

CITY OF INMAN

Independent Auditors' Report

**Financial Statements and Schedules
For the Year Ended June 30, 2023**

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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Inman (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2023, the City adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

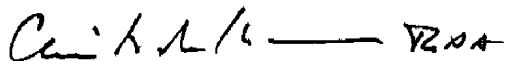
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison, the schedule of the City's proportionate share of the net pension liability and contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of 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 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Municipal Court Schedule of Fines and Fees, Assessments and Surcharges is 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 June 3, 2024, on our consideration of the City'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 to provide an opinion on the effectiveness of the City'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 City's internal control over financial reporting and compliance.



Gaffney, SC
June 3, 2024

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, 2023 ("FY 2023"). 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 2023 by \$9,128,848 (*net position*). Of this amount, \$2,189,665 (*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 \$12,334 with a decrease of \$75,847 for governmental activities and an increase of \$88,181 for business-type activities.
- As of the close of FY 2023, the City's governmental funds reported combined ending fund balances of \$2,730,889, an increase of \$418,182 compared to the prior fiscal year. Approximately 29% of this total amount, or \$780,399 is available for spending at the government's discretion (*unassigned fund balance*).
- Unassigned fund balance for the General Fund was \$780,399 at June 30, 2023, or approximately 25% of total General Fund expenditures for FY 2023. The City's unassigned fund balance for the General Fund decreased by \$647,587 compared to the prior fiscal year.
- The City's total capital assets (net of depreciation and amortization) were valued at \$11,597,569 at the close of the fiscal year, an increase of approximately 3%, or \$388,355 compared to the prior fiscal year.
- Total long-term debt for the Governmental Activities was \$2,255,129 at the end of FY 2023, an increase of \$1,370,161 compared to the prior fiscal year. For the Enterprise Fund, long-term debt was \$4,731,341 as of the end of FY 2023, a decrease of \$161,470 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 2023 and FY 2022.

	Net Position (in thousands)					
	Governmental Activities		Business-Type Activities		Total Government	
	2023	2022	2023	2022	2023	2022
Cash and Cash Equivalents	\$ 3,202	1,575	2,865	2,371	6,067	3,946
Other Assets	320	949	805	826	1,125	1,775
Capital Assets	3,301	2,388	8,297	8,821	11,598	11,209
Total	6,823	4,912	11,967	12,018	18,790	16,930
Deferred Outflows	423	326	137	106	560	432
Other Liabilities	733	141	73	58	806	199
Net Pension Liability	1,749	1,366	568	444	2,317	1,810
Long-Term Liabilities	2,255	885	4,731	4,893	6,986	5,778
Total	4,737	2,392	5,372	5,395	10,109	7,787
Deferred Inflows	85	346	28	113	113	459
Net Position:						
Net Investment in Capital Assets	1,046	2,253	3,565	3,928	4,611	6,181
Restricted	1,778	650	549	507	2,327	1,157
Unrestricted	(400)	(403)	2,590	2,181	2,190	1,778
Total	\$ 2,424	2,500	6,704	6,616	9,128	9,116

As of June 30, 2023, the net position of the governmental activities decreased \$75,847, from \$2,500,257 to \$2,424,410. Also, unrestricted net position of the governmental activities increased \$2,260. 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 \$1,626,853 to approximately \$3.2 million.

For the City's business-type activities, as of June 30, 2023, net position increased \$88,181, to \$6.7 million. Capital assets decreased \$524,460 primarily due to depreciation being more than asset additions, while long-term liabilities decreased \$161,470.

The City implemented GASB Statement No. 68 in fiscal year 2015. Thus, for FY 2023, the City recorded a net pension liability of \$2.3 million. See Note 7 for more information related to the City's proportionate share of net pension liabilities of the South Carolina Retirement System and Police Officers' Retirement System.

	Change in Net Position (in thousands)					
	Governmental Activities		Business-Type Activities		Total Government	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program Revenues:						
Charges for Services	\$ 378	326	2,250	2,398	2,628	2,724
Grants & Contributions	11	331	2	-	13	331
Capital Grants & Contributions	72	285	-	-	72	285
General Revenues:						
Property Taxes	1,024	853	-	-	1,024	853
Intergovernmental	115	115	-	-	115	115
Licenses, Permits & Fees	1,217	1,337	-	-	1,217	1,337
Donations	-	-	-	-	-	-
Gain on Sale of Assets	-	80	-	-	-	80
Miscellaneous	30	31	21	14	51	45
Total Revenues	2,847	3,358	2,273	2,412	5,120	5,770
EXPENSES						
Administration	543	517	-	-	543	517
Maintenance, Recreation, & Tourism	899	814	-	-	899	814
Fire	361	344	-	-	361	344
Police & Judicial	1,099	1,036	-	-	1,099	1,036
Recreation & Tourism	-	-	-	-	-	-
Interest & Fiscal Charges	124	18	-	-	124	18
Sewer	-	-	2,082	1,933	2,082	1,933
Total Expenses	3,026	2,729	2,082	1,933	5,108	4,662
Excess (Deficiency) Before Transfers	(179)	629	191	479	12	1,108
Transfers	103	17	(103)	(17)	-	-
Increase (Decrease) in Net Position	(76)	646	88	462	12	1,108
Net Position- Beginning	2,500	1,854	6,616	6,154	9,116	8,008
Net Position- Ending	\$ 2,424	2,500	6,704	6,616	9,128	9,116

Now, moving on to an overview of City operations in FY 2023, governmental activity revenues were \$75,847 dollars less than expenses. Property tax revenues accounted for 35% of revenues in the governmental activities category, increasing by \$170,864 over FY 2022. Nonetheless, total revenues in the governmental activities category decreased by \$511,000, primarily due to a decrease in grants and contributions and licenses and fees. Major revenue sources in this category (aside from property taxes) include hospitality tax revenues, which increased, business license revenues, which also increased and grants and contributions, which decreased by approximately 543,000. Finally, total expenses associated with governmental activities increased by \$297,000. 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 and transfers for the business-type activities (that is, for the sewer fund) decreased \$224,372. This decrease is due primarily to a decrease in charges for services. Revenue exceeded expense and transfers by \$88,181 for FY 2023. Revenues exceeded expenses and transfers by \$753,948 if depreciation expenses are not included in the calculation. Finally, net position for business-type activities increased 1.33% compared to FY 2022.

