

CITY OF INMAN

Independent Auditors' Report

**Financial Statements and Schedules
For the Year Ended June 30, 2021**

CITY OF INMAN
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FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major funds, and the aggregate remaining fund information of the City of Inman as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Inman as of June 30, 2021, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

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

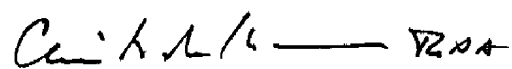
Other Information

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

The supplementary information- Municipal Court Fines and Fees, Assessment and Surcharges is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information- Municipal Court Fines and Fees, Assessment and Surcharges are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2022 on our consideration of the City of Inman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the effectiveness of the City of Inman's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Gaffney, SC
May 27, 2022

CITY OF INMAN

Management's Discussion and Analysis

As management of the City of Inman (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2021 ("FY 2021"). Please read this section in conjunction with the financial statements that follow.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of FY 2021 by \$8,008,213 (*net position*). Of this amount, \$993,988 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,477,778, with an increase of \$131,165 for governmental activities and an increase of \$1,346,613 for business-type activities.
- As of the close of FY 2021, the City's governmental funds reported combined ending fund balances of \$1,527,098, an increase of \$290,834 compared to the prior fiscal year. Approximately 38% of this total amount, or \$579,764, is available for spending at the government's discretion (*unassigned fund balance*).
- Unassigned fund balance for the General Fund was \$579,764 at June 30, 2021, or approximately 29% of total General Fund expenditures and transfers out for FY 2021. The City's unassigned fund balance for the General Fund increased by \$125,350 compared to the prior fiscal year.
- The City's total capital assets (net of depreciation and amortization) were valued at \$11,153,486 at the close of the fiscal year, an increase of approximately 11%, or \$1,098,723, compared to the prior fiscal year.
- Total long-term debt for the Governmental Activities was \$276,487 at the end of FY 2021, a decrease of \$151,903 compared to the prior fiscal year. For the Enterprise Fund, long-term debt was \$5,048,753 as of the end of FY 2021, a decrease of \$150,613 compared to the prior fiscal year. These decreases reflect a maturation of principal payments.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The City as a Whole

This discussion summarizes changes in financial position and differences in operations between FY 2021 and FY 2020.

	Net Position (in thousands)					
	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Cash and Cash Equivalents	\$ 1,446	1,100	1,722	1,269	3,168	2,369
Other Assets	270	272	770	1,333	1,040	1,605
Capital Assets	1,914	2,069	9,239	7,985	11,153	10,054
Total	<u>3,630</u>	<u>3,441</u>	<u>11,731</u>	<u>10,587</u>	<u>15,361</u>	<u>14,028</u>
Deferred Outflows	<u>396</u>	<u>335</u>	<u>137</u>	<u>136</u>	<u>533</u>	<u>471</u>
Other Liabilities	118	113	48	102	166	215
Net Pension Liability	1,764	1,489	613	606	2,377	2,095
Long-Term Liabilities	276	428	5,049	5,199	5,325	5,627
Total	<u>2,158</u>	<u>2,030</u>	<u>5,710</u>	<u>5,907</u>	<u>7,868</u>	<u>7,937</u>
Deferred Inflows	<u>14</u>	<u>23</u>	<u>5</u>	<u>9</u>	<u>19</u>	<u>32</u>
Net Position:						
Net Investment in Capital Assets	1,637	1,641	4,191	2,786	5,828	4,427
Restricted	719	702	467	560	1,186	1,262
Unrestricted	(502)	(620)	1,496	1,461	994	841
Total	<u>\$ 1,854</u>	<u>1,723</u>	<u>6,154</u>	<u>4,807</u>	<u>8,008</u>	<u>6,530</u>

As of June 30, 2021, the net position of the governmental activities increased \$131,165, from \$1,723,063 to \$1,854,228. Also, unrestricted net position of the governmental activities increased \$117,231. Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints or requirements. Also, for the governmental activities, total cash and cash equivalents increased \$345,842 to approximately \$1.45 million.

For the City's business-type activities, as of June 30, 2021, net position increased \$1,346,613, to \$6.2 million. Capital assets increased \$1,254,124 primarily due to the replacement and upgrading of sewer collection lines, while long-term liabilities decreased \$150,613.

The City implemented GASB Statement No. 68 in fiscal year 2015. Thus, for FY 2021, the City recorded a net pension liability of \$2.4 million. See Note 7 for more information related to the City's proportionate share of net pension liabilities of the South Carolina Retirement System and Police Officers' Retirement System.

Change in Net Position (in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities		Government	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program Revenues:						
Charges for Services	\$ 289	295	1,957	2,022	2,246	2,317
Grants & Contributions	180	10	1,371	200	1,551	210
General Revenues:						
Property Taxes	732	670	-	-	732	670
Intergovernmental	104	115	-	-	104	115
Licenses & Fees	1,250	923	-	-	1,250	923
Gain on Sale of Assets	6	4	-	-	6	4
Miscellaneous	22	15	-	-	22	15
Total Revenues	<u>2,583</u>	<u>2,032</u>	<u>3,328</u>	<u>2,222</u>	<u>5,911</u>	<u>4,254</u>
EXPENSES						
Administration	435	441	-	-	435	441
Streets, Sanitation, Parks	635	543	-	-	635	543
Fire	421	266	-	-	421	266
Police & Judicial	1,009	919	-	-	1,009	919
Interest & Fiscal Charges	12	16	-	-	12	16
Sewer	-	-	1,921	2,126	1,921	2,126
Total Expenses	<u>2,512</u>	<u>2,185</u>	<u>1,921</u>	<u>2,126</u>	<u>4,433</u>	<u>4,311</u>
Excess (Deficiency) Before						
Transfers	71	(153)	1,407	96	1,478	(57)
Transfers	<u>60</u>	<u>60</u>	<u>(60)</u>	<u>(60)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>131</u>	<u>(93)</u>	<u>1,347</u>	<u>36</u>	<u>1,478</u>	<u>(57)</u>
Net Position- Beginning	<u>1,723</u>	<u>1,816</u>	<u>4,807</u>	<u>4,771</u>	<u>6,530</u>	<u>6,587</u>
Net Position- Ending	<u>\$ 1,854</u>	<u>1,723</u>	<u>6,154</u>	<u>4,807</u>	<u>8,008</u>	<u>6,530</u>

Now, moving on to an overview of City operations in FY 2021, governmental activity revenues were \$71,165 dollars more than expenses. Property tax revenues accounted for 28% of revenues in the governmental activities category, increasing by \$61,978 over FY 2020. Nonetheless, total revenues in the governmental activities category increased by \$551,336, primarily due to an increase in grants and contributions, licenses and fees and property taxes. Major revenue sources in this category (aside from property taxes) include hospitality tax revenues, which increased by \$31,353, business license revenues, which increased by \$280,155, and grants and contributions, which increased by approximately \$170,000. Finally, total expenses associated with governmental activities increased by \$327,562. These numbers show increased economic activity as a result of continuing economic development and efforts to attract business to the city and surrounding area, including funds going towards the new downtown master plan and park facilities.

