

CITY OF CONWAY, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Prepared By:

Finance Department

Allison Williams

INTRODUCTORY SECTION

CITY OF CONWAY, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2020

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**CITY OF CONWAY, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2020**

PRINCIPAL OFFICIALS

ELECTED

MayorBarbara Jo Blain-Bellamy

Mayor Pro TemShane Hubbard

City Councilmember Alex Hyman

City Councilmember William M. Goldfinch, IV

City CouncilmemberJustin Jordan

City CouncilmemberJean M. Timbes

City Councilmember Larry White

APPOINTED

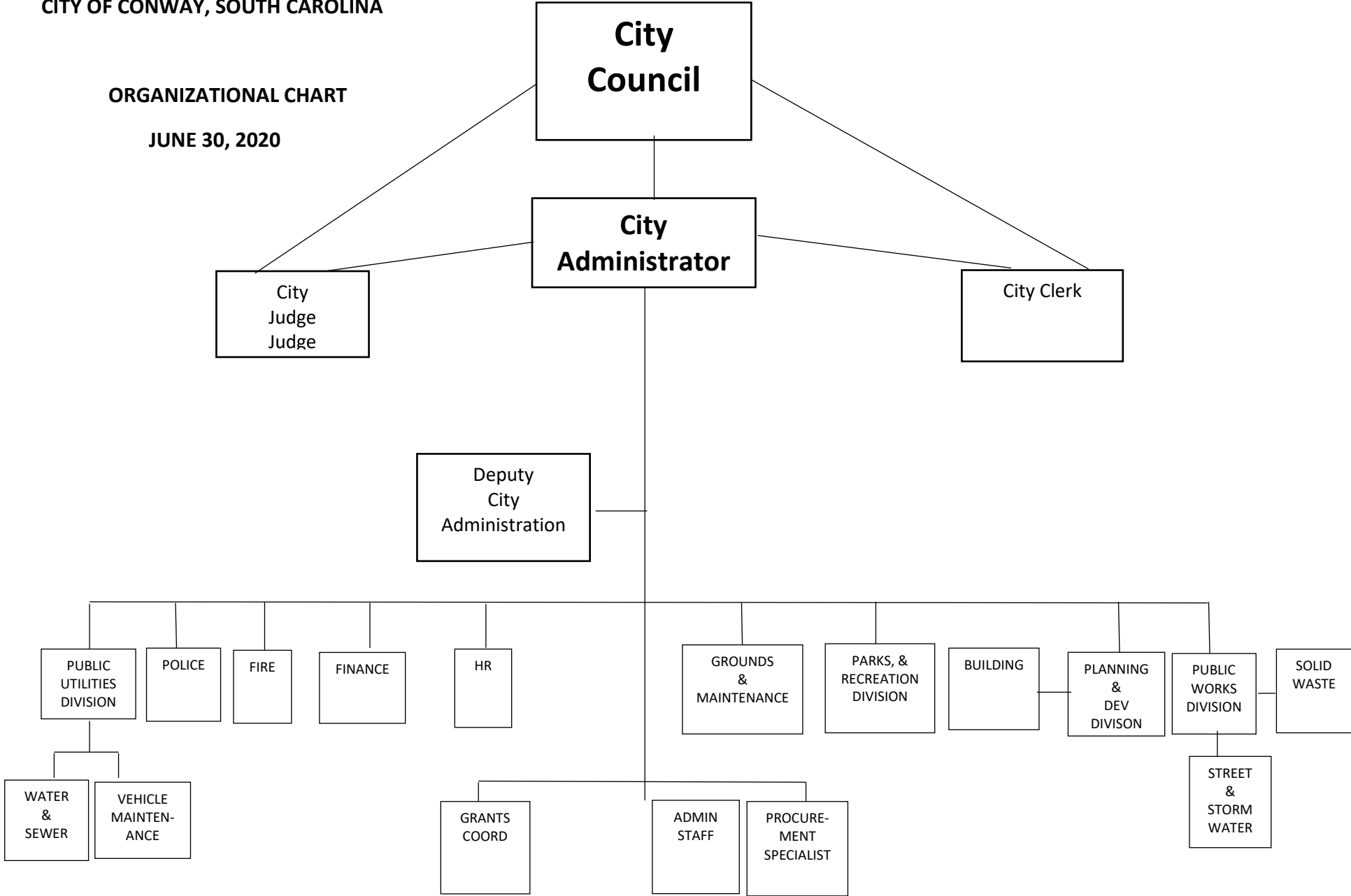
Administrator Adam Emrick

Finance Director Allison Williams

CITY OF CONWAY, SOUTH CAROLINA

ORGANIZATIONAL CHART

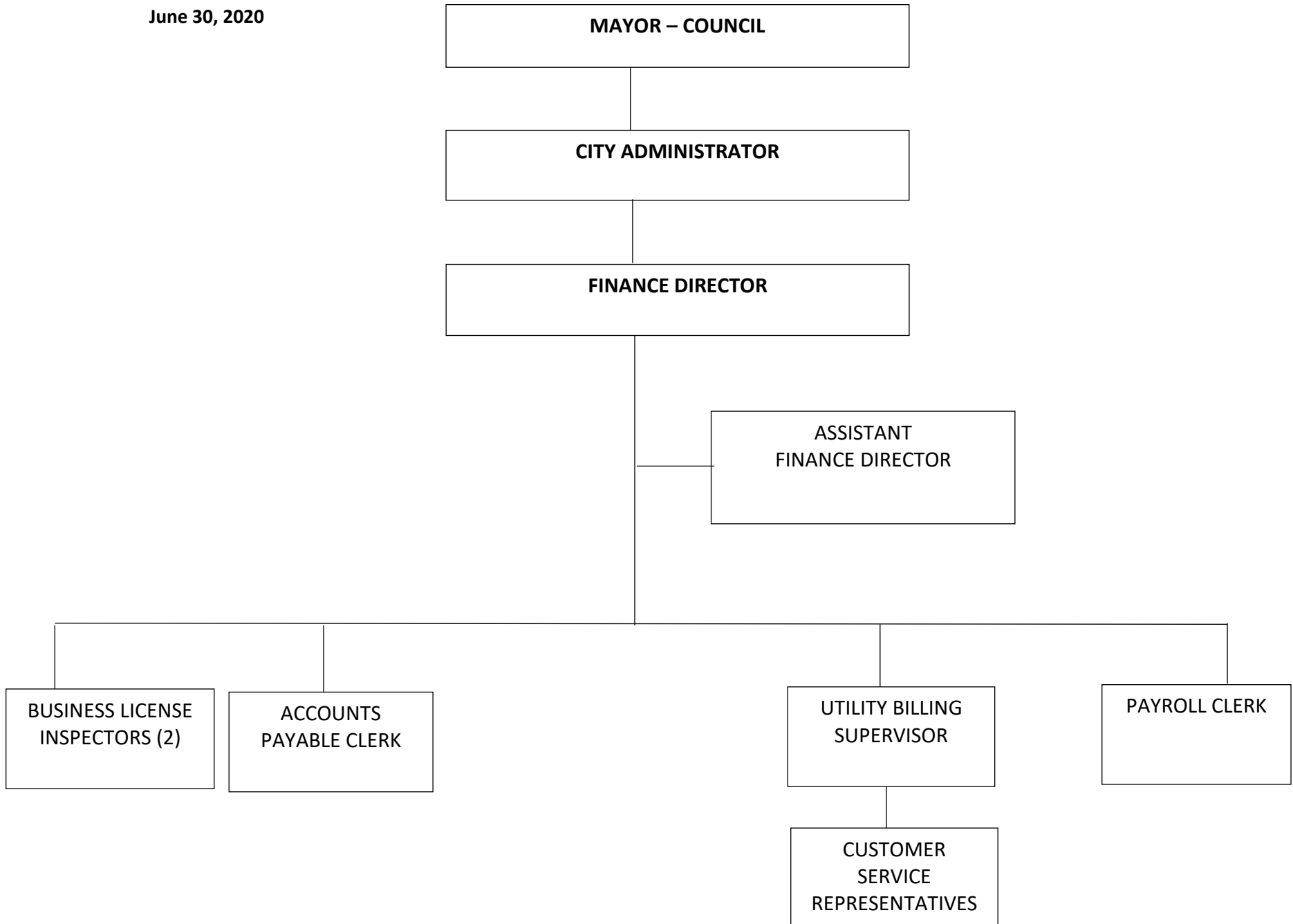
JUNE 30, 2020



CITY OF CONWAY, SOUTH CAROLINA

FINANCE DEPARTMENT ORGANIZATIONAL CHART

June 30, 2020



MAYOR
Barbara Blain-Bellamy

MAYOR PRO TEM
Shane Hubbard



FINANCE DEPARTMENT

COUNCIL MEMBERS
Alex Hyman
William M. Goldfinch, IV
Justin Jordan
Jean M. Timbes
Larry White

December 31, 2020

Honorable Mayor, Members of the Conway City Council, and Citizens of the City of Conway:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Conway for the fiscal year ended June 30, 2020. This report contains financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the City. These financial statements contain all disclosures necessary to enable the reader to gain an understanding of the City's financial activities. The responsibility for the accuracy of all data presented and its completeness and fairness of presentation rests with the city.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by Smith Sapp Professional Association. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the year ended June 30, 2020, are fairly presented in conformity with GAAP. An unmodified opinion represents the highest level of assurance. The independent auditor's report is presented as a component of the financial section of this report.

This report presents the financial activity of the City in conformity with accounting principles generally accepted in the United States of America as set forth by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Our History

In 1670, the British settled Charles Town (Charleston, SC). The area now known as Horry (O-REE) County was part of old Craven County, established in 1682. In 1730, Robert Johnson, Royal Governor of SC, included Kingston Township in a plan to encourage development of the Province of SC. By 1732, the site of the town of Kingston (Conway) was marked out. In 1734, a plan for the town was completed and by 1735 the first settlers had begun to arrive.

Many area residents fought in the American Revolutionary War. Small engagements were fought near Kingston at Bear Bluff on the Waccamaw, at Black Lake along the Little Pee Dee, and in the Socastee area. Gen. Frances Marion, who was known as the "Swamp Fox", had relatives living in the area. He and his troops encamped in the village of Kingston on his way to the battle of Black Mingo.

Following the war, the state was divided into counties of smaller size to accommodate courts. The Georgetown District was split into four counties, the largest being the former Kingston Township. Originally named Kingston County, the name was changed to Horry County in honor of Peter Horry, a revolutionary war hero who fought with Frances Marion.

In 1801, the county seat changed its name from Kingston to Conwayborough in honor of Robert Conway, a Revolutionary War veteran who had acquired a lot of property in the town. The first courthouse in Horry County was built in Conwayborough in 1824 and is used today as the Conway City Hall. At that time, Conway had about 25 houses and 100 townspeople.

The Waccamaw River was the town's main transportation link. Planters, who developed plantations both large and small, owned much of the land along the Waccamaw and Pee Dee Rivers. Throughout the rest of the county were small farms, plantations and forests.

In the 1870s, Conway boomed as an export center for timber products, shipping tar, pitch, turpentine, and pine lumber around the world. The railroad came to Conway in 1887, and a few years later a group of Conway businessmen extended it to the coast, launching what is now Myrtle Beach and its famous Grand Strand.

Much of present-day downtown was built in the early 1900s following a destructive fire. The old live oak trees and the beautiful Waccamaw River provide the perfect setting for South Carolina's Historic River Town. Today, Conway is a pleasant, riverside town of quiet neighborhoods, historic structures, and moss-shrouded live oak trees. The best of the Old South's charm lives today in picturesque Conway, South Carolina's Historic Rivertown.

Our Community, Economic Condition and Outlook

Established in 1732, the City of Conway, South Carolina has an estimated 2019 population of 25,956. Conway serves as the county seat of Horry County which has consistently been one of the fastest growing counties in South Carolina. Conway itself has benefited from this growth with its population nearly doubling since 1990.

Over the past 25 years, Conway has taken great care to preserve and enhance its historic downtown located on the riverfront of the Waccamaw River. As a result, downtown is enjoying unprecedented success as shops and restaurants have thrived in the core of the community. In addition to a strong downtown core, downtown Conway has had a rich history tied to the Waccamaw River. The river "frames" downtown Conway and was once a key source of trade for the community. It now serves as a redevelopment opportunity for the City with exciting potential to enhance commercial activity.

Housing permits are being requested and issued at record levels leading a surge in residential building. New residents are streaming to the City of Conway attracted by its small town charm, proximity to the ocean, the beauty of the Waccamaw River, inexpensive housing costs and low tax rates. Many new residents are retirees from the Northeastern US States.

Coastal Carolina University and Horry Georgetown Technical College also attract many new visitors to the City. With more than 10,000 current enrollees at CCU and more than 7,500 at HGTC, these two institutions of higher learning alone contribute immensely to the economic and social vibrancy of Conway. CCU recently progressed from the Big South Conference to the Sun Belt Conference bringing the University even more prestige and recognition. The City of Conway is poised to continue growing, in population, commercial success and notoriety.

Profile of Government

The City of Conway operates under the Council-Administrator form of government. Policy-making and legislative authority rests with the Mayor and six Council members, all elected on a non-partisan basis. The six members of City Council are elected on an at-large basis to serve four year overlapping terms. The Mayor is elected on an at-large basis to serve a four-year term.

The Mayor and City Council appoint the City's Administrator, who is responsible for implementing the policies of the City Council, directing business and administrative procedures and appointing departmental officials and certain other City employees.

The City of Conway provides a full range of municipal services which includes police and fire protection, recreation services, cultural activities, street/drainage maintenance and construction, solid waste collection, storm water management, development review and planning activities, and water / sewer services.

The council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Conway's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Administrator may transfer resources within and between departments as necessary to achieve the goals of the budget.

Budgetary Controls

Budgetary controls are maintained by having purchase orders prior to expenditures. All purchase orders are approved by the appropriate department heads, and reviewed by the Director of Finance. A detailed budget and actual expenditures comparison is provided each month to the appropriate department managers and City Administrator. A financial statement is presented bi-monthly to the City Council.

Long-term financial planning

Unassigned fund balance in the general fund is \$15,983,145 which falls within the policy guidelines set by the City Council for budgetary and planning purposes. Those guidelines require the City to maintain an unassigned fund balance in the general fund of at least \$5.2 million. Following its most recent annual review of the City of Conway's Five Year Capital Plan, the Council plans to leave the policy guidelines at \$5.2 million for the general fund's unassigned fund balance.

Certificate of Excellence Award

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Conway for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2019. This was the twenty-eighth year out of the last thirty years that the City of Conway has received this prestigious award. In order to be awarded a Certificate of Achievement, the City of Conway had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report would not have been possible without the efforts of the Finance Department staff. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report and to the staff of Smith Sapp Professional Association who diligently strived to provide guidance and assistance. I would also like to thank the Mayor and all City Council members for their oversight and support throughout the year in planning and conducting the financial operations for the City in a responsible and progressive manner.

Sincerely,

A handwritten signature in cursive script that reads "Allison Williams".

Allison Williams
Finance Director



The Government Finance Officers Association of
the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department
City of Conway, South Carolina



The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the department or individual designated as instrumental in the government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Christopher P. Morill

Date: 10/19/2020

FINANCIAL SECTION



Certified Public Accountants & Consultants

**SMITH
SAPP**

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Independent Auditors' Report

To the Mayor and City Council
City of Conway, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Conway, South Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Conway, South Carolina's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Conway, South Carolina, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As discussed in Note 16 to the financial statements, the City changed its capitalization policy in order to align it more closely to the preferred capitalization threshold of the GFOA. In addition, the City corrected certain prior period accounting errors related to the accrual of reimbursable grant and other revenues and reversed certain performance bond liabilities which were no longer outstanding. Accordingly, amounts reported for beginning fund balance and beginning net position have been restated in the 2020 financial statements now presented to correct the effects of these errors. Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 10), pension plan information (pages 50 - 53), OPEB information (pages 54 - 56) and budgetary comparison information (pages 57 - 62) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Conway, South Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund statements and schedules, other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were 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 combining and individual fund statements and schedules, other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2020, on our consideration of the City of Conway, South Carolina'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Conway, South Carolina's internal control over financial reporting and compliance.

Smith Sapp, PA

Smith Sapp Professional Association
Certified Public Accountants

Myrtle Beach, South Carolina
December 31, 2020



Certified Public Accountants & Consultants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Conway, South Carolina, offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, located at the front of this report, and the City's financial statements, which follow this section.

Financial Highlights

- The Statement of Net Position reflects total assets of \$101,562,703. This represents a \$2,942,052 or 3.0% increase from fiscal year 2019, as restated of \$98,620,651, which is largely due to capital outlay, partially offset by decreases in intergovernmental receivables related to the FEMA repurchase program.
- Net long-term liabilities increased by \$2,804,233, or 9.6%, which was mainly due to increases in Capital Lease Obligations in the amount of \$1,260,000 and the City's Net Pension Liability of \$2,575,593, offset by \$1,348,012 related to long-term debt and capital lease repayments.
- Net position of the City totaled \$70,032,592 at June 30, 2020, an increase of \$1,445,911 from fiscal year 2019, as restated. This primarily relates to an increase in net position of our governmental activities of \$1,304,010, or 2.92% attributable to an increase in the City's net investment in capital assets, less the impact of the increase in the City's long-term liabilities previously discussed.
- The City's total revenues amounted to \$40,425,109 during the year ended June 30, 2020. Revenues of governmental activities totaled \$27,592,868, which reflects a decrease of \$3,611,581, or 11.6%, as restated due to decreases in revenue's related to the FEMA repurchase program and grants revenues which are discussed below related to the restatement. Revenues of business type activities were \$12,832,241, an increase of 9.7% primarily related to increased water and sewer rates.
- During the year ended June 30, 2020, the City's total expenses amounted to \$38,979,198. Expenses of governmental activities totaled \$27,033,758, an increase of 7.2%, and expenses of business-type activities were \$11,945,440, an increase of 2.1%, which are discussed in further detail below.
- For the year ended June 30, 2020, changes have been made to certain capital asset balances included in the governmental activities portion of the Statement of Net Position to change the City's capitalization policy in order to align it more closely to the preferred capitalization threshold of the GFOA. Several asset categories of Capital Assets (Net) were restated which decreased Capital Assets (Net) by \$462,948 across all funds. In addition, the City corrected prior period accounting errors related to the accrual of reimbursable grant revenues of \$2,113,964 and the reversal of certain performance bond liabilities of \$176,286. These corrections resulted in the restatement of the beginning Net Position of \$1,827,302.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (on pages 11 - 13) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, the statements present how services were financed in the short term as well as what remains at the end of the period for future appropriation. Fund financial statements traditionally report the City's operations in more detail than government-wide statements by providing information about the City's most significant funds. The fiduciary fund financial statement on page 25 provides financial information about an activity for which the City acts as an agent on behalf of the City's firefighters. The notes to the financial statements are an integral part of the financial statements and begin on page 26. This report also contains information in addition to the basic financial statements.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 5. The statement of net position and the statement of activities report information about the City as a whole and its activities in a way that answers the question. The aforementioned statements present all assets and liabilities using the accrual basis of accounting, which is similar to the application of accounting in most private-sector companies. All current year revenues and expenses are recognized, regardless of when cash is received or paid.

The City's net position may be considered a tool to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position act as indicators of financial health and demonstrate whether the entity is improving or deteriorating. However, other nonfinancial factors must be considered in conjunction with net position. Changes in the property

tax base and the condition of existing infrastructure are examples of nonfinancial factors that should also be considered when assessing the overall health of the City.

The City's operations are segregated into two types of activities in the statement of net position and the statement of activities:

- *Governmental Activities* - The majority of the City's basic services are reported under governmental activities, including general government; public safety; transportation; community and economic development; parks, recreation and sports tourism; and public works. Property taxes, local accommodations taxes, business license taxes, franchise taxes, hospitality fee taxes, local option tourism taxes, user fees, and state and federal grants are the primary financing sources for these activities.
- *Business-Type Activities* - Business-type activities encompass funds where fees are charged to customers to offset all or most of the cost of provision of certain services. The City's water and sewer management activities are reported as business-type activities.

Government-wide Financial Statements

The *government-wide financial statements* present a broad view of the financial position and activities of the City of Conway as a whole using the flow of economic resources applied on the accrual basis of accounting. The flow of economic resources refers to all of the assets available to the City for the purpose of providing goods and services to the public. The government-wide financial statements consist of the *statement of net position* and the *statement of activities* which include all governmental and business-type activities of the City, but not its fiduciary activities. Governmental activities are defined as those activities that are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are defined as those activities that are financed in whole or in part by fees charged to external parties for goods and services.

The *statement of net position* presents all of the assets and liabilities, both current and long-term, of the City of Conway, with the difference between the two reported as net position. The *statement of activities* presents information about how the City's net position changed during the current period. The focus of this statement is on the expenses of the City. Expenses are presented first by functional activity and are directly offset by the revenues that support those functions in order to report net expenses. The remaining revenues of the City, classified as general revenues, are reported separately after net expenses.

Fund Financial Statements

The *fund financial statements* present the City's activities in groups of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more information by presenting the City's major funds separately and combining all other funds. The fund financial statements do not present the City as a whole. The City's fund financial statements include governmental, proprietary, and fiduciary funds.

Governmental fund financial statements encompass essentially the same functions reported in the government-wide financial statements; however, the focus is very different. Governmental fund financial statements utilize the current financial resources measurement focus applied on the modified accrual basis of accounting. Thus, these financial statements have a short-term emphasis and focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. A reconciliation is presented to facilitate the comparison between the government-wide financial statements which have a long-term emphasis and the governmental fund statements. The City of Conway's governmental financial funds include the general, special revenue, and capital projects funds.

Proprietary fund financial statements are used to report activities that operate more like those of commercial enterprises. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. Therefore, a reconciliation between the government-wide financial statements for business-type activities and the proprietary fund financial statements is not necessary. The proprietary fund category includes *enterprise funds* which are used to account for activities for which a fee is charged to external users for goods and services. The City maintains one enterprise fund, the waterworks and sewer fund.

The City as an Agent

The City is an agent, or fiduciary, for certain funds held on behalf of the City's firefighters. The fiduciary fund financial statement can be found on page 25 of this report. We exclude this activity from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

Notes to the Financial Statements

The notes to the financial statements provide the additional information that is essential for a full and fair presentation of the information provided in the government-wide and fund financial statements. The notes to the financial statements are presented on pages 26-49.