Budget Highlights

For FY 2023, General Fund revenues totaled \$2.3 million. This was \$359 thousand more than had been budgeted. On the other hand, total expenditure was \$3 million, which is above budgeted amounts by \$969,599. Property tax revenues were more than budget by \$170 thousand. Revenues from licenses, fees and permits were \$158 thousand higher than budgeted.

There were no unanticipated expenses for the General Fund for FY 2023. 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.

Capital Assets

At June 30, 2023, the City had \$27 million invested in gross capital assets including land, buildings, improvements, sewer facilities, vehicles, machinery, equipment, and furniture. This was an increase of approximately \$1.3 million from the prior year.

Capital Assets at Year-End (in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities		Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 193	193	75	75	268	268
Construction In Progress	1,202	190	839	798	2,041	988
Buildings & Improvements	3,095	3,095	-	-	3,095	3,095
Sewer Plant & Lines	-	-	17,974	17,944	17,974	17,944
Vehicles	1,798	1,742	515	444	2,313	2,186
Machinery, Equipment, & Furniture	411	356	876	876	1,287	1,232
Software	26	-	-	-	26	-
Subtotal	6,725	5,576	20,279	20,137	27,004	25,713
Accumulated Depreciation	3,424	3,188	11,982	11,316	15,406	14,504
Capital Assets, Net	<u>\$ 3,301</u>	<u>2,388</u>	<u>8,297</u>	<u>8,821</u>	<u>11,598</u>	<u>11,209</u>

Debt Service

Finally, as the table below shows, total debt increased by a net of \$1,208 thousand due primarily to the issuance of \$1,500,000 Hospitality Fee Revenue Bond for the acquisition and financing of a new rescue pumper fire truck.

Debt Outstanding at Year-End (in thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2023	2022	2023	2022	2023	2022
Finance Leases	\$ 755	815	-	-	755	815
Direct Placement- Hospitality Fee Revenue Bond	1,500	70	-	-	1,500	70
Direct Placement- Sewer System Revenue Bonds	-	-	4,731	4,893	4,731	4,893
Total	\$ 2,255	885	4,731	4,893	6,986	5,778

During the fiscal year of 2022-23 the City of Inman was able to see continued growth. A major project started over the past year was Main Street. Inman has been able to join the Main Street SC family as an aspiring community. With the support and guidance from Main Street SC Inman will be able to develop a long-term sustainable approach to the downtown district. Being a part of Main Street will allow city staff and committees the ability to call on other cities for help and find best practices to grow.

The residential housing numbers continue to be very positive. Over the last fiscal year, the city has permitted over 120 new homes. For 23/24 there are two new developments that will be close to 100 homes already planned. Holliday Brewing is coming up on one year of operation and the Inman Roadhouse has also added another downtown dining option.

The Wastewater Treatment Plant Expansion project was awarded and will begin in the coming months. This project will position our sewer system to be able to handle our growth comfortably. Also, the City has received close to 2.5 million dollars in state funds to complete three sewer line restoration projects.

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, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,202,090	2,315,635	5,517,725
Receivables			
Property Taxes, Net	61,183	-	61,183
Intergovernmental	154,429	-	154,429
Other	93,688	236,383	330,071
Prepaid Expense	10,957	3,500	14,457
Restricted Cash	-	549,050	549,050
Note Receivable	-	565,641	565,641
Capital Assets Not Being Depreciated	1,395,396	914,156	2,309,552
Capital Assets Being Depreciated	5,329,315	19,364,900	24,694,215
Accumulated Depreciation	(3,423,879)	(11,982,319)	(15,406,198)
Total Capital Assets Net of Depreciation	<u>3,300,832</u>	<u>8,296,737</u>	<u>11,597,569</u>
Total Assets	<u><u>6,823,179</u></u>	<u><u>11,966,946</u></u>	<u><u>18,790,125</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan Items	<u>423,016</u>	<u>137,441</u>	<u>560,457</u>
LIABILITIES			
Accounts Payable	43,539	25,476	69,015
Accrued Liabilities	129,432	47,457	176,889
Unearned Revenue	532,414	-	532,414
Accrued Interest Payable	27,901	-	27,901
Long-term Liabilities:			
Due Within One Year	166,552	167,207	333,759
Due in More than One Year	2,088,577	4,564,134	6,652,711
Net Pension Liability	<u>1,748,503</u>	<u>568,101</u>	<u>2,316,604</u>
Total Liabilities	<u><u>4,736,918</u></u>	<u><u>5,372,375</u></u>	<u><u>10,109,293</u></u>
DEFERRED INFLOWS OF RESOURCES			
Pension Plan Items	<u>84,867</u>	<u>27,574</u>	<u>112,441</u>
NET POSITION			
Net Investment in Capital Assets	1,045,703	3,565,396	4,611,099
Restricted For:			
Public Safety	81,174	-	81,174
Maintenance, Recreation & Tourism	1,697,859	-	1,697,859
Debt Service	-	425,578	425,578
Depreciation Contingency	-	123,120	123,120
Operation and Maintenance	-	353	353
Unrestricted	<u>(400,326)</u>	<u>2,589,991</u>	<u>2,189,665</u>
Total Net Position	<u><u>\$ 2,424,410</u></u>	<u><u>6,704,438</u></u>	<u><u>9,128,848</u></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, 2023