Revenues for the business-type activities (that is, for the sewer fund) increased \$1,105,760. This increase is due primarily to an increase in grants and contributions of \$1,171,000. Revenues from charges for service, or user fees, decreased by \$65,240. This was due to a decrease in industry billing of as much as 20% caused by a almost total shut-down due to COVID. Revenue exceeded expense and transfers by \$1,346,612 for FY 2021. Revenues exceeded expenses and transfers by \$1,971,409 if depreciation expenses are not included in the calculation. Finally, net position for business-type activities increased 28% compared to FY 2020.

Budget Highlights

For FY 2021, General Fund revenues totaled \$2.15 million. This was \$537 thousand more than had been budgeted. On the other hand, total expenditures were \$1.97 million, which is above budgeted amounts by \$174,346. Property tax revenues were more than budget by \$64 thousand. Revenues from licenses, fees and permits were \$307 thousand higher than budgeted.

There were no unanticipated expenses for the General Fund for FY 2021. There were a lot of things going on that were offset by grant funds. So, not all budgeted money was spent. There were capital outlays in the police and fire departments, but overall spending was under the budgeted amount.

Also, there were no unanticipated expenses for the Sewer Fund for FY 2021.

Capital Assets

At June 30, 2021, the City had \$25 million invested in gross capital assets including land, buildings, improvements, sewer facilities, vehicles, machinery, equipment, and furniture. This was an increase of approximately \$1,865,000 thousand from the prior year.

Capital Assets at Year-End (in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities		Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 100	71	75	75	175	146
Construction In Progress	-	-	719	529	719	575
Buildings, Improvements	3,096	3,096	-	-	3,096	3,096
Sewer Plant & Lines	-	-	17,944	16,369	17,944	16,369
Vehicles	1,547	1,544	394	394	1,941	1,938
Machinery, Equipment, & Furniture	362	362	849	735	1,211	1,097
Subtotal	5,105	5,073	19,981	18,102	25,086	23,221
Accumulated Depreciation	3,191	(3,004)	10,742	(10,117)	13,933	(13,121)
Capital Assets, Net	\$ 1,914	2,069	9,239	7,985	11,153	10,100

Debt Service

Finally, as the table below shows, total debt decreased by a net of \$302 thousand.

	Debt Outstanding at Year-End (in thousands)					
	Governmental Activities		Business-Type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Capital Leases	\$ 138	217	-	-	138	217
Direct Placement- Hospitality Fee Revenue Bond	138	204	-	-	138	204
ConserveFund Loan (Capital Lease)	-	7	-	-	-	7
Direct Placement- Sewer System Revenue Bonds	-	-	5,049	5,199	5,049	5,199
Total	\$ 276	428	5,049	5,199	5,325	5,627

In March of 2020 the City of Inman took a sizable step forward with the completion of the Downtown Master Plan. This plan, written with community and staff input, will help guide growth in the historic downtown for the next 10-15 years.

Over the past fiscal year, the City Council was able to award numerous Facade Grants to help rejuvenate and preserve out building in the downtown. To help with the growth City Council has authorized the hiring of a Planning Director. This position will make sure Council goals are being completed and bring up to date city ordinances.

After cancelling the 2020 Music on Mill concerts because of the COVI D pandemic the city was able to return to its annual summer concert series with great success in June of 2021. Also, the expansion of the holiday lighting in downtown was very well received. The city hired a new City Administrator, Joe Lanahan, and promoted Lee Inman to the position of Wastewater Superintendent

With over 200 new homes built in the past 18 months and downtown now adding a new business every 90 days the future is bright in Inman!

The Sewer Fund also has growth and development at the forefront of operations. The City has received grant funding to help tackle inflow and infiltration of water into the system on the eastside, which will help to regain the city much needed capacity. The extra capacity will be valuable to the sewer department during construction of an expanded Wastewater Treatment Facility. In November of 2021, the City was granted a \$12,843,130 USDA Rural Development loan/grant for the project. With the expansion the City will be getting out ahead of growth with a solid plan set in place.

Contact for More Information

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

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

CITY OF INMAN
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,445,891	1,255,308	2,701,199
Receivables			
Property Taxes, Net	50,961	-	50,961
Intergovernmental	151,820	-	151,820
Other	64,061	168,049	232,110
Prepaid Expense	3,535	1,931	5,466
Restricted Cash	-	466,897	466,897
Note Receivable	-	599,578	599,578
Capital Assets Not Being Depreciated	99,760	75,331	175,091
Capital Assets Being Depreciated	5,005,389	19,906,303	24,911,692
Accumulated Depreciation	<u>(3,191,199)</u>	<u>(10,742,098)</u>	<u>(13,933,297)</u>
Total Capital Assets Net of Depreciation	<u>1,913,950</u>	<u>9,239,536</u>	<u>11,153,486</u>
Total Assets	<u>3,630,218</u>	<u>11,731,299</u>	<u>15,361,517</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan Items	<u>395,946</u>	<u>137,494</u>	<u>533,440</u>
LIABILITIES			
Accounts Payable	33,279	19,813	53,092
Accrued Liabilities	81,920	28,937	110,857
Accrued Interest Payable	2,575	-	2,575
Long-term Liabilities:			
Due Within One Year	141,519	155,939	297,458
Due in More than One Year	134,968	4,892,814	5,027,782
Net Pension Liability	<u>1,764,122</u>	<u>612,598</u>	<u>2,376,720</u>
Total Liabilities	<u>2,158,383</u>	<u>5,710,101</u>	<u>7,868,484</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Plan Items	<u>13,553</u>	<u>4,707</u>	<u>18,260</u>
NET POSITION			
Net Investment in Capital Assets	1,637,463	4,190,783	5,828,246
Restricted For:			
Various Purposes	719,083	-	719,083
Debt Service	-	353,803	353,803
Depreciation Contingency	-	112,453	112,453
Operation and Maintenance	-	640	640
Unrestricted	<u>(502,318)</u>	<u>1,496,306</u>	<u>993,988</u>
Total Net Position	<u>\$ 1,854,228</u>	<u>6,153,985</u>	<u>8,008,213</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, 2021

FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Administration	\$ 434,646	7,250	13,694	-	(413,702)	-	(413,702)
Street, Sanitation & Park	635,244	2,547	-	25,000	(607,697)	-	(607,697)
Fire	420,714	4,242	-	141,657	(274,815)	-	(274,815)
Police & Judicial	1,009,483	275,240	-	-	(734,243)	-	(734,243)
Interest and Fiscal Charges	11,995	-	-	-	(11,995)	-	(11,995)
Total Governmental Activities	2,512,082	289,279	13,694	166,657	(2,042,452)	-	(2,042,452)
Business-Type Activities:							
Sewer	1,920,667	1,956,236	-	1,371,001	-	1,406,570	1,406,570
Total Government	\$ 4,432,749	2,245,515	13,694	1,537,658	(2,042,452)	1,406,570	(635,882)