Other Information

In addition to the basic financial statements and accompanying notes, a budgetary comparison statement has been provided for the general fund to demonstrate compliance with the annual appropriated budget. This schedule is presented as required supplementary information. Required supplementary information can be found on pages 50-60 of this report.

Other supplementary information is presented following the required supplementary information. This information can be found on pages 61-63. The combining and individual fund statements and schedules can be found on pages 64-69.

The City as a Whole

Our analysis of government-wide financial information focuses on the net position and changes in net position of the City's governmental and business-type activities.

City of Conway's Net Position As of June 30, 2020

	Governmental Activities		Business-Type Activities		Total	
	2020	As Restated 2019	2020	As Restated 2019	2020	As Restated 2019
Current and Other Assets	\$ 23,829,350	\$ 24,152,877	\$ 11,716,905	\$ 11,735,936	\$ 35,546,255	\$ 35,888,813
Capital Assets (Net)	<u>47,299,196</u>	<u>43,786,593</u>	<u>18,717,252</u>	<u>18,945,245</u>	<u>66,016,448</u>	<u>62,731,838</u>
Total Assets	<u>\$ 71,128,546</u>	<u>\$ 67,939,470</u>	<u>\$ 30,434,157</u>	<u>\$ 30,681,181</u>	<u>\$101,562,703</u>	<u>\$ 98,620,651</u>
Deferred Outflows of Resources	\$ 4,666,614	\$ 3,940,116	\$ 754,306	\$ 592,492	\$ 5,420,920	\$ 4,532,608
Long-Term Liabilities						
Outstanding	\$ 27,030,841	\$ 24,466,678	\$ 4,527,251	\$ 4,620,867	\$ 31,558,092	\$ 29,087,545
Other Liabilities	<u>2,532,724</u>	<u>2,525,208</u>	<u>2,591,059</u>	<u>2,731,177</u>	<u>5,123,783</u>	<u>5,256,385</u>
Total Liabilities	<u>\$ 29,563,565</u>	<u>\$ 26,991,886</u>	<u>\$ 7,118,310</u>	<u>\$ 7,352,044</u>	<u>\$ 36,681,875</u>	<u>\$ 34,343,930</u>
Deferred Inflows of Resources	\$ 245,516	\$ 205,631	\$ 23,640	\$ 17,017	\$ 269,156	\$ 222,648
Net position						
Net Investment in						
Capital Assets	\$ 42,978,847	\$ 39,639,462	\$ 17,616,110	\$ 17,582,874	\$ 60,594,957	\$ 57,222,336
Restricted	4,873,426	3,717,706	4,712,288	3,181,516	9,585,714	6,899,222
Unrestricted	<u>(1,866,194)</u>	<u>1,324,901</u>	<u>1,718,115</u>	<u>3,140,222</u>	<u>(148,079)</u>	<u>4,465,123</u>
Total Net position	<u>\$ 45,986,079</u>	<u>\$ 44,682,069</u>	<u>\$ 24,046,513</u>	<u>\$ 23,904,612</u>	<u>\$ 70,032,592</u>	<u>\$ 68,586,681</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position at June 30, 2020, was \$70,032,592 an increase of \$1,445,911, or 2.1%, from a year ago, as restated. The largest portion of the City's net position, \$60,594,957 or 86.5%, reflects its net investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion, \$9,585,714 of the City's net position, or 13.7%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position amounts to \$(148,079).

The City's Changes in Net Position
Fiscal Year Ended June 30, 2020

	Governmental Activities		Business-Type Activities		Total	
	As Restated		As Restated		As Restated	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$ 6,292,362	\$ 6,522,933	\$ 11,551,606	\$10,842,510	\$ 17,843,968	\$ 17,365,443
Operating Grants and Contributions	1,625,468	2,165,294			1,625,468	2,165,294
Capital Grants and Contributions	2,039,820	6,244,464	1,196,687	816,720	3,236,507	7,061,184
General Revenues						
Property Taxes	7,305,548	6,962,831			7,305,548	6,962,831
Franchise Fees	1,477,434	1,542,428			1,477,434	1,542,428
Other Taxes and Fees	1,811,504	909,296			1,811,504	909,296
Licenses	6,174,620	6,283,188			6,174,620	6,283,188
Interest	408,416	137,707	83,948	40,288	492,364	177,995
Gain on Disposal	8,993				8,993	
Grants and Contributions	448,703	436,308			448,703	436,308
Total Revenues	<u>\$ 27,592,868</u>	<u>\$ 31,204,449</u>	<u>\$ 12,832,241</u>	<u>\$11,699,518</u>	<u>\$ 40,425,109</u>	<u>\$ 42,903,967</u>
Expenses						
Governmental Activities						
General Government	\$ 4,693,713	\$ 4,336,783	\$	\$	\$ 4,693,713	\$ 4,336,783
Public Safety	11,432,955	10,614,205			11,432,955	10,614,205
Street	2,702,481	2,585,570			2,702,481	2,585,570
Sanitation	3,120,766	2,837,668			3,120,766	2,837,668
Intragovernmental						
Maintenance	399,792	419,004			399,792	419,004
Beautification	1,279,660	1,151,729			1,279,660	1,151,729
Culture and Recreation	3,289,509	3,156,844			3,289,509	3,156,844
Interest and Fiscal Charges	114,882	111,811			114,882	111,811
Business Activities						
Maintenance	\$	\$	\$ 2,420,856	\$ 2,378,866	\$ 2,420,856	\$ 2,378,866
Operations			1,041,111	1,019,957	1,041,111	1,019,957
Construction			1,088,294	971,769	1,088,294	971,769
Non-Departmental			5,658,037	5,778,044	5,658,037	5,778,044
Depreciation and Amort.			1,708,502	1,517,338	1,708,502	1,517,338
Interest and Fiscal Charges			28,640	32,052	28,640	32,052
Total Expenses	<u>\$ 27,033,758</u>	<u>\$ 25,213,614</u>	<u>\$ 11,945,440</u>	<u>\$11,698,026</u>	<u>\$ 38,979,198</u>	<u>\$ 36,911,640</u>
Change in Net Position						
Before Transfers	\$ 559,110	\$ 5,990,835	\$ 886,801	\$ 1,492	\$ 1,445,911	\$ 5,992,327
Transfers	744,900	744,900	(744,900)	(744,900)		
Change in Net Position	<u>\$ 1,304,010</u>	<u>\$ 6,735,735</u>	<u>\$ 141,901</u>	<u>\$ (743,408)</u>	<u>\$ 1,445,911</u>	<u>\$ 5,992,327</u>
Net Position – Beginning as						
Previously Reported	44,682,069	38,149,145	23,904,612	24,731,871	68,586,681	62,881,016
Prior Period Adjustments		(202,811)		(83,851)		(286,662)
Net Position – Beginning as Restated	<u>44,682,069</u>	<u>37,946,334</u>	<u>23,904,612</u>	<u>24,648,020</u>	<u>68,586,681</u>	<u>62,594,354</u>
Net Position – Ending	<u>\$ 45,986,079</u>	<u>\$ 44,682,069</u>	<u>\$ 24,046,513</u>	<u>\$ 23,904,612</u>	<u>\$ 70,032,592</u>	<u>\$ 68,586,681</u>

The City's total revenues amounted to \$40,425,109 for the year ending June 30, 2020, a decrease of \$2,478,858 or 5.8%. The main drivers of the decrease were decreases in capital grants and contributions as restated of \$3,824,677, or 54.2% due to decreases in revenue's related to the FEMA repurchase program and grants revenues and decreases in operating grants and contributions of \$539,826 or 24.9% due to a number of large Ride III transportation grant projects being completed in the prior year. These decreases were partially offset by increases in other taxes and fees of \$850,401 to \$1,811,504 from \$909,296, an increase of 93.5% attributed to changes in the amount of hospitality taxes being retained by the City. Charges for services increased \$478,825 or 2.8% mainly due to increases in water and sewer charges and solid waste fees in the business-type funds. Property tax revenues increased \$342,717 or 4.9% related to increasing home values. Lastly, interest income increased \$314,369 or 176.6% due to the City earning a higher interest rate on its investments for the year ending June 30, 2020.

The total cost of all programs and services was \$38,979,198, increasing by \$2,067,558, or 5.6%, over the previous year. The governmental activities increased due to employee compensation, COVID-19 and increased consulting costs. The Water and Sewer fund experienced increases in repairs, maintenance, and depreciation costs.

Governmental Activities

The City's net position from governmental activities increased \$1,304,010. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, was \$(1,866,194) at June 30, 2020. The decrease from the prior year arises from large capital asset purchases in 2020 such that a much larger portion of the net position is represented by the net investment in capital assets.

The City's programs for governmental activities include general government, public safety, street, solid waste, intergovernmental maintenance, beautification, parks and recreation, and interest & fiscal charges.

The cost of all governmental activities for fiscal year 2020 was \$27,033,758. However, as shown in the statement of activities on pages 12 and 13, the amount that taxpayers ultimately financed for these activities was only \$17,076,108 as some of the costs were paid by those who directly benefited from the programs (\$6,292,362), or by other governments and organizations which subsidized certain programs with grants and contributions (\$3,665,288). Overall, the City's governmental program revenues were \$9,957,650. The City paid for the remaining "public benefit" portion of governmental activities with general revenues, some of which could only be used for certain programs, totaling \$17,076,108.

Business-Type Activities

The City's net position from business-type activities increased \$141,901. The City's programs for business-type activities are comprised of waterworks and sewer activities. Revenues of the City's business-type activities were \$12,832,241, a 9.68% increase that arose from a increase in charges for service and capital contributions. Expenses of the City's business-type activities were \$11,945,440, a 2.12% increase due to personnel costs, materials and supplies expenses, and increased depreciation expense.

The cost of all business-type activities, \$11,945,440, for fiscal year 2020 as shown in the statement of activities which begins on page 12, were funded from payments by users in the amount \$11,551,606, and from operating and capital contributions in the amount of \$1,196,687. Unrestricted investment earnings were \$31,483, restricted investment earnings were \$52,465 and transfers out totaled \$744,900, which are included in the cost of all business-type activities.

The City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2020, the City's governmental funds reported combined ending fund balances of \$21,596,287, a decrease of \$58,195, when adjusted for the restatement.

Unassigned fund balance of the governmental funds is \$15,875,202 which is available for spending at the City's discretion. The remainder of fund balance is reserved for amounts (1) that are not available for spending, (2) are legally restricted for a specific purpose, or (3) are assigned by the City for a specific purpose.

The General Fund is the primary operating fund of the City. At the end of fiscal year 2020, the fund balance of the General Fund was \$17,040,251, of which \$15,983,145 was unassigned. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 61.4% of total General Fund expenditures, while total fund balance represents a very healthy 65.4% of that same amount.

In the Hospitality Fund, fund balance increased \$526,400 at June 30, 2020. This was primarily due to a shifting of fiscal responsibility from Horry County to the City related to hospitality taxes.

Fund balance in the Stormwater Management Fund decreased by \$154,985 at June 30, 2020. This was primarily due to an increase in current expenditures.

In the Community Development Fund, fund balance increased by \$46,218 at June 30, 2020. This was primarily due to a decrease in capital outlay expenditures.

Proprietary Fund

The City's proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail. Those factors discussed previously relating the City's business-type activities are also relevant to the City's proprietary fund. There are no variances.

General Fund Budgetary Highlights

The original General Fund budget, as presented in this report, includes the original appropriations authorized by City Council prior to the start of the fiscal year. No supplemental appropriations required authorization by Council for the general fund during the year.

Total general fund revenues exceeded budgetary estimates for the year by \$2,886,757. Following is the more noteworthy variance from revenue estimates:

- Property tax revenues exceeded budget by \$386,100.
- Licenses and permits exceeded budget by \$173,057 primarily due to an increase in residential building permits and business license collections.
- Intergovernmental revenues exceeded budget by \$2,111,146 primarily due to additional grants from the FEMA related to hazard mitigation.
- Interest income exceeded budget by \$346,859 primarily due higher rates on the City's short term investments for the year ending June 30, 2020.
- Actual expenditures incurred were \$533,731 less than appropriations.

Capital Asset and Debt Administration

The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2020 was \$66,016,448. This represents a net increase of \$3,284,610, or 5.2% from the prior year, including the amounts related to the restatement. The change in the City's investment in capital assets related to governmental activities for the current fiscal year was an increase of \$3,512,603 or 8.0%, for governmental activities and a decrease of \$227,993, or 2.1%, for business-type activities. The increase in governmental activities is mainly due to the City investing \$3,219,236 in vehicles other equipment, including \$1,260,000 for the lease of five sanitation trucks for the sanitation department, \$1,796,645 for infrastructure and other improvements and \$1,812,936 for disaster mitigation land related to the FEMA grant program. These expenditures were offset by depreciation expense of \$3,279,930. The decrease for business-type activities is mainly due to depreciation of \$1,708,502 offsetting the City investing \$743,905 in its' distribution system and \$736,604 in vehicles other equipment.

Capital Assets (Net)
June 30, 2020

	Governmental Activities		Business-Type Activities		Total	
		As Restated		As Restated		As Restated
	2020	2019	2020	2019	2020	2019
Land	\$ 12,135,452	\$ 6,801,232	\$ 126,912	\$ 126,912	\$ 12,262,364	\$ 6,928,144
Land Improvements	1,686,966	1,126,829			1,686,966	1,126,829
Buildings and Improvements	12,862,881	13,419,679	2,436,819	2,525,886	15,299,700	15,945,565
Other Improvements	1,796,705	1,751,439			1,796,705	1,751,439
Distributions System			14,103,854	14,483,448	14,103,854	14,483,448
Vehicles and Equipment	6,433,717	4,686,369	2,049,667	1,808,999	8,483,384	6,495,368
Infrastructure	12,024,365	12,084,367			12,024,365	12,084,367
Construction in Progress	359,110	3,916,678			359,110	3,916,678
Total	<u>\$ 47,299,196</u>	<u>\$ 43,786,593</u>	<u>\$ 18,717,252</u>	<u>\$ 18,945,245</u>	<u>\$ 66,016,448</u>	<u>\$ 62,731,838</u>

Debt Administration

At June 30, 2020, the City had \$5,241,491 in bonds and capital lease obligations outstanding. This is a decrease of \$88,012 or 1.6% from the prior year. The decrease is due total principal payments of \$1,353,012, which was offset by an additional capital lease of \$1,260,000 in the government funds. More detailed information about the City's debt obligations and future debt service requirements can be found in Note 11 to the financial statements.

Outstanding Debt
June 30, 2020

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 459,772	\$ 546,370	\$	\$	\$ 459,772	\$ 546,370
Tax increment bonds	532,462	791,578			532,462	791,578
Revenue bonds	1,421,846	1,859,184	1,101,142	1,362,371	2,522,988	3,221,555
Capital lease obligations	<u>1,906,269</u>	<u>950,000</u>			<u>1,906,269</u>	<u>950,000</u>
Total liabilities	<u>\$ 4,320,349</u>	<u>\$ 4,147,132</u>	<u>\$ 1,101,142</u>	<u>\$ 1,362,371</u>	<u>\$ 5,421,491</u>	<u>\$ 5,509,503</u>

Under current state statutes, the City can issue general obligation debt without referendum whenever the new debt and outstanding balances of existing debt in total do not exceed 8% of taxable assessed values on property located within the city limits. As of June 30, 2020, the amount of new general obligation debt that can be issued without referendum was \$7,118,189.

The City's elected and appointed officials considered many factors when setting the fiscal year 2021 budget, tax rates and fees that will be charged for the business-type activities. Some of those factors are the economy, the population growth rate and inflation rates.

Economic Factors and Next Year's Budgets and Rate

The indicators mentioned above were taken into account when adopting the General Fund budget for fiscal year 2021. Amounts available for appropriation in the General Fund budget are \$24,714,897, an increase of 10.71% over the final fiscal year 2020 budget of \$22,323,055. Budgeted expenditures are expected to decrease 2.4% to \$25,929,734 from \$26,575,528 in fiscal year 2020. The City has added no major new programs to the fiscal year 2021 budget. If these estimates are realized, the City's budgetary General Fund balance is not expected to change in fiscal year 2021.

As for the City's business-type activities, the anticipated revenues and expenses for Waterworks and Sewer System will increase by 13.31% for the fiscal year 2021.

Requests for Information

This financial report is designed to provide a general overview of the City of Conway's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director at City of Conway, Post Office Drawer 1075, Conway, South Carolina 29528-1075.

BASIC FINANCIAL STATEMENTS

CITY OF CONWAY, SOUTH CAROLINA

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Temporary Investments	\$ 18,694,058	\$ 5,110,195	\$ 23,804,253
Receivables (Net)	4,439,082	1,431,345	5,870,427
Internal Balances	5,453	(5,453)	
Inventories	176,436	468,530	644,966
Restricted Cash and Temporary Investments	514,321	4,712,288	5,226,609
Land and Construction In Progress	12,494,562	126,912	12,621,474
Other Capital Assets (Net)	<u>34,804,634</u>	<u>18,590,340</u>	<u>53,394,974</u>
Total Assets	\$ <u>71,128,546</u>	\$ <u>30,434,157</u>	\$ <u>101,562,703</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pension Plans	\$ 4,244,609	\$ 692,360	\$ 4,936,969
Related to OPEB	422,005	61,946	483,951
Total Deferred Outflows of Resources	\$ <u>4,666,614</u>	\$ <u>754,306</u>	\$ <u>5,420,920</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 2,078,124	\$ 727,522	\$ 2,805,646
Liabilities Payable from Restricted Assets	78,128	1,481,237	1,559,365
Unearned Revenue	42,786	382,300	425,086
Noncurrent Liabilities:			
Due Within One Year	1,516,136	266,855	1,782,991
Due in More Than One Year	<u>25,848,391</u>	<u>4,260,396</u>	<u>30,108,787</u>
Total Liabilities	\$ <u>29,563,565</u>	\$ <u>7,118,310</u>	\$ <u>36,681,875</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pension Plans	\$ 237,115	\$ 22,407	\$ 259,522
Related to OPEB	8,401	1,233	9,634
Total Deferred Inflows of Resources	\$ <u>245,516</u>	\$ <u>23,640</u>	\$ <u>269,156</u>
NET POSITION			
Net Investment in Capital Assets	\$ 42,978,847	\$ 17,616,110	\$ 60,594,957
Restricted for:			
Community Development	2,312,929		2,312,929
Public Safety Programs	209,447		209,447
Tourism	1,392,115		1,392,115
Tax Increment	958,935		958,935
Capital Projects		4,712,288	4,712,288
Unrestricted	<u>(1,866,194)</u>	<u>1,718,115</u>	<u>(148,079)</u>
Total Net Position	\$ <u><u>45,986,079</u></u>	\$ <u><u>24,046,513</u></u>	\$ <u><u>70,032,592</u></u>

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

CITY OF CONWAY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 4,693,713	\$ 86,899	\$ 225,514	\$ 8,012
Public Safety	11,432,955	845,176	236,911	70,381
Street	2,702,481	1,257,608	1,162,543	
Sanitation	3,120,766	3,202,458		
Intragovernmental Maintenance	399,792			50,718
Beautification	1,279,660			
Culture and Recreation	3,289,509	900,221	500	1,910,709
Interest and Fiscal Charges	114,882			
Total Governmental Activities	<u>\$ 27,033,758</u>	<u>\$ 6,292,362</u>	<u>\$ 1,625,468</u>	<u>\$ 2,039,820</u>
Business-Type Activities:				
Water & Sewer	<u>\$ 11,945,440</u>	<u>\$ 11,551,606</u>	<u>\$</u>	<u>\$ 1,196,687</u>
Total	<u>\$ 38,979,198</u>	<u>\$ 17,843,968</u>	<u>\$ 1,625,468</u>	<u>\$ 3,236,507</u>

General Revenues:

Property Taxes
In Lieu of Property Taxes
Franchise Fee Taxes
Hospitality Fee Taxes
Local Accommodations Tax
Business License Taxes
Grants and Contributions not Restricted to Specific Programs
Unrestricted Investment Earnings
Restricted Investment Earnings
Gain on Disposal of Capital Assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning, As Previously Reported

Prior Period Adjustments (Note 16)

Net Position - Beginning, As Restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (4,373,288)	\$	\$ (4,373,288)
(10,280,487)		(10,280,487)
(282,330)		(282,330)
81,692		81,692
(349,074)		(349,074)
(1,279,660)		(1,279,660)
(478,079)		(478,079)
(114,882)		(114,882)
<u>\$ (17,076,108)</u>	<u>\$</u>	<u>\$ (17,076,108)</u>
\$	\$ 802,853	\$ 802,853
<u>\$ (17,076,108)</u>	<u>\$ 802,853</u>	<u>\$ (16,273,255)</u>
\$ 7,305,548	\$	\$ 7,305,548
70,987		70,987
1,477,434		1,477,434
1,668,320		1,668,320
72,197		72,197
6,174,620		6,174,620
448,703		448,703
407,894	31,483	439,377
522	52,465	52,987
8,993		8,993
744,900	(744,900)	
<u>\$ 18,380,118</u>	<u>\$ (660,952)</u>	<u>\$ 17,719,166</u>
<u>\$ 1,304,010</u>	<u>\$ 141,901</u>	<u>\$ 1,445,911</u>
\$ 42,770,916	\$ 23,988,463	\$ 66,759,379
1,911,153	(83,851)	1,827,302
<u>\$ 44,682,069</u>	<u>\$ 23,904,612</u>	<u>\$ 68,586,681</u>
<u>\$ 45,986,079</u>	<u>\$ 24,046,513</u>	<u>\$ 70,032,592</u>