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	\$ 543,192	49,896	5,907	54,742	(432,647)	-	(432,647)
Maintenance, Recreation & Tourism	899,493	2,376	-	-	(897,117)	-	(897,117)
Fire	361,142	-	-	-	(361,142)	-	(361,142)
Police & Judicial	1,099,052	325,883	5,430	17,725	(750,014)	-	(750,014)
Interest and Fiscal Charges	123,618	-	-	-	(123,618)	-	(123,618)
Total Governmental Activities	3,026,497	378,155	11,337	72,467	(2,564,538)	-	(2,564,538)
Business-Type Activities:							
Sewer	2,082,391	2,249,788	1,919	-	-	169,316	169,316
Total Government	\$ 5,108,888	2,627,943	13,256	72,467	(2,564,538)	169,316	(2,395,222)

General Revenues		
Property Taxes	\$ 1,023,556	1,023,556
Unrestricted Intergovernmental Revenue	114,960	114,960
Licenses & Permits	636,722	636,722
Hospitality Fees	435,793	435,793
Franchise Fees	143,768	143,768
Investment Income	3,214	13,957
Miscellaneous	27,478	8,108
Transfers	103,200	(103,200)
Total General Revenues	2,488,691	(81,135)
Change in Net Position	(75,847)	88,181
Net Position- Beginning of the Year	2,500,257	6,616,257
Net Position- End of the Year	\$ 2,424,410	6,704,438

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

CITY OF INMAN
Balance Sheet - Governmental Funds
June 30, 2023

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General	Hospitality Tax	NEU Grant	Capital Project Special Revenue	
ASSETS					
Cash and Cash Equivalents	\$ 1,738,372	85,585	-	1,237,891	3,202,090
Cash and Cash Equivalents, Restricted	-	-	-	-	-
Receivables:					
Taxes	61,183	-	-	-	61,183
Intergovernmental	19,753	-	-	134,676	154,429
Other	49,169	44,519	-	-	93,688
Due from General Fund	-	-	668,581	-	668,581
Prepaid Expense	10,957	-	-	-	10,957
Total Assets	<u>1,879,434</u>	<u>130,104</u>	<u>668,581</u>	<u>1,237,891</u>	<u>4,190,928</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	43,539	-	-	-	43,539
Accrued Liabilities	129,385	-	-	47	129,432
Due to Other Funds	668,581	-	-	-	668,581
Unearned Revenue	-	-	532,414	-	-
Total Liabilities	<u>841,505</u>	<u>-</u>	<u>532,414</u>	<u>47</u>	<u>841,552</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue- Property Taxes	86,073	-	-	-	86,073
Total Deferred Inflows of Resources	<u>86,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,073</u>
Total Liabilities and Deferred Inflows of Resources	<u>927,578</u>	<u>-</u>	<u>532,414</u>	<u>47</u>	<u>927,625</u>
Fund Balances:					
Nonspendable	10,957	-	-	-	10,957
Restricted For:					
Public Safety	-	-	-	81,174	81,174
Maintenance, Recreation & Tourism	-	130,104	136,167	1,237,891	1,697,859
Committed	160,500	-	-	-	160,500
Unassigned	780,399	-	-	-	780,399
Total Fund Balances	<u>951,856</u>	<u>130,104</u>	<u>136,167</u>	<u>1,237,891</u>	<u>2,730,889</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,879,434</u>	<u>130,104</u>	<u>668,581</u>	<u>274,918</u>	<u>3,522,347</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, 2023

Total fund balances - Governmental funds June 30, 2023		\$ 2,730,889
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Capital Assets not Being Depreciated		1,395,396
Capital Assets Being Depreciated		5,329,315
Accumulated depreciation		<u>(3,423,879)</u>
Total capital assets		<u>3,300,832</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>86,073</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		(1,500,000)
Finance Leases		(755,129)
Accrued Interest		(27,901)
Net Pension Liability		(1,748,503)
Deferred Outflows Related to Pensions		423,016
Deferred Inflows Related to Pensions		<u>(84,867)</u>
Total long-term liabilities		<u>(3,693,384)</u>
Total net position - Governmental activities, June 30, 2023		<u><u>\$ 2,424,410</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, 2023

	Major Funds				Nonmajor Fund	Total Governmental Funds
	General	Hospitality Tax	NEU Grant	Capital Project	Special Revenue	
REVENUES:						
Taxes	\$ 1,020,048	-	-	-	-	1,020,048
Licenses	-	-	-	-	-	-
Intergovernmental	352,640	-	72,466	-	8,097	433,203
Fees and Permits	825,563	435,793	-	-	-	1,261,356
Fines and Forfeitures	57,149	-	-	-	16,035	73,184
Interest Income	3,214	-	-	-	-	3,214
Miscellaneous	25,278	-	-	-	2,199	27,477
Total Revenues	<u>2,283,892</u>	<u>435,793</u>	<u>72,466</u>	<u>-</u>	<u>26,331</u>	<u>2,818,482</u>
EXPENDITURES:						
Current:						
Administration	527,303	-	-	-	-	527,303
Maintenance, Sanitation & Parks	406,343	-	-	-	20,104	426,447
Fire	321,021	-	-	-	935	321,956
Police & Judicial	1,031,460	-	2,225	-	10,991	1,044,676
Recreation & Tourism	-	304,146	-	-	-	304,146
Capital Outlay	775,588	30,247	70,241	262,109	23,539	1,161,724
Debt Service:						
Principal	34,580	95,260	-	-	-	129,840
Interest and Fiscal Charges	1,203	105,757	-	-	-	106,960
Total Expenditures	<u>3,097,498</u>	<u>535,410</u>	<u>72,466</u>	<u>262,109</u>	<u>55,569</u>	<u>4,023,052</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(813,606)</u>	<u>(99,617)</u>	<u>-</u>	<u>(262,109)</u>	<u>(29,238)</u>	<u>(1,204,570)</u>
OTHER FINANCING SOURCES: (Uses)						
Proceeds from Issuance of Revenue Bond	-	-	-	1,500,000	-	1,500,000
Proceeds from Disposal of Assets	-	-	-	-	19,552	19,552
Transfers In	103,200	-	-	-	651	103,851
Transfers Out	(651)	-	-	-	-	(651)
Total Other Financing	<u>102,549</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>20,203</u>	<u>1,622,752</u>
NET CHANGE IN FUND BALANCE	(711,057)	(99,617)	-	1,237,891	(9,035)	418,182
FUND BALANCES BEGINNING	<u>1,662,913</u>	<u>229,721</u>	<u>136,167</u>	<u>-</u>	<u>283,906</u>	<u>2,312,707</u>
FUND BALANCES ENDING	<u>\$ 951,856</u>	<u>130,104</u>	<u>136,167</u>	<u>1,237,891</u>	<u>274,871</u>	<u>2,730,889</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, 2023