General Revenues				
Property Taxes	\$	732,379	-	732,379
Intergovernmental		103,921	-	103,921
Licenses & Permits		779,490	-	779,490
Hospitality Fees		327,391	-	327,391
Franchise Fees		143,295	-	143,295
Investment Income		106	43	149
Gain on Sale of Asset		5,977	-	5,977
Miscellaneous		21,058	-	21,058
Transfers		60,000	(60,000)	-
Total General Revenues		2,173,617	(59,957)	2,113,660
Change in Net Position		131,165	1,346,613	1,477,778
Net Position- Beginning of the Year		1,723,063	4,807,372	6,530,435
Net Position- End of the Year	\$	1,854,228	6,153,985	8,008,213

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

CITY OF INMAN
Balance Sheet - Governmental Funds
June 30, 2021

	<u>Major Funds</u>		<u>Nonmajor Fund</u>	Total Governmental Funds
	<u>General</u>	Hospitality Tax	Special Revenue	
ASSETS				
Cash and Cash Equivalents	\$ 895,175	363,114	187,602	1,445,891
Receivables:				
Taxes	50,961	-	-	50,961
Intergovernmental	17,144	-	134,676	151,820
Other	30,259	33,802	-	64,061
Prepaid Expense	3,535	-	-	3,535
	<u>997,074</u>	<u>396,916</u>	<u>322,278</u>	<u>1,716,268</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	33,279	-	-	33,279
Accrued Liabilities	81,809	-	111	81,920
Total Liabilities	<u>115,088</u>	<u>-</u>	<u>111</u>	<u>115,199</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue- Property Taxes	73,971	-	-	73,971
	<u>73,971</u>	<u>-</u>	<u>-</u>	<u>73,971</u>
Total Deferred Inflows of Resources	<u>73,971</u>	<u>-</u>	<u>-</u>	<u>73,971</u>
Total Liabilities and Deferred Inflows of Resources	<u>189,059</u>	<u>-</u>	<u>111</u>	<u>189,170</u>
Fund Balances:				
Nonspendable	3,535	-	-	3,535
Restricted For:				
Public Safety	-	-	90,282	90,282
Streets	-	-	134,676	134,676
Parks and Recreation	-	396,916	97,209	494,125
Committed	224,716	-	-	224,716
Unassigned	579,764	-	-	579,764
	<u>808,015</u>	<u>396,916</u>	<u>322,167</u>	<u>1,527,098</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 997,074</u>	<u>396,916</u>	<u>322,278</u>	<u>1,716,268</u>

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

CITY OF INMAN
 Reconciliation of Total Governmental Fund
 Balances to Net Position of Governmental Activities
 June 30, 2021

Total fund balances - Governmental funds June 30, 2021		\$ 1,527,098
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		99,760
Capital Assets Being Depreciated		5,005,389
Accumulated depreciation		<u>(3,191,199)</u>
Total capital assets		<u>1,913,950</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>73,972</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Revenue Bond		(138,000)
Capital leases		(138,488)
Accrued Interest		(2,575)
Net Pension Liability		(1,764,122)
Deferred Outflows Related to Pensions		395,946
Deferred Inflows Related to Pensions		<u>(13,553)</u>
Total long-term liabilities		<u>(1,660,792)</u>
Total net position - Governmental activities, June 30, 2021		<u><u>\$ 1,854,228</u></u>

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

CITY OF INMAN
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2021

	Major Funds		Nonmajor Fund	Total
	General	Hospitality Tax	Special Revenue	Governmental Funds
REVENUES:				
Taxes	\$ 684,257	-	-	684,257
Licenses	779,490	-	-	779,490
Intergovernmental	484,242	-	6,642	490,884
Fees and Permits	145,892	327,391	-	473,283
Fines and Forfeitures	41,361	-	16,373	57,734
Investment Income	106	-	-	106
Miscellaneous	19,061	-	2,000	21,061
Total Revenues	<u>2,154,409</u>	<u>327,391</u>	<u>25,015</u>	<u>2,506,815</u>
EXPENDITURES:				
Current:				
Administration	408,973	-	-	408,973
Streets, Sanitation & Parks	313,681	169,182	3,500	486,363
Fire	372,735	-	2,235	374,970
Police & Judicial	794,716	-	27,973	822,689
Capital Outlay	8,795	29,163	2,500	40,458
Debt Service:				
Principal	61,996	89,907	-	151,903
Interest and Fiscal Charges	5,111	8,090	-	13,201
Total Expenditures	<u>1,966,007</u>	<u>296,342</u>	<u>36,208</u>	<u>2,298,557</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>188,402</u>	<u>31,049</u>	<u>(11,193)</u>	<u>208,258</u>
OTHER FINANCING SOURCES: (Uses)				
Proceeds from Issuance of Capital Lease	-	-	-	-
Proceeds from Sale of Assets	-	-	22,576	-
Transfers In	85,000	-	-	85,000
Transfers Out	-	(25,000)	-	(25,000)
Total Other Financing	<u>85,000</u>	<u>(25,000)</u>	<u>22,576</u>	<u>82,576</u>
NET CHANGE IN FUND BALANCE	273,402	6,049	11,383	290,834
FUND BALANCES BEGINNING	<u>534,613</u>	<u>390,867</u>	<u>310,784</u>	<u>1,236,264</u>
FUND BALANCES ENDING	<u>\$ 808,015</u>	<u>396,916</u>	<u>322,167</u>	<u>1,527,098</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, 2021

Total change in fund balances - total governmental funds	\$ 290,834
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<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	40,458
Depreciation Expense	<u>(195,786)</u>
Excess of capital outlay over depreciation and other expense	<u>(155,328)</u>
<p>In the Statement of Activities, Only the Gain on the Sale of Assets is Reported Whereas in the Governmental Funds, the Proceeds from the Sale Increase Financial Resources. Thus, the Change in Net Position Differs from the Change in Fund Balances by the Net Book Value of the Assets Sold or Contributed.</p>	
Net Book Value of Asset Dispositions	<u>(73)</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 decreased by this amount this year.</p>	
	<u>(13,337)</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>	
	<u>(205,498)</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>	
Hospitality Fee Revenue Bond Principal Payment	66,000
Capital Lease Principal Payment	78,591
ConserFund Loan Principal Payment	<u>7,312</u>
	<u>151,903</u>
<p>In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expensed when due.</p>	
	<u>1,204</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources; and therefore, are not reported as expenditures in the governmental funds.</p>	
	<u>61,460</u>
Change in net position - Governmental activities, June 30, 2021	<u>\$ 131,165</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, 2021

