,592
Capital Assets Being Depreciated	2,917,925
Accumulated depreciation	<u>(2,142,616)</u>
Total capital assets	<u>845,901</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>10,096</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	(12,852)
Capital leases	(393,487)
Accrued interest	(2,989)
Net Pension Obligation	(939,110)
Deferred Outflows Related to Pensions	94,534
Deferred Inflows Related to Pensions	<u>(92,775)</u>
Total long-term liabilities	<u>(1,346,679)</u>
Total net position - Governmental activities, June 30, 2015	<u>\$ 669,351</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, 2015**

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General	Hospitality Tax	Special Revenue	
<b>REVENUES:</b>				
Licenses	\$ 394,617	-	-	394,617
Taxes	360,203	-	-	360,203
Intergovernmental	130,207	-	19,287	149,494
Fees and Permits	126,806	195,018	16,925	338,749
Fines	60,133	-	-	60,133
Miscellaneous	24,224	-	-	24,224
Investment Income	506	-	-	506
Total Revenues	<u>1,096,696</u>	<u>195,018</u>	<u>36,212</u>	<u>1,327,926</u>
<b>EXPENDITURES:</b>				
Current:				
Administration	169,384	-	-	169,384
Streets, Sanitation & Park	191,193	128,992	-	320,185
Fire	157,553	-	-	157,553
Police & Judicial	490,091	-	20,600	510,691
Capital Outlay	82,632	111,354	4,754	198,740
Debt Service:				
Principal	49,478	-	-	49,478
Interest and Fiscal Charges	12,841	-	-	12,841
Total Expenditures	<u>1,153,172</u>	<u>240,346</u>	<u>25,354</u>	<u>1,418,872</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(56,476)</u>	<u>(45,328)</u>	<u>10,858</u>	<u>(90,946)</u>
<b>OTHER FINANCING SOURCES: (Uses)</b>				
Transfers In	49,338	-	8,539	57,877
Transfers Out	(8,539)	(49,338)	-	(57,877)
Total Other Financing	<u>40,799</u>	<u>(49,338)</u>	<u>8,539</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(15,677)</b>	<b>(94,666)</b>	<b>19,397</b>	<b>(90,946)</b>
<b>FUND BALANCES BEGINNING</b>	<u>833,091</u>	<u>300,870</u>	<u>117,018</u>	<u>1,250,979</u>
<b>FUND BALANCES ENDING</b>	<u>\$ 817,414</u>	<u>206,204</u>	<u>136,415</u>	<u>1,160,033</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, 2015**

Total change in fund balances - total governmental funds	\$	(90,946)
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		207,340
Depreciation Expense		<u>(169,397)</u>
Excess of capital outlay over depreciation and other expense		<u>37,943</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>(4,773)</u>
<p>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.</p>		
Current Year Pension Contributions		68,648
Pension Expense		<u>(73,350)</u>
		<u>(4,702)</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		6,107
Capital Lease Payments - Principal		<u>43,371</u>
		<u>49,478</u>
<p>In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expensed when due.</p>		
		<u>328</u>
Change in net position - Governmental activities, June 30, 2015	\$	<u><u>(12,672)</u></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, 2015

	Enterprise Sewer Fund
<b>ASSETS</b>	
Current Assets	
Cash	\$ 600,910
Investment	466,721
Accounts Receivable, Net	191,884
Current Portion of Note Receivable	4,778
Prepaid Expense	2,549
Restricted Cash	330,845
	1,597,687
Capital Assets	16,294,816
Less Accumulated Depreciation	(7,528,649)
	8,766,167
Other Assets	
Note Receivable	428,165
Total Assets	10,792,019
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Plan Items	23,021
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	18,623
Accrued Liabilities	32,972
Current Portion of Long-term Debt	94,129
Total Current Liabilities	145,724
Long-term Debt	5,847,523
Net Pension Liability	265,354
Total Liabilities	6,258,601
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Plan Items	22,371
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,824,515
Restricted For:	
Bond Retirement	330,845
Unrestricted	1,378,708
Total Net Position	\$ 4,534,068