Total change in fund balances - total governmental funds	\$ 418,182
<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	1,148,665
Depreciation Expense	<u>(235,850)</u>
Excess of capital outlay over depreciation and other expense	<u>912,815</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>3,507</u>
<p>The issuance of long-term debt (e.g., notes, leases) provides current financial resources to governmental funds, however, it has no effect on net assets. Proceeds from Issuance of Hospitality Revenue Bond</p>	
	<u>(1,500,000)</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>(24,447)</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	70,000
Finance Lease Principal Payments	<u>59,839</u>
	<u>129,839</u>
<p>In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest is expensed when due.</p>	
	<u>(15,743)</u>
Change in net position - Governmental activities, June 30, 2023	<u>\$ (75,847)</u>

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

CITY OF INMAN
Statement of Net Position - Enterprise Fund- Sewer
June 30, 2023

	Enterprise Sewer Fund
ASSETS	
Current Assets	
Cash	\$ 2,315,635
Accounts Receivable, Net	236,383
Current Portion of Note Receivable	17,446
Prepaid Expense	3,500
Restricted Cash	549,050
	3,122,014
Capital Assets	20,279,056
Less Accumulated Depreciation	(11,982,319)
	8,296,737
Other Assets	
Note Receivable	548,195
Total Assets	11,966,946
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan Items	137,441
LIABILITIES	
Current Liabilities:	
Accounts Payable	25,476
Accrued Liabilities	47,457
Current Portion of Long-term Debt	167,207
Total Current Liabilities	240,140
Long-term Debt	4,564,134
Net Pension Liability	568,101
Total Liabilities	5,372,375
DEFERRED INFLOWS OF RESOURCES	
Pension Plan Items	27,574
NET POSITION	
Net Investment in Capital Assets	3,565,396
Restricted For:	
Bond Retirement	425,578
Depreciation Contingency	123,120
Operation and Maintenance	353
Unrestricted	2,589,991
Total Net Position	\$ 6,704,438

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 - Enterprise Fund- Sewer
 June 30, 2023

	Enterprise Sewer Fund
OPERATING REVENUES	
Charges for Services	\$ 2,084,288
Connection Fees	165,500
Interest Income	10,654
Miscellaneous Income	8,108
Total Operating Revenues	2,268,550
OPERATING EXPENSES	
Personnel	529,961
Sewer Operation & Maintenance	477,214
Administrative and General	214,780
Interest Expense	194,669
Depreciation	665,767
Total Operating Expenses	2,082,391
OPERATING INCOME (LOSS)	186,159
NON-OPERATING REVENUE (EXPENSE)	
Interest Income	3,303
PEBA Credit	1,919
Transfer Out to General Fund	(103,200)
Total Non-Operating Revenue (Expense)	(97,978)
Change in Net Position	88,181
Net Position- Beginning of the Year	6,616,257
Net Position- End of the Year	\$ 6,704,438

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

CITY OF INMAN
Statement of Cash Flows - Enterprise Fund- Sewer
June 30, 2023

	<u>Enterprise Fund Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 2,271,578
Cash Payments to Suppliers	(678,300)
Cash Payment to Employees	(522,752)
Miscellaneous Revenue	18,762
Interest Paid	(194,669)
	<u>894,619</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING	
Principal Paid on Capital Debt	(161,471)
Non-Operating Grant	1,919
Non-Operating Transfer	(103,200)
	<u>(262,752)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Capital Assets	(141,307)
Interest Income Received	3,303
	<u>(138,004)</u>
Net Increase in Cash	493,863
Cash Beginning of the Year	<u>2,370,822</u>
Cash Ending of the Year	<u><u>2,864,685</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	186,159
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	665,767
Pension Plan Items	7,209
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	4,665
(Increase) Decrease in Note Receivable	17,125
(Increase) Decrease in Prepaid Expense	(1,569)
Increase (Decrease) in Accounts Payable	98
Increase (Decrease) in Accrued Liabilities	15,165
	<u>186,159</u>
Net Cash Provided by Operating Activities	<u>\$ 894,619</u>
Cash	2,315,635
Restricted Cash	<u>549,050</u>
Total Cash	<u><u>2,864,685</u></u>

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

CITY OF INMAN
Notes to Financial Statements
June 30, 2023

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 enterprise funds. The following is a summary of the more significant policies.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

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, 2023

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.

- *Enterprise Fund Financial Statements*

The enterprise 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 enterprise 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 enterprise 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, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The *Non-entitlement Units of Local Government (NEU) Fund* is used to account for the Coronavirus Local Fiscal Recovery state revenue that are restricted for eligible expenditures that will provide critical source of relief for smaller local governments like the City of Inman.

The *capital projects fund* account for the construction or acquisition of major capital projects not being financed by proprietary funds.