	Enterprise Sewer Fund
ASSETS	
Current Assets	
Cash	\$ 1,255,308
Accounts Receivable, Net	168,049
Current Portion of Note Receivable	16,811
Prepaid Expense	1,931
Restricted Cash	466,897
	1,908,996
Capital Assets	19,981,634
Less Accumulated Depreciation	(10,742,098)
	9,239,536
Other Assets	
Note Receivable	582,767
	11,731,299
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan Items	137,494
	137,494
LIABILITIES	
Current Liabilities:	
Accounts Payable	19,813
Accrued Liabilities	28,937
Current Portion of Long-term Debt	155,939
	204,689
Total Current Liabilities	204,689
Long-term Debt	4,892,814
Net Pension Liability	612,598
	5,710,101
DEFERRED INFLOWS OF RESOURCES	
Pension Plan Items	4,707
	4,707
NET POSITION	
Net Investment in Capital Assets	4,190,783
Restricted For:	
Bond Retirement	353,803
Depreciation Contingency	112,453
Operation and Maintenance	640
Unrestricted	1,496,306
	1,496,306
Total Net Position	\$ 6,153,985

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, 2021

	Enterprise Sewer Fund
OPERATING REVENUES	
Charges for Services	\$ 1,797,465
Connection Fees	140,500
Miscellaneous Income	18,271
	1,956,236
OPERATING EXPENSES	
Personnel	387,922
Sewer Operation & Maintenance	544,391
Administrative and General	158,031
Interest Expense	205,526
Depreciation	624,797
	1,920,667
OPERATING INCOME (LOSS)	35,569
NON-OPERATING REVENUE (EXPENSE)	
Interest Income	43
Grants Income	1,371,000
	1,371,043
Transfer To General Fund	(60,000)
Total Non-Operating Revenue (Expense)	1,311,043
Change in Net Position	1,346,612
Net Position- Beginning of the Year	4,807,373
Net Position- End of the Year	\$ 6,153,985

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, 2021

	Enterprise Fund Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 1,959,022
Cash Payments to Suppliers	(750,780)
Cash Payment to Employees	(391,178)
Interest Paid	(205,526)
	611,538
CASH FLOWS FROM CAPITAL AND RELATED FINANCING	
Principal Paid on Capital Debt	(150,613)
Grant Received	1,371,000
Non-Operating Transfer	(60,000)
	1,160,387
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Capital Assets	(1,878,920)
Interest Income Received	43
	(1,878,877)
Net Increase in Cash	(106,952)
Cash Beginning of the Year	1,829,157
Cash Ending of the Year	1,722,205
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	35,569
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	624,797
Pension Plan Items	983
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(13,717)
(Increase) Decrease in Note Receivable	16,503
(Increase) Decrease in Prepaid Expense	217
Increase (Decrease) in Accounts Payable	(48,576)
Increase (Decrease) in Accrued Liabilities	(4,238)
Net Cash Provided by Operating Activities	\$ 611,538

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

CITY OF INMAN
Notes to Financial Statements
June 30, 2021

NOTE 1 – GENERAL STATEMENT

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Scope of the Reporting Entity

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

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

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

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

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

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

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

- *Government-Wide Financial Statements*

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

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

- *Government-Wide Financial Statements, continued*

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

- *Governmental Fund Financial Statements*

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

- *Proprietary Fund Financial Statements*

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

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

- The City reports the following major governmental funds:

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

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The City reports the following major proprietary fund:

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

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

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

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

Use of Estimates

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

Deposits and Investments

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

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

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Deposits and Investments, continued

2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investments, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
3. General obligations of the State of South Carolina or any of its political units; or revenue obligations of the State of South Carolina or its political units, if at that time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two rating categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
4. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
5. Certificates of Deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest, provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
6. Repurchase agreements when collateralized by securities as set forth in this section;
7. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustees or agent for a bond or other debt issue of the City, if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), (3) and (5) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share to that end, value its assets by the amortized cost method.

DEPOSITS:

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

Custodial Credit Risk

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

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

The deposits for the City of Inman primary government at June 30, 2021, were \$3,464,555 of which \$3,283,343 were collateralized with securities held by the pledging institution, in the City's name, or backed by Federal obligations not held in the City's name. The remaining amounts were not insured or collateralized.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

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>
<u>Statement of Net Position</u>			
Cash and Cash Equivalents	\$ 1,445,891	1,255,308	2,701,199
Restricted Cash	-	466,897	466,897
 Total Statement of Net Assets	 <u>1,445,891</u>	 <u>1,722,205</u>	 <u>3,168,096</u>
 <u>Disclosure, Deposits and Investments:</u>			
Carrying Value of Deposits:			
Held by Banks	1,445,691	1,722,205	3,167,896
Cash on Hand	200	-	200
 Total Disclosure, Deposits and Investments	 <u>\$ 1,445,891</u>	 <u>1,722,205</u>	 <u>3,168,096</u>

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

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, 2021, restricted net position for the governmental activities was \$719,083 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, 2021, 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, 2021

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, 2021, were distributed as follows:

	General Fund	Hospitality Tax	Nonmajor Funds	Total
Nonspendable				
Prepaid Expense	\$ 3,535	-	-	3,535
Restricted For:				
Public Safety	-	-	90,282	90,282
Streets	-	-	134,676	134,676
Parks & Recreation	-	396,916	97,209	494,125
Subtotal	-	396,916	322,167	719,083
Committed				
Reserves	\$ 224,716	-	-	224,716
Unassigned	579,764	-	-	579,764
TOTAL	<u>\$ 808,015</u>	<u>396,916</u>	<u>322,167</u>	<u>1,527,098</u>

A. Property Taxes

Property taxes on real property and personal property, other than licensed motor vehicles, were billed in October 2020 based on property valuations as of December 31, 2019. The taxes were due on or before January 15, 2021. 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, 2021, 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, 2021, is \$5,770.

C. Deferred Outflows/Inflows of Resources

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Deferred Inflows/Outflows of Resources, continued

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

D. Accumulated unpaid Vacation and Sick Pay

Vacation and sick pay accrue to City employees on a monthly basis based on years of service. Upon separation of employment, accrued vacation will be paid to the terminated employee. The City does not pay unused sick days when employment is terminated. Accrued vacation pay is included in accrued liabilities at year-end (General Fund \$38,626 and Sewer Fund \$15,669) 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, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. 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 no supplemental appropriation for the fiscal year ended June 30, 2021.

Assessed values for personal property and real estate are established annually by the County Tax Assessor. Assessed values for privately-owned public utilities are established by the South Carolina Tax Commission. The 2020 assessed value was \$8,881,271. The City operating tax rate during the current fiscal year was 66.20 mills.

The County of Spartanburg bills and collects the City's property and vehicle taxes. City property tax revenues are recognized when they become measurable and available. Property taxes collected within 60 days of the year end are included in revenue in the current fiscal year and are reflected as taxes receivable on the combined balance sheet. Unavailable Revenue – Property Taxes in the Deferred Inflow of Resources section of the combined balance sheet are taxes paid in advance, not to be recognized as revenue until they are levied.