CITY OF CONWAY, SOUTH CAROLINA

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020**

	General Fund	Hospitality Fund	Stormwater Management Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Temporary Investments	\$ 14,018,648	\$ 1,079,516	\$ 1,079,395
Receivables (Net):			
Property Taxes	270,307		
Franchise Fees	356,699		
Business Licenses	917,252		
Local Accommodations Tax			
Hospitality Fees		161,326	
Interest	20,937		
Intergovernmental	2,452,755		
Other	58,478		
Due From Other Funds	192,817		
Inventories	176,436		
Restricted Cash and Temporary Investments	<u>514,321</u>		
Total Assets	\$ <u>18,978,650</u>	\$ <u>1,240,842</u>	\$ <u>1,079,395</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ 1,727,211	\$ 16,488	\$ 225,133
Due to Other Fund			79,421
Payable From Restricted Assets:			
Performance Bonds	15,450		
Court Bonds	11,033		
Narcotics Funds on Hand	51,645		
Unearned Revenue	<u>42,786</u>		
Total Liabilities	\$ <u>1,848,125</u>	\$ <u>16,488</u>	\$ <u>304,554</u>
Deferred Inflows of Resources			
Unavailable Revenue	\$ <u>90,274</u>		
Fund Balances:			
Nonspendable			
Inventories	\$ 176,436		
Restricted			
Accommodations			
Hospitality		1,224,354	
Lakeside Cemetery	226,746		
Narcotics Law Enforcement	40,912		
Street and Drainage Project			
Stormwater			774,841
Tax Increment			
Victims Assistance	168,535		
Assigned			
Recreation Center	433,209		
Public Safety	5,868		
Sculpture Trail	5,400		
Unassigned	<u>15,983,145</u>		
Total Fund Balances	\$ <u>17,040,251</u>	\$ <u>1,224,354</u>	\$ <u>774,841</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>18,978,650</u>	\$ <u>1,240,842</u>	\$ <u>1,079,395</u>

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

Community Development Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 2,516,499	\$ 18,694,058
	14,915	285,222
		356,699
		917,252
	8,005	8,005
		161,326
		20,937
	178,408	2,631,163
		58,478
		192,817
		176,436
		514,321
\$	\$ 2,717,827	\$ 24,016,714
\$	\$ 42,984	\$ 2,011,816
107,943		187,364
		15,450
		11,033
		51,645
		42,786
\$ 107,943	\$ 42,984	\$ 2,320,094
\$	\$ 10,059	\$ 100,333
\$	\$	\$ 176,436
	167,763	167,763
		1,224,354
		226,746
		40,912
	1,538,086	1,538,086
		774,841
	958,935	958,935
		168,535
		433,209
		5,868
		5,400
(107,943)		15,875,202
\$ (107,943)	\$ 2,664,784	\$ 21,596,287
\$	\$ 2,717,827	\$ 24,016,714

CITY OF CONWAY, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2020

Total Fund Balances - Total Governmental Funds	\$ 21,596,287
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,299,196
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,766,947
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(27,676,351)</u>
Net Position of Governmental Activities	\$ <u><u>45,986,079</u></u>

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

CITY OF CONWAY, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	General Fund	Hospitality Fund	Stormwater Management Fund
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
REVENUES			
Property Taxes	\$ 7,039,100	\$	\$
Franchise Fees	1,477,434		
Hospitality Fees		1,668,320	
Local Accommodations Tax			
Stormwater Fees			1,257,608
Licenses and Permits	6,763,357		
Fines and Forfeitures	120,417		
Interest	408,359		
Intergovernmental	2,821,301	25,000	
Charges for Services	3,161,127		
Recreation Center	584,922		
Other	674,795		11,746
Total Revenues	\$ <u>23,050,812</u>	\$ <u>1,693,320</u>	\$ <u>1,269,354</u>
EXPENDITURES			
Current:			
General Government	\$ 3,607,844	\$	\$
Public Safety	9,944,751		
Street	838,795		941,590
Sanitation	2,435,958		
Intragovernmental Maintenance	312,721		
Beautification	1,154,413		
Culture and Recreation	2,318,529	258,835	
Capital Outlay	4,982,639	491,786	308,887
Debt Service			
Principal	395,329	265,876	171,462
Interest and Fiscal Charges	50,818	37,973	2,400
Total Expenditures	\$ <u>26,041,797</u>	\$ <u>1,054,470</u>	\$ <u>1,424,339</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>(2,990,985)</u>	\$ <u>638,850</u>	\$ <u>(154,985)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	\$ 8,993	\$	\$
Proceeds from Insurance Recoveries	49,997		
Capital Lease Obligation	1,260,000		
Transfers In	885,686		
Transfers Out		(112,450)	
Total Other Financing Sources (Uses)	\$ <u>2,204,676</u>	\$ <u>(112,450)</u>	\$
Net Change in Fund Balances	\$ <u>(786,309)</u>	\$ <u>526,400</u>	\$ <u>(154,985)</u>
Fund Balances - Beginning, As Previously Reported	\$ 16,036,310	\$ 697,954	\$ 429,826
Prior Period Adjustments (Note 16)	1,790,250		500,000
Fund Balances - Beginning, As Restated	\$ <u>17,826,560</u>	\$ <u>697,954</u>	\$ <u>929,826</u>
Fund Balances - Ending	\$ <u>17,040,251</u>	\$ <u>1,224,354</u>	\$ <u>774,841</u>

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

Community Development Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 451,140	\$ 7,490,240
		1,477,434
		1,668,320
	72,197	72,197
		1,257,608
		6,763,357
		120,417
	57	408,416
50,718	1,180,469	4,077,488
		3,161,127
		584,922
500		687,041
<u>\$ 51,218</u>	<u>\$ 1,703,863</u>	<u>\$ 27,768,567</u>
\$	\$ 45,504	\$ 3,653,348
		9,944,751
	36,983	1,817,368
		2,435,958
		312,721
		1,154,413
5,000		2,582,364
	1,009,220	6,792,532
	259,116	1,091,783
	14,223	105,414
<u>\$ 5,000</u>	<u>\$ 1,365,046</u>	<u>\$ 29,890,652</u>
<u>\$ 46,218</u>	<u>\$ 338,817</u>	<u>\$ (2,122,085)</u>
\$	\$	\$ 8,993
		49,997
		1,260,000
		885,686
	(28,336)	(140,786)
<u>\$</u>	<u>\$ (28,336)</u>	<u>\$ 2,063,890</u>
<u>\$ 46,218</u>	<u>\$ 310,481</u>	<u>\$ (58,195)</u>
\$ (154,161)	\$ 2,354,303	\$ 19,364,232
		2,290,250
<u>\$ (154,161)</u>	<u>\$ 2,354,303</u>	<u>\$ 21,654,482</u>
<u>\$ (107,943)</u>	<u>\$ 2,664,784</u>	<u>\$ 21,596,287</u>

CITY OF CONWAY, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$	(58,195)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$6,792,532) were more than depreciation (\$3,279,930) in the current period.		3,512,602
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(189,693)
--	--	-----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net assets.		(168,217)
--	--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<div style="border-top: 1px solid black; display: inline-block;">(1,792,487)</div>
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Net Position of Governmental Activities	\$	<div style="border-bottom: 3px double black; display: inline-block;">1,304,010</div>
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The accompanying notes are an integral part of the financial statements.

CITY OF CONWAY, SOUTH CAROLINA

Page 1 of 2

**STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2020**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
ASSETS	
Current Assets:	
Cash in Banks and Temporary Investments	\$ 5,110,195
Receivables (Net):	
Accounts	1,299,191
Interest - Unrestricted	1,124
Interest - Restricted	2,263
Other	128,767
Inventories	468,530
Total Current Assets	\$ <u>7,010,070</u>
Noncurrent Assets:	
Restricted Cash and Temporary Investments	\$ 4,712,288
Land and Construction in Process	126,912
Other Capital Assets (Net)	18,590,340
Total Noncurrent Assets	\$ <u>23,429,540</u>
Total Assets	\$ <u>30,439,610</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension Plan	\$ 692,360
Related to OPEB	61,946
Total Deferred Outflows of Resources	\$ <u>754,306</u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ 727,522
Due to Other Fund	5,453
Revenue Bonds	266,855
Unearned Revenue	382,300
Current Liabilities Payable From Restricted Assets:	
Customer Deposits	1,481,237
Total Current Liabilities	\$ <u>2,863,367</u>

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

CITY OF CONWAY, SOUTH CAROLINA

Page 2 of 2

**STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2020**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
Noncurrent Liabilities:	
Compensated Absences	\$ 17,736
Revenue Bonds (Net)	834,287
Net Pension Liability	3,119,119
Net OPEB Liability	289,254
Total Noncurrent Liabilities	\$ <u>4,260,396</u>
Total Liabilities	\$ <u>7,123,763</u>
 DEFERRED INFLOWS OF RESOURCES	
Related to Pension Plan	\$ 22,407
Related to OPEB	1,233
Total Deferred Inflows of Resources	\$ <u>23,640</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 17,616,110
Restricted for Capital Projects	4,712,288
Unrestricted	1,718,115
Total Net Position	\$ <u><u>24,046,513</u></u>

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

CITY OF CONWAY, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2020**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
OPERATING REVENUES	
Water Usage, Tap Fees and Penalties	\$ 8,244,603
Sewer Usage, Tap Fees and Penalties	2,979,652
Miscellaneous	327,351
Total Operating Revenues	\$ <u>11,551,606</u>
OPERATING EXPENSES	
Maintenance	\$ 2,435,466
Operations	1,041,111
Construction	1,088,294
Non-Departmental	5,658,037
Depreciation and Amortization	1,708,502
Total Operating Expenses	\$ <u>11,931,410</u>
Operating Loss	\$ <u>(379,804)</u>
NONOPERATING REVENUES (EXPENSES)	
Unrestricted Interest Earned	\$ 31,483
Restricted Interest Earned	52,465
Insurance Recoveries	14,610
Interest Expense	(28,640)
Total Nonoperating Revenues (Expenses)	\$ <u>69,918</u>
Loss Before Contributions and Transfers	\$ <u>(309,886)</u>
CONTRIBUTIONS AND TRANSFERS	
Capital Contributions	\$ 1,196,687
Transfer Out	(744,900)
Total Contributions and Transfers	\$ <u>451,787</u>
Change in Net Position	\$ <u>141,901</u>
Total Net Position - Beginning, As Previously Reported	\$ 23,988,463
Prior Period Adjustments (Note 16)	(83,851)
Total Net Position - Beginning, As Restated	\$ <u>23,904,612</u>
Total Net Position - Ending	\$ <u><u>24,046,513</u></u>

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

CITY OF CONWAY, SOUTH CAROLINA

Page 1 of 2

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2020**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	\$ 11,203,671
Payments to Suppliers	(8,021,425)
Payments to Employees	(2,203,203)
Other Receipts	323,702
Net Cash and Cash Equivalents Provided by Operating Activities	\$ <u>1,302,745</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer Out	\$ (744,900)
Proceeds from Interfund Loans	5,453
Net Cash and Cash Equivalents Used by Noncapital Financing Activities	\$ <u>(739,447)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Payments on Revenue Bonds	\$ (261,229)
Interest Paid on Revenue Bonds	(28,640)
Capital Contributions	1,196,687
Insurance Recoveries	14,610
Purchases of Capital Assets	(1,480,510)
Net Cash and Cash Equivalents Used by Capital and Related Financing Activities	\$ <u>(559,082)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Maturities	\$ 425,580
Investment Purchases	(3,837,970)
Interest Received	86,471
Net Cash and Cash Equivalents Provided by Investing Activities	\$ <u>(3,325,919)</u>
Net Increase in Cash and Cash Equivalents	\$ (3,321,703)
Cash and Cash Equivalents - Beginning	<u>9,306,216</u>
Cash and Cash Equivalents - Ending	\$ <u><u>5,984,513</u></u>

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

CITY OF CONWAY, SOUTH CAROLINA

Page 2 of 2

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2020**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
 <u>Reconciliation of Operating Income to Net Cash and Cash Equivalents Provided by Operating Activities</u>	
Operating Loss	\$ (379,804)
Adjustments to Reconcile Operating Income to Net Cash and Cash Equivalents Provided by Operating Activities:	
Depreciation and Amortization	1,708,502
Decrease in Accounts Receivable	57,658
(Increase) in Other Receivable	(3,649)
Decrease in Inventories	47,983
(Decrease) in Accounts Payable and Accrued Expenses	(117,366)
(Decrease) in Unearned Revenue	(144,505)
Increase in Customer Deposits Payable	66,263
Increase in Compensated Absences	17,736
Increase in Pension Liability	93,741
(Decrease) in OPEB Liability	(43,814)
Net Cash and Cash Equivalents Provided by Operating Activities	\$ <u><u>1,302,745</u></u>

Reconciliation of Cash and Cash Equivalents

Unrestricted Cash and Temporary Investments	\$ 5,110,195
Restricted Cash and Temporary Investments	<u>4,712,288</u>
	\$ 9,822,483
Temporary Investments With Original Maturity Dates of Greater Than Three Months	<u>(3,837,970)</u>
Cash and Cash Equivalents	\$ <u><u>5,984,513</u></u>

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

CITY OF CONWAY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2020

ASSETS

Cash and Temporary Investments	\$ <u>118,715</u>
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LIABILITIES

Due to Firemen's Association	\$ <u>118,715</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government and Operations

The City of Conway is a municipal corporation of the State of South Carolina, located in the coastal region of South Carolina in Horry County, and as such possesses all the general powers granted by the Constitution and laws of South Carolina to municipal corporations.

The City operates under the Council-Administrator form of government. The City Council is composed of six members and the Mayor, who serves as presiding officer. The Council is the legislative body of the City and has the major responsibility of determining the policies and direction of the municipal government.

The City Administrator is appointed by Council and serves as the chief administrative officer of the City. As such, he administers the daily operations of the City through appointed department heads.

The City's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies all relevant GASB pronouncements.

The more significant accounting policies of the City are described below.

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units; potential component units are legally separate organizations for which the elected officials of the City of Conway might be considered to be financially accountable. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, based on Statement No. 39 of the Governmental Accounting Standards Board. The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents; it follows that an accountability perspective should provide the basis for defining the financial reporting entity. In accordance with that concept, the City of Conway financial reporting entity consists only of all of the departments and funds of the City of Conway, the primary government; no other separate entities have been included in the reporting entity (and these financial statements) because the City of Conway is not financially accountable for any other separate organizations, and there are no other organizations for which the nature and significance of their relationship with the City of Conway is such that exclusion would cause the financial statements to be misleading or incomplete.

Government-Wide Financial Statements

The City's government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statement 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 CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. Separate fund financial statements are presented for governmental, proprietary, and fiduciary activities (even though the latter are excluded from the government-wide financial statements). The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Each major fund, determined in accordance with criteria established by the Governmental Accounting Standards Board, is presented in a separate column on the fund financial statements. All nonmajor funds are aggregated and reported in a single column on each of the fund statements.

The City's fiduciary fund is presented in the fiduciary fund financial statement by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

Governmental Funds

The focus of the governmental funds' measurement, in the fund statements, is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the City's governmental funds:

- i. The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund is reported as a major governmental fund.
- ii. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City uses the following special revenue funds: 1) accommodations tax fund, 2) hospitality fee, 3) stormwater management, 4) street and drainage project, and 5) tax increment revenue. The hospitality fee fund, which is a major fund, is used to account for a 1% fee imposed on accommodations, paid places of amusement and food and beverages served by a food facility for the purpose of tourism related expenditures. The stormwater management fund, which is also a major fund, is used to account for revenue generated from user fees assessed to residents and businesses within the City on a monthly basis in order to provide for the planning, operation, and maintenance of the stormwater system of the City. All the other special revenue funds are nonmajor funds.
- iii. The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

The City uses the following capital projects fund, which is classified as a major fund: 1) community development.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the City's proprietary fund:

- i. The Enterprise fund is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City reports one major proprietary fund: The waterworks and sewer fund is an enterprise fund that is used to account for the provision of water and sewer services to the residents of the City and surrounding areas.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. Fiduciary funds are not included in the government-wide financial statement, but are reported in the fund statements where the reporting focus is on net position and changes in net position. The City utilizes one fiduciary fund: The firemen's agency fund is used to account for insurance premium rebates remitted by the State Treasurer to be expended for the collective benefit and enjoyment of the City firefighters.

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and net pension liability, are recorded only when payment is due.

The City considers property taxes, business licenses, hospitality fees, storm water fees, intergovernmental revenues and charges for services to be susceptible to accrual. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include, permits and fines and forfeitures.

The agency fund financial statement is reported using the accrual basis of accounting. Agency funds do not have a measurement focus.

Cash and Temporary Investments

The City pools the cash of all funds into a central depository bank account except where legal restrictions prohibit the commingling of funds or when alternative deposit or investment accounts are better able to meet particular City needs. Temporary investments are then made from the account in collaborative form in order to maximize the return on invested funds. Each individual fund's equity in the pooled cash and temporary investments is shown in that fund. Allocation of the interest earned is made to each fund based on pro rata equity. Due to the nature of the contractual agreements surrounding the various repurchase agreements, which include complete access to the funds and lack of withdrawal penalty, said agreements will be treated, for liquidity purposes, as cash.

For purposes of the statement of cash flows, as presented for the City's proprietary funds, cash equivalents include demand deposits and short-term investments, including restricted amounts, with original maturity dates of three months or less.

Investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

State statutes authorize the City to invest in obligations of the U.S. Treasury and agencies thereof, obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent secured by the Federal Deposit Insurance Corporation, and certificates of deposit and repurchase agreements where the certificates or agreements are collaterally secured by obligations of the United States and agencies thereof or by obligations of the State of South Carolina or any of its political units.

Receivables

Receivables are presented in the financial statements net of allowances for doubtful accounts. Allowances for doubtful accounts are based upon historical trends and the periodic aging of receivables.

Inventories

Inventories are valued at cost, primarily on an average cost basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets

Restricted assets include cash and temporary investments that are legally restricted as to their use. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Interfund Balances and Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity is classified as either loans, services provided, reimbursements or transfers. Loans are referred to as either due to/from other funds or advances to/from other funds. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, lighting systems, drainage systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000. Purchased capital assets are recorded at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

The costs of normal maintenance and repairs, which neither materially add to the value of an asset nor prolong its life, are charged to expense as incurred. Interest incurred during the construction of capital assets for business-type activities is reflected in the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	10 - 30 years
Buildings and Improvements	7 - 30 years
Distribution System	40 years
Infrastructure	10 - 15 years
Vehicles and Equipment	5 - 10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the Balance Sheet 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 of resources (expense/expenditure) until then. The City currently has two types of deferred outflows of resources: (1) The City reports deferred pension charges in its Statement of Net Position in connection with the City Pension Plan and its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. (2) The City reports deferred other postemployment benefit ("OPEB") charges in its Statement of Net Position in connection with the City's OPEB Plan. The deferred pension and OPEB charges are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

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 three types of deferred inflows of resources: (1) The City reports unavailable revenue (property taxes and note receivables) only in the governmental funds Balance Sheet; these items are deferred and recognized as an inflow of resources in the period the amounts become available. (2) The City also reports deferred pension credits in its Statements of Net Position in connection with the City Pension Plan and its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. (3) The City reports deferred OPEB credits in its Statement of Net Position in connection with the City OPEB Plan. The deferred pension and OPEB credits are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay. There is no liability for unpaid accumulated sick pay since the City does not have to pay any amounts if an employee separates from service. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is not reported in the governmental funds. The compensated absences liability for governmental activities is funded by the General Fund.

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Long-Term Obligations

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary funds statement of net position.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Pensions and OPEB

In government-wide financial statements, pensions and OPEB are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amounts recognized as pension and OPEB expenditures on the modified accrual basis of accounting. The City recognizes net pension and net OPEB liabilities for each plan for which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified plan, or the City's proportionate share thereof in the case of a cost sharing multiple-employer plan, measured as of the City's fiscal year-end. Changes in the net pension and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and OPEB liabilities that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis over a multi-year period beginning with the year in which the difference occurred.

Equity Classifications

In the government-wide and proprietary funds financial statements, equity is classified as net position and is displayed in the following components:

Net Investment in Capital Assets - Consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Consists of net position with constraints placed on their use by (a) third parties such as creditors, grantors, contributors or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

In the governmental fund financial statements, equity is classified as fund balance. Fund balance is reserved for amounts that are not available for appropriation or are legally restricted for a specific purpose. The governmental fund balances are displayed in the following components:

Nonspendable - Consists of amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Consists of amounts with constraints placed on their use by (a) third parties such as creditors, grantors, contributors or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Committed - Consists of amounts that can be used only for specific purposes determined by a formal action by City Council ordinance.

Assigned - Consists of amounts that the City intends to use for specific purposes. Amounts may be assigned by the City Manager pursuant to authorization established by City Council resolution.

Unassigned - Consists of all amounts not included in other spendable classifications. The City only reports positive unassigned fund balance in the General Fund.

CITY OF CONWAY, SOUTH CAROLINA
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When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. Additionally, the City first uses committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Revenues and Expenses

Real property and all personal property other than vehicles are assessed for property tax purposes as of January 1st of each year. All taxable property is assessed in proportion to its value on that date. The basis for value of taxable property within the City is taken from the records of the Horry County Auditor. Taxes are payable between October 1st and January 15th following their levy on October 1st. The lien date is January 15th and unpaid amounts after this date are considered to be delinquent and are subject to penalties for late payment.

New vehicle property taxes are assessed and levied within 120 days of the registration date of the vehicle and payment is due upon receipt of the property tax notice. Other vehicle property taxes are assessed and levied in the month the vehicle is scheduled for license renewal with the South Carolina Highway Department and payment is due before the end of the month of the scheduled renewal.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In accordance with GASB Statement No. 33, the City recognizes grant revenues and receivables when the applicable eligibility requirements, including time requirements, are met. Resources received before the eligibility requirements are met are reported as unearned revenue.

In proprietary fund financial statements, capital contributions, which consist of contributed capital assets and grant revenues restricted to capital purposes, are reported as nonoperating revenues based on GASB Statement No. 33.

Fund Balance Policy

The City of Conway has adopted a policy to maintain a minimum level of unassigned fund balance in the General Fund of \$5,200,000. The City is currently in compliance with this policy.