- The City reports the following major enterprise 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, 2023

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, 2023, were \$6,242,791 of which \$6,118,718 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, 2023

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	\$ 3,202,090	2,315,635	5,517,725
Restricted Cash	-	549,050	549,050
 Total Statement of Net Assets	 <u>3,202,090</u>	 <u>2,864,685</u>	 <u>6,066,775</u>
 <u>Disclosure, Deposits and Investments:</u>			
Carrying Value of Deposits:			
Held by Banks	3,201,890	2,864,685	6,066,575
Cash on Hand	200	-	200
 Total Disclosure, Deposits and Investments	 <u>\$ 3,202,090</u>	 <u>2,864,685</u>	 <u>6,066,775</u>

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

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, 2023, restricted net position for the governmental activities was \$1,779,033 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, 2023, 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, 2023

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, 2023, were distributed as follows:

	General Fund	Hospitality Tax	NEU Grant	Capital Project	Nonmajor Funds	Total
Nonspendable						
Prepaid Expense	\$ 10,957	-	-	-	-	10,957
Restricted For:						
Public Safety	-	-	-	-	81,174	81,174
Maintenance, Recreation & Tourism	-	130,104	136,167	1,237,891	193,697	1,697,859
Subtotal	-	130,104	136,167	1,237,891	274,871	1,779,033
Committed						
Reserves	\$ 160,500	-	-	-	-	160,500
Unassigned	780,399	-	-	-	-	780,399
TOTAL	\$ 951,856	130,104	136,167	1,237,891	274,871	2,730,889

A. Property Taxes

Property taxes on real property and personal property, other than licensed motor vehicles, were billed in October 2022 based on property valuations as of December 31, 2021. The taxes were due on or before January 15, 2023. 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, 2023, 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, 2023, is \$9,941.

C. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (government-wide and enterprise 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, 2023

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 \$62,487 and Sewer Fund \$19,457) 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 enterprise 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, 2023

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, 2023.

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 2022 assessed value was \$12,175,764. The City operating tax rate during the current fiscal year was 83.7 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, 2023, general fund expenditures exceeded the budget appropriation by \$969,599 for the general fund.

H. New GASB Pronouncement Implementation

The City also implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this statement, a government generally should recognize a right-to-use subscription asset -an intangible asset- and a corresponding subscription liability. Both the asset and the liability are amortized systematically over the period of the subscription term. These changes were incorporated in the City's June 30, 2023, financial statements but had no effect on the beginning net position.

I. New Pronouncements –

The GASB has issued Statement No. 101, "Compensated Absences". The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

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	Total
Taxes	\$ 144,937	-	144,937
Other	49,169	44,519	93,688
Gross Receivables	194,106	44,519	238,625
Less Allowance	(83,754)	-	(83,754)
Net Receivables	<u>\$ 110,352</u>	<u>44,519</u>	<u>154,871</u>

Intergovernmental:

Intergovernmental receivables consist of the following:

State of South Carolina	\$ 19,753
Spartanburg County	<u>134,676</u>
Total Intergovernmental Receivables	<u>\$ 154,429</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 Truist Bank and Founders Bank as the custodians of the reserved funds as shown below.

Year Ended June 30, 2023	Bond and Interest A	Operation and Maintenance B	Depreciation Contingency A	Cushion A	Total
Total Restricted Cash	-	353	123,120	425,577	\$ 549,050

A = Required

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

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 \$5,000 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, 2023 is as follows:

Governmental Activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 193,597	-	-	193,597
Construction in Progress	189,690	1,012,109	-	1,201,799
Total Capital Assets at Historical Cost Not Being Depreciated	<u>383,287</u>	<u>1,012,109</u>	<u>-</u>	<u>1,395,396</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	362,220	-	-	362,220
Improvements / Infrastructure	2,732,749	-	-	2,732,749
Machinery, Equipment & Furniture	355,758	54,742	-	410,500
Fire Trucks	1,272,508	-	-	1,272,508
Vehicles	469,524	55,814	-	525,338
Software	-	26,000	-	26,000
Total Capital Assets at Historical Cost Being Depreciated	5,192,759	136,556	-	5,329,315
Less Accumulated Depreciation	<u>3,188,029</u>	<u>235,850</u>	<u>-</u>	<u>3,423,879</u>
Total Capital Assets Being Depreciated, Net Government-Type Activities Capital	<u>2,004,730</u>	<u>(99,294)</u>	<u>-</u>	<u>1,905,436</u>
Assets, Net	<u>\$ 2,388,017</u>	<u>912,815</u>	<u>-</u>	<u>3,300,832</u>

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

Administration	\$ 21,705
Maintenance, Sanitation & Park	141,671
Fire	34,417
Police & Judicial	<u>38,057</u>
Total	<u>\$ 235,850</u>

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

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

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 Enterprise Fund Statement of Net Position.

Primary government capital asset activity for the year ended June 30, 2023 is as follows:

Business-Type Activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 75,331	-	-	75,331
Construction in Progress	798,435	40,390	-	838,825
	<u>873,766</u>	<u>40,390</u>	<u>-</u>	<u>914,156</u>
Capital Assets Being Depreciated:				
Sewer Plant	12,429,545	-	-	12,429,545
Sewer Lines & Infrastructure	5,514,475	30,100	-	5,544,575
Vehicles	444,119	70,817	-	514,936
Machinery and Equipment	875,843	-	-	875,843
Total Capital Assets Being Depreciated	<u>19,263,983</u>	<u>100,917</u>	<u>-</u>	<u>19,364,900</u>
Less Accumulated Depreciation	<u>11,316,552</u>	<u>665,767</u>	<u>-</u>	<u>11,982,319</u>
Total Capital Assets Being Depreciated, Net	<u>7,947,431</u>	<u>(564,850)</u>	<u>-</u>	<u>7,382,581</u>
Business-Type Activities Capital Assets, Net	<u>\$ 8,821,197</u>	<u>(524,460)</u>	<u>-</u>	<u>8,296,737</u>

