

CITY OF CONWAY, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prepared By:

Finance Department

Allison Williams



INTRODUCTORY SECTION



CITY OF CONWAY, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2018

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CITY OF CONWAY, SOUTH CAROLINA

PRINCIPAL OFFICIALS

June 30, 2018

ELECTED

Mayor.....Barbara Jo Blain-Bellamy

Mayor Pro TemLarry A. White

City CouncilmemberJean Timbes

City CouncilmemberThomas J. "Tom" Anderson II

City Councilmember.....William M. Goldfinch, IV

City CouncilmemberAshley Smith

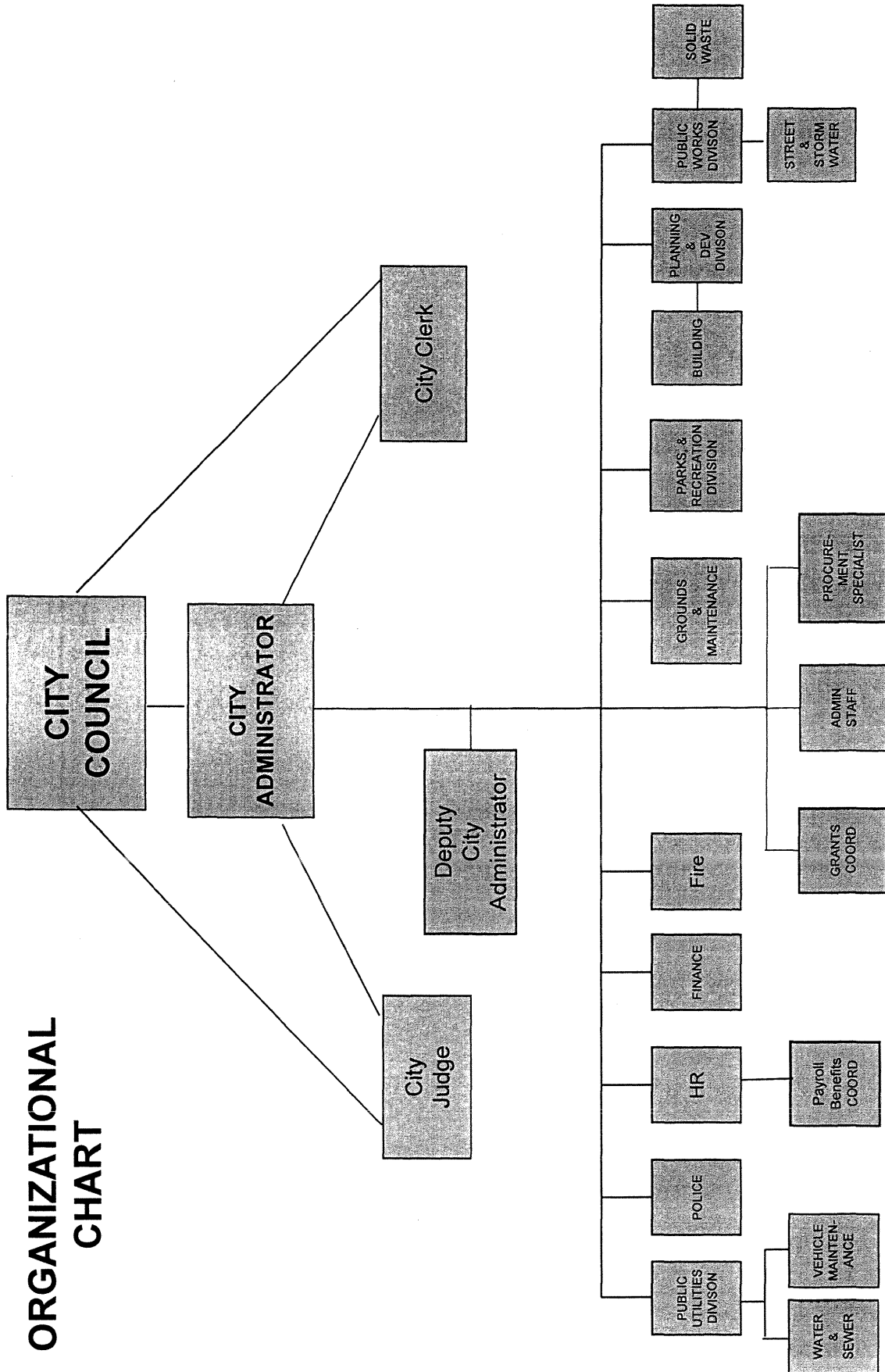
City CouncilmemberShane Hubbard

APPOINTED

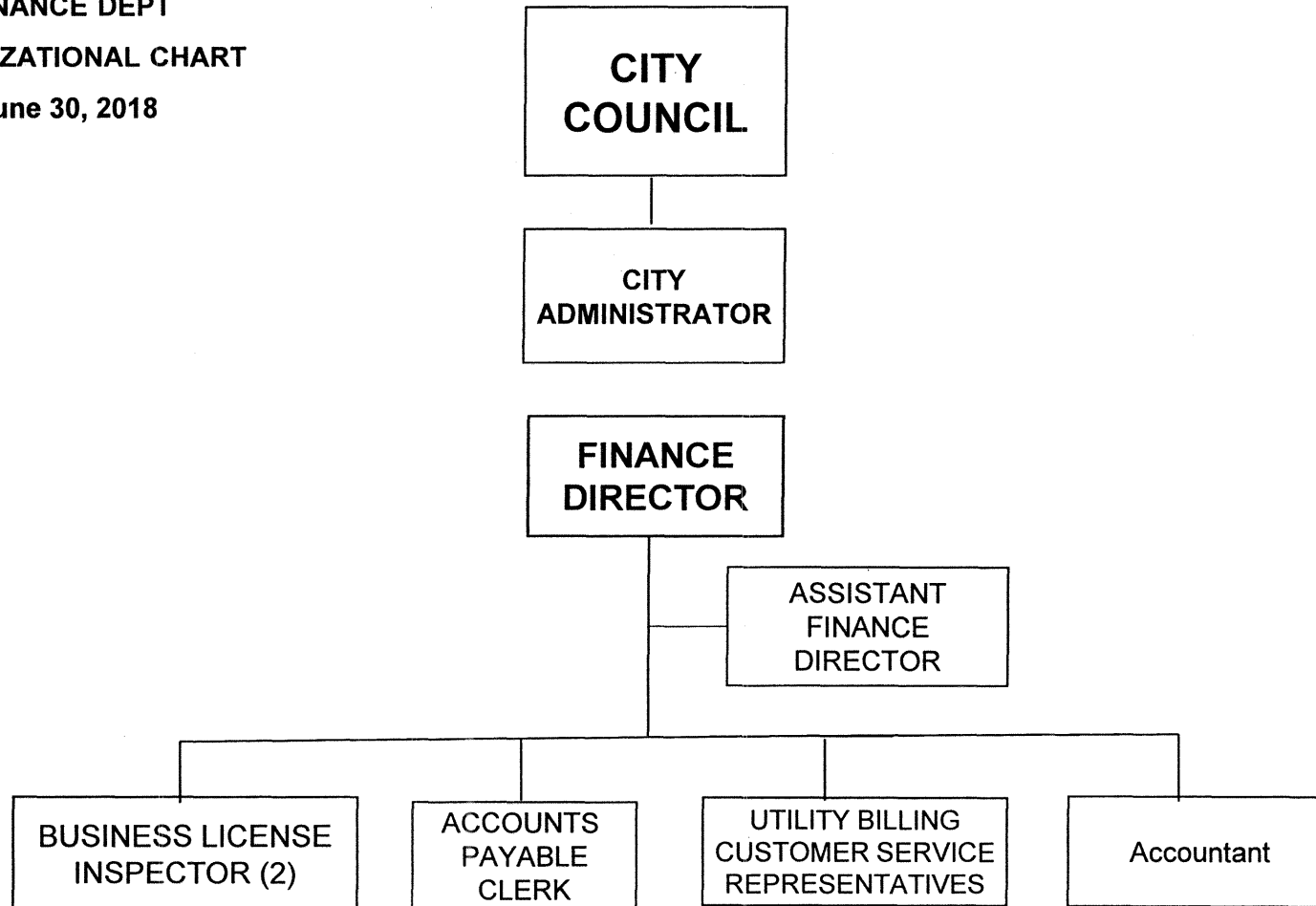
Administrator.....Adam Emrick

Finance DirectorAllison Williams

CITY OF CONWAY ORGANIZATIONAL CHART



CITY OF CONWAY
FINANCE DEPT
ORGANIZATIONAL CHART
June 30, 2018



MAYOR
Barbara Blain-Bellamy

MAYOR PRO TEM
Larry A. White



COUNCIL MEMBERS
Thomas J. "Tom" Anderson II
William M. Goldfinch IV
Shane Hubbard
Ashley Smith
Jean M. Timbes

December 19, 2018

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, 2018. 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 financials 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, Bookhout, Crumpler & Calliham, P.A. 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, 2018, 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, 2018, 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 2015 population of 21,053. 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 \$12,380,204 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 \$5,200,000. 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, 2017. This was the twenty-seventh year out of the last twenty-nine 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, Bookout, Crumpler, and Calliham, P.A. 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 black ink, appearing to read "Allison Williams", with a stylized flourish at the end.