Note 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between total fund balances - total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. The details of the element in the reconciliation that relates to long-term liabilities, \$27,676,351, follows:

Bonds Payable, Net	\$ 2,414,080
Capital Lease Obligations	1,906,269
Net Pension Liability and Related Amounts	20,552,062
Compensated Absences	758,689
Net OPEB Liability and Related Amounts	1,978,943
Accrued Interest Payable	<u>66,308</u>
	\$ <u><u>27,676,351</u></u>

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. The element of the reconciliation that relates to expenses, \$(1,792,487), is comprised of the following:

Compensated Absences	\$ (157,893)
Net Pension Liability	(1,824,274)
Net OPEB Liability	194,148
Accrued Interest	<u>(4,468)</u>
	\$ <u><u>(1,792,487)</u></u>

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 3 - STEWARDSHIP AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

The legal level of budget control is at the fund level. Thus, expenditures may not legally exceed appropriations, including supplemental appropriations, for an individual fund. For the year ended June 30, 2020, expenditures did not exceed appropriations for any of the City's individual funds.

Deficit Fund Equity

June 30, 2020, the Community Development Fund, a nonmajor governmental fund, had an equity deficit of \$(107,943).

Note 4 - CASH AND TEMPORARY INVESTMENTS

Deposits

At June 30, 2020, the carrying amount of the City's deposits in financial institutions was \$21,502,705 and the financial institutions' balances totaled \$21,417,855, including certificates of deposit. Of that balance, \$357,320 was covered by federal depository insurance and \$21,060,535 was collateralized with securities held by the pledging financial institutions' trust department in the City's name. Cash on hand held by various departments of the City totaled \$2,742 at June 30, 2020.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires all deposits in excess of federal depository insurance to be collateralized with securities held by the pledging financial institution's trust department in the City's name.

Temporary Investments

At June 30, 2020 the City's investments consisted of repurchase agreements totaling \$7,644,130 which were not rated by Standard and Poor's and had weighted average maturities of approximately 164 days. These investments were classified as level 1 investments in fair value hierarchy.

The City's investment policy does not address custodial credit risk, credit risk, or concentration of credit risk as these pertain to their investment portfolio.

Note 5 - RECEIVABLES (NET)

Receivables at June 30, 2020, including the applicable allowances for doubtful accounts, are as follows:

	General Fund	Hospitality Fund	Waterworks and Sewer Fund	Nonmajor and Other Funds	Totals
Property Taxes	\$ 914,042	\$	\$	\$ 15,444	\$ 929,486
Franchise Fees	356,699				356,699
Business Licenses	917,252				917,252
Local Accommodations Tax				8,005	8,005
Hospitality Fees		161,326			161,326
Customer Accounts			1,366,879		1,366,879
Interest	20,937		3,387		24,324
Intergovernmental	2,552,755			178,408	2,731,163
Other	<u>58,478</u>		<u>128,767</u>		<u>187,245</u>
	\$4,820,163	\$ 161,326	\$ 1,499,033	\$ 201,857	\$ 6,682,379
Allowances for Doubtful Accounts	<u>(743,735)</u>		<u>(67,688)</u>	<u>(529)</u>	<u>(811,952)</u>
	<u>\$4,076,428</u>	<u>\$ 161,326</u>	<u>\$ 1,431,345</u>	<u>\$ 201,328</u>	<u>\$ 5,870,427</u>

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2020, amounts due to/from other funds were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 192,817	\$
Stormwater Management Fund		79,421
Community Development Fund		107,943
Waterworks and Sewer Fund		5,453
	<u>\$ 192,817</u>	<u>\$ 192,817</u>

	<u>Purpose</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		\$ 885,686	\$
Special Revenue Fund			
Hospitality Fund	Subsidy		112,450
Accommodations Tax Fund	Subsidy		28,336
Enterprise Fund			
Waterworks and Sewer Fund	Subsidy		744,900
		<u>\$ 885,686</u>	<u>\$ 885,686</u>

Transfers are used to (a) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them and (b) move revenues from the funds collecting them to other funds to finance various programs, project costs and administrative costs in accordance with budgetary authorizations.

Note 7 - RESTRICTED CASH AND TEMPORARY INVESTMENTS

The City's restricted cash and temporary investments consisted of the following at June 30, 2020:

Governmental Activities:

General Fund	
Public Safety Programs	\$ 272,125
Lakeside Cemetery Fund	226,746
Performance Bonds	15,450
Total Governmental Activities	<u>\$ 514,321</u>

Business-Type Activities:

Waterworks and Sewer Fund:	
Customer Deposits	\$ 1,481,237
Renewal and Replacement Accounts	3,231,051
Total Business-Type Activities:	<u>\$ 4,712,288</u>

Note 8 - CAPITAL ASSETS (NET)

The City's capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 6,801,232	\$ 5,334,220	\$	\$ 12,135,452
Construction in Progress	3,916,678	129,346	3,686,914	359,110
	<u>\$ 10,717,910</u>	<u>\$ 5,463,566</u>	<u>\$ 3,686,914</u>	<u>\$ 12,494,562</u>
Capital Assets Being Depreciated:				
Land Improvements	\$ 2,971,734	\$ 728,863	\$	\$ 3,700,597
Buildings and Improvements	19,325,194			19,325,194
Vehicles and Equipment	15,585,918	3,219,236	23,667	18,781,487
Other Improvements	6,416,054	241,458		6,657,512
Infrastructure	30,828,277	826,324		31,654,601
	<u>\$ 75,127,177</u>	<u>\$ 5,015,881</u>	<u>\$ 23,667</u>	<u>\$ 80,119,391</u>

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Accumulated Depreciation for:				
Land Improvements	\$ (1,844,905)	\$ (168,726)	\$	\$ (2,013,631)
Buildings and Improvements	(5,905,515)	(556,798)		(6,462,313)
Vehicles and Equipment	(10,899,549)	(1,471,888)	(23,667)	(12,347,770)
Other Improvements	(4,664,615)	(196,192)		(4,860,807)
Infrastructure	(18,743,910)	(886,326)		(19,630,236)
	<u>\$ (42,058,494)</u>	<u>\$ (3,279,930)</u>	<u>\$ (23,667)</u>	<u>\$ (45,314,757)</u>
Capital Assets (Net)	<u>\$ 43,786,593</u>	<u>\$ 7,199,517</u>	<u>\$ 3,686,914</u>	<u>\$ 47,299,196</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities:</i>				
Capital Assets not Being Depreciated:				
Land	<u>\$ 126,912</u>	<u></u>	<u></u>	<u>\$ 126,912</u>
	<u>\$ 126,912</u>	<u>\$</u>	<u>\$</u>	<u>\$ 126,912</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 3,550,207	\$	\$	\$ 3,550,207
Distribution System	34,277,651	743,905		35,021,556
Vehicles and Equipment	5,956,671	736,604		6,693,275
Intangible Assets	<u>1,025,362</u>	<u></u>	<u></u>	<u>1,025,362</u>
	<u>\$ 44,809,891</u>	<u>\$ 1,480,509</u>	<u>\$</u>	<u>\$ 46,290,400</u>
Accumulated Depreciation for:				
Buildings and Improvements	\$ (1,024,321)	\$ (89,067)	\$	\$ (1,113,388)
Distribution System	(19,794,203)	(1,123,499)		(20,917,702)
Vehicles and Equipment	(4,147,672)	(495,936)		(4,643,608)
Intangible Assets	<u>(1,025,362)</u>	<u></u>	<u></u>	<u>(1,025,362)</u>
	<u>\$ (25,991,558)</u>	<u>\$ (1,708,502)</u>	<u>\$</u>	<u>\$ (27,700,060)</u>
Capital Assets (Net)	<u>\$ 18,945,245</u>	<u>\$ (227,993)</u>	<u>\$</u>	<u>\$ 18,717,252</u>

Depreciation and amortization expense was charged to functions / programs of the City as follows:

Governmental Activities:	
General Government	\$ 121,533
Public Safety	775,590
Street	1,159,946
Sanitation	317,820
Intergovernmental Maintenance	80,466
Beautification	118,787
Culture and Recreation	<u>705,788</u>
	<u>\$ 3,279,930</u>
Business-Type Activities:	
Waterworks and Sewer	<u>\$ 1,708,502</u>

Note 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES / EXPENDITURES

Accounts payable and accrued expenses / expenditures consisted of the following at June 30, 2020:

	General Fund	Hospitality Fund	Stormwater Management Fund	Waterworks and Sewer Fund	Nonmajor and Other Funds	Totals
Accounts Payable	\$1,179,360	\$ 16,488	\$ 225,133	\$ 583,876	\$ 42,984	\$ 2,047,841
Accrued Compensation	541,361			86,729		628,090
Interest Payable	6,490			8,489		14,979
Compensated Absences				48,428		48,428
	<u>\$1,727,211</u>	<u>\$ 16,488</u>	<u>\$ 225,133</u>	<u>\$ 727,522</u>	<u>\$ 42,984</u>	<u>\$ 2,739,338</u>

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Reconciliation to the Government-Wide Statement of Net Position:
 Accrued Interest Payable

66,308
\$ 2,805,646

Note 10 – UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

At June 30, 2020, unearned revenue was comprised of the following:

	General Fund	Waterworks and Sewer Fund	Total
Recreation Membership Fees	\$ 42,786	\$	\$ 42,786
Tap Fees		78,100	78,100
Capital Contributions		304,200	304,200
	<u>\$ 42,786</u>	<u>\$ 382,300</u>	<u>\$ 425,086</u>

At June 30, 2020, deferred inflows of resources were comprised of the following:

	General Fund	Tax Increment Fund	Total
Unavailable Property Taxes	\$ 90,274	\$ 10,059	\$ 100,333

Note 11 - LONG-TERM LIABILITIES

Governmental Activities

At June 30, 2020, long-term debt of the City's governmental activities was as follows:

	Date of Issue	Date of Maturity	Interest Rate	Amount Outstanding
General Obligation Bonds				
Municipal Improvements	05/12/14	05/01/25	2.00%	\$ 459,772
Revenue Bonds				
Municipal Improvements	01/22/13	01/21/24	2.25%	1,421,846
Tax Increment Bonds				
Municipal Improvements	05/14/14	05/01/22	1.80%	532,462
Lease/Purchase Obligation				
Sanitation Trucks	09/18/19	09/18/24	2.05%	1,260,000
Fire Truck	08/08/18	08/08/21	4.20%	646,269
				<u>\$ 4,320,349</u>

The City's long-term liability activity for governmental activities for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 546,370	\$	\$ (86,598)	\$ 459,772	\$ 88,352
Revenue Bond	1,859,184		(437,338)	1,421,846	271,857
Tax Increment Bond	791,578		(259,116)	532,462	263,929
Capital Lease Obligations	950,000	1,260,000	(303,731)	1,906,269	558,312
Compensated Absences	600,796	491,579	(333,686)	758,689	333,686
	<u>\$ 4,747,928</u>	<u>\$ 1,751,579</u>	<u>\$ (1,420,469)</u>	\$ 5,079,038	\$ 1,516,136

Reconciliation to the Government-Wide Statement of Net Position:

Net OPEB Liability	1,970,542	
Net Pension Liability	<u>20,314,947</u>	
	<u>\$ 27,364,527</u>	<u>\$ 1,516,136</u>

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The general obligation bonds are to be repaid with property tax revenues. Annual debt service requirements to maturity for the general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2021	\$ 88,350	\$ 9,329	\$ 97,679
2022	90,142	7,537	97,679
2023	91,970	5,709	97,679
2024	93,824	3,855	97,679
2025	<u>95,486</u>	<u>2,220</u>	<u>97,706</u>
	<u>\$ 459,772</u>	<u>\$ 28,650</u>	<u>\$ 488,422</u>

Revenue Bonds

Revenue bonds were issued to provide funds to finance the cost of certain capital improvements within the City's center city redevelopment area. Revenue bonds are to be repaid by hospitality fees and stormwater management fees. Annual debt service requirements to maturity for the tax increment revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2021	\$ 271,857	\$ 31,992	\$ 303,849
2022	277,974	25,875	303,849
2023	284,229	19,620	303,849
2024	290,624	13,225	303,849
2025	<u>297,162</u>	<u>6,686</u>	<u>303,848</u>
	<u>\$ 1,421,846</u>	<u>\$ 97,398</u>	<u>\$ 1,519,244</u>

Tax Increment Revenue Bond

Tax increment revenue bonds were issued to provide funds to finance the cost of the City's recreation center. The tax increment revenue bonds are to be repaid by the property taxes generated from increased assessed values of property within city limits. Annual debt service requirements to maturity for the tax increment revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2021	\$ 263,930	\$ 9,721	\$ 273,651
2022	<u>268,532</u>	<u>4,905</u>	<u>273,437</u>
	<u>\$ 532,462</u>	<u>\$ 14,626</u>	<u>\$ 547,088</u>

Capital Lease Obligations

Capital leases were incurred in conjunction with the purchase of fire equipment and sanitation trucks. The capital leases are to be repaid by property tax revenues. At June 30, 2020, the gross amount of equipment recorded under capital leases totaled \$2,210,000. The minimum future lease payments due under the capital leases as of June 30, 2020 are as follows:

Year Ending June 30, 2021	\$ 611,357
2022	611,357
2023	267,725
2024	267,725
2025	<u>267,725</u>
Total Minimum Lease Payments	\$ 2,025,889
Amount Representing Interest	<u>(119,620)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,906,269</u>

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Business Type Activities

Long-term debt of the City's business-type activities consisted of the following at June 30, 2020:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Revenue Bonds				
Waterworks and Sewer System				
Improvement Revenue Bonds 2014	05/16/14	03/10/24	2.10%	\$ <u>1,101,142</u>

The City's long-term liability activity for business-type activities for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable:					
Revenue Bonds	\$ 1,362,371	\$	\$ (261,229)	\$ 1,101,142	\$ 266,855
Compensated Absences	<u>65,491</u>	<u>49,101</u>	<u>(48,428)</u>	<u>66,164</u>	<u>48,428</u>
	\$ <u>1,427,862</u>	\$ <u>49,101</u>	\$ <u>(309,657)</u>	\$ <u>1,167,306</u>	\$ <u>315,283</u>

Reconciliation to the Government-Wide Statement of Net Position:

Compensated Absences Included in Accounts Payable and Accrued Expenses	(48,428)	(48,428)
Net OPEB Liability	289,254	
Net Pension Liability	<u>3,119,119</u>	
	\$ <u>4,527,251</u>	\$ <u>266,855</u>

Revenue Bonds

Revenue bonds pledge income derived from acquired or constructed assets to pay debt service. The revenue bonds were issued to finance water and sewer expansion and construction projects. Annual debt service requirements to maturity for the revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2021	\$ 266,855	\$ 23,463	\$ 290,318
2022	272,536	17,781	290,317
2023	278,339	11,978	290,317
2024	<u>283,412</u>	<u>6,630</u>	<u>290,042</u>
	\$ <u>1,101,142</u>	\$ <u>59,852</u>	\$ <u>1,160,994</u>

Note 12 – PENSION PLANS

A. Plan Description

The South Carolina Retirement System (SCRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the South Carolina Public Employee Benefit Authority (PEBA). The SCRS was established pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the State, its public school districts and political subdivisions.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit pension plan administered by PEBA. The PORS was established pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the State and its political subdivisions.

PEBA issues a publicly available comprehensive annual financial report that can be obtained at www.peba.sc.gov or by writing to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

B. Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements for the SCRS and the PORS is presented below.

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

PORS - To be eligible for PORS membership, an employee must be required by the terms of employment, by election or appointment to preserve public order, protect life and property and detect crimes in the State; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in the PORS. Magistrates are required to participate in the 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 with an effective date of membership prior to July 1, 2012 is a Class Two member. An employee member with an effective date of membership on or after July 1, 2012 is a Class Three member.

C. Benefits Provided

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. A summary of benefit terms is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A Class Two 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.

D. Contributions

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

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employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year period from thirty years beginning fiscal year 2018 to twenty years by fiscal year 2028.

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

Required employee contributions rates, as a percentage of earnable compensation, are currently as follows:

	<u>SCRS</u>	<u>PORS</u>
Class Two Member	9.00%	9.75%
Class Three Member	9.00	9.75

Required employer contributions rates, as a percentage of earnable compensation, are currently as follows:

	<u>SCRS</u>	<u>PORS</u>
Class Two Member	15.41%	17.84%
Class Three Member	15.41	17.84
Incidental Death Benefit	0.15	0.20
Accidental Death Benefit	N/A	0.20

The City's contributions to the SCRS and the PORS for the fiscal year ended June 30, 2020 were \$1,147,470 and \$735,761, respectively. The contributions made by the City were equal to the required contributions for the year.

E. Net Pension Liability and Pension Expense

SCRS - At June 30, 2020, the City reported a liability of \$15,002,976 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the SCRS relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the City's proportion was 0.065704%, which is an increase of 0.008348% from its proportion measured as of June 30, 2018. For the year ended June 30, 2020, the City recognized SCRS pension expense of \$2,460,759.

PORS - At June 30, 2020, the City reported a liability of \$8,431,091 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the PORS relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the City's proportion was 0.294182%, which is an increase of 0.011612% from its proportion measured as of June 30, 2018. For the year ended June 30, 2020, the City recognized PORS pension expense of \$1,341,830.

The City recognized total pension expense of \$3,802,589 for the year ended June 30, 2020

F. Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plan

At June 30, 2020, the City reported deferred outflows of resources related to pension plans from the following sources:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Difference Between Expected and Actual Pension Liability Experience	\$ 10,313	\$ 173,361	\$ 183,674
Changes of Assumptions	302,332	334,335	636,667

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Differences Between Projected and Actual Earnings on Plan Investments	132,827	106,900	239,727
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	1,737,311	256,359	1,993,670
City Contributions Subsequent to the Measurement Date	<u>1,147,470</u>	<u>735,761</u>	<u>1,883,231</u>
	<u>\$ 3,330,253</u>	<u>\$ 1,606,716</u>	<u>\$ 4,936,969</u>

At June 30, 2020, the City reported deferred inflows of resources related to pension plans from the following sources:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Differences Between Expected and Actual Pension Liability Experience	\$ 107,778	\$ 62,312	\$ 170,090
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>89,432</u>	<u>89,432</u>	<u>89,432</u>
	<u>\$ 107,778</u>	<u>\$ 151,744</u>	<u>\$ 259,522</u>

The \$1,883,231 amount reported as deferred outflows of resources related to pension plans resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension plans will be recognized in pension expense as follows:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Year Ended June 30, 2020	\$ 1,105,204	\$ 419,044	\$ 1,524,248
2021	446,382	147,080	593,462
2022	460,988	103,334	564,322
2023	<u>62,430</u>	<u>49,753</u>	<u>112,183</u>
	<u>\$ 2,075,004</u>	<u>\$ 719,211</u>	<u>\$ 2,794,215</u>

G. Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Inflation	2.25%	2.25%
Salary Increases	3.00-12.50	3.50-9.50
Investment Rate of Return	7.25	7.25

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

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the thirty 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 revised target asset allocation adopted at the beginning of the 2019 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. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% percent inflation component.

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The target assets allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>
Global Equity		
Global Public Equity	35.0%	7.29%
Private Equity	9.0	7.67
Equity Options Strategies	7.0	5.23
Real Assets		
Real Estate (Private)	8.0	5.59
Real Estate (REITs)	1.0	8.16
Infrastructure (Private)	2.0	5.03
Infrastructure (Public)	1.0	6.12
Opportunistic		
Global Tactical Asset Allocation	7.0	3.09
Other Opportunistic Strategies	1.0	3.82
Credit		
High Yield Bonds/Bank Loans	4.0	3.14
Emerging Markets Debt	4.0	3.31
Private Debt	7.0	5.49
Rate Sensitive		
Core Fixed Income	13.0	1.62
Cash and Short Duration (Net)	1.0	0.31
	<u>100.0%</u>	

H. Discount Rate

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

I. Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	<u>SCRS</u>		
	<u>1.0% Decrease (6.25%)</u>	<u>Current Rate (7.25%)</u>	<u>1.0% Increase (8.25%)</u>
City's Proportionate Share of the Net Pension Liability	\$ <u>18,900,610</u>	\$ <u>15,002,976</u>	\$ <u>11,750,174</u>
	<u>PORS</u>		
	<u>1.0% Decrease (6.25%)</u>	<u>Current Rate (7.25%)</u>	<u>1.0% Increase (8.25%)</u>
City's Proportionate Share of the Net Pension Liability	\$ <u>11,426,128</u>	\$ <u>8,431,091</u>	\$ <u>5,977,400</u>

J. SCRS and PORS Fiduciary Net Position

Detailed information about the SCRS's and the PORS's fiduciary net position is available in the separately issued comprehensive annual financial report.

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Note 13 – POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The City provides postemployment medical benefits for eligible retirees in the City of Conway Defined Benefit Retiree Healthcare Plan (“OPEB Plan”), an agent multiple-employer plan administered by the City. The OPEB Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (“SC ORBET”), and thus is considered an agent multiple-employer plan, whose OPEB Plan assets are administered by the Municipal Association of South Carolina (“MASC”). SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the OPEB Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of South Carolina, P.O. Box 12109, Columbia, South Carolina 29211.

The OPEB Plan consists of a Trust Agreement and Plan Document. An agent multiple-employer irrevocable trust was established for these purposes. The Trust’s Board of Trustees has fiduciary responsibility for the investment of monies and administration of the OPEB Plan pursuant to the Trust Agreement and Bylaws. As of 2019 and 2018, the Trust had 47 and 44 participating employers, respectively. Of those participating employers, 36 and 34 of those made contributions to the Trust by December 31, 2019 and 2018, respectively.

The OPEB Plan provides for payment of health and welfare benefits for qualified recipients. The plan covers retired employees and eligible dependents as determined by each participating local employer. The benefit provisions, such as the benefit provided and the policies for receiving such benefits are determined by each participating employer.

The Board consists of seven members with staggered two-year terms. A chair and vice-chair are elected annually. The Board consists of at least five Trustees from municipal participating employers. The remaining two Trustees may be from non-municipal participating employers. The Director of Risk Management Services serves as the Secretary/Treasurer with no voting rights. The Trustees of the Board may serve no more than two full terms in succession.

B. Investment Policies

The SC ORBET Board of Trustees is responsible for the development and implementation of the SC ORBET investment policy. The Board of Trustees delegates the management of the investment program to Risk Management Services staff of MASC. No single issue should comprise more than five percent of the portfolio nor should any issuer comprise more than ten percent of the portfolio except for treasury and agency issues.