The depreciation expense of \$665,767 is reported in the Enterprise 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

Financing Leases

1. 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, 2023 accumulated depreciation related to this truck was \$661,410 with a net book value of \$0. The final payment was made on March 2023.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

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, 2023 accumulated depreciation related to this truck was \$21,554 with a net book value of \$2,395.
3. 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, 2023 accumulated depreciation related to this truck was \$23,144 with a net book value of \$7,044. The final payment was made on August 2022.
4. On January 2022, the City entered into a financing lease-purchase arrangement with PNC Equipment Finance, LLC for the acquisition and financing of a new rescue pumper fire truck. The leasing agreement was executed on January 27, 2022, for a total financed amount of \$750,000. The agreement provides for interest only at 3.34% per annum for the first year, and then annual payments of principal and interest payments for the succeeding ten years of \$88,017.66, due July 27 of each year, with the final payment due on July 27, 2032. The total equipment cost is \$900,000, with the City making an initial down payment of \$150,000. The lease payment schedule is as follows:

June	Principal	Interest	Total
2024	\$ 75,423	12,594	88,017
2025	65,487	22,531	88,018
2026	67,674	20,344	88,018
2027	69,934	18,083	88,017
2028	72,270	15,747	88,017
2029-2033	399,212	40,877	440,089
	<u>\$ 750,000</u>	<u>130,176</u>	<u>880,176</u>

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

NOTE 6 – LONG-TERM DEBT, Continued

A. General Fund, continued

Other Leasing Arrangements

The City rents a copiers for 60 months on a “per copy” basis as used, not with fixed monthly payments. This rental is included in supplies expense. Rental expense for this equipment amounted to approximately \$2,160 for the current fiscal year. This rental arrangement do not qualify as lease under GASB 87 or is not considered to be material.

Revenue Bonds

1. 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. The final payment was made on March 2023.
2. On July 2022, the City issued a \$1,500,000 Hospitality Fee Improvement Bond, Series 2022 as private placement with an interest coupon of rate of 3.37% per annum. Principal is due annually and interest is due semi-annually with the final payment due March 2037.

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

Year Ended June 30	Total	
	Principal	Interest
2024	86,000	50,550
2025	89,000	47,652
2026	91,000	44,652
2027	95,000	41,586
2028	98,000	38,384
2029-3033	540,000	140,226
3034-3037	501,000	42,934
	\$ 1,500,000	405,984

B. Enterprise Fund

1. 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, 2023

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
2024	167,207	188,932
2025	173,163	182,976
2026	179,343	176,796
2027	185,760	170,379
2028	192,420	163,719
2029-3033	969,499	710,641
3034-3038	730,467	547,593
3039-3043	907,558	370,502
3044-3048	1,127,588	150,472
2049	98,336	1,021
	\$ 4,731,341	2,663,031

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, 2023 the City had set aside funds as follows:

	Annual Payment	Reserve Balance
Revenue Bonds Series 2008	\$ 255,612	\$ 425,578
Revenue Bonds Series 2017	100,527	
Total In Bank Account	356,139	\$ 425,578

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

NOTE 6 – LONG-TERM DEBT, Continued

D. Changes in Long-Term Debt

1. General Fund

	Balance			Balance	
	June 30, 2022	Additions	Retirements	June 30, 2023	Due Within One Year
Finance Leases	\$ 814,968	-	59,839	755,129	80,552
Direct Placement -					
Hospitality Fee Revenue Bond, Series 2019	70,000	-	70,000	-	-
Hospitality Fee Revenue Bond, Series 2021	-	1,500,000		1,500,000	86,000
Net Pension Liability	1,366,215	537,181	154,893	1,748,503	-
Total	\$ 2,251,183	2,037,181	284,732	4,003,632	166,552

2. Enterprise Fund

	Balance			Balance	
	June 30, 2022	Additions	Retirements	June 30, 2023	Due Within One Year
USDA Rural Development					
Direct Placement -					
Sewer System Revenue Bonds					
Series 2008	\$ 4,008,033	-	82,931	3,925,102	86,609
Series 2017	884,778	-	78,539	806,239	80,598
Net Pension Liability	444,617	174,534	51,050	568,101	-
Total	\$ 5,337,428	174,534	212,520	5,299,442	167,207

Resources from the General Fund and Hospitality Fund have been used to liquidate the governmental activities finance 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 (finance leases) related to governmental activities of \$755,129 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, 2023

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 retirement systems and benefit 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 containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The Comprehensive Annual Report 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

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 and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to newly hired state, public higher education institution and public school district employees, as well as first-term individuals elected to the South Carolina General Assembly. 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, 2023

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, 2023

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 of employers who participate in the death benefit program.

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

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 of employers who participate in the death benefit program. 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. The Retirement Funding and Administration Act of 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 in accordance with state statute. The General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

NOTE 7 - PENSION PLANS, Continued

Contributions, Continued

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

Effective July 1, 2022, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 17.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 17.41% 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, 2023, 2022, and 2021 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>
2023	17.410%	\$ 142,740	0.15%	\$ 1,230
2022	16.410%	\$ 116,846	0.15%	\$ 1,068
2021	15.410%	\$ 88,777	0.15%	\$ 864

Effective July 1, 2022, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 20.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 19.84%, 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, 2023, 2022, and 202 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>
2023	19.840%	\$ 98,144	0.20%	\$ 989	0.20%	\$ -
2022	18.840%	\$ 87,102	0.20%	\$ 925	0.20%	\$ -
2021	17.840%	\$ 74,626	0.20%	\$ 837	0.20%	\$ -

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

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.

The June 30, 2022, 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 & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022.