Allison Williams
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Conway
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO



FINANCIAL SECTION





**SMITH
SAPP**

Trusted Advisors For Over 60 Years

MYRTLE BEACH

4728 Jenn Drive
Suite 100
Myrtle Beach, SC 29577

Phone (843) 448-8334
Fax (843) 626-7363
www.sccpa.com

CONWAY

1109 Main Street
Suite A
Conway, SC 29526

Phone (843) 248-5284
Fax (843) 381-0027
www.sccpa.com

PAWLEYS ISLAND

245 Business Center Drive
Suite 4A
Pawleys Island, SC 29585

Phone (843) 237-3453
Fax (843) 237-4809
www.sccpa.com

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, 2018, 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, 2018, 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.

Smith Sapp Bookhout Crumpler & Calliham
A Professional Association of Certified Public Accountants & Consultants

South Carolina Association of Certified Public Accountants
American Institute of Certified Public Accountants - Private Companies Practice Section

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 11), pension plan information (pages 57 - 60), OPEB information (pages 61-63) and budgetary comparison information (pages 64 - 69) 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 as a whole. 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 combining and individual nonmajor fund financial statements, other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 19, 2018, 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 BOOKHOUT CRUMPLER & CALLIHAM
Professional Association
Certified Public Accountants and Consultants

Myrtle Beach, South Carolina
December 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF CONWAY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

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, 2018. 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 assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year 2018 by \$62,881,016 (net position). Of this amount, \$4,292,145 (unrestricted net position) from governmental activities may be used to meet the government's ongoing obligations to citizens and creditors.
- Net long-term liabilities increased by a net \$2,420,078, or 9.30%, which was mainly due to an increase of Net Pension Liability in the amount of \$1,484,831; increase of Net OPEB Liability of \$2,357,283 increase of \$23,101 in long-term accrued compensated absences; offset by net decrease of \$1,445,137 related to long-term debt repayments for Bonds Payable, Net Pension Liability and Compensated Absences.
- The City's total net position increased by \$439,817. This is a result of an increase in net position of our business-type activities of \$466,410, or 1.92%, and a decrease in net position of our governmental activities of \$26,593, or 0.07%. The cumulative effective of adopting GASB Statement No. 75, resulted in a decrease to the change in net position of our business-type activities of \$292,621 and a decrease to the change in net position of our governmental activities of \$2,183,152.
- The City's total revenues amounted to \$36,639,422 during the year ended June 30, 2018. Revenues of governmental activities totaled \$24,780,104, an increase of 4.77%, and revenues of business type activities were \$11,859,318, an increase of 7.92%.
- During the year ended June 30, 2018, the City's total expenses amounted to \$33,723,832. Expenses of governmental activities totaled \$22,623,545, an increase of 2.92%, and expenses of business-type activities were \$11,100,287, an increase of 11.79%, mainly due to increased maintenance costs and personnel costs.
- At June 30, 2018, the City's governmental funds reported combined fund balances of \$20,466,075 an increase of \$3,235,291 in comparison to the prior year.
- The City's outlays for capital assets for the current fiscal year decreased \$1,537,415 or 44.89% for governmental activities, and increased \$1,066,958 or 135.65%, for business-type activities.
- At year-end, the City had outstanding debt, pension liability and OPEB liability of \$23,459,792 from governmental activities, an increase of 9.74%, and outstanding debt, pension liability and OPEB liability of \$4,684,624 from business-type activities, an increase of 7.20%. Both increases are due to the increase of the net pension liability in comparison to the prior year.

Overview of the Financial Statements

The following is a narrative overview and analysis of the financial activities of the City of Conway for the fiscal year ended June 30, 2018. This discussion and analysis is designed to focus the reader's attention on key data presented in the City's basic financial statements. Those statements consist of the government-wide financial statements, the fund financial statements, and the notes to the financial statements.

The information contained in management's discussion and analysis should be read in conjunction with the City's transmittal letter and basic financial statements.

CITY OF CONWAY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2018

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.

Fiduciary fund financial statements are used to account for resources held by the City for the benefit of other parties outside the government. Activities from fiduciary funds are not included in the government-wide financial statements because those resources are not available to support the City's own programs.

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 27-56.

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 57-67 of this report.