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, 2015**

	Enterprise Sewer Fund
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 1,469,120
Connection Fees	19,950
	1,489,070
<b>OPERATING EXPENSES</b>	
Personnel	378,695
Sewer Operation & Maintenance	347,027
Administrative and General	129,099
Depreciation	477,543
	1,332,364
<b>OPERATING INCOME (LOSS)</b>	156,706
<b>NON-OPERATING REVENUE (EXPENSE)</b>	
Interest Income	25,976
Interest Expense	(266,407)
Other Income	5,878
	(234,553)
Change in Net Position	(77,847)
Total Net Position Beginning	4,873,524
Cumulative Effect of GASB 68	(261,609)
Total Net Position Ending	\$ 4,534,068

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, 2015**

	<u>Enterprise Fund Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 1,470,020
Cash Payments to Suppliers	(473,007)
Cash Payment to Employees	(375,600)
	<u>621,413</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING</b>	
Principal Paid on Capital Debt	(90,005)
Interest Paid on Capital Debt	(266,407)
	<u>(356,412)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Capital Assets	(321,814)
Interest Income Received	25,976
Purchase of Investments	(2,538)
Other Non-Operating Income Received	25,877
	<u>(272,499)</u>
Net Increase in Cash	(7,498)
Cash Beginning of the Year	<u>959,253</u>
Cash Ending of the Year	<u>\$ 951,755</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	156,706
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	477,543
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(19,051)
(Increase) Decrease in Prepaid Expense	(1,260)
Increase (Decrease) in Accounts Payable	4,104
Increase (Decrease) in Accrued Liabilities	276
Increase (Decrease) in Pension Liability	3,096
Net Cash Provided by Operating Activities	<u>\$ 621,414</u>

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

**CITY OF INMAN**  
Notes to Financial Statements  
June 30, 2015

**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 City 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, 2014. 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.

For the fiscal year ended June 30, 2015, City implemented GASB Statement No. 68, Accounting and Reporting of Pensions mandating how pension costs and obligations are measured and reported in audited external financial reports. Under this new standard, the GASB requires cost-sharing governments to report a net pension liability, pension expense, and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all governmental agencies in the plan. Additional details of the implementation of GASB Statement No. 68 are found in Note 7.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

**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, 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.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

**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, 2015

**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, 2015

**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, 2015, were \$2,544,033. Of this amount \$2,000,961 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 \$543,072 was uncollateralized.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

**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.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Statement of Net Position</u></b>			
Cash and Cash Equivalents	\$ 1,048,055	\$ 600,910	\$ 1,648,965
Restricted Cash	-	330,845	330,845
Investments	50,130	466,721	516,851
	<u>\$ 1,098,185</u>	<u>\$ 1,398,476</u>	<u>\$ 2,496,661</u>
<b>Total Statement of Net Assets</b>			
	<u>\$ 1,098,185</u>	<u>\$ 1,398,476</u>	<u>\$ 2,496,661</u>
<b><u>Disclosure, Deposits and Investments:</u></b>			
Carrying Value of Deposits:			
Held by Banks	\$ 1,047,855	\$ 931,755	\$ 1,979,610
Carrying Value of Investments:			
Certificates of Deposit	50,130	456,055	506,185
Stocks	-	10,666	10,666
Cash on Hand	200	-	200
	<u>\$ 1,098,185</u>	<u>\$ 1,398,476</u>	<u>\$ 2,496,661</u>
<b>Total Disclosure, Deposits and Investments</b>			
	<u>\$ 1,098,185</u>	<u>\$ 1,398,476</u>	<u>\$ 2,496,661</u>

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

**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, 2015, restricted net position for the governmental activities was \$340,555 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, 2015, 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, 2015

**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, 2015, were distributed as follows:

	General Fund	Hospitality Tax	Nonmajor Funds	Total
<b>Restricted For:</b>				
Public Safety	-	-	55,572	55,572
Streets	-	-	80,843	80,843
Parks & Tourism	-	206,204	-	206,204
Subtotal	-	206,204	136,415	342,619
<b>Unassigned</b>	<b>817,414</b>	-	-	<b>817,414</b>
<b>TOTAL</b>	<b>\$ 817,414</b>	<b>206,204</b>	<b>136,415</b>	<b>\$ 1,160,033</b>

**A. Property Taxes**

Property taxes on real property and personal property, other than licensed motor vehicles, were billed in October 2014 based on property valuations as of December 31, 2013. The taxes were due on or before January 15, 2015. 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, 2015, 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, 2015, is \$8,025.