For the year ended December 31, 2019, the annual money weighted rate of return on the plan investments was 5.52%. The money weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan Investments is based upon 35 year capital market assumptions, as well as current consensus expectations and market based inputs. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach and are presented net of investment fees. There are no municipal bond rate assumptions used in deriving the discount rate, and the discount rate forecast period extends for 50 years. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation for the beginning of the 2019 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 following table:

<u>Allocation/Exposure</u>	<u>Policy Target Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
U.S. Government Fixed Income:			
U.S. Government Agency	57.50%	4.50%	2.59%
U.S. Government			
MBS/CMO/CMBS	40.00%	5.25%	2.10%
Cash and Short Duration (Net):	<u>2.50%</u>	2.50%	<u>0.06%</u>
Total	<u>100.0%</u>		<u>4.75%</u>

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The membership of the Plan consisted of the following at December 31, 2018, the date of the latest actuarial valuation:

Inactive Employees or and beneficiaries currently receiving benefits	26
Active employees	<u>253</u>
Total	<u><u>279</u></u>

C. Eligibility for Allowance

Full time employees and elected officials who retire under the South Carolina Retirement System (SCRS) or the Police Officers Retirement System (PORS) with at least 10 years of service with the City are eligible to remain on the City's health, dental and vision plans offered through participation in the State health plan, administered by the Public Employee Benefit Authority (PEBA).

Disabled retirees must meet the same eligibility conditions as non-disabled retirees.

The City will pay a portion of the retiree only, standard plan medical premium and the dental premium based on service with the City. The table below displays the portion paid by the City.

<u>Years of Service</u>	<u>City Paid Portion</u>
10-19 Years	0.00%
<hr/>	
SCRS with 20 – 27 years or PORS with 20 – 24 years	50.00%
<hr/>	
SCRS with at least 28 years or PORS with at least 25 years or PORS Duty Disabled	100.00%
<hr/>	

For those who retire after October 27, 2008, the City pays the portion (same as above) of the benefit cap rather than the premium once the retiree becomes Medicare eligible. The benefit cap is \$365.15/month and is not anticipated to increase in the future. Retirees, including disabled retirees, must pay the remaining premiums. The dental plus and vision plans are available to retirees and their dependents; however, the retiree must pay the full premium for these plans.

D. Other Post Employment Benefits

Health care, dental and vision insurance are offered in the City's Other Post-Employment Benefits Plan for the lifetime of the retiree. Once the retiree becomes Medicare eligible, coverage is moved to the PEBA Medicare Supplemental plan.

E. Dependent Coverage

Retirees may continue dependent coverage (and pay the full premium for this coverage) if enrolled in dependent coverage at the time of retirement. Spouses may continue coverage after the death of the retiree but must continue to pay the full premium.

F. Representative Monthly Amounts of Retiree Premiums

The following table displays the January 1, 2019 PEBA monthly premium rates for the medical plan. The amounts do not include the \$3.00/month administrative fee or the 1.01 experience load that was reported for the 2019 plan year.

<u>Tier</u>	<u>Standard Plan/ Medicare Supplement</u>
Retiree Only	\$500.38
Retiree and Spouse	1,051.04

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The following table displays the January 1, 2019 PEBA monthly premium rates for the dental and dental plus plans:

<u>Tier</u>	<u>Dental</u>
Retiree Only	\$13.48
Retiree and Spouse	21.12

G. Contributions

The annual contribution amounts are determined by an actuary pursuant to an arrangement between an actuary and the Trust program administrator, or by an actuary chosen by a participating employer. Each participating employer is responsible for determining the appropriate amount of contributions to remit to the Trust. A record is maintained of the net asset balances of each participating employer within the Trust. The total annual contributions and benefit payments made by each participating employer are recognized in the Trust. Contributions received in advance are reported as deferred revenue. Employee contributions are not permitted.

Administrative fees, which are calculated as a percentage of the participating employers' investment balances, are deducted from each participating members' portfolio value in the Trust on a quarterly basis.

H. Other Actuarial Assumptions

The TOL was determined by an actuarial valuation as of January 1, 2017, using the following key actuarial assumptions and other inputs:

Inflation	2.25%
Real wage growth	
SCRS	0.75%
PORS	1.25%
Wage Inflation	
SCRS	3.00%
PORS	3.50%
Salary increases, including wage inflation	
SCRS	3.00% - 7.00%
PORS	3.50% - 9.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	4.75%
Municipal Bond Index Rate	
Prior Measurement Date	4.10%
Measurement Date	2.74%
Year FNP is projected to be depleted	
Prior Measurement Date	N/A
Measurement Date	N/A
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	4.75%
Measurement Date	4.75%
Health Care Cost Rates	
Pre-Medicare	7.25% for 2019 decreasing to an ultimate Rate of 4.75% by 2029
Medicare	5.38% for 2019 decreasing to an ultimate rate of 4.75% by 2023

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I. Other Information

The discount rate used to measure the TOL was based upon the long-term expected rate of return. Mortality rates were based on the RP-2014 Mortality Table for Employees with a 95% multiplier to better reflect anticipated experience and provide a margin for future improvements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the January 1, 2018 valuation were based on the results of an actuarial experience study adopted by SCRS and PORS. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the January 1, 2018 valuation were based on a review of recent plan experience done concurrently with the January 1, 2018 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe.

The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	94%
Cash and Cash Equivalents	6%
Total	100.0%

J. Discount Rate

The discount rate used to measure the TOL as of the Measurement Date was 4.75%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of January 1, 2018.

In addition to the actuarial methods and assumptions of the January 1, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.
- In all future years, the employer continues to contribute the full ADEC through deposit to the Trust and direct payment of benefits to plan members as the benefits come due. The employer is assumed to have the ability and willingness to make contributions to the Trust and benefit payments from its own resources for all periods in the projection.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's FNP was projected to not be depleted.

The FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

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K. Health Care Cost Trend Rate Sensitivity Analysis

The following exhibit presents the NOL of the Plan, calculated using current health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	<u>Health Care Cost Trend Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$1,579,590	\$2,259,796	\$3,147,267

L. Discount Rate Sensitivity Analysis

The following exhibit presents the NOL of the Plan, calculated using the discount rate of 4.75%, as well as what the Plan's NOL would be if it were calculated using a Discount Rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>Discount Rate Sensitivity</u>		
	1% Decrease (3.75%)	Current (4.75%)	1% Increase (5.75%)
Net OPEB Liability	\$3,209,037	\$2,259,796	\$1,479,555

M. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The TOL is based upon an actuarial valuation performed as of the Valuation Date, December 31, 2018. An expected TOL is determined as of December 31, 2019 using standard roll forward techniques. The roll forward calculation begins with the TOL, as of December 31, 2018, subtracts the actual benefit payments and refunds for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the Service Cost). The procedure used to determine the TOL, as of December 1, 2019, is shown in the following table:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) – (b)
Balance as of December 31, 2018	\$ 5,384,758	\$ 3,071,473	\$ 2,313,285
Changes for the year:			
Service Cost as the end of the year*	213,457		213,457
Interest on TOL and Cash Flows	251,814		251,814
Difference between expected and actual experience	140,034		140,034
Contributions – Employer		498,539	(498,539)
Net Investment Income		165,740	(165,740)
Benefit payments and implicit subsidy credit**	(168,770)	(168,770)	
Plan administrative expenses***		(5,485)	5,485
Net Changes	\$ 436,535	\$ 490,024	\$ (53,489)
Balance as of December 31, 2019	\$ 5,821,293	\$ 3,561,497	\$ 2,259,796

* The service cost includes interest for the year.

** Benefit payments are net of participant contributions and include a payment of \$35,300 for the implicit subsidy. Benefit payments include \$133,470 paid outside the trust.

*** Administrative expenses are based on the fees paid from the plan's trust.

The employer has no special funding situations.

The actuarial has assumed no significant changes, other than the change in the Municipal Bond Index Rate, has occurred between the Valuation Date and the Measurement Date. If a significant change, other than the change in the Municipal Bond Index Rate, has occurred between the Valuation Date and the Measurement Date, an updated valuation may need to be performed.

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

There are no changes in benefit terms since the Prior Measurement Date, and no benefit payments are attributable to the purchase of allocated insurance contracts.

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB expense they are labeled deferred outflows of resources. If they serve to reduce OPEB expense they are labeled deferred inflows of resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period.

The following table provides a summary of the Deferred Outflows of Resources and Deferred Inflows of Resources as of December 31, 2019:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 32,278	\$ 9,634
Changes of assumptions or other inputs	135,465	
Net difference between projected and actual earnings on plan investments	70,852	
City Contributions Subsequent to the measurement date	<u>245,356</u>	
Total	\$ <u>483,951</u>	\$ <u>9,634</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Measurement Period Ended December 31:</u>	
2020	46,522
2021	46,522
2022	36,098
2023	16,170
2024	18,615
Thereafter	65,034

Note 14 – COMMITMENTS

In accordance with a water and wastewater service agreement dated June 30, 2006, the City is purchasing wholesale water and wastewater treatment service from Grand Strand Water and Sewer Authority. The agreement requires the City to pay a monthly volumetric service charge. During the year ended June 30, 2020, water and wastewater treatment service charges totaled \$5,066,243.

Note 15 – CONTINGENCIES

The City is a defendant in various lawsuits. The outcome of the lawsuits is not presently determinable. It is expected that any potential liability arising from these lawsuits would be covered by insurance, and therefore will not have an adverse effect on the financial position of the City.

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 16 – PRIOR PERIOD ADJUSTMENT

The accompanying financial statements reflects an adjustment from a restatement of net position as of June 30, 2020 as follows:

Restatement on Government-wide Statements:

	Governmental Activities	Business-Type Activities
Beginning Net Position, As Previously Reported	\$ 42,770,916	\$ 23,988,463
Restatement		
Change in Capital Asset Capitalization Policy	(379,097)	(83,851)
Reversal of Performance Bonds	176,286	
Beginning Net Position Adjustment as of 7/1/19	(202,811)	(83,851)
Accrual of Reimbursable Grant Revenue	2,113,964	
Beginning Net Position, As Restated	<u>\$ 44,682,069</u>	<u>\$ 23,904,612</u>

Restatement on Fund Statements, Governmental Funds:

	General Fund	Stormwater Management Fund
Fund Balance - Beginning, As Previously Reported	\$ 16,036,310	\$ 429,826
Restatement		
Reversal of Performance Bonds	176,284	
Accrual of Reimbursable Grant Revenue	1,613,964	500,000
Fund Balance - Beginning, As Restated	<u>\$ 17,826,558</u>	<u>\$ 929,826</u>

Restatement on Fund Statements, Proprietary Funds:

	Waterworks and Sewer Fund
Total Net Position - Beginning, As Previously Reported	\$ 23,988,463
Restatement	
Change in Capital Asset Capitalization Policy	(83,851)
Total Net Position - Beginning, As Restated	<u>\$ 23,904,612</u>

Restatement on Capital Assets, Government-wide Statements:

	As Originally Stated	Adjustment	As Restated
<i>Governmental Activities:</i>			
Capital Assets not Being Depreciated:			
Land	\$ 6,801,232	\$	\$ 6,801,232
Construction in Progress	3,916,678		3,916,678
	<u>\$ 10,717,910</u>	<u>\$</u>	<u>\$ 10,717,910</u>
Capital Assets Being Depreciated:			
Land Improvements	\$ 2,987,429	\$ (15,695)	\$ 2,971,734
Buildings and Improvements	19,496,557	(171,363)	19,325,194
Vehicles and Equipment	16,443,054	(857,136)	15,585,918
Other Improvements	6,461,623	(45,569)	6,416,054
Infrastructure	31,092,158	(263,881)	30,828,277
	<u>\$ 76,480,821</u>	<u>\$ (1,353,644)</u>	<u>\$ 75,127,177</u>
Accumulated Depreciation for:			
Land Improvements	\$ (1,853,212)	\$ 8,307	\$ (1,844,905)
Buildings and Improvements	(6,005,264)	99,749	(5,905,515)
Vehicles and Equipment	(11,570,088)	670,539	(10,899,549)
Other Improvements	(4,701,994)	37,379	(4,664,615)
Infrastructure	(18,902,483)	158,573	(18,743,910)
	<u>\$ (43,033,039)</u>	<u>\$ 974,547</u>	<u>\$ (42,058,494)</u>
Capital Assets (Net)	<u>\$ 44,165,692</u>	<u>\$ (379,097)</u>	<u>\$ 43,786,593</u>

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

	<u>As Originally Stated</u>	<u>Adjustment</u>	<u>As Restated</u>
<i>Business-Type Activities:</i>			
Capital Assets not Being Depreciated:			
Land	\$ 126,912	\$	\$ 126,912
	<u>\$ 126,912</u>	<u>\$</u>	<u>\$ 126,912</u>
Capital Assets Being Depreciated:			
Buildings and Improvements	\$ 3,554,841	\$ (4,634)	\$ 3,550,207
Distribution System	34,468,753	(191,102)	34,277,651
Furniture, Vehicles and Equipment	6,106,782	(150,111)	5,956,671
Intangible Assets	<u>1,025,362</u>	<u></u>	<u>1,025,362</u>
	<u>\$ 45,155,738</u>	<u>\$ (345,847)</u>	<u>\$ 44,809,891</u>
Accumulated Depreciation for:			
Buildings and Improvements	\$ (1,028,955)	\$ 4,634	\$ (1,024,321)
Distribution System	(19,915,372)	121,169	(19,794,203)
Furniture, Vehicles and Equipment	(4,283,865)	136,193	(4,147,672)
Intangible Assets	<u>(1,025,362)</u>	<u></u>	<u>(1,025,362)</u>
	<u>\$ (26,253,554)</u>	<u>\$ 261,996</u>	<u>\$ (25,991,558)</u>
Capital Assets (Net)	<u>\$ 19,029,096</u>	<u>\$ (83,851)</u>	<u>\$ 18,945,245</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CONWAY, SOUTH CAROLINA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE SCRS NET PENSION LIABILITY
Last Seven Fiscal Years

<u>Fiscal Year</u>	<u>City's Proportion of the Net Pension Liability (NPL)</u>	<u>City's Proportionate Share of the NPL</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the NPL as a % of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
6/30/20	0.065704 % \$	15,002,976 \$	6,928,951	216.53 %	54.40 %
6/30/19	0.057356	12,851,724	5,942,254	216.28	54.10
6/30/18	0.054890	12,347,392	5,534,072	223.12	53.34
6/30/17	0.052116	11,131,901	4,929,246	225.83	52.91
6/30/16	0.051381	9,744,654	5,046,710	193.09	56.99
6/30/15	0.048607	8,368,514	4,419,409	189.36	59.92
6/30/14	0.048607	8,718,362	4,402,155	198.05	56.99

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF CONWAY, SOUTH CAROLINA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE PORS NET PENSION LIABILITY
Last Seven Fiscal Years

<u>Fiscal Year</u>	<u>City's Proportion of the Net Pension Liability (NPL)</u>	<u>City's Proportionate Share of the NPL</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the NPL as a % of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
6/30/20	0.294182 % \$	8,431,091 \$	4,266,996	197.59 %	62.70 %
6/30/19	0.282570	8,006,748	3,912,650	204.64	61.73
6/30/18	0.280340	7,680,057	3,775,256	203.43	60.94
6/30/17	0.292170	7,410,717	4,104,409	180.56	60.44
6/30/16	0.289840	6,317,139	3,727,407	169.48	64.57
6/30/15	0.273710	5,239,979	3,486,123	150.31	67.55
6/30/14	0.273710	5,673,933	3,233,436	175.48	62.98

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF CONWAY, SOUTH CAROLINA
SCHEDULE OF CITY CONTRIBUTIONS TO THE SCRS
Last Seven Fiscal Years

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
6/30/20	\$ 1,147,470	\$ 1,147,470	\$	\$ 7,374,487	15.56 %
6/30/19	1,008,855	1,008,855		6,928,951	14.56
6/30/18	805,770	805,770		5,942,254	13.56
6/30/17	639,739	639,739		5,534,072	11.56
6/30/16	558,166	558,166		4,929,246	11.32
6/30/15	525,114	525,114		4,419,409	11.88
6/30/14	468,457	468,457		4,402,155	10.64

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF CONWAY, SOUTH CAROLINA
SCHEDULE OF CITY CONTRIBUTIONS TO THE PORS
Last Seven Fiscal Years

<u>Fiscal Year</u>		<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
6/30/20	\$	735,761	\$ 735,761	\$	\$ 4,033,777	18.24 %
6/30/19		735,630	735,630		4,266,996	17.24
6/30/18		635,414	635,414		3,912,650	16.24
6/30/17		537,596	537,596		3,775,256	14.24
6/30/16		512,146	512,146		4,104,409	12.48
6/30/15		481,521	481,521		3,486,123	13.81
6/30/14		421,938	421,938		3,233,436	13.05

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF CONWAY, SOUTH CAROLINA
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
LAST THREE FISCAL YEARS
As of June 30, 2020

Fiscal Year Ending December 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service Cost at end of year	\$ 213,457	\$ 206,690	\$ 200,141
Interest on the Total OPEB Liability	251,814	237,215	222,847
Difference Between Expected and Actual Experience	140,034	23,526	19,580
Benefit Payment*	<u>(168,770)</u>	<u>(151,586)</u>	<u>(128,831)</u>
Net Change in Total OPEB Liability	436,535	315,845	313,737
Total OPEB Liability - Beginning	\$ 5,384,758	\$ 5,068,913	\$ 4,755,176
Total OPEB Liability - Ending (a)	<u>\$ 5,821,293</u>	<u>\$ 5,384,758</u>	<u>\$ 5,068,913</u>
Plan Fiduciary Net Position			
Contributions - Employer**	\$ 498,539	\$ 474,696	\$ 397,063
Net Investment Income	165,740	36,733	67,459
Benefits Payments*	(168,770)	(151,586)	(128,831)
Administrative Expense	<u>(5,485)</u>	<u></u>	<u>(17,487)</u>
Net Change in Plan Fiduciary Net Position	<u>\$ 490,024</u>	<u>\$ 359,843</u>	<u>\$ 318,204</u>
Plan Fiduciary Net Position - Beginning	\$ 3,071,473	\$ 2,711,630	\$ 2,393,426
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,561,497</u>	<u>\$ 3,071,473</u>	<u>\$ 2,711,630</u>
Plan's Net OPEB Liability - Ending - (a) - (b)	\$ 2,259,796	\$ 2,313,285	\$ 2,357,283

Notes to Schedule

* Benefit payments are net of participant contributions and include an amount for the implicit subsidy, if applicable, as well as benefit paid outside the Trust, if applicable.

** Employer contribution includes amounts for the implicit subsidy, if applicable, and benefit payments amounts paid outside the Trust, if applicable.

Presentation of 10 Year Trend. The schedule is intended to illustrate various trends over a ten year period, however, data prior to 2017 is unavailable.

CITY OF CONWAY, SOUTH CAROLINA
SCHEDULE OF THE NET OPEB LIABILITY
LAST THREE FISCAL YEARS
As of June 30, 2020

Fiscal Year Ending December 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$ 5,821,293	\$ 5,384,758	\$ 5,068,913
Plan Fiduciary Net Position	<u>3,561,497</u>	<u>3,071,473</u>	<u>2,711,630</u>
Net OPEB Liability	\$ 2,259,796	\$ 2,313,285	\$ 2,357,283
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	61.18%	57.04%	53.50%
Covered-Employee Payroll*	\$ 10,051,718	\$ 8,525,938	\$ 8,525,938
Net OPEB Liability as a percentage of Covered-Employee Payroll	22.48%	27.13%	27.65%

Notes to Schedule

*For years following the valuation date (when no new valuation is performed), covered-employee payroll has been set to equal to the covered-employee payroll from the most recent valuation.

Presentation of 10 Year Trend. The schedule is intended to illustrate various trends over a ten year period, however, data prior to 2017 is unavailable.

**CITY OF CONWAY, SOUTH CAROLINA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST THREE FISCAL YEARS
As of June 30, 2020**

Fiscal Year Ending June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Employer Contribution (ADEC)	\$ 352,518	\$ 326,440	\$ 295,671
Contributions in relation to ADEC	<u>498,539</u>	<u>474,696</u>	<u>397,063</u>
Annual contribution deficiency (excess)	\$ <u>(146,021)</u>	\$ <u>(148,256)</u>	\$ <u>(101,392)</u>
Covered-Employee Payroll	\$ 11,408,264	\$ 11,195,947	\$ 9,854,904
Actual contributions as a percentage of Covered-Employee Payroll	4.37%	4.24%	4.03%

Notes to Schedule

If the employer's fiscal year end does not align with the Trust's fiscal year end, contributions have been adjusted on a prorata basis to reflect the portion of each employer's contribution applicable to the Trust's fiscal year in accordance with Implementation Guide 2017.2, question 4.90

Presentation of 10 Year Trend. The schedule is intended to illustrate various trends over a ten year period, however, data prior to 2018 is unavailable.