The City follows Governmental Accounting Standards Board (GASB) Statement Number 33, Accounting and Financial Reporting for Non-exchange Transactions to account for non-exchange revenues, which primarily consist of imposed non-exchange revenues or ad valorem taxes. Under the standard, a receivable is recorded when an enforceable legal claim for property taxes has arisen, and revenue is recognized when the resources are available.

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

G. Excess of Expenditures Over Appropriations

For the year ended June 30, 2021, expenditures exceeded the budget appropriation by \$174,346 for the general fund.

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

- *Statement No. 87*, “Leases.” The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

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 Fund	Special Revenue Funds	Total
Taxes	\$ 92,450	-	-	92,450
Other	30,259	33,802	-	64,061
Gross Receivables	122,709	33,802	-	156,511
Less Allowance	(41,489)	-	-	(41,489)
Net Receivables	<u>\$ 81,220</u>	<u>33,802</u>	<u>-</u>	<u>115,022</u>

Intergovernmental:

Intergovernmental receivables consist of the following:

State of South Carolina	\$ 17,144
Spartanburg County	134,676
Total Intergovernmental Receivables	<u>\$ 151,820</u>

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, 2021	Bond and Interest A	Operation and Maintenance B	Depreciation Contingency A	Cushion A	Total
Total Restricted Cash	353,803	640	112,453	-	\$ 466,897

A = Required

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

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.

A. General Fund

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

Primary government capital asset activity for the year ended June 30, 2021 is as follows:

Governmental Activities	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land	\$ 70,597	29,163	-	-	99,760
Construction in Progress	-	-	-	-	-
Total Capital Assets at Historical Cost Not Being Depreciated	<u>70,597</u>	<u>29,163</u>	<u>-</u>	<u>-</u>	<u>99,760</u>
Capital Assets Being Depreciated:					
Buildings and Building Improvements	363,570	-	-	-	363,570
Improvements / Infrastructure	2,732,749	-	-	-	2,732,749
Machinery, Equipment & Furniture	362,289	-	-	-	362,289
Fire Trucks	1,147,785	-	-	-	1,147,785
Vehicles	396,351	11,295	8,650	-	398,996
Total Capital Assets at Historical Cost Being Depreciated	5,002,744	11,295	8,650	-	5,005,389
Less Accumulated Depreciation	3,003,990	195,786	8,577	-	3,191,199
Total Capital Assets Being Depreciated, Net Government-Type Activities Capital Assets, Net	<u>\$ 2,069,351</u>	<u>(184,491)</u>	<u>73</u>	<u>-</u>	<u>1,814,190</u>
	<u>\$ 2,069,351</u>	<u>(155,328)</u>	<u>73</u>	<u>-</u>	<u>1,913,950</u>

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

Administration	\$ 11,470
Streets, Sanitation & Park	138,608
Fire	13,053
Police & Judicial	32,655
Total	<u>\$ 195,786</u>

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

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, 2021 is as follows:

Business-Type Activities	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land	\$ 75,331	-	-		75,331
Construction in Progress	529,492	1,765,187	-	(1,575,394)	719,285
	<u>604,823</u>	<u>1,765,187</u>	<u>-</u>	<u>(1,575,394)</u>	<u>794,616</u>
Capital Assets Being Depreciated:					
Sewer Plant	12,429,545	-	-	-	12,429,545
Sewer Lines & Infrastructure	3,939,081	1,575,394	-	1,575,394	5,514,475
Vehicles	393,949	-	-	-	393,949
Machinery and Equipment	735,315	113,734	-	-	849,049
Total Capital Assets Being Depreciated	<u>17,497,890</u>	<u>1,689,128</u>	<u>-</u>	<u>1,575,394</u>	<u>19,187,018</u>
Less Accumulated Depreciation	<u>10,117,301</u>	<u>624,797</u>	<u>-</u>	<u>-</u>	<u>10,742,098</u>
Total Capital Assets Being Depreciated, Net	<u>7,380,589</u>	<u>1,064,331</u>	<u>-</u>	<u>1,575,394</u>	<u>8,444,920</u>
Business-Type Activities Capital Assets, Net	<u>\$ 7,985,412</u>	<u>2,829,518</u>	<u>-</u>	<u>-</u>	<u>9,239,536</u>

The depreciation expense of \$624,797 is reported in the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position.

NOTE 6 – LONG-TERM DEBT

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

A. General Fund

Capital Leases

- 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 \$58,618 and a balloon payment of \$213,834 on March 2021. The truck was capitalized at a cost of \$661,410. On March 2012 this equipment base was refinanced at a 2.79% interest rate, due March 2023, with annual payments of \$55,559. At June 30, 2021 accumulated depreciation related to this truck was \$661,410 with a net book value of \$0. The future minimum lease payments under the capital lease are as follows: \$106,489 principal and \$4,477 interest.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 6 – LONG-TERM DEBT, Continued

A. General Fund, continued

2. On October 2018, the City financed a 2019 Dodge Charger in the amount of \$23,949 under an equipment lease-purchase agreement with a 3.540% interest rate, due October 2023, with annual payments of \$5,310. The truck was capitalized at a cost of \$23,949. At June 30, 2021 accumulated depreciation related to this truck was \$11,975 with a net book value of \$11,975. The future minimum lease payments under the capital lease are as follows: \$14,866 principal and \$1,065 interest.
3. On January 2019 the City financed a 2018 Ford F-150 truck in the amount of \$37,545 under an equipment lease-purchase agreement with a 6.90% interest rate, due December 2021, to be paid in 36 consecutive monthly in advance payments of \$1,151 including interest. The truck was capitalized at a cost of \$37,500. At June 30, 2021 accumulated depreciation related to this truck was \$18,750 with a net book value of \$18,750. The future minimum lease payments under the capital lease are as follows: \$5,657 principal and \$98 interest.
4. On September 2019 the City financed a 2019 Dodge Charger in the amount of \$30,188 under an equipment lease-purchase agreement with a 6.013% interest rate, due August 2022, to be paid in 36 consecutive monthly in advance payments of \$914 including interest. The car was capitalized at a cost of \$30,188. At June 30, 2021 accumulated depreciation related to this truck was \$11,069 with a net book value of \$19,199. The future minimum lease payments under the capital lease are as follows: \$11,475 principal and \$407 interest.

Loan Payable

On June 2016, the City entered into a 5 year Conserve Fund Loan Agreement with the SC Office of Regulatory Staff- Energy Office. The original loan was \$35,156 with a 2% interest rate, annual payment of \$7,459, and due April 2021. The proceeds were used for the installation of energy efficient LED lights in and around the City building facilities.