**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 no deferred outflows of resources.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

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

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

In addition to liabilities, the statement of net position (government-wide) and the balance sheet (governmental funds) 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 one type of deferred inflows of resources, which arises only under the modified accrual basis of accounting. This item, unavailable revenue- property taxes, is reported only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amount become available.

**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 = \$23,336 and Sewer Fund = \$17,242) 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, 2015

**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 \$32,100 for the fiscal year ended June 30, 2015. The City did exceed its legal appropriation by \$7,138 for the general fund for the fiscal year ended June 30, 2015.

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	\$ 48,510	-	48,510
Other	28,156	16,789	44,945
Gross Receivables	76,666	16,789	93,455
Less Allowance	40,250	-	40,250
Net Receivables	<u>\$ 36,416</u>	<u>16,789</u>	<u>53,205</u>

***Intergovernmental:***

Intergovernmental receivables consist of the following:

State of South Carolina	\$ 12,963
S.C. State housing Authority	1,204
Spartanburg County	80,843
Other	7
Total Intergovernmental Receivables	<u>\$ 95,017</u>

**CITY OF INMAN**  
**Notes To Financial Statements, Continued**  
**June 30, 2015**

**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, 2015	Bond and Interest A	Operation and Maintenance B	Depreciation and Contingency B	Cushion A (See Note B.2)	Total
Total Restricted Cash	\$-0-	\$-0-		\$330,845	330,845

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, 2015

**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, 2015 is as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 54,241	16,351	-	70,592
<b>Total Capital Assets at Historical Cost Not Being Depreciated</b>	<b>54,241</b>	<b>16,351</b>	<b>-</b>	<b>70,592</b>
<b>Capital Assets Being Depreciated:</b>				
Buildings	257,948	32,871	-	290,819
Improvements / Infrastructure	890,738	29,462	-	920,200
Machinery, Equipment & Furniture	239,374	66,412	-	305,786
Fire Trucks	1,147,785	-	-	1,147,785
Vehicles	232,152	62,243	41,062	253,333
<b>Total Capital Assets at Historical Cost Being Depreciated</b>	<b>2,767,997</b>	<b>190,988</b>	<b>41,062</b>	<b>2,917,923</b>
<b>Less Accumulated Depreciation</b>	<b>2,007,794</b>	<b>169,397</b>	<b>34,577</b>	<b>2,142,614</b>
<b>Total Capital Assets Being Depreciated, Net Government-Type Activities Capital Assets, Net</b>	<b>\$ 814,444</b>	<b>37,942</b>	<b>6,485</b>	<b>845,901</b>

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

Administration	\$ 15,583
Streets, Sanitation & Park	56,330
Fire	82,268
Police & Judicial	15,215
<b>Total</b>	<b>\$ 169,397</b>

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

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

**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, 2015 is as follows:

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 69,181	-	-	69,181
Construction in Progress	-	87,984	-	87,984
	<u>69,181</u>	<u>87,984</u>	<u>-</u>	<u>157,165</u>
<b>Capital Assets Being Depreciated:</b>				
Sewer Plant	11,536,422	-	-	11,536,422
Sewer Lines & Infrastructure	3,782,225	89,656	-	3,871,881
Vehicles	230,369	129,409	-	359,778
Machinery and Equipment	354,805	14,765	-	369,570
Total Capital Assets Being Depreciated	<u>15,903,821</u>	<u>233,830</u>	<u>-</u>	<u>16,137,651</u>
Less Accumulated Depreciation	<u>7,051,106</u>	<u>477,543</u>	<u>-</u>	<u>7,528,649</u>
Total Capital Assets Being Depreciated, Net	<u>8,852,715</u>	<u>(243,713)</u>	<u>-</u>	<u>8,609,002</u>
Business-Type Activities Capital Assets, Net	<u>\$ 8,921,896</u>	<u>(155,729)</u>	<u>-</u>	<u>8,766,167</u>