CITY OF CONWAY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

Other Information (continued)

Other supplementary information is presented immediately following the required supplementary information. This information can be found on pages 68-70. The combining and individual fund statements and schedules can be found on pages 71-76.

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
June 30, 2018

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 22,320,037	\$ 19,057,151	\$ 11,986,981	\$ 11,665,004	\$ 34,307,018	\$ 30,722,155
Capital Assets	<u>37,724,254</u>	<u>39,123,733</u>	<u>19,434,645</u>	<u>18,944,877</u>	<u>57,158,899</u>	<u>58,068,610</u>
Total Assets	<u>\$ 60,044,291</u>	<u>\$ 58,180,884</u>	<u>\$ 31,421,626</u>	<u>\$ 30,609,881</u>	<u>\$ 91,465,917</u>	<u>\$ 88,790,765</u>
Deferred Outflows of Resources	\$ 3,861,951	\$ 3,315,954	\$ 552,723	\$ 462,013	\$ 4,414,674	\$ 3,777,967
Long-Term Liabilities						
Outstanding	\$ 22,752,693	\$ 20,413,920	\$ 4,471,601	\$ 4,149,967	\$ 27,224,294	\$ 24,563,887
Other Liabilities	<u>2,794,439</u>	<u>2,897,808</u>	<u>2,769,392</u>	<u>2,653,749</u>	<u>5,563,831</u>	<u>5,551,557</u>
Total Liabilities	<u>\$ 25,547,132</u>	<u>\$ 23,311,728</u>	<u>\$ 7,240,993</u>	<u>\$ 6,803,716</u>	<u>\$ 32,788,125</u>	<u>\$ 30,115,444</u>
Deferred Inflows of Resources	\$ 209,965	\$ 9,372	\$ 1,485	\$ 2,717	\$ 211,450	\$ 12,089
Net position						
Net Investment in						
Capital Assets	\$ 33,582,669	\$ 33,787,630	\$ 17,816,547	\$ 17,076,154	\$ 51,399,216	\$ 50,863,784
Restricted	4,267,170	3,152,741	2,922,485	3,094,439	7,189,655	6,247,180
Unrestricted	<u>299,306</u>	<u>1,235,367</u>	<u>3,992,839</u>	<u>4,094,868</u>	<u>4,292,145</u>	<u>5,330,235</u>
Total Net position	<u>\$ 38,149,145</u>	<u>\$ 38,175,738</u>	<u>\$ 24,731,871</u>	<u>\$ 24,265,461</u>	<u>\$ 62,881,016</u>	<u>\$ 62,441,199</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, 2018, was \$62,881,016, an increase of \$439,817, or 0.70%, from a year ago.

The largest portion of the City's net position, \$51,399,216 or 81.74%, 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, \$7,189,655 of the City's net position, or 11.43%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of \$4,292,145 may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF CONWAY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

The City as a Whole (continued)

As of the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its separate governmental and business-type activities,

Changes in the City's net position during the year ended June 30, 2018 follows.

City of Conway's Changes in Net Position
June 30, 2018

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues						
Charges for Services	\$ 6,850,450	\$ 6,323,011	\$ 10,595,036	\$ 9,792,030	\$ 17,445,486	\$ 16,115,041
Operating Grants and Contributions	1,163,180	2,738,021			1,163,180	2,738,021
Capital Grants and Contributions	599,292	259,878	1,240,150	1,174,800	1,839,442	1,434,678
General Revenues						
Property Taxes	6,529,060	6,225,604			6,529,060	6,225,604
Franchise Fees	1,502,834	1,365,652			1,502,834	1,365,652
Other Taxes and Fees	945,817	910,337			945,817	910,337
Licenses	5,980,255	5,366,340			5,980,255	5,366,340
Interest	39,556	37,854	24,132	22,092	63,688	59,946
Grants and Contributions	424,760	424,289			424,760	424,289
Gain on Sale of Capital Assets						
Total Revenues	<u>\$ 24,035,204</u>	<u>\$ 23,650,986</u>	<u>\$ 11,859,318</u>	<u>\$ 10,988,922</u>	<u>\$ 35,894,522</u>	<u>\$ 34,639,908</u>
Expenses						
Governmental Activities						
General Government	\$ 3,494,840	\$ 3,744,947	\$	\$	\$ 3,494,840	\$ 3,744,947
Public Safety	9,650,708	8,950,310			9,650,708	8,950,310
Street	2,606,364	2,588,314			2,606,364	2,588,314
Sanitation	2,425,701	2,300,834			2,425,701	2,300,834
Intragovernmental						
Maintenance	306,286	270,256			306,286	270,256
Beautification	969,893	861,007			969,893	861,007
Culture and Recreation	3,062,113	2,851,644			3,062,113	2,851,644
Interest and Fiscal Charges	96,454	108,681			96,454	108,681
Loss on Sale of Capital Assets	11,186	305,790			11,186	305,790
Business Activities						
Maintenance	\$	\$	\$ 2,217,889	\$ 1,925,777	\$ 2,217,889	\$ 1,925,777
Operations			941,144	922,269	941,144	922,269
Construction			777,274	757,442	777,274	757,442
Non-Departmental			5,017,723	4,193,758	5,017,723	4,193,758
Depreciation and Amort.			1,363,751	1,344,302	1,363,751	1,344,302
Interest and Fiscal Charges			37,606	40,888	37,606	40,888
Total Expenses	<u>\$ 22,623,545</u>	<u>\$ 21,981,783</u>	<u>\$ 10,355,387</u>	<u>\$ 9,184,436</u>	<u>\$ 32,978,932</u>	<u>\$ 31,166,219</u>