	SCRS	PORS
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return 1	7%	7%
Projected Salary Increases	3.0% to 11.0% (varies by service) 1	3.5% to 10.5% (varies by service) 1
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 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

NOTE 7 - PENSION PLANS, Continued

Actuarial Assumptions and Methods, Continued

Assumptions used in the determination of the June 30, 2022, TPL are as follows:

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

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, 2022, 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	\$ 56,454,779,872	32,212,626,932	24,242,152,940	57.1%	0.005980%	1,449,614
PORS	8,937,686,946	5,938,707,767	2,998,979,179	66.4%	0.028909%	866,990
						<u>2,316,604</u>

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements at. 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 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, 2023, the City reported liabilities of \$1,449,614 and \$866,990 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2021. 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, 2023, the City's SCRS and PORS proportion was 0.005980% and 0.028909%, respectively.

For the year ended June 30, 2023, the City recognized net pension expenses of \$149,902 and \$124,859 for SCRS and PORS, respectively.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

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, 2023, 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	\$ 12,594	14,546	27,140
Changes of Assumptions	46,493	36,103	82,596
Net difference between Projected and Actual Earnings on Pension Plan Investments	2,235	2,618	4,853
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	153,113	49,652	202,765
City's Contributions Subsequent to the Measurement Date	<u>143,969</u>	<u>99,134</u>	<u>243,103</u>
TOTAL	<u>\$ 358,404</u>	<u>202,053</u>	<u>560,457</u>
Deferred Inflows of Resources			
Difference between Expected and Actual Experience	\$ 6,317	17,139	23,456
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	87,928	1,057	88,985
TOTAL	<u>\$ 94,245</u>	<u>18,196</u>	<u>112,441</u>

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

NOTE 7 - PENSION PLANS, Continued

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

The \$143,969 and \$99,134 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, 2022 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. 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>
2023	\$ 42,938	40,936
2024	31,901	30,590
2025	7,547	(20,503)
2026	37,804	33,699
2027	-	-
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 2022 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 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

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

<u>Allocation/Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public Equity	46.0%	6.79%	3.12%
Bonds	26.0%	(0.35)%	(0.09)%
Private Equity 1	9.0%	8.75%	0.79%
Private Debt 1	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate 1	9.0%	4.12%	0.37%
Infrastructure 1	3.0%	5.88%	0.18%
Total Expected Return 2	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
			<u>7.04%</u>

1. RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30 percent of total plan assets.

2 Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 15% of total assets.

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

NOTE 7 - PENSION PLANS, Continued

The discount rate used to measure the TPL was 7 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 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 percent) or 1.00 percent higher (8 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
Plan	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
SCRS	\$ 1,858,583	1,449,614	1,109,608
PORS	1,208,965	866,990	587,051

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedule of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2022, and the accounting valuation report as of June 30, 2022. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

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 \$57,150 of court fines is reported as revenue in the General Fund. The City maintained a Victim Services Account for the fiscal year. The \$45,725 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, 2023

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, 2023 was \$0 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 – Enterprise 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, 2023

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, 2023 is shown below:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023
Loan Receivable - Spartanburg County School District	\$ 582,766	-	17,127	565,641

Year Ended June 30	Principal	Interest	Total
2024	17,446	10,334	27,780
2025	17,772	10,008	27,780
2026	18,104	9,676	27,780
2027	18,442	9,338	27,780
2028	18,788	8,993	27,781
2029-2033	99,335	39,565	138,900
2034-2038	108,971	29,929	138,900
2039-2043	119,541	19,359	138,900
2044-2048	131,138	7,762	138,900
2049	16,104	100	16,204
	\$ 565,641	145,064	710,705

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

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>Ad Valorem Tax</u>
Spartanburg County	\$ 10,907,857	5,378,575	16,286,432	27,397,731
City of Inman's Portion	2	-	2	23

CITY OF INMAN
Notes To Financial Statements, Continued
June 30, 2023

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 of two separate loans totaling \$10,843,000 and a grant of \$2,000,130. The City has moved 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, 2023, a total of \$684,663 had been paid for engineering design services and 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.

NOTE 15 – SUBSEQUENT EVENTS

Management has through June 3, 2024, 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, 2023, 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, 2023

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 850,000	850,000	1,020,049	170,049
Licenses, Permits, Fees	665,000	665,000	823,187	158,187
Intergovernmental	346,200	346,200	352,640	6,440
Police Fines	55,000	55,000	57,149	2,149
Garbage Service	2,500	2,500	2,376	(124)
Miscellaneous	6,000	6,000	28,492	22,492
Total Revenues	<u>1,924,700</u>	<u>1,924,700</u>	<u>2,283,893</u>	<u>359,193</u>
EXPENDITURES:				
Administration:				
Salaries, Benefits	307,025	307,025	343,483	(36,458)
Capital Outlay	12,005	12,005	12,005	-
Utilities	25,000	25,000	24,776	224
Other	97,200	97,200	110,900	(13,700)
Mayor's Office:				
Salaries, Benefits	7,805	7,805	7,723	82
Travel	5,000	5,000	4,063	937
Other	4,500	4,500	5,393	(893)
City Council:				
Salaries, Benefits	15,610	15,610	14,933	677
Travel	6,000	6,000	7,907	(1,907)
Fire:				
Salaries, Benefits	200,212	200,212	224,290	(24,078)
Debt Service	30,000	30,000	29,559	441
Capital Outlay	-	-	750,000	(750,000)
Utilities	12,000	12,000	14,279	(2,279)
Other	75,685	75,685	82,452	(6,767)
Police				
Salaries, Benefits	754,936	754,936	840,641	(840,641)
Debt Service	7,200	7,200	6,224	976
Capital Outlay	13,583	13,583	13,583	-
Other	153,580	153,580	180,074	(26,494)
Maintenance, Sanitation & Park:				
Salaries, Benefits	124,362	124,362	110,145	14,217
Sanitation Contract	140,000	140,000	149,864	(9,864)
Streets Lights	65,000	65,000	77,880	(12,880)
Other	52,205	52,205	68,454	(16,249)
Planning and Zoning:				
Salaries, Benefits	-	-	-	-
Other	3,000	3,000	2,830	170
Municipal Court:				
Contract Services	7,200	7,200	7,800	(600)
Jury Fees	300	300	-	300
Utilities	2,000	2,000	2,635	(635)
Other	460	460	310	150
Non-Departmental:				
CIP Funding	6,032	6,032	5,296	736
Total Expenditures	<u>2,127,900</u>	<u>2,127,900</u>	<u>3,097,499</u>	<u>(969,599)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(203,200)</u>	<u>(203,200)</u>	<u>(813,606)</u>	<u>(610,406)</u>
OTHER FINANCING SOURCES:				
Transfers In	103,200	103,200	103,200	-
Transfers Out	-	-	(651)	(651)
Total Other Financing Sources (Uses)	<u>103,200</u>	<u>103,200</u>	<u>102,549</u>	<u>(651)</u>
NET CHANGE IN FUND BALANCE	(100,000) *	(100,000) *	(711,057)	(611,057)
FUND BALANCES BEGINNING			<u>1,662,913</u>	
FUND BALANCES ENDING			<u><u>951,856</u></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- Hospitality Tax Fund
For the Year Ended June 30, 2023