The depreciation expense of \$477,543 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, 2015 accumulated amortization related to this truck was \$479,522 with a net book value of \$181,888. The future minimum lease payments under the capital lease are as follows: \$393,487 principal and \$50,989 interest.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

**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
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	48,417	7,142	-	-	48,417	7,142
2020	49,768	5,791	-	-	49,768	5,791
2021-2023	157,792	8,886	-	-	157,792	8,886
	<u>\$ 393,487</u>	<u>50,987</u>	<u>12,852</u>	<u>667</u>	<u>406,339</u>	<u>51,654</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, 2015

**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
2016	\$ 94,129	262,283
2017	98,445	257,967
2018	102,955	253,457
2019	107,673	248,739
2020	112,611	243,801
2021-2025	645,400	1,136,660
2026-2030	807,617	974,443
2031-2035	1,010,705	771,355
2036-2039	1,168,211	520,013
2040-2045	989,883	288,177
2046-2050	804,023	62,169
	\$ 5,941,652	5,019,064

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, 2015 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	230,045
Total In Bank Account		\$ 330,845

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

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

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

1. General Fund

	Balance			Balance	Due Within
	June 30, 2014	Additions	Retirements	June 30, 2015	One Year
Capital Leases	\$ 436,858	-	43,371	393,487	44,581
Note Payable	18,959	-	6,107	12,852	6,317
<b>Total</b>	<b>\$ 455,817</b>	<b>-</b>	<b>49,478</b>	<b>406,339</b>	<b>50,898</b>

2. Enterprise Fund

	Balance			Balance	Due Within
	June 30, 2014	Additions	Retirements	June 30, 2015	One Year
USDA Rural Development Sewer System Revenue Bonds					
Series 1999	\$ 1,475,203	-	31,405	1,443,798	32,931
Series 2008	4,556,454	-	58,600	4,497,854	61,198
<b>Total</b>	<b>\$ 6,031,657</b>	<b>-</b>	<b>90,005</b>	<b>5,941,652</b>	<b>94,129</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.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

**NOTE 7 – PENSION AND RETIREMENT PLANS**

The City's employees participate in a pension benefit retirement plan as follows:

*A. Plan Description*

Employees hired after January 1, 1982 participate in the South Carolina retirement System (SCRS), one of four defined benefit retirement systems maintained by the Retirement Division of the State Budget and Control Board of South Carolina. Each system publishes its own component unit financial report.

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on 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, PO Box 11960, Columbia, SC 29211-1960. 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 Descriptions**

The **South Carolina Retirement System (SCRS)**, a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for public school districts and employees of the State and political subdivisions thereof. 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. A member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class III member.

A Class II member who has separated from service with at least five 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 III member who has separated from service with at least eight years of earned service is eligible for a monthly pension subject to 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 II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

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

Beginning July 1, 2012, and annually thereafter, the annual retirement allowance received by retirees or their surviving annuitants must be increased by the lesser of one percent or five hundred dollars. 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.

***Class II Members (members hired prior to July 1, 2012)***

Average Final Compensation (AFC) is based on the highest 12 consecutive quarters of earnable compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit amount is equal to the 1.82% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 28 years of credited service or (ii) attained age 65 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or \$500 per annum.

***Class III Members (members hired after June 30, 2012)***

Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of earnable compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 1.82% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.

Members are eligible to commence a retirement benefit after they have (i) attained age 60 with eight years of earned service or (ii) the combination of the member's age and years of credited service equals or exceeds 90 (i.e. the rule of 90). At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or \$500 per annum.