CITY OF CONWAY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2018

The City as a Whole (continued)

City of Conway's Changes in Net Position

Fiscal Year Ended June 30, 2018

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Increase in Net Position						
Before Transfers	\$ 1,411,659	\$ 1,669,203	\$ 1,503,931	\$ 1,804,486	\$ 2,915,590	\$ 3,473,689
Transfers	<u>744,900</u>	<u>744,900</u>	<u>(744,900)</u>	<u>(744,900)</u>		
Increase in Net Position	\$ 2,156,559	\$ 2,414,103	\$ 759,031	\$ 1,059,586	\$ 2,915,590	\$ 3,473,689
Net Position – Beginning	38,175,738	35,761,635	24,265,461	23,205,875	62,441,199	58,967,510
Cumulative Effect of Adopting GASB Statement No. 75	<u>(2,183,152)</u>		<u>(292,621)</u>		<u>(2,475,773)</u>	
Net Position – Beginning as Restated	<u>35,992,586</u>		<u>23,972,840</u>		<u>59,965,426</u>	
Net Position – Ending	<u>\$ 38,149,145</u>	<u>\$ 38,175,738</u>	<u>\$ 24,731,871</u>	<u>\$ 24,265,461</u>	<u>\$ 62,881,016</u>	<u>\$ 62,441,199</u>

The City's total revenues exceeded expenses by \$2,915,590 of which \$2,156,559 was from governmental activities and \$759,031 was from business-type activities.

Governmental Activities

The City's net position from governmental activities increased \$2,156,559. 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 \$299,306 at June 30, 2018.

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 2018 was \$22,623,545. However, as shown in the statement of activities on pages 13 and 14, the amount that taxpayer's ultimately financed for these activities was only \$14,010,623 because some of the cost was paid by those who directly benefited from the programs (\$6,850,450) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,762,472). Overall, the City's governmental program revenues were \$8,612,922. 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 \$16,155,996.

Business-Type Activities

The City's net position from business-type activities increased \$759,031.

The City's programs for business-type activities are comprised of waterworks and sewer activities. Revenues of the City's business-type activities were \$11,859,318, a 7.92% increase. Expenses of the City's business-type activities were \$11,100,287, a 11.79% increase from personnel costs, materials and supplies expenses, and additional depreciation.

The cost of all business-type activities, \$11,100,287 for fiscal year 2018 as shown in the statement of activities which begins on page 13, were funded from payments by users in the amount \$10,595,036 and from operating and capital contributions in the amount of \$1,240,150. Unrestricted investment earnings were \$11,675, restricted investment earnings were \$12,457 and transfers out totaled \$744,900, which are included in the cost of all business-type activities.

CITY OF CONWAY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

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 2018, the City's governmental funds reported combined ending fund balances of \$20,466,075, an increase of \$3,235,291. The increase is primarily due to an increase in property taxes, operating grants, licenses and permit revenues.

Unassigned fund balance of the governmental funds is \$14,925,994 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 or (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 2018, the fund balance of the General Fund was \$16,535,936 of which \$15,029,486 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 79.32% of total General Fund expenditures, while total fund balance represents a very healthy 87.27% of that same amount.

In the Hospitality Fund, fund balance increased \$250,764 at June 30, 2018. This was primarily due to an increase in hospitality fees and a decrease in expenditures.

Fund balance in the Stormwater Management Fund increased by \$140,905 at June 30, 2018. This was primarily due to an increase in Stormwater fees revenues and a decrease in capital outlay expenditures.