Revenue Bond

On March 2018, the City issued the Hospitality Fee Revenue Bond Series 2019 competitively sold and directly placed with a bank in the amount of \$330,000 bearing interest at the rate of 2.94% per annum, to pay off the Hospitality Fee Revenue Bond Anticipation Note issued in June 2017. Principal and interest payments are due annually with the final payment due March 2023.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 6 – LONG-TERM DEBT, Continued

A. General Fund, continued

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

Year End June 30	Capital Leases		Direct Placement- Hospitality Fee Revenue Bond Series 2018		ConserFund Loan		Total Debt Service	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	73,519	3,997	68,000	4,057	-	-	141,519	8,054
2023	59,840	1,867	70,000	2,058	-	-	129,840	3,925
2024	5,129	182	-	-	-	-	5,129	182
	<u>\$ 138,488</u>	<u>6,046</u>	<u>138,000</u>	<u>6,115</u>	<u>-</u>	<u>-</u>	<u>276,488</u>	<u>12,162</u>

B. Enterprise Fund

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

	Direct Placement- Sewer System Revenue Bond Series 2017
Amount	\$ 1,255,415
Monthly Payment	8,377.27
Interest Rate	2.59%
Maturity Date	6/28/2032

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 6 – LONG-TERM DEBT, Continued

C. Enterprise Fund, continued

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

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

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

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

Year Ended June 30	Total	
	Principal	Interest
2022	155,942	200,198
2023	161,470	194,669
2024	167,207	188,932
2025	173,163	182,976
2026	179,343	176,796
2027-2031	997,991	782,705
2032-2036	768,822	609,736
2037-2041	832,078	445,982
2042-2046	1,033,808	244,252
2047-2049	578,929	31,651
	\$ 5,048,753	3,057,897

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, 2021 the City had set aside funds as follows:

	Annual Payment	Reserve Balance
Revenue Bonds Series 2008	\$ 255,612	\$ 353,803
Revenue Bonds Series 2017	100,527	
Total In Bank Account		\$ 353,803

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 6 – LONG-TERM DEBT, Continued

D. Changes in Long-Term Debt

1. General Fund

	Balance			Balance June 30, 2021	Due Within One Year
	June 30, 2020	Additions	Retirements		
Capital Leases	\$ 217,078	-	78,591	138,487	73,519
Direct Placement -					
Hospitality Fee Revenue Bond	204,000	-	66,000	138,000	68,000
ConserFund Loan (Capital Lease)	7,312	-	7,312	-	-
Net Pension Liability	1,488,558	535,657	260,093	1,764,122	-
Total	<u>\$ 1,916,948</u>	<u>535,657</u>	<u>411,996</u>	<u>2,040,609</u>	<u>141,519</u>

2. Enterprise Fund

	Balance			Balance June 30, 2021	Due Within One Year
	June 30, 2020	Additions	Retirements		
USDA Rural Development					
Direct Placement -					
Sewer System Revenue Bonds					
Series 2008	\$ 4,163,475	-	76,034	4,087,441	79,408
Series 2017	1,035,891	-	74,579	961,312	76,531
Net Pension Liability	605,973	186,009	179,384	612,598	-
Total	<u>\$ 5,805,339</u>	<u>186,009</u>	<u>329,997</u>	<u>5,661,351</u>	<u>155,939</u>

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

Events of Default

The City's outstanding financed purchases (capital leases) related to governmental activities of \$138,488 contain provisions that in an event of default, outstanding amounts become immediately due if the City is unable to make payment. The equipment must then be returned to lessor at the City's expense, and the equipment and all of the City's rights therein shall be deemed surrendered to lessor. The City has pledged a fire pumper truck and three vehicles as collateral for the financed purchases.

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

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 7 - PENSION PLANS

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

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

Plan Descriptions

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

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 7 - PENSION PLANS, Continued

Plan Descriptions, Continued

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

Membership

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

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

State ORP - As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; 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. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 7 - PENSION PLANS, Continued

Benefits, Continued

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

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

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

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

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 7 - PENSION PLANS, Continued

Contributions, Continued

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Effective July 1, 2020, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 18.24%. Included in the total SCRS employer contribution rate is a base retirement contribution of 15.41% and 0.15% for the incidental death benefit program. The City's actual retirement and incidental death benefit program contributions for participating employees to the SCRS for the years ended June 30, 2021, 2020, and 2019 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2021	15.410%	\$ 88,777	0.15%	\$ 864
2020	15.410%	\$ 100,848	0.15%	\$ 982
2019	14.410%	\$ 88,720	0.15%	\$ 924

Effective July 1, 2020, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was %. Included in the total PORS employer contribution rate is a base retirement contribution of 17.84%, 0.20% for the incidental death benefit program, and 0.20% for the accidental death program. The City's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2021, 2020, and 2019 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>		<u>Accidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2021	17.840%	\$ 74,626	0.20%	\$ 837	0.20%	\$ -
2020	17.840%	\$ 72,135	0.20%	\$ 809	0.20%	\$ -
2019	16.840%	\$ 65,809	0.20%	\$ 782	0.20%	\$ -

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 7 - PENSION PLANS, Continued

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2020, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020.

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

¹ Includes inflation at 2.25%

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 7 - PENSION PLANS, Continued

Actuarial Assumptions and Methods, Continued

Assumptions used in the determination of the June 30, 2020, TPL are as follows:

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

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2020, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	City's Proportionate Share of NPL	City's Portion of NPL
SCRS	\$ 51,844,187,763	26,292,418,682	25,551,769,081	50.7%	0.005864%	1,498,245
PORS	8,046,386,629	4,730,174,642	3,316,211,987	58.8%	0.026490%	878,476
						<u>2,376,720</u>

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

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

At June 30, 2021, the City reported liabilities of \$1,498,245 and \$878,476 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2020. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2020, the City's SCRS and PORS proportion was 0.005864% and 0.026490%, respectively.

For the year ended June 30, 2021, the City recognized net pension expenses of \$228,907 and \$142,683 for SCRS and PORS, respectively.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 7 - PENSION PLANS, Continued

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

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Deferred Outflows of Resources			
Difference between Expected and Actual Experience	\$ 17,288	18,669	35,957
Changes of Assumptions	1,836	10,720	12,556
Net difference between Projected and Actual Earnings on Pension Plan Investments	110,208	89,954	200,162
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	64,345	55,317	119,662
City's Contributions Subsequent to the Measurement Date	<u>89,641</u>	<u>75,462</u>	<u>165,103</u>
TOTAL	<u>\$ 283,318</u>	<u>250,122</u>	<u>533,440</u>
Deferred Inflows of Resources			
Difference between Expected and Actual Experience	\$ 5,666	3,867	9,533
Changes of Assumptions	-	-	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	-	<u>8,727</u>	<u>8,727</u>
TOTAL	<u>\$ 5,666</u>	<u>12,594</u>	<u>18,260</u>

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 7 - PENSION PLANS, Continued

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

The \$89,641 and \$75,462 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date for SCRS and PORS, respectively, during the year ended June 30, 2021 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>SCRS</u>	<u>PORS</u>
2022	\$ 64,699	54,641
2023	54,600	51,454
2024	40,589	32,897
2025	28,123	23,074
2026	-	-
Thereafter	-	-

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 7 - PENSION PLANS, Continued