Effective July 1, 2014, employees participating in the SCRS were required to contribute 8.00% of all earnable compensation. The employer contribution rate for SCRS was 15.90%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.75%, .15% for the incidental death benefit program and a 5.00% surcharge that will fund retiree health and dental insurance coverage.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

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

City of Inman's actual retirement and incidental death benefit program contributions to the SCRS for the years ended June 30, 2015 and 2014 were:

<u>SCRS</u>	<u>2015</u>	<u>2014</u>
Covered Payroll	\$ 418,648	406,178
Employee Contributions (8% 2015; 7.5% 2014)	33,407	30,389
Employer Contributions (10.75% 2015; 10.45% 2014)	45,005	42,446
Incidental Death (0.15% for 2015 and 2014)	628	609
Surcharge (5.0% 2015; 4.92% 2014)	-	-
Total Remittance	<u>\$ 79,040</u>	<u>73,444</u>

The **South Carolina Police Officers Retirement System (PORS)**, a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the State and its political subdivisions. To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in 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. A member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class III member. A Class II member who has separated from service with at least five years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class III member who has separated from service with at least eight years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class II and Class III members are eligible to receive a deferred annuity at age 55 with five or eight years earned service, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program. An additional accidental death benefit is 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.

***Class II Members (members hired prior to July 1, 2012)***

Average Final Compensation (AFC) is based on the highest twelve (12) consecutive quarters of earnable compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 25 years of credited service or (ii) attained age 55 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or \$500 per annum.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

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

***Class III Members (members hired after June 30, 2012)***

Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of earnable compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of the retirement benefit. The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave. Members are eligible to commence their retirement benefit after they have (i) 27 years of credited service or (ii) attained age 55 with 8 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or \$500 per annum.

Effective July 1, 2014, employees participating in the PORS were required to contribute 8.74% of all earnable compensation. The employer contribution rate for PORS was 19.07%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.01%, .20% for the incidental death benefit program, .20% for the accidental death program, and a 5.00% surcharge that will fund retiree health and dental insurance coverage.

The City of Inman's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2015 and 2014 were:

PORS	2015	2014
Covered Payroll	\$ 300,882	276,918
Employee Contributions (8.41% 2015; 7.84% 2014)	25,235	21,623
Employer Contributions (13.01% 2015; 12.44% 2014)	39,145	34,449
Incidental Death (0.20% for 2015 and 2014)	602	554
Accidental Death (0.20% for 2015 and 2014)	-	-
Surcharge (5.0% 2015; 4.92% 2014)	-	-
Total Remittance	\$ 64,982	56,626

**Funding Policies**

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

While the surcharge to fund retiree health and dental insurance benefits is collected by the Retirement Benefits Division of PEBA, it is remitted to the Insurance Benefits Division of PEBA, which is responsible for administration of retiree health and dental insurance benefits and establishment of the applicable retiree insurance surcharge rate.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

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

For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, City of Inman's liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the South Carolina Public Employee Benefit Authority and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, City of Inman recognizes no contingent liability for unfunded costs associated with participation in the plans.

**GASB Statement No. 68: Accounting and Financial Reporting for Pensions**

The primary objective of this Statement is to improve accounting and financial reporting by state and local government, including institutions of higher education, for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

This new Statement is the result of a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity and creating additional transparency.

**Actuarial Assumptions and Methods.** Actuarial valuations 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 during the valuation process 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. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS.

<u>Actuarial Cost Method</u>	<u>SCRS</u> <u>Entry Age</u>	<u>PORS</u> <u>Entry Age</u>
Actuarial Assumptions:		
Investment Rate of Return	7.5%	7.5%
Projected Salary Increases	Levels off at 3.5%	Levels off at 4.0%
Includes Inflation At	2.75%	2.75%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

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

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and Members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.0	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
Total Expected Real Return	<u>100.0%</u>		<u>5.88</u>
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			<u>8.63</u>

**Discount rate.** The discount rate used to measure the total pension liability was 7.50 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 State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Net Pension Liability.** The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company.

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

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

At June 30, 2015, the City of Inman reported a liability of \$1,204,464 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Inman's proportion of the net pension liability was based on a projection of the City of Inman's long-term share of contributions to the pension plan relative to the projected contributions of all participating state entities, actuarially determined. At June 30, 2014, the City of Inman's proportion was 0.004474% and 0.02267% for SCRS and PORS.