In the Community Development Fund, fund balance increased by \$651 at June 30, 2018. This was primarily due to an increase in Intergovernmental revenues and an increase in 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 \$2,616,263. Following is the more noteworthy variance from revenue estimates:

- Property tax revenues were over budget by \$390,550.
- Franchise Fees were over budget by \$307,834.
- Licenses and permits exceeded budget by \$1,115,515 primarily due to an increase in residential building permits and business license collections.

CITY OF CONWAY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

The City's Funds (continued)

- Intergovernmental revenues exceeded budget by \$384,389 which is was primarily due to increased collections from the State shared revenues and increased franchise fee collections.

Actual expenditures incurred were \$1,912,447 less than appropriations. The more significant variances from the budget are noted below:

- Public safety expenditures were under budget by \$396,302 which was primarily related to decreased personnel expenditures.

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2018 amounts to \$51,399,216 as reflected in the following schedule. This represents a net increase of \$535,432, or 1.05%, over last year. More detailed information about the City's capital assets is presented in Note 8 to the financial statements.

Capital Assets (net of depreciation) June 30, 2018						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,253,823	\$ 6,253,823	\$ 126,912	\$ 126,912	\$ 6,380,735	\$ 6,380,735
Land Improvements	1,238,292	1,297,125			1,238,292	1,297,125
Buildings and Improvements	13,988,334	14,253,132	2,615,345	2,704,800	16,603,679	16,957,932
Other Improvements	1,961,121	2,163,078			1,961,121	2,163,078
Distributions System			15,075,663	15,284,334	15,075,663	15,284,334
Machinery, Equipment & Vehicles	4,126,194	4,549,116	1,616,725	828,831	5,742,919	5,377,947
Infrastructure	10,115,794	10,324,913			10,115,794	10,324,913
Construction in Progress	<u>40,696</u>	<u>282,546</u>			<u>40,696</u>	<u>282,546</u>
Total	<u>\$ 37,724,254</u>	<u>\$ 39,123,733</u>	<u>\$ 19,434,645</u>	<u>\$ 18,944,877</u>	<u>\$ 57,158,899</u>	<u>\$ 58,068,610</u>

Major capital asset events during the fiscal year 2018 related to governmental activities include the following:

- City invested \$13,589 for radar detection equipment for the police department
- City invested \$19,375 for new communications and computer equipment for the police department.
- City invested \$183,671 for the purchase of five vehicles for the police department.
- City invested \$7,361 for the purchase of office furniture for the police department.
- City invested \$504,795 for the purchase of a fire truck for the fire department.

CITY OF CONWAY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

Capital Assets (continued)

- City invested \$9,356 for rescue equipment for the fire department.
- City invested \$117,188 for equipment for the street department.
- City invested \$638,702 for drainage and sidewalk improvement projects.
- City invested \$66,742 for the purchase of two vehicles and other equipment for the maintenance/beautification departments.
- City invested \$85,726 for the purchase of various equipment for the culture and recreation department.
- City invested \$54,505 for crosswalk improvements.
- City invested \$21,887 for computer equipment.
- City invested \$4,674 for the renovation of City Hall.

Debt Administration

As shown in the table below, the City had \$28,144,417 in bonds, lease/purchase obligations and pension related debt outstanding at year end. This is an increase of \$2,396,978, 0.15%, from the prior year. The increase is due to the addition of the City's net pension liability, in accordance with GASB 68, of \$1,484,831; an addition of net OPEB liability, in accordance with GASB 75, of \$2,357,283 and a decrease of \$1,445,136 due to principal repayments. More detailed information about the City's debt obligations and future debt service requirements can be found in Note 11 to the financial statements.

The City's outstanding debt at the end of the year is as follows:

Outstanding Debt June 30, 2017						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 631,184	\$ 981,050	\$	\$	\$ 631,184	\$ 981,050
Tax increment bonds	1,045,878	1,295,891			1,045,878	1,295,891
Revenue bonds	2,288,327	2,709,399	1,618,098	1,868,723	3,906,425	4,578,122
Pension Related Debt	17,252,990	16,041,280	2,774,459	2,501,338	20,027,449	18,542,618
OPEB Related Debt	2,065,216		292,067		2,357,283	
Lease/Purchase Obligations	176,198	349,758			176,198	349,758
Total liabilities	<u>\$23,459,793</u>	<u>\$21,377,378</u>	<u>\$ 4,684,624</u>	<u>\$ 4,370,061</u>	<u>\$ 28,144,417</u>	<u>\$ 25,747,439</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, 2018, the amount of new general obligation debt that can be issued without referendum was \$5,026,990.