Long-Term Expected Rate of Return, Continued

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

Global Equity		51.0%		
Global Public Equity	1, 2	35.0%	7.81%	2.73%
Private Equity	2, 3	9.0%	8.91%	0.80%
Equity Options Strategies	1	7.0%	5.09%	0.36%
Real Assets		12.0%		
Real Estate (Private)	2, 3	8.0%	5.55%	0.44%
Real Estate (REITs)	2	1.0%	7.78%	0.08%
Infrastructure (Private)	2, 3	2.0%	4.88%	0.10%
Infrastructure (Public)	2	1.0%	7.05%	0.07%
Opportunistic		8.0%		
Global Tactical Asset Allocation	1	7.0%	3.56%	0.25%
Other Opportunistic Strategies		1.0%	4.41%	0.04%
Credit		15.0%		
High Yield Bonds/Bank Loans	1, 2	4.0%	4.21%	0.17%
Emerging Markets Debt		4.0%	3.44%	0.14%
Private Debt	2, 3	7.0%	5.79%	0.40%
Rate Sensitive		14.0%		
Core Fixed Income	1	13.0%	1.60%	0.21%
Cash and Short Duration (Net)		1.0%	0.56%	0.01%
Total Expected Return	4	<u>100.0%</u>		<u>5.80%</u>
Inflation for Actuarial Purposes				<u>2.25%</u>
				<u>8.05%</u>

- 1 Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.
- 2 The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.
- 3 RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.
- 4 The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 7 - PENSION PLANS, Continued

Discount Rate

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

Sensitivity Analysis

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

<u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u>			
Plan	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	\$ 1,856,891	1,498,245	1,198,771
PORS	1,162,954	878,476	650,058

Additional Financial and Actuarial Information

Information contained in this note was compiled from the Systems' audited financial statements for the fiscal year ending June 30, 2020, and the accounting valuation report as of June 30, 2020. Additional financial information supporting the preparation of the Schedules of Pension Amounts by Employers (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

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 \$54,198 of court fines is reported as revenue in the General Fund. The City maintained a Victim Services Account for the fiscal year. The \$36,233 of funds available for carry-forward is reported as a cash asset of the Special Revenue Fund.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 9 – DEFERRED COMPENSATION PLAN

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

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

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

NOTE 10 – CONTINGENCIES

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

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

NOTE 11 – COMMITMENTS

The City has entered into an agreement with the Town of Chesnee to provide specified services necessary to operate its waste treatment facilities in exchange for \$38,000 annually to be paid monthly, in addition to labor and materials cost of maintenance and repairs. The total amount received under this agreement for the fiscal year ended June 30, 2021 was \$47,354 including reimbursement for the costs for maintenance and repairs and is included in operating revenues in the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 12 – LOAN RECEIVABLE

The City has entered into a Sewer System Improvements Agreement with Spartanburg County School District One whereby the City constructed a sewer line extension for the benefit of the District, and obtained financing from USDA/Rural Development in the form of a grant and a loan. This grant portion does not have to be repaid however the loan is to be repaid over a forty year period with interest. The District agreed to be responsible for 1.853% of the monthly payments, or \$2,315 per month over the term of the loan. The total amount of principal and interest payment and a summary of the loan receivable activity for the fiscal year ended June 30, 2021 is shown below:

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021
Loan Receivable - Spartanburg County School District	\$ 616,081	-	16,505	599,578

Year Ended June 30	Principal	Interest	Total
2022	\$ 16,811	10,969	27,780
2023	17,126	10,654	27,780
2024	17,446	10,334	27,780
2025	17,772	10,008	27,780
2026	18,104	9,676	27,780
2027-2031	95,723	43,177	138,900
2032-2036	105,009	33,891	138,900
2037-2041	115,195	23,705	138,900
2042-2046	126,370	12,530	138,900
2047-2049	70,022	1,743	71,765
	\$ 599,578	166,687	766,265

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 13 – TAX ABATEMENTS

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

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

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

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

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

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

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

	<u>Fee in Lieu of Tax</u>	<u>Special Source Revenue Credits</u>	<u>Total</u>	<u>Total Ad Valorem Tax</u>
Spartanburg County	\$ 9,147,738	5,027,732	14,175,470	20,178,844
City of Inman's Portion	9.29	-	9.29	40.18

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2021

NOTE 14 – OTHER MATTERS

On November 25, 2019 City Council met and voted to approve the letter of conditions as issued and set forth by USDA Rural Development for the financing of a wastewater treatment plant upgrade project with a total projected cost of \$12,843,130. The funding for this project as offered by the USDA Rural Development would be in the form at two separate loans totaling \$10,843,000 and a grant of \$2,000,130. While no loan or grant documents have been signed as of June 30, 2021 or as of the date of this report, the City has essentially voted to move forward with the project and within the USDA Rural Development guidelines and requirements. The USDA Rural Development has set aside and committed the funds, to be drawn on once the design is complete and approved, and as the project progresses. As of June 30, 2021, a total of \$276,381 had been paid for engineering design services, of which \$182,658 were eligible to be reimbursed from loan funds once the project design is approved and the loan documents are executed. Interest will accrue as funds are drawn and spent.

Due to the COVID-19 Pandemic that has continued to develop, the City is continuing to evaluate what effect it will have on its operation with respect to revenues, the collectability of receivables including timing concessions, the ability to obtain necessary materials and supplies, the health and stability of the workforce, and the ability to be mobile, access service locations, and continue to provide essential services at an appropriate level, all within the guidelines and mandates of federal, state and local governments and officials. At this time, as of the date of this report, it is management's opinion that the City will experience minimal effect on its ongoing operations, or the value of its assets and obligations long term.

NOTE 15 – SUBSEQUENT EVENTS

Management has through May 27, 2022, the date the financial statements were available to be issued, considered whether events have occurred or circumstances exist subsequent to the date of the financial statements, June 30, 2021, that would have materially significant effect on the carrying amounts of assets or liabilities, including estimates, and no such items have been identified.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INMAN
 Schedule of General Fund - Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2021