CITY OF CONWAY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Property Taxes	\$ 6,653,000	\$ 7,039,100	\$ 386,100
Franchise Fee	1,542,700	1,477,434	(65,266)
Licenses and Permits	6,590,300	6,763,357	173,057
Fines and Forfeitures	210,000	120,417	(89,583)
Interest	61,500	408,359	346,859
Intergovernmental	710,155	2,821,301	2,111,146
Charges for Services	3,100,000	3,161,127	61,127
Recreation Center	683,000	584,922	(98,078)
Other	613,400	674,795	61,395
Total Revenues	<u>\$ 20,164,055</u>	<u>\$ 23,050,812</u>	<u>\$ 2,886,757</u>
EXPENDITURES			
Current:			
General Government	\$ 3,371,444	\$ 3,607,844	\$ (236,400)
Public Safety	10,244,327	9,944,751	299,576
Street	916,274	838,795	77,479
Sanitation	2,416,462	2,435,958	(19,496)
Intragovernmental Maintenance	343,084	312,721	30,363
Beautification	1,108,813	1,154,413	(45,600)
Culture and Recreation	2,436,795	2,318,529	118,266
Capital Outlay	5,015,650	4,982,639	33,011
Debt Service	722,679	446,147	276,532
Total Expenditures	<u>\$ 26,575,528</u>	<u>\$ 26,041,797</u>	<u>\$ 533,731</u>
Excess (Deficiency) of Revenues Over(Under) Expenditures	<u>\$ (6,411,473)</u>	<u>\$ (2,990,985)</u>	<u>\$ 3,420,488</u>
OTHER FINANCING SOURCES			
Sale of Capital Assets	\$ 25,000	\$ 8,993	\$ (16,007)
Proceeds from Insurance Recoveries	10,000	49,997	39,997
Capital Lease Obligations	1,240,000	1,260,000	20,000
Transfers In	5,136,473	885,686	(4,250,787)
	<u>\$ 6,411,473</u>	<u>\$ 2,204,676</u>	<u>\$ (4,206,797)</u>
Net Change in Fund Balances	<u>\$</u>	<u>\$ (786,309)</u>	<u>\$ (786,309)</u>
Fund Balances - Beginning, As Previously Reported	\$ 16,036,310	\$ 16,036,310	\$
Prior Period Adjustments		1,790,250	1,790,250
Fund Balances - Beginning, As Restated	<u>\$ 16,036,310</u>	<u>\$ 17,826,560</u>	<u>\$ 1,790,250</u>
Fund Balances - Ending	<u>\$ 16,036,310</u>	<u>\$ 17,040,251</u>	<u>\$ 1,003,941</u>

CITY OF CONWAY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
HOSPITALITY FUND
Year Ended June 30, 2020**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Budget- Positive (Negative)</u>
REVENUES			
Hospitality Fees	\$ 1,600,000	\$ 1,668,320	\$ 68,320
Interest	1,325		(1,325)
Intergovernmental		25,000	25,000
Total Revenues	\$ <u>1,601,325</u>	\$ <u>1,693,320</u>	\$ <u>91,995</u>
EXPENDITURES			
Current			
Culture and Recreation	\$ 225,025	\$ 258,835	\$ (33,810)
Capital Outlay	960,000	491,786	468,214
Debt Service	303,850	303,849	1
Total Expenditures	\$ <u>1,488,875</u>	\$ <u>1,054,470</u>	\$ <u>434,405</u>
Excess of Revenues Over Expenditures	\$ 112,450	\$ 638,850	\$ 526,400
OTHER FINANCING USES			
Transfer Out	\$ <u>(112,450)</u>	\$ <u>(112,450)</u>	\$ <u></u>
Net Change in Fund Balances	\$ <u></u>	\$ <u>526,400</u>	\$ <u>526,400</u>
Fund Balance - Beginning	\$ <u>697,954</u>	\$ <u>697,954</u>	\$ <u></u>
Fund Balance - Ending	\$ <u><u>697,954</u></u>	\$ <u><u>1,224,354</u></u>	\$ <u><u>526,400</u></u>

CITY OF CONWAY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
STORMWATER MANAGEMENT FUND
Year Ended June 30, 2020**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Stormwater Fees	\$ 1,225,000	\$ 1,257,608	\$ 32,608
Interest	1,000		(1,000)
Intergovernmental			
Other		11,746	11,746
Total Revenues	<u>\$ 1,226,000</u>	<u>\$ 1,269,354</u>	<u>\$ 43,354</u>
EXPENDITURES			
Current			
Street	\$ 1,084,194	\$ 941,590	\$ 142,604
Capital Outlay	379,000	308,887	70,113
Debt Service	173,995	173,862	133
Total Expenditures	<u>\$ 1,637,189</u>	<u>\$ 1,424,339</u>	<u>\$ 212,850</u>
OTHER FINANCING SOURCES			
Operating Transfer In			
From General Fund	<u>\$ 411,189</u>	<u>\$</u>	<u>\$ (411,189)</u>
Net Change in Fund Balances	<u>\$</u>	<u>\$ (154,985)</u>	<u>\$ (154,985)</u>
Fund Balances - Beginning, As Previously Reported	\$ 429,826	\$ 429,826	\$
Prior Period Adjustments		500,000	500,000
Fund Balances - Beginning, As Restated	<u>\$ 429,826</u>	<u>\$ 929,826</u>	<u>\$ 500,000</u>
Fund Balance - Ending	<u><u>\$ 429,826</u></u>	<u><u>\$ 774,841</u></u>	<u><u>\$ 345,015</u></u>

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Note 1 – BUDGETS AND BUDGETARY ACCOUNTING

The City Council utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to May 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comment.
- (3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- (4) City Council is provided with monthly financial reports which include budget comparisons and variances.
- (5) The City Administrator is legally authorized by ordinance to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Thus, the legal level of control is at the fund level.
- (6) The City employs formal budgetary integration as a management control device during the year and legally adopted an annual appropriated budget for all funds except for the fiduciary fund types. The budgets are adopted on a basis consistent with generally accepted accounting principles.
- (7) Appropriations lapse at the end of each fiscal year.
- (8) Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not used by the City of Conway, and, accordingly, is not a part of budgetary integration.

Note 2 - SUPPLEMENTAL APPROPRIATIONS

The legal level of budget control is at the fund level. Thus, expenditures may not legally exceed appropriations, including supplemental appropriations, for an individual fund. For the year ended June 30, 2020, expenditures did not exceed appropriations for any of the City's individual funds. There were no supplemental funds appropriated for expenditures during the year ended June 30, 2020.

The Community Development Fund is a capital projects fund and is therefore not included in the required supplementary information section. Instead, it is included in the other supplementary information.

The budgetary information for all nonmajor governmental funds, the Accommodations Tax, Street and Drainage, and Tax Increment Fund, are included in the nonmajor governmental funds section of the financial statements.

OTHER SUPPLEMENTARY INFORMATION

CITY OF CONWAY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
COMMUNITY DEVELOPMENT FUND
Year Ended June 30, 2020**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Intergovernmental	\$ 329,865	\$ 50,718	\$ (279,147)
Other		500	500
Total Revenues	<u>\$ 329,865</u>	<u>\$ 51,218</u>	<u>\$ (278,647)</u>
EXPENDITURES			
Current			
General Government	\$	\$	\$
Street			
Culture and Recreation	329,865	5,000	324,865
Capital Outlay			
Total Expenditures	<u>\$ 329,865</u>	<u>\$ 5,000</u>	<u>\$ 324,865</u>
Net Change in Fund Balance	<u>\$</u>	<u>\$ 46,218</u>	<u>\$ 46,218</u>
Fund Balance - Beginning	<u>(154,161)</u>	<u>(154,161)</u>	
Fund Balance - Ending	<u><u>\$ (154,161)</u></u>	<u><u>\$ (107,943)</u></u>	<u><u>\$ 46,218</u></u>

CITY OF CONWAY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - BUDGET AND ACTUAL
PROPRIETARY FUND
ENTERPRISE FUND
WATERWORKS AND SEWER SYSTEM FUND
Year Ended June 30, 2020**

	Original and Final Budget	Actual Amounts	Variance With Budget - Positive (Negative)
OPERATING REVENUES			
Water Usage, Tap Fees & Penalties	\$ 7,828,000	\$ 8,244,603	\$ 416,603
Sewer Usage, Tap Fees & Penalties	2,740,000	2,979,652	239,652
Miscellaneous Revenues	327,000	327,351	351
Total Operating Revenues	<u>\$ 10,895,000</u>	<u>\$ 11,551,606</u>	<u>\$ 656,606</u>
OPERATING EXPENSES			
Maintenance	\$ 6,021,960	\$ 2,435,466	\$ 3,586,494
Operations	958,023	1,041,111	(83,088)
Construction	790,000	1,088,294	(298,294)
Non-Departmental	5,596,675	5,658,037	(61,362)
Depreciation and Amortization		1,708,502	(1,708,502)
Total Operating Expenses	<u>\$ 13,366,658</u>	<u>\$ 11,931,410</u>	<u>\$ 1,435,248</u>
Operating Loss	<u>\$ (2,471,658)</u>	<u>\$ (379,804)</u>	<u>\$ 2,091,854</u>
NONOPERATING REVENUES (EXPENSES)			
Unrestricted Interest Earned	\$ 30,000	\$ 31,483	\$ 1,483
Restricted Interest Earned		52,465	52,465
Insurance Recoveries		14,610	14,610
Interest Expense	(29,104)	(28,640)	464
Total Nonoperating Revenues (Expenses)	<u>\$ 896</u>	<u>\$ 69,918</u>	<u>\$ 69,022</u>
Loss before Contributions and Transfers	<u>\$ (2,470,762)</u>	<u>\$ (309,886)</u>	<u>\$ 2,160,876</u>
CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	\$ 900,000	\$ 1,196,687	\$ 296,687
Transfer Out	(744,900)	(744,900)	
Total Contributions and Transfers	<u>\$ 155,100</u>	<u>\$ 451,787</u>	<u>\$ 296,687</u>
Change in Net Position	<u>\$ (2,315,662)</u>	<u>\$ 141,901</u>	<u>\$ 2,457,563</u>
Total Net Position - Beginning, As Previously Reported	\$ 23,988,463	\$ 23,988,463	\$
Prior Period Adjustments		(83,851)	(83,851)
Total Net Position - Beginning, As Restated	<u>\$ 23,988,463</u>	<u>\$ 23,904,612</u>	<u>\$ (83,851)</u>
Total Net Position - Ending	<u>\$ 21,672,801</u>	<u>\$ 24,046,513</u>	<u>\$ 2,373,712</u>

CITY OF CONWAY, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES

As of June 30, 2020

Court Fines

Court Fines Collected	\$ 91,477
Court Fines Retained by City	(91,477)
Court Fines Remitted to State Treasurer	<u>\$</u>

Court Assessments

Court Assessments Collected	\$ 145,105
Court Assessments Retained by City	(11,353)
Court Assessments Remitted to State Treasurer	<u>\$ 133,752</u>

Court Surcharges

Court Surcharges Collected	\$ 7,351
Court Surcharges Retained by City	(7,351)
Court Surcharges Remitted to State Treasurer	<u>\$</u>

Victim Services

Court Assessments Allocated to Victim Services	\$ 11,353
Court Surcharges Allocated to Victim Services	7,351
Investment Income	34
Total Funds Allocated to Victim Services	<u>\$ 18,738</u>
Victim Services Expenditures	(42,339)
Funds Available for Carryforward From Year Ended June 30, 2020	<u>\$ (23,601)</u>
Funds Carried Forward From Year Ended June 30, 2019	192,136
Funds Available for Carryforward at June 30, 2020	<u>\$ 168,535</u>

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF CONWAY, SOUTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Accommodations Tax	Street & Drainage	Tax Increment Revenue	
ASSETS				
Cash and Temporary Investments	\$ 158,212	\$ 1,391,238	\$ 967,049	\$ 2,516,499
Receivables (Net):				
Property Taxes			14,915	14,915
Local Accommodations Tax	8,005			8,005
Intergovernmental	31,560	146,848		178,408
Total Assets	<u>\$ 197,777</u>	<u>\$ 1,538,086</u>	<u>\$ 981,964</u>	<u>\$ 2,717,827</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Expenditures	\$ 30,014	\$	\$ 12,970	\$ 42,984
Deferred Inflows of Resources				
Unavailable Revenue	\$	\$	\$ 10,059	\$ 10,059
Fund Balances				
Accommodations	\$ 167,763	\$	\$	\$ 167,763
Street and Drainage Project		1,538,086		1,538,086
Tax Increment			958,935	958,935
Total Fund Balances	<u>\$ 167,763</u>	<u>\$ 1,538,086</u>	<u>\$ 958,935</u>	<u>\$ 2,664,784</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 197,777</u>	<u>\$ 1,538,086</u>	<u>\$ 981,964</u>	<u>\$ 2,717,827</u>

CITY OF CONWAY, SOUTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Accommodations Tax	Street & Drainage	Tax Increment Revenue	
REVENUES				
Property Taxes	\$	\$	\$ 451,140	\$ 451,140
Local Accommodations Tax	72,197			72,197
Interest			57	57
Intergovernmental	91,714	1,088,755		1,180,469
Total Revenues	<u>\$ 163,911</u>	<u>\$ 1,088,755</u>	<u>\$ 451,197</u>	<u>\$ 1,703,863</u>
EXPENDITURES				
Current:				
General Government	\$ 45,504	\$	\$	\$ 45,504
Street		36,983		36,983
Capital Outlay		1,009,220		1,009,220
Debt Service				
Principal			259,116	259,116
Interest and Fiscal Charges			14,223	14,223
Total Expenditures	<u>\$ 45,504</u>	<u>\$ 1,046,203</u>	<u>\$ 273,339</u>	<u>\$ 1,365,046</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 118,407	\$ 42,552	\$ 177,858	\$ 338,817
OTHER FINANCING (USES)				
Transfer Out	(28,336)			(28,336)
Net Change in Fund Balances	<u>\$ 90,071</u>	<u>\$ 42,552</u>	<u>\$ 177,858</u>	<u>\$ 310,481</u>
Fund Balances - Beginning	<u>77,692</u>	<u>1,495,534</u>	<u>781,077</u>	<u>2,354,303</u>
Fund Balances - Ending	<u><u>\$ 167,763</u></u>	<u><u>\$ 1,538,086</u></u>	<u><u>\$ 958,935</u></u>	<u><u>\$ 2,664,784</u></u>

CITY OF CONWAY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
ACCOMMODATIONS TAX FUND
Year Ended June 30, 2020**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
REVENUES			
Local Accommodations Tax	\$ 90,000	\$ 72,197	\$ (17,803)
Interest			
Intergovernmental	55,000	91,714	36,714
Total Revenues	\$ <u>145,000</u>	\$ <u>163,911</u>	\$ <u>18,911</u>
EXPENDITURES			
Current			
General Government	\$ <u>118,500</u>	\$ <u>45,504</u>	\$ <u>72,996</u>
Excess of Revenues Over Expenditures	\$ 26,500	\$ 118,407	\$ 91,907
OTHER FINANCING USES			
Operating Transfer Out To General Fund	<u>(26,500)</u>	<u>(28,336)</u>	<u>(1,836)</u>
Net Change in Fund Balance	\$ <u> </u>	\$ <u>90,071</u>	\$ <u>90,071</u>
Fund Balance - Beginning	<u>77,692</u>	<u>77,692</u>	
Fund Balance - Ending	\$ <u><u>77,692</u></u>	\$ <u><u>167,763</u></u>	\$ <u><u>90,071</u></u>

CITY OF CONWAY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
STREET AND DRAINAGE FUND
Year Ended June 30, 2020**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 1,343,928	\$ 1,088,755	\$ (255,173)
EXPENDITURES			
Current			
Street	\$	\$ 36,983	\$ (36,983)
Capital Outlay	<u>1,882,855</u>	<u>1,009,220</u>	<u>873,635</u>
Total Expenditures	<u>\$ 1,882,855</u>	<u>\$ 1,046,203</u>	<u>\$ 836,652</u>
Excess of Revenues Over Expenditures	(538,928)	42,552	581,480
OTHER FINANCING SOURCES			
Operating Transfer In From General Fund	<u>538,928</u>	<u></u>	<u>(538,928)</u>
Net Change in Fund Balance	<u>\$</u>	<u>\$ 42,552</u>	<u>\$ 42,552</u>
Fund Balance - Beginning	<u>1,495,534</u>	<u>1,495,534</u>	<u></u>
Fund Balance - Ending	<u><u>\$ 1,495,534</u></u>	<u><u>\$ 1,538,086</u></u>	<u><u>\$ 42,552</u></u>

CITY OF CONWAY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
TAX INCREMENT REVENUE FUND
Year Ended June 30, 2020**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Property Taxes	\$ 326,000	\$ 451,140	\$ 125,140
Interest	50	57	7
Total Revenues	<u>\$ 326,050</u>	<u>\$ 451,197</u>	<u>\$ 125,147</u>
EXPENDITURES			
Debt Service			
Principal	\$ 259,116	\$ 259,116	\$
Interest and Fiscal Charges	14,491	14,223	268
Total Expenditures	<u>\$ 273,607</u>	<u>\$ 273,339</u>	<u>\$ 268</u>
Excess of Revenues Over Expenditures	52,443	177,858	124,879
OTHER FINANCING USES			
Operating Transfer Out To General Fund	<u>(52,399)</u>	<u></u>	<u>52,399</u>
Net Change in Fund Balance	\$ 44	\$ 177,858	\$ 177,814
Fund Balance - Beginning	<u>781,077</u>	<u>781,077</u>	<u></u>
Fund Balance - Ending	<u><u>\$ 781,121</u></u>	<u><u>\$ 958,935</u></u>	<u><u>\$ 177,814</u></u>

CITY OF CONWAY, SOUTH CAROLINA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

FIREMEN'S FUND

As of June 30, 2020

	Beginning Balance	Increases	Decreases	Ending Balance
ASSETS				
Cash and Temporary Investments	\$ <u>130,503</u>	\$ <u>76,447</u>	\$ <u>88,235</u>	\$ <u>118,715</u>
LIABILITIES				
Due to General Fund	\$ 12,364	\$	\$ 12,364	\$
Due to Firemen's Association	<u>118,139</u>	<u>76,447</u>	<u>75,871</u>	<u>118,715</u>
	\$ <u>130,503</u>	\$ <u>76,447</u>	\$ <u>88,235</u>	\$ <u>118,715</u>

STATISTICAL SECTION (Unaudited)

STATISTICAL SECTION (Unaudited)
FINANCIAL TREND INFORMATION

Schedules 1 through 4 contain financial trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Schedule 1

CITY OF CONWAY, SOUTH CAROLINA

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net Investment in capital assets	\$ 25,719,185	\$ 26,701,380	\$ 25,955,505	\$ 26,898,544	\$ 32,179,639	\$ 32,593,574	\$ 33,787,630	\$ 33,582,669	\$ 39,639,462	\$ 42,978,847
Restricted	1,815,399	1,853,937	3,040,281	1,814,392	2,168,440	2,575,415	3,152,741	4,267,170	3,717,706	4,873,426
Unrestricted	8,058,444	9,653,369	11,234,435	14,427,399	(745,546)	592,646	1,235,367	299,306	1,324,901	(1,866,194)
Total governmental activities net position	<u>\$ 35,593,028</u>	<u>\$ 38,208,686</u>	<u>\$ 40,230,221</u>	<u>\$ 43,140,335</u>	<u>\$ 33,602,533</u>	<u>\$ 35,761,635</u>	<u>\$ 38,175,738</u>	<u>\$ 38,149,145</u>	<u>\$ 44,682,069</u>	<u>\$ 45,986,079</u>
Business-type activities										
Net Investment in capital assets	\$ 16,995,029	\$ 16,169,298	\$ 16,000,016	\$ 16,407,936	\$ 16,715,310	\$ 17,388,343	\$ 17,076,154	\$ 17,816,547	\$ 17,582,874	\$ 17,616,110
Restricted	1,830,787	2,413,909	2,519,210	2,383,205	2,341,304	2,204,128	3,094,439	2,922,485	3,181,516	4,712,288
Unrestricted	1,975,343	3,216,958	3,926,214	4,672,563	3,763,895	3,613,404	4,094,868	3,992,839	3,140,222	1,718,115
Total business-type activities net position	<u>\$ 20,801,159</u>	<u>\$ 21,800,165</u>	<u>\$ 22,445,440</u>	<u>\$ 23,463,704</u>	<u>\$ 22,820,509</u>	<u>\$ 23,205,875</u>	<u>\$ 24,265,461</u>	<u>\$ 24,731,871</u>	<u>\$ 23,904,612</u>	<u>\$ 24,046,513</u>
Primary government										
Net Investment in capital assets	\$ 42,714,214	\$ 42,870,678	\$ 41,955,521	\$ 43,306,480	\$ 48,894,949	\$ 49,981,917	\$ 50,863,784	\$ 51,399,216	\$ 57,222,336	\$ 60,594,957
Restricted	3,646,186	4,267,846	5,559,491	4,197,597	4,509,744	4,779,543	6,247,180	7,189,655	6,899,222	9,585,714
Unrestricted	10,033,787	12,870,327	15,160,649	19,099,962	3,018,349	4,206,050	5,330,235	4,292,145	4,465,123	(148,079)
Total primary government net position	<u>\$ 56,394,187</u>	<u>\$ 60,008,851</u>	<u>\$ 62,675,661</u>	<u>\$ 66,604,039</u>	<u>\$ 56,423,042</u>	<u>\$ 58,967,510</u>	<u>\$ 62,441,199</u>	<u>\$ 62,881,016</u>	<u>\$ 68,586,681</u>	<u>\$ 70,032,592</u>