CITY OF CONWAY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018

Debt Administration (continued)

The City's elected and appointed officials considered many factors when setting the fiscal year 2019 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 2019. Amounts available for appropriation in the General Fund budget are \$20,827,021, an increase of 10.12% over the final fiscal year 2017 budget of \$18,913,112. Budgeted expenditures are expected to increase 15.72% to \$24,140,859 from \$20,861,248 in fiscal year 2018. The City has added no major new programs to the fiscal year 2019 budget. If these estimates are realized, the City's budgetary General Fund balance is not expected to change in fiscal year 2019.

As for the City's business-type activities, the anticipated revenues and expenses for Waterworks and Sewer System will increase by 7.09% for the fiscal year 2019.

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, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Temporary Investments	\$ 18,979,827	\$ 5,790,268	\$ 24,770,095
Receivables (Net)	2,132,482	1,320,454	3,452,936
Due from Agency Fund	1,468	-	1,468
Inventories	118,960	587,671	706,631
Restricted Cash and Temporary Investments	1,087,300	4,288,588	5,375,888
Land and Construction In Progress	6,294,517	126,912	6,421,429
Other Capital Assets (Net)	<u>31,429,737</u>	<u>19,307,733</u>	<u>50,737,470</u>
Total Assets	\$ <u>60,044,291</u>	\$ <u>31,421,626</u>	\$ <u>91,465,917</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pension Plans	\$ 3,846,553	\$ 550,545	\$ 4,397,098
Related to OPEB	<u>15,398</u>	<u>2,178</u>	<u>17,576</u>
	<u>3,861,951</u>	<u>552,723</u>	<u>4,414,674</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 1,412,219	\$ 1,002,744	\$ 2,414,963
Liabilities Payable from Restricted Assets	355,076	1,366,103	1,721,179
Unearned Revenue	78,334	144,700	223,034
Noncurrent Liabilities:			
Due Within One Year	948,810	255,845	1,204,655
Due in More Than One Year	<u>22,752,693</u>	<u>4,471,601</u>	<u>27,224,294</u>
Total Liabilities	\$ <u>25,547,132</u>	\$ <u>7,240,993</u>	\$ <u>32,788,125</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pension Plans	\$ <u>209,965</u>	\$ <u>1,485</u>	\$ <u>211,450</u>
NET POSITION			
Net Investment in Capital Assets	\$ 33,582,669	\$ 17,816,547	\$ 51,399,216
Restricted for:			
Community Development	2,535,558	-	2,535,558
Public Safety Programs	233,539	-	233,539
Tourism	834,131	-	834,131
Tax Increment	663,942	-	663,942
Capital Projects	-	2,922,485	2,922,485
Unrestricted	<u>299,306</u>	<u>3,992,839</u>	<u>4,292,145</u>
Total Net Position	\$ <u><u>38,149,145</u></u>	\$ <u><u>24,731,871</u></u>	\$ <u><u>62,881,016</u></u>

- - -

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

CITY OF CONWAY, SOUTH CAROLINA

Page 1 of 2

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General Government	\$ 3,494,840	\$ 122,218	\$ 94,721
Public Safety	9,650,708	1,336,185	328,171
Street	2,606,364	1,153,938	693,192
Sanitation	2,425,701	2,953,021	-
Intragovernmental Maintenance	306,286	-	-
Beautification	969,893	-	17,547
Culture and Recreation	3,062,113	1,285,088	29,549
Interest and Fiscal Charges	96,454	-	-
Total Governmental Activities	\$ 22,612,359	\$ 6,850,450	\$ 1,163,180
Business-Type Activities:			
Water & Sewer	\$ 10,355,387	\$ 10,595,036	\$ -
Total	\$ 32,967,746	\$ 17,445,486	\$ 1,163,180

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 (Loss) on Sale of Capital Assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Cumulative Effect of Adopting GASB Statement No. 75