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that system's fiduciary net position. As of June 30, 2014, NPL amounts for SCRS and PORS are as follows:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>State Net Pension Liability (Asset)</u>	<u>City of Inman's Proportionate Share of Net Pension Liability (Asset)</u>	<u>City of Inman's Portion of Net Pension Liability (Asset)</u>
SCRS	\$ 42,955,205,796	25,738,521,026	17,216,684,770	0.004474%	770,559
PORS	5,899,529,434	3,985,101,996	1,914,427,438	0.02267%	433,905

**Sensitivity Analysis of the City of Inman's proportionate share of the net pension liability to changes in the discount rate.** The following presents the City of Inman's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as the City of Inman's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current year:

<u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u>			
<u>System</u>	<u>1.00% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50)</u>	<u>1.00% Increase (8.50%)</u>
SCRS	\$ 996,783	770,259	581,302
PORS	606,371	433,905	291,204

**Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** For the year ended June 30, 2015 the City of Inman recognized its proportionate share of pension expense of \$84,150 associated with the net pension liability. At June 30, 2015 the City of Inman reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>SCRS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ 21,826	-
Assumption Changes	-	-
Investment Experience	-	64,940
Change in Allocated Proportion	-	-
Contributions After the Measurement Date	45,005	-
Total	<u>\$ 66,831</u>	<u>64,940</u>

**CITY OF INMAN**  
**Notes To Financial Statements, Continued**  
**June 30, 2015**

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

<u>PORS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability Experience	\$ 11,579	-
Assumption Changes	-	-
Investment Experience	-	50,206
Change in Allocated Proportion	-	-
Contributions After the Measurement Date	39,145	-
<b>Total</b>	<b>\$ 50,724</b>	<b>50,206</b>

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The following schedule reflects the amortization of the net balance of remaining deferred outflows / (inflows) of resources at June 30, 2014. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2014 was 4.233 years for SCRS and 4.856 years for PORS.

<u>Recognition of Existing Deferred Outflows (Inflows) of Resources for Future Plan Years</u>		
<u>Year Ended June 30</u>	<u>SCRS</u>	<u>PORS</u>
2015	\$ 9,484	9,549
2016	9,484	9,549
2017	9,484	9,549
2018	14,662	9,981
Thereafter	-	-
<b>Net Balance of Deferred Outflows/(Inflows) of Resources</b>	<b>\$ 43,114</b>	<b>38,628</b>

**CITY OF INMAN**  
Notes To Financial Statements, Continued  
June 30, 2015

**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 \$158,177 of court fines is reported as revenue in the General Fund. The City maintained a Victim Services Account for the fiscal year. The \$35,763 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, 2015

**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, 2015 was \$42,441 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, 2015 is shown below:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2015</u>
Loan Receivable - Spartanburg County School District One	<u>\$ 437,473</u>	<u>-</u>	<u>4,530</u>	<u>432,943</u>