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 620,000	620,000	684,257	64,257
Licenses, Permits, Fees	616,000	616,000	922,837	306,837
Intergovernmental	317,152	317,152	484,242	167,090
Police Fines	55,000	55,000	41,362	(13,638)
Garbage Service	3,000	3,000	2,547	(453)
Miscellaneous	6,000	6,000	19,164	13,164
Total Revenues	<u>1,617,152</u>	<u>1,617,152</u>	<u>2,154,409</u>	<u>537,257</u>
EXPENDITURES:				
Administration:				
Salaries, Benefits	213,319	213,319	196,511	16,808
Debt Service	7,459	7,459	7,459	-
Capital Outlay	-	-	-	-
Utilities	23,000	23,000	19,155	3,845
Other	69,144	69,144	104,105	(34,961)
Mayor's Office:				
Salaries, Benefits	7,453	7,453	7,159	294
Travel	3,000	3,000	947	2,053
Other	4,500	4,500	3,770	730
City Council:				
Salaries, Benefits	14,910	14,910	13,197	1,713
Travel	6,000	6,000	3,497	2,503
Fire:				
Salaries, Benefits	201,329	201,329	170,499	30,830
Debt Service	30,000	30,000	29,559	441
Capital Outlay	16,000	16,000	156,097	(140,097)
Utilities	12,000	12,000	10,178	1,822
Other	38,450	38,450	34,634	3,816
Police				
Salaries, Benefits	702,486	702,486	699,568	2,918
Debt Service	7,200	7,200	5,310	1,890
Capital Outlay	-	-	8,795	-
Utilities	2,000	2,000	4,029	(2,029)
Other	95,642	95,642	108,949	(13,307)
Streets, Sanitation & Park:				
Salaries, Benefits	68,025	68,025	66,840	1,185
Sanitation Contract	121,000	121,000	126,270	(5,270)
Streets Lights	55,000	55,000	59,274	(4,274)
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	37,470	37,470	61,297	(23,827)
Planning and Zoning:				
Salaries, Benefits	5,150	5,150	5,655	(505)
Other	1,875	1,875	1,129	746
Municipal Court:				
Contract Services	7,200	7,200	7,200	-
Jury Fees	900	900	766	134
Other	610	610	310	300
Non-Departmental:				
COLA	-	-	-	-
CIP	40,539	40,539	53,848	(13,309)
Total Expenditures	<u>1,791,661</u>	<u>1,791,661</u>	<u>1,966,007</u>	<u>(174,346)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(174,509)</u>	<u>(174,509)</u>	<u>188,402</u>	<u>362,911</u>
OTHER FINANCING SOURCES:				
Transfers In	85,000	85,000	85,000	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(89,509) *	(89,509) *	273,402	362,911
FUND BALANCES BEGINNING			<u>534,613</u>	
FUND BALANCES ENDING			<u>808,015</u>	

* This amount represents fund balances budgeted by ordinance.

CITY OF INMAN
Schedule of Hospitality Fund - Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ -	-	-	-
Licenses, Permits, Fees	200,000	200,000	327,391	127,391
Intergovernmental	-	-	-	-
Police Fines	-	-	-	-
Garbage Service	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>327,391</u>	<u>127,391</u>
EXPENDITURES:				
Administration:				
Salaries, Benefits	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	-	29,163	(29,163)
Utilities	-	-	-	-
Other	177,300	177,300	169,181	8,119
Streets, Sanitation & Parks:				
Salaries, Benefits	-	-	-	-
Debt Service	71,700	71,700	71,998	(298)
Sanitation Contract	-	-	-	-
Streets Lights	-	-	-	-
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Fire:				
Salaries, Benefits	-	-	-	-
Debt Service	26,000	26,000	26,000	-
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Police & Judicial:				
Salaries, Benefits	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Total Expenditures	<u>275,000</u>	<u>275,000</u>	<u>296,342</u>	<u>(21,342)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>31,049</u>	<u>106,049</u>
OTHER FINANCING SOURCES:				
Proceeds from Issuance of Capital Lease	-	-	-	-
Insurance Proceeds	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(25,000)	(25,000)	(25,000)	-
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(100,000) *	(100,000) *	6,049	106,049
FUND BALANCES BEGINNING			<u>390,867</u>	
FUND BALANCES ENDING			<u><u>396,916</u></u>	

* This amount represents fund balances budgeted by ordinance.

City of Inman
Pension Plan Required Supplementary Information
For the Year Ended June 30, 2021

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)
Schedule of the City's Proportionate Share of the Net Pension Liability

Year	Proportion of the Net Pension Liability	City's Proportion of the Net Pension Liability	Covered Payroll During the Measurement Period	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.005864%	\$ 1,498,245	\$ 654,430	228.94%	50.70%
June 30, 2020	0.005830%	1,331,336	615,680	216.24%	54.40%
June 30, 2019	0.005525%	1,238,079	560,280	220.98%	54.10%
June 30, 2018	0.005067%	1,140,663	511,253	223.11%	53.30%
June 30, 2017	0.004660%	995,369	451,225	220.59%	52.90%
June 30, 2016	0.004465%	846,809	418,648	202.27%	57.00%
June 30, 2015	0.004474%	770,559	406,178	189.71%	59.90%

Schedule of Employer Contribution

Year	Statutorily Required Contribution	Contributions Recognized by the Plan	Contributions Excess (Deficiency)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2021	\$89,641	89,641	-	\$ 576,102	15.56%
June 30, 2020	101,829	101,829	-	654,430	15.56%
June 30, 2019	89,643	89,643	-	615,680	14.56%
June 30, 2018	75,981	75,981	-	560,280	13.56%
June 30, 2017	59,101	59,101	-	511,253	11.56%
June 30, 2016	49,906	49,906	-	451,225	11.06%
June 30, 2015	45,005	45,005	-	418,648	10.75%

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

City of Inman
Pension Plan Required Supplementary Information
For the Year Ended June 30, 2021

POLICE OFFICERS RETIREMENT SYSTEM (PORS)
Schedule of the City's Proportionate Share of the Net Pension Liability

Year	Proportion of the Net Pension Liability	City's Proportion of the Net Pension Liability	Covered Payroll During the Measurement Period	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.026490%	\$ 878,476	\$ 404,342	217.26%	58.80%
June 30, 2020	0.026630%	763,196	390,789	195.30%	62.70%
June 30, 2019	0.022888%	648,541	333,014	194.75%	61.70%
June 30, 2018	0.022000%	604,073	301,169	200.58%	60.90%
June 30, 2017	0.024230%	614,689	313,512	196.07%	60.40%
June 30, 2016	0.004465%	846,809	418,648	202.27%	64.60%
June 30, 2015	0.004474%	770,559	406,178	189.71%	67.50%

Schedule of Employer Contribution

Year	Statutorily Required Contribution	Contributions Recognized by the Plan	Contributions Excess (Deficiency)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2021	\$ 75,462	\$ 75,462	-	\$ 418,306	18.04%
June 30, 2020	72,943	72,943	-	404,342	18.04%
June 30, 2019	66,590	66,590	-	390,789	17.04%
June 30, 2018	53,415	53,415	-	333,014	16.04%
June 30, 2017	42,284	42,284	-	301,169	14.04%
June 30, 2016	42,450	42,450	-	313,512	13.54%
June 30, 2015	39,145	39,145	-	300,882	13.01%

Note: 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, 2021

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			113,383	113,383
Court fines and assessments remitted to State Treasurer			63,657	63,657
Total Court Fines and Assessments retained			49,726	49,726
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			1,812	1,812
Assessments retained			5,380	5,380
Total Surcharges and Assessments retained for victim services			7,192	7,192

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	35,072		35,072
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	7,192		7,192
Victim Service Surcharges Retained by City/County Treasurer			
Interest Earned			
Other			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Service Contracts:			
(1) City of Landrum			
(2) Town of Campobello	2,400		2,400
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	44,664		44,664
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	6,814		6,814
Operating Expenditures	1,617		1,617
Victim Service Contract(s):			
(1) Entity's Name			
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	8,431		8,431
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	36,233		36,233
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	36,233		36,233