Schedule 2

CITY OF CONWAY, SOUTH CAROLINA

Page 1 of 2

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities										
General government	\$ 2,322,745	\$ 1,952,913	\$ 1,871,106	\$ 2,127,473	\$ 2,333,648	\$ 2,545,962	\$ 3,744,947	\$ 3,494,840	\$ 4,336,784	\$ 4,693,713
Public safety	7,349,173	6,746,726	6,938,419	6,984,545	7,615,337	8,231,817	8,950,310	9,650,708	10,614,205	11,432,955
Street	3,006,669	2,832,133	2,851,842	3,082,746	2,748,466	2,499,654	2,588,314	2,606,364	2,585,570	2,702,481
Sanitation	1,867,969	1,905,030	1,939,382	1,835,091	1,881,025	2,047,894	2,300,834	2,425,701	2,837,668	3,120,766
Intragovernmental maintenance	340,580	330,890	341,054	307,012	292,595	294,974	270,256	306,286	419,004	399,792
Beautification	503,049	463,221	501,383	535,069	661,098	739,171	861,007	969,893	1,151,728	1,279,660
Culture and recreation	1,366,103	2,011,693	2,263,037	2,354,040	2,489,723	2,628,841	2,851,644	3,062,113	3,156,844	3,289,509
Interest and fiscal charges	319,683	343,363	263,688	344,833	156,731	136,733	108,681	96,454	111,811	114,882
Total governmental activities expenses	<u>17,075,971</u>	<u>16,585,969</u>	<u>16,969,911</u>	<u>17,570,809</u>	<u>18,178,623</u>	<u>19,125,046</u>	<u>21,675,993</u>	<u>22,612,359</u>	<u>25,213,614</u>	<u>27,033,758</u>
Business-type activities										
Water & sewer	<u>8,003,029</u>	<u>7,376,188</u>	<u>7,794,295</u>	<u>8,279,224</u>	<u>8,255,290</u>	<u>9,177,338</u>	<u>9,184,436</u>	<u>10,355,387</u>	<u>11,698,026</u>	<u>11,945,440</u>
Total primary government expenses	<u>\$ 25,079,000</u>	<u>\$ 23,962,157</u>	<u>\$ 24,764,206</u>	<u>\$ 25,850,033</u>	<u>\$ 26,433,913</u>	<u>\$ 28,302,384</u>	<u>\$ 30,860,429</u>	<u>\$ 32,967,746</u>	<u>\$ 36,911,640</u>	<u>\$ 38,979,198</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 5,808	\$ 14,837	\$ 28,885	\$ 11,146	\$ 7,836	\$ 32,588	\$ 42,184	\$ 122,218	\$ 118,631	\$ 86,899
Public safety	688,866	921,717	664,354	876,139	883,480	1,049,155	1,210,927	1,336,185	1,046,933	845,176
Street	987,144	957,644	1,002,704	1,027,742	1,045,648	1,068,730	1,094,090	1,153,938	1,227,570	1,257,608
Sanitation	2,288,750	2,296,687	2,368,424	2,435,199	2,510,044	2,589,202	2,711,119	2,953,021	3,131,107	3,202,458
Beautification	3,911									
Culture and recreation	236,969	1,066,483	1,239,555	1,216,316	1,072,280	1,155,562	1,264,691	1,285,088	998,692	900,221
Operating grants and contributions	656,056	444,039	284,655	1,087,010	395,523	380,981	2,738,021	1,163,180	2,165,294	1,625,468
Capital grants and contributions	<u>440,188</u>	<u>1,213,899</u>	<u>357,641</u>	<u>8,891</u>	<u>86,885</u>	<u>64,424</u>	<u>259,878</u>	<u>599,292</u>	<u>6,244,464</u>	<u>2,039,820</u>
Total governmental activities program revenues	<u>\$ 5,307,692</u>	<u>\$ 6,915,306</u>	<u>\$ 5,946,218</u>	<u>\$ 6,662,443</u>	<u>\$ 6,001,696</u>	<u>\$ 6,340,642</u>	<u>\$ 9,320,910</u>	<u>\$ 8,612,922</u>	<u>\$ 14,932,691</u>	<u>\$ 9,957,650</u>
Business-type activities										
Charges for services										
Water & sewer	\$ 7,529,058	\$ 8,388,764	\$ 8,561,701	\$ 9,034,201	\$ 8,945,450	\$ 9,491,456	\$ 9,792,030	\$ 10,595,036	\$ 10,842,510	\$ 11,551,606
Capital grants and contributions	<u>211,017</u>	<u>593,762</u>	<u>527,314</u>	<u>947,797</u>	<u>1,092,907</u>	<u>791,900</u>	<u>1,174,800</u>	<u>1,240,150</u>	<u>816,720</u>	<u>1,196,687</u>
Total business-type activities program revenues	<u>\$ 7,740,075</u>	<u>\$ 8,982,526</u>	<u>\$ 9,089,015</u>	<u>\$ 9,981,998</u>	<u>\$ 10,038,357</u>	<u>\$ 10,283,356</u>	<u>\$ 10,966,830</u>	<u>\$ 11,835,186</u>	<u>\$ 11,659,230</u>	<u>\$ 12,748,293</u>

Schedule 2 (continued)
CITY OF CONWAY, SOUTH CAROLINA

Page 2 of 2

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total primary government program revenues	\$ 13,047,767	\$ 15,897,832	\$ 15,035,233	\$ 16,644,441	\$ 16,040,053	\$ 16,623,998	\$ 20,287,740	\$ 20,448,108	\$ 26,591,921	\$ 22,705,943
Net (expense)/revenue										
Governmental activities	\$ (11,768,279)	\$ (9,670,663)	\$ (11,023,693)	\$ (10,908,366)	\$ (12,176,927)	\$ (12,784,404)	\$ (12,355,083)	\$ (13,999,437)	\$ (10,280,923)	\$ (17,076,108)
Business-type activities	(262,954)	1,606,338	1,294,720	1,702,774	1,783,067	1,106,018	1,782,394	1,479,799	(38,796)	802,853
Total primary government net expense	\$ (12,031,233)	\$ (8,064,325)	\$ (9,728,973)	\$ (9,205,592)	\$ (10,393,860)	\$ (11,678,386)	\$ (10,572,689)	\$ (12,519,638)	\$ (10,319,719)	\$ (16,273,255)
General revenues and other changes in net assets										
Governmental activities										
Property taxes	\$ 5,142,077	\$ 5,206,764	\$ 5,205,526	\$ 5,503,048	\$ 5,513,255	\$ 5,773,639	\$ 5,919,814	\$ 6,517,874	\$ 6,962,831	\$ 7,305,548
In lieu of property taxes	29,237	32,181	30,613	32,995	36,543	54,436	69,156	76,584	76,770	70,987
Franchise fee taxes	1,020,310	993,489	995,245	1,111,491	1,168,553	1,187,017	1,365,652	1,502,834	1,542,428	1,477,434
Hospitality fee taxes	535,914	618,718	614,475	669,236	722,318	768,850	825,313	854,848	817,917	1,668,320
Local accommodations taxes	13,002	12,950	13,637	16,155	23,706	16,471	15,868	14,385	14,609	72,197
Business license taxes	3,337,193	3,626,193	4,554,816	4,285,765	4,821,157	4,979,368	5,366,340	5,980,255	6,283,188	6,174,620
Grants and contributions not restricted to specific programs	455,367	458,965	759,044	1,448,104	1,268,130	1,268,265	424,289	424,760	436,308	448,703
Investment earnings	68,581	44,269	42,838	36,284	36,107	31,455	37,854	39,556	137,707	408,416
Gain on disposal of capital assets	28,200	10,003	134,134	20,502	93,869	119,105				8,993
Transfers	615,800	615,800	694,900	694,900	694,900	744,900	744,900	744,900	744,900	744,900
Extraordinary Item		666,989								
Total governmental activities	\$ 11,245,681	\$ 12,286,321	\$ 13,045,228	\$ 13,818,480	\$ 14,378,538	\$ 14,943,506	\$ 14,769,186	\$ 16,155,996	\$ 17,016,658	\$ 18,380,118
Business-type activities										
Investment earnings	\$ 12,796	\$ 8,468	\$ 10,153	\$ 10,760	\$ 12,226	\$ 24,248	\$ 22,092	\$ 24,132	\$ 40,288	\$ 83,948
Gain (Loss) on sale of capital assets			35,302	(370)	15,392					
Transfers	(615,800)	(615,800)	(694,900)	(694,900)	(694,900)	(744,900)	(744,900)	(744,900)	(744,900)	(744,900)
Total business-type activities	\$ (603,004)	\$ (607,332)	\$ (649,445)	\$ (684,510)	\$ (667,282)	\$ (720,652)	\$ (722,808)	\$ (720,768)	\$ (704,612)	\$ (660,952)
Total primary government	\$ 10,642,677	\$ 11,678,989	\$ 12,395,783	\$ 13,133,970	\$ 13,711,256	\$ 14,222,854	\$ 14,046,378	\$ 15,435,228	\$ 16,312,046	\$ 17,719,166
Changes in net assets										
Governmental activities	\$ (522,598)	\$ 2,615,658	\$ 2,021,535	\$ 2,910,114	\$ 2,201,611	\$ 2,159,102	\$ 2,414,103	\$ 2,156,559	\$ 6,735,735	\$ 1,304,010
Business-type activities	(865,958)	999,006	645,275	1,018,264	1,115,785	385,366	1,059,586	759,031	(743,408)	141,901
Total primary government	\$ (1,388,556)	\$ 3,614,664	\$ 2,666,810	\$ 3,928,378	\$ 3,317,396	\$ 2,544,468	\$ 3,473,689	\$ 2,915,590	\$ 5,992,327	\$ 1,445,911

Schedule 3

CITY OF CONWAY, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General fund										
Unspendable	\$ 118,458	\$ 136,012	\$ 139,247	\$ 144,783	\$ 99,614	\$ 109,195	\$ 118,074	\$ 118,960	\$ 125,022	\$ 176,436
Restricted	133,814	168,366	179,446	204,013	202,165	243,392	233,539	233,539	232,272	436,193
Assigned	277,805	639,426	867,894	1,059,399	969,119	1,121,710	1,122,218	1,153,951	944,110	444,477
Unassigned	8,180,542	9,214,984	11,476,697	12,335,204	10,380,605	11,176,025	12,380,204	15,029,486	16,525,156	15,983,145
Total general fund	<u>\$ 8,710,619</u>	<u>\$ 10,158,788</u>	<u>\$ 12,663,284</u>	<u>\$ 13,743,399</u>	<u>\$ 11,651,503</u>	<u>\$ 12,650,322</u>	<u>\$ 13,854,035</u>	<u>\$ 16,535,936</u>	<u>\$ 17,826,560</u>	<u>\$ 17,040,251</u>
All other governmental funds										
Unspendable	\$	\$	\$ 197,000	\$ 197,000	\$	\$	\$	\$	\$	\$
Restricted	1,673,562	1,679,867	2,916,674	1,610,379	1,966,275	2,793,561	3,480,892	4,033,631	3,982,083	4,663,979
Unassigned	(79,685)	(81,010)	(81,014)	(83,290)	(200,392)	(105,068)	(104,143)	(103,492)	(154,161)	(107,943)
Total all other governmental funds	<u>\$ 1,593,877</u>	<u>\$ 1,598,857</u>	<u>\$ 3,032,660</u>	<u>\$ 1,724,089</u>	<u>\$ 1,765,883</u>	<u>\$ 2,688,493</u>	<u>\$ 3,376,749</u>	<u>\$ 3,930,139</u>	<u>\$ 3,827,922</u>	<u>\$ 4,556,036</u>

Schedule 4

CITY OF CONWAY, SOUTH CAROLINA

Page 1 of 2

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Property taxes	\$ 5,209,816	\$ 5,064,658	\$ 5,248,997	\$ 5,503,103	\$ 5,508,266	\$ 5,786,435	\$ 6,208,352	\$ 6,536,096	\$ 6,969,167	\$ 7,490,240
Franchise fees	1,020,310	993,489	995,245	1,111,491	1,168,553	1,187,017	1,365,652	1,502,834	1,542,428	1,477,434
Hospitality fees	535,914	618,718	614,475	669,236	722,318	768,850	825,313	854,848	817,917	1,668,320
Local Accommodations Tax	13,002	12,950	13,637	16,155	23,706	16,471	15,868	14,385	14,609	72,197
Stormwater fees	973,579	950,908	984,198	1,012,802	1,038,509	1,051,870	1,094,090	1,153,938	1,227,570	1,257,608
Licenses and permits	3,510,526	4,071,092	4,765,398	4,739,976	5,229,838	5,511,853	6,070,115	6,891,765	6,967,537	6,763,357
Fines and forfeitures	351,152	315,583	286,899	249,165	292,622	330,664	273,874	212,530	184,216	120,417
Interest	68,581	44,269	42,838	36,284	36,107	31,455	37,854	39,556	137,707	408,416
Intergovernmental	1,504,790	2,015,097	1,380,870	2,371,077	1,612,484	1,683,084	3,438,679	2,168,038	5,545,949	4,077,488
Charges for services	2,273,088	2,285,523	2,353,477	2,417,954	2,483,555	2,554,849	2,658,160	2,909,991	3,089,855	3,161,127
Recreation center		849,073	1,001,303	953,243	774,313	832,209	871,911	874,638	699,807	584,922
Other	500,399	561,324	518,546	685,090	696,205	678,182	773,866	883,621	752,130	687,041
Total revenues	\$ 15,961,157	\$ 17,782,684	\$ 18,205,883	\$ 19,765,576	\$ 19,586,476	\$ 20,432,939	\$ 23,633,734	\$ 24,042,240	\$ 27,948,892	\$ 27,768,567
Expenditures										
General government	\$ 2,225,915	\$ 1,918,121	\$ 1,777,922	\$ 2,065,830	\$ 2,296,125	\$ 2,464,832	\$ 3,246,928	\$ 3,050,310	\$ 6,100,672	\$ 3,653,348
Public safety	6,923,998	6,449,875	6,587,410	6,643,629	7,134,356	7,515,565	7,989,465	8,400,628	9,492,235	9,944,751
Street	1,520,277	1,479,430	1,551,891	1,913,945	1,577,328	1,374,765	1,517,039	1,551,231	1,744,018	1,817,368
Sanitation	1,554,727	1,595,304	1,693,377	1,660,425	1,668,440	1,663,271	1,877,688	1,996,301	2,475,500	2,435,958
Intergovernmental maintenance	196,159	185,047	196,982	193,398	202,577	207,005	195,075	219,048	330,998	312,721
Beautification	492,653	456,778	492,105	525,290	640,228	691,434	795,950	866,920	1,027,004	1,154,413
Culture and recreation	992,582	1,503,761	1,767,750	1,838,998	1,925,220	2,012,154	2,228,751	2,411,101	2,497,720	2,582,364
Capital outlay	5,714,502	2,867,083	1,077,962	5,455,543	5,686,947	2,191,776	3,424,658	1,887,243	5,304,030	6,792,532
Debt service										
Principal	825,260	886,589	979,525	848,218	1,142,555	1,155,442	1,174,778	1,194,511	944,455	1,091,783
Interest	243,938	304,638	309,497	371,948	154,695	141,808	122,472	102,815	82,998	105,414
Financing fees	22,300		11,250	23,146						
Total expenditures	\$ 20,712,311	\$ 17,646,626	\$ 16,445,671	\$ 21,540,370	\$ 22,428,471	\$ 19,418,052	\$ 22,572,804	\$ 21,680,108	\$ 29,999,630	\$ 29,890,652
Excess (deficiency) of revenues over (under) expenditures	\$ (4,751,154)	\$ 136,058	\$ 1,760,212	\$ (1,774,794)	\$ (2,841,995)	\$ 1,014,887	\$ 1,060,930	\$ 2,362,132	\$ (2,050,738)	\$ (2,122,085)

UNAUDITED

Schedule 4 (continued)

CITY OF CONWAY, SOUTH CAROLINA

Page 2 of 2

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Other financing sources (uses)										
General obligation bonds issued	\$ 1,110,000	\$	\$	\$	\$	\$	\$	\$	\$	\$
Refunding bonds issued			3,175,000	5,022,000						
Tax increment bonds issued	2,500,000									
Capital lease issued				855,000						1,260,000
Proceeds from sale of capital assets	28,200	10,003	134,134	20,502	93,869	122,268	55,483	80,816	9,237	8,993
Proceeds from insurance recoveries	12,887	24,120	31,333	31,775	3,124	39,374	30,656	47,443	194,758	49,997
Payments on Refunded Bonds			(1,912,939)	(5,022,000)						
Transfers in	732,325	732,239	743,966	825,188	823,958	884,074	884,404	884,085	884,150	885,686
Transfers out	(116,525)	(116,439)	(49,066)	(130,288)	(129,058)	(139,174)	(139,504)	(139,185)	(139,250)	(140,786)
Total other financing sources (uses)	\$ 4,266,887	\$ 649,923	\$ 2,122,428	\$ 1,602,177	\$ 791,893	\$ 906,542	\$ 831,039	\$ 873,159	\$ 948,895	\$ 2,063,890
Extraordinary item										
Proceeds from dissolution of health insurance pool	\$	\$ 666,989	\$	\$	\$	\$	\$	\$	\$	\$
Net change in fund balances	\$ (484,267)	\$ 1,452,970	\$ 3,882,640	\$ (172,617)	\$ (2,050,102)	\$ 1,921,429	\$ 1,891,969	\$ 3,235,291	\$ (1,101,843)	\$ (58,195)
Debt service as a percentage of noncapital expenditures	7.13%	8.00%	8.50%	7.59%	7.75%	7.53%	6.77%	6.55%	4.16%	5.18%

UNAUDITED

Schedule 5

CITY OF CONWAY, SOUTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(Stated in Thousands of Dollars)

Fiscal Year	Assessed Value			Total Direct Tax Rate	Estimated Actual Value	Total Assessed Value as a Percentage of Estimated Actual Value
	Real Property	Personal Property	Total			Estimated Actual Value
2011	54,420	4,409	58,829	79.30	1,013,776	6.0
2012	56,747	5,299	62,046	79.30	1,063,806	6.0
2013	57,290	5,519	62,809	79.30	1,075,598	6.0
2014	57,230	5,040	62,270	79.30	1,154,526	5.0
2015	58,221	5,725	63,946	82.40	1,278,920	5.0
2016	58,148	6,187	64,335	82.40	1,286,700	5.0
2017	62,309	6,667	68,976	82.40	1,379,520	5.0
2018	65,121	4,699	69,820	82.40	1,382,436	5.0
2019	69,910	6,588	76,498	76.00	1,508,000	5.0
2020	86,940	9,608	96,548	76.00	1,911,650	5.0

Source: Horry County Assessor's Office

Note: Tax rates are per \$1,000 of assessed value.

UNAUDITED

Schedule 6

CITY OF CONWAY, SOUTH CAROLINA

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years**

Fiscal Year Ended	City of Conway	Horry County				Horry County School District			Maximum Combined Rate
		Operating Millage	Debt Service Millage	Higher Education	Total Millage	Operating Millage	Debt Service Millage	Total Millage	
2011	79.3	39.5	5.0	0.7	45.2	120.2	10.0	130.2	254.7
2012	79.3	39.5	5.0	0.7	45.2	120.2	10.0	130.2	254.7
2013	79.3	39.5	5.0	0.7	45.2	120.2	10.0	130.2	254.7
2014	79.3	39.5	5.0	0.7	45.2	123.1	10.0	133.1	257.6
2015	82.4	46.7	5.0	0.7	52.4	123.1	10.0	133.1	267.9
2016	82.4	46.7	5.0	0.7	52.4	123.1	10.0	133.1	267.9
2017	82.4	46.7	5.0	0.7	52.4	123.1	10.0	133.1	267.9
2018	82.4	46.7	5.0	0.7	52.4	123.1	10.0	133.1	267.9
2019	76.0	45.3	4.7	0.7	50.7	118.1	10.0	128.1	254.8
2020	76.0	45.3	4.7	0.7	50.7	118.1	10.0	128.1	254.8

Note: Each mill represents .1% per \$1,000 of assessed valuation

City Tax Data: Tax Rate Limits: None

Taxes Due: Vehicles - Before the end of the month of tag renewal
by the S.C. State Highway Department

All Personal Other Than Vehicles and Real - January 15

Data for overlapping jurisdictions was provided by the Horry County Treasurer.

UNAUDITED

Schedule 7

CITY OF CONWAY, SOUTH CAROLINA

**PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago**

Taxpayer	Type of Business	Assessed Valuation	2020		Tax Levy
			Percentage of Total Adjusted Assessed Valuation		
Coastal Club Borrower	Real Estate	\$ 2,113,990	2.19 %	\$	538,645
Breckenridge Group Conway SC, LLC	Real Estate	1,892,290	1.96		482,155
Coastal Carolina Student Housing Partner	Real Estate	1,738,240	1.80		442,904
Coastal 544 Ventures	Real Estate	1,111,560	1.15		283,225
Wal-Mart Real Estate Business Trust	Real Estate	903,290	0.94		230,158
Orion CCU, LLC	Real Estate	823,470	0.85		209,820
Fowler 501 Property, LLC	Real Estate	689,660	0.71		175,725
Dominion Energy South Carolina	Utilities	537,890	0.56		137,054
University Suites at Coastal	Real Estate	437,150	0.45		111,386
SGS Conway Prop Co, LLC	Real Estate	420,000	0.44		107,016
		<u>\$ 10,667,540</u>	<u>11.05 %</u>	<u>\$</u>	<u>2,718,089</u>

Taxpayer	Type of Business	Assessed Valuation	2011		Tax Levy
			Percentage of Total Adjusted Assessed Valuation		
Wal-Mart	Retail	\$ 901,394	1.53 %	\$	71,481
Gator Coastal Shopping Centre, LLC	Real Estate	683,949	1.16		54,237
Wild Wing Company, LLC	Real Estate	660,253	1.12		52,358
Fowler 501 Properties	Automobile	529,157	0.90		41,962
Verizon South	Communication	387,297	0.66		30,713
University Shops Holding	Real Estate	383,461	0.65		30,408
University Suites at Coastal	Real Estate	369,706	0.63		29,318
All Star Development of Conway	Real Estate	366,174	0.62		29,038
Burroughs & Chapin Company, Inc.	Real Estate	363,900	0.62		28,857
Conway National Bank	Financial Services	276,656	0.47		21,939
		<u>\$ 4,921,947</u>	<u>8.36 %</u>	<u>\$</u>	<u>390,311</u>

Source: Horry County Assessor's Office

UNAUDITED

Schedule 8

**CITY OF CONWAY, SOUTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	5,020,244	4,457,741	88.80%	513,744	4,971,485	99.03%
2012	4,859,889	4,524,634	93.10%	274,644	4,799,278	98.75%
2013	5,082,071	4,622,469	90.96%	392,367	5,014,836	98.68%
2014	5,287,053	4,853,929	91.81%	361,381	5,215,310	98.64%
2015	5,436,612	4,935,223	90.78%	408,682	5,343,905	98.29%
2016	5,725,434	5,294,641	92.48%	121,690	5,416,331	94.60%
2017	5,859,388	5,554,995	94.81%	159,108	5,714,103	97.52%
2018	6,103,529	5,649,554	92.56%	213,807	5,863,361	96.07%
2019	6,565,773	5,947,381	90.58%	155,230	6,102,611	92.95%
2020	7,135,990	6,784,995	95.08%		6,784,995	95.08%

UNAUDITED

Schedule 9

CITY OF CONWAY, SOUTH CAROLINA

WATER AND SEWER GALLONS AND NUMBER OF CUSTOMERS

Last Ten Fiscal Years

Fiscal Year	Water and Sewer Gallons Billed	Number of Customers	Total Direct Rate			
			Water		Sewer	
			Base Rate	Usage Rate	Base Rate	Usage Rate
2011	967,272	13,278	8.64	1.63	4.51	2.74
2012	994,119	13,429	9.50	1.79	4.96	3.01
2013	966,212	13,543	9.50	1.79	4.96	3.01
2014	985,361	13,970	9.50	1.79	4.96	3.01
2015	998,811	14,240	9.50	1.79	4.96	3.01
2016	1,056,415	14,905	9.50	1.79	4.96	3.01
2017	1,116,749	15,431	9.50	1.79	4.96	3.01
2018	1,124,808	15,705	9.88	1.87	5.16	3.13
2019	1,184,420	16,569	10.27	1.94	5.36	3.26
2020	1,207,868	16,821	10.27	1.94	5.36	3.26

Source: City Water and Sewer Department

Notes: Gallons are presented in thousands.