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ -	-	-	-
Licenses, Permits, Fees	340,000	340,000	435,793	95,793
Intergovernmental	-	-	-	-
Police Fines	-	-	-	-
Garbage Service	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>340,000</u>	<u>340,000</u>	<u>435,793</u>	<u>95,793</u>
EXPENDITURES:				
Administration:				
Salaries, Benefits	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Maintenance, Sanitation & Parks:				
Salaries, Benefits	-	-	-	-
Debt Service	101,610	101,610	101,967	(357)
Sanitation Contract	-	-	-	-
Streets Lights	-	-	-	-
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	45,040	45,040	48,000	(2,960)
Recreation & Tourism				
Capital Outlay	10,000	10,000	5,200	4,800
Debt Service	-	-	-	-
Other	232,300	232,300	329,193	(96,893)
Fire:				
Salaries, Benefits	-	-	-	-
Debt Service	51,050	51,050	51,050	-
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Police & Judicial:				
Salaries, Benefits	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Total Expenditures	<u>440,000</u>	<u>440,000</u>	<u>535,410</u>	<u>(95,410)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(99,617)</u>	<u>383</u>
OTHER FINANCING SOURCES:				
Proceeds from Issuance of Capital Lease	-	-	-	-
Insurance Proceeds	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(100,000) *	(100,000) *	(99,617)	383
FUND BALANCES BEGINNING			<u>229,721</u>	
FUND BALANCES ENDING			<u>130,104</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- NEU Grant
For the Year Ended June 30, 2023

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 136,166	604,880	72,466	(532,414)
Total Revenues	<u>136,166</u>	<u>604,880</u>	<u>72,466</u>	<u>(532,414)</u>
EXPENDITURES:				
Administration:				
Salaries, Benefits	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	54,742	54,742	54,742	-
Utilities	-	-	-	-
Other	-	-	-	-
Maintenance, Sanitation & Parks:				
Salaries, Benefits	-	-	-	-
Debt Service	-	-	-	-
Sanitation Contract	-	-	-	-
Streets Lights	-	-	-	-
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Fire:				
Salaries, Benefits	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Police & Judicial:				
Salaries, Benefits	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	15,500	15,500	15,500	-
Utilities	-	-	-	-
Other	2,224	2,224	2,224	-
Non-Departmental:				
CIP Funding	63,700	532,414	-	532,414
Total Expenditures	<u>136,166</u>	<u>604,880</u>	<u>72,466</u>	<u>532,414</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCES BEGINNING			<u>136,167</u>	
FUND BALANCES ENDING			<u><u>136,167</u></u>	

City of Inman
Pension Plan Required Supplementary Information
For the Year Ended June 30, 2023

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, 2023	0.005980%	\$ 1,449,614	\$ 712,044	203.58%	57.10%
June 30, 2022	0.005096%	1,102,930	576,102	191.45%	60.70%
June 30, 2021	0.005865%	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, 2023	\$ 143,969	143,969	-	\$ 819,871	17.56%
June 30, 2022	117,915	117,915	-	712,044	16.56%
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, 2023

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, 2023	0.028909%	\$ 866,990	\$ 464,327	186.72%	66.40%
June 30, 2022	0.027514%	707,902	418,306	169.23%	70.40%
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, 2023	\$ 99,134	\$ 99,134	-	\$ 494,679	20.04%
June 30, 2022	88,027	88,027	-	462,327	19.04%
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, 2023

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	<u>General Sessions</u>	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
Court Fines and Assessments:				
Court fines and assessments collected			156,811	156,811
Court fines and assessments remitted to State Treasurer			89,035	89,035
Total Court Fines and Assessments retained			67,776	67,776
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			7,184	7,184
Assessments retained			4,061	4,061
Total Surcharges and Assessments retained for victim services			11,245	11,245

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

<u>VICTIM SERVICE FUNDS COLLECTED</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Carryforward from Previous Year – Beginning Balance	42,088		42,088
<u>Victim Service Revenue:</u>			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	11,245		11,245
Victim Service Surcharges Retained by City/County Treasurer			
Interest Earned			
Other			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund	651		651
Contribution Received from Victim Service Contracts:			
(1) Town of Campobello	2,667		2,667
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	56,651		56,651
<u>Expenditures for Victim Service Program:</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	7,201		7,201
Operating Expenditures	3,225		3,225
Victim Service Contract(s):			
(1) Lawtrack	500		500
(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)	10,926		10,926
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	45,725		45,725
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	45,725		45,725