**CITY OF INMAN**  
**Notes To Financial Statements, Continued**  
**June 30, 2015**

**NOTE 12 – LOAN RECEIVABLE, Continued**

Year Ended June 30	Principal	Interest	Total
2016	\$ 4,778	23,002	27,780
2017	5,039	22,741	27,780
2018	5,316	22,464	27,780
2019	5,604	22,174	27,778
2020	5,913	21,867	27,780
2021-2025	34,777	104,113	138,890
2026-2030	45,406	93,494	138,900
2031-2035	59,266	79,634	138,900
2036-2040	77,357	61,543	138,900
2041-2045	100,970	37,931	138,901
2046-2050	88,507	8,724	97,231
	<u>432,933</u>	<u>497,687</u>	<u>930,620</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, 2015**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Licenses, Permits, Fees	\$ 482,000	482,000	515,035	33,035
Taxes	365,000	365,000	360,203	(4,797)
Intergovernmental	130,485	130,485	130,207	(278)
Police Fines	75,000	75,000	60,133	(14,867)
Garbage Service	6,000	6,000	6,388	388
Miscellaneous	4,100	36,200	24,730	(11,470)
Total Revenues	<u>1,062,585</u>	<u>1,094,685</u>	<u>1,096,696</u>	<u>2,011</u>
<b>EXPENDITURES:</b>				
Administration:				
Salaries, Benefits	67,139	67,139	68,135	(996)
Utilities	16,000	16,000	17,306	(1,306)
Capital Outlay	-	-	-	-
Other	56,725	76,825	83,943	(7,118)
Reserve	-	-	-	-
Streets, Sanitation & Park:				
Salaries, Benefits	43,234	43,234	43,453	(219)
Sanitation Contract	84,100	84,100	85,759	(1,659)
Streets Lights	42,000	42,000	51,593	(9,593)
Capital Outlay	-	8,000	34,215	(26,215)
Other	35,243	35,243	10,388	24,855
Fire:				
Salaries, Benefits	91,153	91,153	105,202	(14,049)
Debt Service	55,560	55,560	55,560	-
Utilities	9,000	9,000	9,515	(515)
Capital Outlay	-	4,000	3,000	1,000
Other	38,500	38,500	42,836	(4,336)
Police & Judicial:				
Salaries, Benefits	463,056	463,056	419,749	43,307
Debt Service	6,800	6,800	6,759	41
Capital Outlay	-	-	45,417	(45,417)
Other	103,413	103,413	70,342	33,071
Total Expenditures	<u>1,111,923</u>	<u>1,144,023</u>	<u>1,153,172</u>	<u>(9,149)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	<u>(49,338)</u>	<u>(49,338)</u>	<u>(56,476)</u>	<u>(7,138)</u>
<b>OTHER FINANCING SOURCES:</b>				
Transfers In	49,338	49,338	49,338	-
Transfers Out	-	-	(8,539)	(8,539)
Total Other Financing Sources (Uses)	<u>49,338</u>	<u>49,338</u>	<u>40,799</u>	<u>(8,539)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	-	-	(15,677)	(15,677)
<b>FUND BALANCES BEGINNING</b>				
			<u>833,091</u>	
<b>FUND BALANCES ENDING</b>				
			<u>817,414</u>	

**CITY OF INMAN**  
**GASB 68 Required Supplementary Information**  
**For The Year Ended June 30, 2015**

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

	2015
City's proportion of the net pension liability (asset)	0.004474%
State's proportionate share of the net pension liability (asset) associated with the City	\$ 17,216,684,770
City's proportionate share of the net pension liability (asset)	\$ 770,559
City's covered-employee payroll	\$ 418,648
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.84%
Plan fiduciary net position as a percentage of the total pension liability	59.9%

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

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

	2015
City's proportion of the net pension liability (asset)	0.02267%
State's proportionate share of the net pension liability (asset) associated with the City	\$ 1,914,427,438
City's proportionate share of the net pension liability (asset)	\$ 433,905
City's covered-employee payroll	\$ 300,882
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.44%
Plan fiduciary net position as a percentage of the total pension liability	67.5%

**CITY OF INMAN**  
**GASB 68 Required Supplementary Information**  
**For The Year Ended June 30, 2015**

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

		2015
Contractually required contribution	\$	45,005
Contributions in relation to the contractually required contribution		45,005
Contribution deficiency (excess)	\$	-
City's covered-employee payroll	\$	418,648
Contributions as a percentage of covered-employee payroll		10.75%

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

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

		2015
Contractually required contribution	\$	39,145
Contributions in relation to the contractually required contribution		39,145
Contribution deficiency (excess)	\$	-
City's covered-employee payroll	\$	300,882
Contributions as a percentage of covered-employee payroll		13.01%

\*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**  
**June 30, 2015**

Total Fines, Assessments, Surcharges Collected	\$ 158,177
Amounts Remitted to State Treasurer:	
Assessments	(59,342)
Surcharges	(29,298)
Allocated to Victim Services	(9,405)
Amount Retained by City Treasurer	<u>\$ 60,132</u>
Victim Services Funds	
Beginning Fund Balance	\$ 33,326
Court Assessments and Surcharges Allocated	8,539
Other Revenue and Transfers	8,097
Victim Services Expenditures	(14,199)
Ending Fund Balance	<u>\$ 35,763</u>

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, 2015, 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 19, 2016.

**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*.

**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 19, 2016