The water and sewer usage rates are per 1,000 gallons inside the City limits. See Schedule 10 for other rates.

UNAUDITED

Schedule 10

CITY OF CONWAY, SOUTH CAROLINA

WATER AND SEWER RATES

Last Ten Fiscal Years

Fiscal Year	Water Rates				Sewer Rates			
	Base Rate Inside City Limits	Usage Rate Inside City Limits	Base Rate Outside City Limits	Usage Rate Outside City Limits	Base Rate Inside City Limits	Usage Rate Inside City Limits	Base Rate Outside City Limits	Usage Rate Outside City Limits
2011	8.64	1.63	17.27	3.26	4.51	2.74	9.02	5.48
2012	9.50	1.79	19.00	3.58	4.96	3.01	9.92	6.02
2013	9.50	1.79	19.00	3.58	4.96	3.01	9.92	6.02
2014	9.50	1.79	19.00	3.58	4.96	3.01	9.92	6.02
2015	9.50	1.79	19.00	3.58	4.96	3.01	9.92	6.02
2016	9.50	1.79	19.00	3.58	4.96	3.01	9.92	6.02
2017	9.50	1.79	19.00	3.58	4.96	3.01	9.92	6.02
2018	9.88	1.87	19.76	3.74	5.16	3.13	10.32	6.26
2019	10.27	1.94	20.54	3.88	5.36	3.26	10.72	6.52
2020	10.27	1.94	20.54	3.88	5.36	3.26	10.72	6.52

Source: City Water and Sewer Department

UNAUDITED

Schedule 11

CITY OF CONWAY, SOUTH CAROLINA

PRINCIPAL WATER CUSTOMERS

Current Year and Nine Years Ago

Customer	Fiscal Year 2020	
	Water Revenue	
	Amount	Percentage of Total Water Revenue
Coastal Carolina University	\$ 271,394	3.56 %
Horry County School District	187,266	2.46
Horry County Jail	174,039	2.28
Monarch 544	146,979	1.93
Conway Housing Authority	145,568	1.91
Conway Manor	81,316	1.07
The Cove	77,898	1.02
Bellamy Coastal Apartments	69,438	0.91
Walmart	49,450	0.65
Metglass	46,747	0.61
	<u>\$ 1,250,095</u>	<u>16.40 %</u>

Customer	Fiscal Year 2011	
	Water Revenue	
	Amount	Percentage of Total Water Revenue
Coastal Carolina University	\$ 169,677	3.27 %
Conway Housing Authority	93,993	1.81
Horry County Jail	55,193	1.06
New South Industries	52,856	1.02
Conway Medical Center	45,162	0.87
Horry Country School District	44,842	0.86
Walmart	42,021	0.81
Metglass	34,202	0.66
Horry Georgetown Technical College	28,892	0.56
Carolina Pines	25,691	0.48
	<u>\$ 592,529</u>	<u>11.40 %</u>

Source: City Water and Sewer Department

UNAUDITED

STATISTICAL SECTION (Unaudited)
SCHEDULES OF DEBT CAPACITY INFORMATION

Schedules 12 through 16 present debt capacity information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Schedule 12

CITY OF CONWAY, SOUTH CAROLINA

**RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years**

Fiscal Year	Governmental Activities					Business-Type Activities	Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligation Bonds	Hospitality Fee Revenue Bonds	Stormwater Management Revenue Bond	Tax Increment Revenue Bonds	Capital Lease Obligations	Water and Sewer Revenue Bonds			
2011	2,590,000	2,302,553	1,404,680	2,500,000	608,910	2,955,000	12,361,143	2.48	723
2012	2,501,016	2,111,660	1,271,998	2,309,711	325,169	2,830,000	11,349,554	2.29	648
2013	2,241,114	3,175,000	1,133,997	2,131,037	120,942	2,700,000	11,502,090	2.21	643
2014	2,006,000	2,931,873	995,000	2,021,000	855,000	2,600,000	11,408,873	1.99	591
2015	1,666,437	2,693,991	834,026	1,782,744	689,120	2,354,709	10,021,027	1.55	497
2016	1,326,112	2,450,757	671,817	1,541,471	520,719	2,114,276	8,625,152	1.67	428
2017	981,050	2,202,049	507,350	1,295,891	349,758	1,868,723	7,204,821	1.10	317
2018	631,184	1,947,747	340,580	1,045,878	176,198	1,618,098	5,759,685	0.68	243
2019	546,370	1,687,722	171,462	791,578	950,000	1,362,371	5,509,503	0.57	225
2020	459,772	1,421,846		532,462	1,906,269	1,101,142	5,421,491	0.47	177

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ See Schedule 17 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

UNAUDITED

Schedule 13

CITY OF CONWAY, SOUTH CAROLINA

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years**

Fiscal Year Ended	Net General Bonded Debt Outstanding			Percentage of Estimated Actual Taxable Value of Property ⁽¹⁾	Net Bonded Debt - Per Capita ⁽²⁾
	General Obligation	Debt Service Funds	Net General		
	Bonds	Available	Bonded Debt		
2011	2,590,000		2,590,000	0.27	151
2012	2,501,016		2,501,016	0.24	143
2013	2,241,114		2,241,114	0.21	125
2014	2,006,000		2,006,000	0.17	104
2015	1,666,437		1,666,437	0.13	83
2016	1,326,112		1,326,112	0.10	58
2017	981,050		981,050	0.07	41
2018	631,184		631,184	0.05	26
2019	546,370		546,370	0.04	22
2020	459,772		459,772	0.02	18

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ See Schedule 5 for property value data.

⁽²⁾ See Schedule 17 for population data.

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Schedule 14

CITY OF CONWAY, SOUTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2020

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable⁽¹⁾</u>	<u>Amount Applicable to the City of Conway</u>
Overlapping Governmental Activities Debt			
Horry County			
General Obligation Bonds	\$ 73,206,000	3.5%	\$ 2,562,210
Horry County School District			
General Obligation Bonds	382,292,000	3.5%	<u>13,380,220</u>
			\$ 15,942,430
City Direct Governmental Activities Debt			<u>4,320,349</u>
			<u><u>\$ 20,262,779</u></u>

Source: Debt outstanding data provided by the Horry County Finance Department.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.

⁽¹⁾ The percentage of overlapping debt applicable is based on the percentage of assessed valuation of property located in the City.

UNAUDITED

Schedule 15

CITY OF CONWAY, SOUTH CAROLINA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 4,778,929	\$ 5,036,199	\$ 5,097,286	\$ 5,054,174	\$ 5,188,254	\$ 5,219,374	\$ 5,590,654	\$ 5,658,174	\$ 5,658,174	\$ 7,577,961
Total net debt applicable to limit	<u>2,590,000</u>	<u>2,501,016</u>	<u>2,241,114</u>	<u>2,006,000</u>	<u>1,666,437</u>	<u>1,326,112</u>	<u>981,050</u>	<u>631,184</u>	<u>546,370</u>	<u>459,772</u>
Legal debt margin	<u>\$ 2,188,929</u>	<u>\$ 2,535,183</u>	<u>\$ 2,856,172</u>	<u>\$ 3,048,174</u>	<u>\$ 3,521,817</u>	<u>\$ 3,893,262</u>	<u>\$ 4,609,604</u>	<u>\$ 5,026,990</u>	<u>\$ 5,111,804</u>	<u>\$ 7,118,189</u>
Total net debt applicable to the limit as a percentage of debt limit	54.20%	49.66%	43.97%	39.69%	32.12%	25.41%	17.55%	11.16%	9.66%	6.07%

Legal Debt Margin Calculation for Fiscal Year 2019

Assessed value of Taxable Property	\$ 96,547,913
Assessed value of Property in TIF Districts	(2,730,570)
Exempt Merchants Inventory (1987 Valuation)	<u>907,171</u>
Adjusted Assessed Value of Taxable Property	<u>\$ 94,724,514</u>
 Debt limit (8.0% of Adjusted Assessed Value)	 \$ 7,577,961
 Debt Applicable to Limit: General Obligation Bonds	 <u>(459,772)</u>
 Legal Debt Margin	 <u>\$ 7,118,189</u>

Note: Article Ten, Section Fourteen of the South Carolina Constitution of 1895 as amended provides that a City or Town shall incur general obligation debt over the eight percent limit when approved by a majority vote of the qualified electors of the political subdivision voting in a referendum authorized by law. There shall be no conditions or restrictions limiting the incurring of such indebtedness except:

- a. those restrictions and limitations imposed in the authorization to incur such indebtedness,
- b. the provisions of Article Ten, Section Fourteen and
- c. such general obligation debt shall be issued within five years of the date of such referendum and shall mature within forty years from the time such indebtedness shall be incurred.

UNAUDITED

Schedule 16

CITY OF CONWAY, SOUTH CAROLINA

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	Water and Sewer Revenue Bonds ⁽¹⁾					
	Operating Revenues ⁽¹⁾	Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2011	7,529,058	6,746,087	782,971	120,000	115,634	3.32
2012	8,388,764	6,152,580	2,236,184	125,000	110,998	9.48
2013	8,561,701	6,587,060	1,974,641	130,000	106,172	8.36
2014	9,034,201	7,076,862	1,957,339	100,000	123,230	8.77
2015	8,945,450	7,038,433	1,907,017	245,291	53,180	6.39
2016	9,491,456	7,890,510	1,600,946	240,433	49,650	5.52
2017	9,792,030	7,804,204	1,987,826	245,553	41,973	6.91
2018	10,595,036	8,954,030	1,641,006	250,625	37,606	5.69
2019	10,842,510	10,157,349	685,161	255,727	32,052	2.38
2020	11,551,606	10,222,908	1,328,698	261,229	28,640	4.58

Fiscal Year	Hospitality Fee Revenue Bonds				
	Hospitality Fees	Debt Service		Coverage	
		Principal	Interest		
2011	535,914	183,376	101,923	1.88	
2012	618,718	190,894	94,405	2.17	
2013	614,475	198,721	94,421	2.10	
2014	669,236	243,128	60,722	2.20	
2015	722,318	237,882	65,967	2.38	
2016	768,850	243,234	60,615	2.53	
2017	825,323	248,707	55,142	2.72	
2018	854,848	254,303	49,546	2.81	
2019	817,917	260,025	43,824	2.69	
2020	1,668,320	265,876	37,973	5.49	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ Operating revenues do not include impact fee capital contributions and unrestricted interest earnings

⁽²⁾ Operating expenses do not include depreciation and transfers out.

UNAUDITED

Schedule 16 (continued)

CITY OF CONWAY, SOUTH CAROLINA

**PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years**

Fiscal Year	Tax Increment Revenue Bonds ⁽³⁾			
	Property Tax Increment	Debt Service		Coverage
		Principal	Interest	
2011	332,793			
2012	336,599	190,289	61,834	1.34
2013	335,431	178,674	73,449	1.33
2014	352,442	110,036	141,056	1.40
2015	359,125	238,257	35,082	1.31
2016	381,484	241,273	32,066	1.40
2017	373,446	245,580	27,759	1.37
2018	375,546	250,013	23,326	1.37
2019	390,405	254,300	19,039	1.43
2020	451,140	259,116	14,223	1.65

Fiscal Year	Storm Water Revenue Bonds ⁽⁴⁾			
	Storm Water Fees	Debt Service		Coverage
		Principal	Interest	
2011	973,579	127,567	59,577	5.20
2012	950,908	132,681	54,462	5.08
2013	984,198	138,001	49,142	5.26
2014	1,012,802	138,997	46,558	5.46
2015	1,038,509	160,974	12,899	5.97
2016	1,051,870	162,209	11,664	6.05
2017	1,094,090	164,468	9,405	6.29
2018	1,153,938	166,770	7,103	6.64
2019	1,227,570	169,118	4,755	7.06
2020	1,257,608	171,462	2,400	7.23

STATISTICAL SECTION (Unaudited)
SCHEDULES OF DEMOGRAPHIC AND ECONOMIC INFORMATION

Schedules 17 through 18 offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparison over time and with other governments.

Schedule 17

CITY OF CONWAY, SOUTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population</u>	<u>Per Capita Personal Income⁽¹⁾</u>	<u>Personal Income (Thousands of Dollars)</u>	<u>Median Age⁽¹⁾</u>	<u>Unemployment Rate⁽¹⁾</u>
2010	17,103	29,101	497,714	37.9	11.36 %
2011	17,513	28,265	495,005	38.3	10.20
2012	17,863	29,148	520,671	39.2	9.10
2013	19,300	29,742	574,021	40.2	8.50
2014	20,175	31,973	645,055	40.3	7.30
2015	20,175	25,575	515,976	44.6	5.20
2016	22,761	28,712	653,514	40.3	5.60
2017	23,714	35,520	842,321	41.0	5.10
2018	24,517	36,950	958,918	42.4	4.30
2019	25,956	37,740	979,579	43.7	4.00

Sources: Myrtle Beach and South Carolina Grand Strand Demographic Profile, South Carolina Statistical Abstract, Places Rated Almanac, South Carolina Employment Security Commission, U.S. Department of Commerce Bureau of Economic Analysis, U.S. Department of Labor Statistics and the U.S. Census Bureau

⁽¹⁾ Data presented is Horry County statistics. Data not available for the City separately.

UNAUDITED

Schedule 18

CITY OF CONWAY, SOUTH CAROLINA

**PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Employer	Type of Business	Calendar Year 2019	
		Employees	Percentage of Total County Employment
Horry County School District	Education	5,540	4.07 %
Wal-Mart	Retail Sales	3,120	2.29
Coastal Carolina University	Education	2,724	2.00
Horry County Government	County Government	2,225	1.63
McLeod Seacoast	Hospital	1,539	1.13
Conway Medical Center	Hospital	1,500	1.10
Grand Strand Regional Medical Center	Hospital	1,425	1.05
Food Lion	Retail Sales	1,197	0.88
City of Myrtle Beach	Municipal Government	965	0.71
Horry Telephone Cooperative	Telephone Utility	694	0.51
		<u>20,929</u>	<u>15.37 %</u>

Employer	Type of Business	Calendar Year 2010	
		Employees	Percentage of Total County Employment
Horry County School District	Education	4,870	3.78 %
Wal-Mart	Retail Sales	2,061	1.60
Horry County Government	County Government	1,913	1.49
Grand Strand Regional Medical Center	Hospital	1,200	0.93
Conway Hospital	Hospital	1,150	0.89
Coastal Carolina University	Education	1,057	0.82
Myrtle Beach National	Golf Course and Accommodations	980	0.76
City of Myrtle Beach	Municipal Government	969	0.75
Loris Community Hospital District	Hospital	900	0.70
Blue Cross/Blue Shield	Health Insurance	827	0.64
		<u>15,927</u>	<u>12.36 %</u>

Sources: Myrtle Beach Regional Economic Development Corporation, Myrtle Beach Area Chamber of Commerce, the South Carolina Industrial Directory, the South Carolina Employment Security Commission and Horry County Government

Note: This schedule presents the principal employers in Horry County, South Carolina. Information for the City of Conway was not available.

UNAUDITED

STATISTICAL SECTION (Unaudited)
SCHEDULES OF OPERATING INFORMATION

Schedules 19 through 21 contain operating information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Schedule 19

CITY OF CONWAY, SOUTH CAROLINA

**FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years**

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Full-Time Equivalent Employees										
General Government	35	35	35	36	36	38	39	41	44	49
Public Safety	96	96	96	95	95	98	98	100	100	108
Street	16	16	16	16	16	16	16	16	16	18
Sanitation	17	17	17	17	17	18	18	20	21	21
Intragovernmental Maintenance	5	5	5	5	5	5	5	6	6	6
Beautification	9	9	9	12	12	14	15	19	19	17
Culture and Recreation	12	12	12	16	16	16	16	18	18	22
Water & Sewer	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>28</u>	<u>33</u>	<u>33</u>	<u>38</u>	<u>38</u>	<u>39</u>
Total Full-Time Equivalent Employees	<u><u>217</u></u>	<u><u>217</u></u>	<u><u>217</u></u>	<u><u>224</u></u>	<u><u>225</u></u>	<u><u>238</u></u>	<u><u>240</u></u>	<u><u>258</u></u>	<u><u>262</u></u>	<u><u>280</u></u>

Source: City Finance Department

Notes: Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

UNAUDITED

Schedule 20

CITY OF CONWAY, SOUTH CAROLINA

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety										
Fire Calls per Engine Company	927	917	833	1,022	1,075	1,100	1,200	1,350	1,425	1,370
Environmental Protection ⁽¹⁾										
Tons of Refuse Collected	18,100	19,500	19,446	21,402	23,205	16,760	26,853	20,708	24,070	22,127
Community and Economic Development										
Building Permits Issued	584	584	649	913	934	1,145	1,291	1,660	1,450	1,121
Culture and Recreation										
Admissions to Recreation Centers	830	92,050	117,538	110,450	115,275	117,563	119,563	121,004	123,580	110,370
Water										
Average Daily Consumption <i>(thousands of gallons)</i>	3,472	3,508	3,069	2,954	3,400	3,590	3,780	3,850	4,150	4,230

Sources: Various City departments.

UNAUDITED

Schedule 21

CITY OF CONWAY, SOUTH CAROLINA

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years**

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety										
Police Stations	2	2	2	2	2	2	2	2	2	2
Fire Stations	3	3	3	3	3	3	3	3	3	3
Streets										
Streets (<i>miles</i>)	203	213	214	214	214	214	214	214	214	214
Traffic Signals	34	36	38	38	38	38	38	38	38	38
Sanitation ⁽¹⁾										
Collection Trucks	20	20	20	20	20	20	20	20	20	25
Culture and Recreation										
Parks	8	8	8	8	8	8	8	8	8	8
Park Acreage	76	76	125	125	125	125	125	125	125	125
Recreation Centers	3	3	1	1	1	1	1	1	1	1
Cemeteries	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (<i>miles</i>)	344	377	399	399	399	399	399	399	399	399
Sewer										
Gravity Sewers (<i>miles</i>)	120	126	127	128	128	128	134	134	134	134

Sources: Various City departments.

Notes: No capital asset indicators are available for the general government, intragovernmental maintenance, or beautification functions.

UNAUDITED

CITY OF CONWAY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Passed Through the State Emergency Management Division:			
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4241-PA-SC	\$ 126,446
Hazard Mitigation Grant Program	97.039	FEMA-4286-DR-SC	1,359,702
Total U.S Department of Homeland Security			\$ <u>1,486,148</u>
U.S. Department of Housing and Urban Development			
Passed Through Horry County Government:			
Community Development Block Grant	14.218	B-18-UC-45-0006	\$ <u>50,718</u>
U.S. Department of the Treasury:			
Passed Through the State Department of Administration:			
Coronavirus Relief Fund Grant	21.019	SA-0327	\$ <u>68,277</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Grant	16.607		\$ <u>723</u>
Total Expenditures of Federal Awards			\$ <u><u>1,605,866</u></u>

See accompanying notes to schedule of expenditures of federal awards

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Conway, South Carolina (the City) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Pass-through entity identifying members are presented where available.

Note 3 - DISASTER GRANTS – PUBLIC ASSISTANCE

Prior to the year ending June 30, 2020, the City has incurred expenditures in conjunction with Hurricane Florence (FEMA-4286-PA-SC). As of June 30, 2020, the Federal Emergency Management Agency (FEMA) has not approved all of the project worksheets related to the disaster. In accordance with the instructions included in the *OMB Compliance Supplement*, the federal portion of the expenditures are reported on the Schedule in the year the project worksheets are approved by FEMA. These expenditures are anticipated to be approved and included on the Schedule during the year ending June 30, 2021.

SINGLE AUDIT SECTION



SMITH
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**Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And
Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

To the Mayor and City Council
City of Conway, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Conway, South Carolina as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Conway, South Carolina's basic financial statements, and have issued our report thereon dated December 31, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Conway, SC's Response to Findings

City of Conway, SC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Conway, SC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith Sapp, PA

Smith Sapp Professional Association
Certified Public Accountants

Myrtle Beach, South Carolina
December 31, 2020



Certified Public Accountants & Consultants

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Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance

To the Mayor and City Council
City of Conway, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Conway, South Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Conway, South Carolina's major federal program for the year ended June 30, 2020. The City of Conway, South Carolina's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Conway, South Carolina's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Conway, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Conway, South Carolina's compliance.

Opinion of Major Federal Program

In our opinion, the City of Conway, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the City of Conway, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Conway, South Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Conway, South Carolina's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirements of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Smith Sapp, PA

Smith Sapp Professional Association
Certified Public Accountants

Myrtle Beach, South Carolina
December 31, 2020

CITY OF CONWAY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

Section I - Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the City of Conway, South Carolina were prepared in accordance with GAAP.
2. A material weakness relating to the audit of the financial statements is reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the City of Conway, South Carolina were noted during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal award program are reported in the report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award program for the City of Conway, South Carolina expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) in this schedule.
7. The program tested as a major program was:
 - U.S. Department of Homeland Security – Hazard Grant Mitigation Program (HGMP) – CFDA No. 97.039
8. The threshold used for distinguishing between type A and B programs was \$750,000.
9. The City of Conway, South Carolina was not determined to be a low-risk auditee.

Section II - Findings - Financial Statement Audit

Item 2020-001

Criteria: Management is responsible for the fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP), including properly recording all reimbursable grants and other receivables.

Condition: During the audit, we proposed, and management accepted, audit adjustments to recognize grant revenue related to reimbursable grant and other receivables and understatements of beginning fund balance in the general fund and stormwater management fund.

Cause: Errors in the timing of recognizing transactions caused the misstatements in general fund and stormwater management fund, where the reimbursable grants and other receivables were not recorded when the applicable eligibility requirements, including time requirements, are met in accordance with GASB Statement No. 33.

Effect: There exists a potential for misstatements in the financial statements to go undetected by management.

Recommendation: Internal controls should exist to ensure all the applicable eligibility requirements, including time requirements, are tracked for all grants to ensure those grant revenues are recorded in the proper period.

Views of Responsible Officials: Management agrees with the finding.

Section III - Findings and Questioned Costs - Major Federal Award Programs Audit

None