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			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (3,277,901)	\$ -	\$ (3,277,901)
10,379	(7,975,973)	-	(7,975,973)
-	(759,234)	-	(759,234)
-	527,320	-	527,320
286,728	(19,558)	-	(19,558)
-	(952,346)	-	(952,346)
302,185	(1,445,291)	-	(1,445,291)
-	(96,454)	-	(96,454)
<u>\$ 599,292</u>	<u>\$ (13,999,437)</u>	<u>\$ -</u>	<u>\$ (13,999,437)</u>
 \$ 1,240,150	 \$ -	 \$ 1,479,799	 \$ 1,479,799
<u>\$ 1,839,442</u>	<u>\$ (13,999,437)</u>	<u>\$ 1,479,799</u>	<u>\$ (12,519,638)</u>
	\$ 6,529,060	\$ -	\$ 6,529,060
	76,584	-	76,584
	1,502,834	-	1,502,834
	854,848	-	854,848
	14,385	-	14,385
	5,980,255	-	5,980,255
	424,760	-	424,760
	16,045	11,675	27,720
	23,511	12,457	35,968
	(11,186)	-	(11,186)
	744,900	(744,900)	-
	<u>\$ 16,155,996</u>	<u>\$ (720,768)</u>	<u>\$ 15,435,228</u>
	\$ 2,156,559	\$ 759,031	\$ 2,915,590
	38,175,738	24,265,461	62,441,199
	<u>(2,183,152)</u>	<u>(292,621)</u>	<u>(2,475,773)</u>
	<u>35,992,586</u>	<u>23,972,840</u>	<u>59,965,426</u>
	<u>\$ 38,149,145</u>	<u>\$ 24,731,871</u>	<u>\$ 62,881,016</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Hospitality Fund	Stormwater Management Fund
ASSETS			
Cash and Temporary Investments	\$ 15,195,693	\$ 678,724	\$ 1,052,121
Receivables (Net):			
Property Taxes	281,475	-	-
Franchise Fees	511,566	-	-
Local Accommodations Tax	-	-	-
Hospitality Fees	-	88,784	-
Interest	22,380	-	-
Intergovernmental	433,144	-	-
Other	583,643	-	-
Due From Other Funds	105,461	-	-
Inventories	118,960	-	-
Restricted Cash and Temporary Investments	<u>1,087,300</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 18,339,622</u>	<u>\$ 767,508</u>	<u>\$ 1,052,121</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ 1,088,801	\$ 5,256	\$ 21,136
Due to Other Fund	-	-	-
Payable From Restricted Assets:			
Performance Bonds	300,651	-	-
Court Bonds	14,591	-	-
Narcotics Funds on Hand	39,834	-	-
Unearned Revenue	78,334	-	-
Total Liabilities	<u>\$ 1,522,211</u>	<u>\$ 5,256</u>	<u>\$ 21,136</u>
Deferred Inflows of Resources	\$ 281,475	\$ -	\$ -
Fund Balances:			
Unspendable			
Inventories	\$ 118,960	\$ -	\$ -
Restricted			
Accommodations	-	-	-
Hospitality	-	762,252	-
Narcotics Law Enforcement	442	-	-
Street and Drainage Project	-	-	-
Stormwater	-	-	1,030,985
Tax Increment	-	-	-
Victims Assistance	233,097	-	-
Assigned			
Beautification	955	-	-
Lakeside Cemetery	258,796	-	-
Recreation Center	730,988	-	-
Public Safety	-	-	-
Sanitation Department	157,826	-	-
Sculpture Trail	5,386	-	-
Unassigned	<u>15,029,486</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 16,535,936</u>	<u>\$ 762,252</u>	<u>\$ 1,030,985</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 18,339,622</u>	<u>\$ 767,508</u>	<u>\$ 1,052,121</u>

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

Community Development Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,053,289	\$ 18,979,827
-	9,886	291,361
-	-	511,566
-	2,086	2,086
-	-	88,784
-	-	22,380
-	199,017	632,161
501	-	584,144
-	-	105,461
-	-	118,960
-	-	-
-	-	1,087,300
<u>\$ 501</u>	<u>\$ 2,264,278</u>	<u>\$ 22,424,030</u>
\$ -	\$ 13,998	\$ 1,129,191
103,993	-	103,993
-	-	300,651
-	-	14,591
-	-	39,834
-	-	78,334
<u>\$ 103,993</u>	<u>\$ 13,998</u>	<u>\$ 1,666,594</u>
\$ -	\$ 9,886	\$ 291,361
\$ -	\$ -	\$ 118,960
-	71,879	71,879
-	-	762,252
-	-	442
-	1,504,573	1,504,573
-	-	1,030,985
-	663,942	663,942
-	-	233,097
-	-	955
-	-	258,796
-	-	730,988
-	-	-
-	-	157,826
-	-	5,386
(103,492)	-	14,925,994
<u>\$ (103,492)</u>	<u>\$ 2,240,394</u>	<u>\$ 20,466,075</u>
<u>\$ 501</u>	<u>\$ 2,264,278</u>	<u>\$ 22,424,030</u>

CITY OF CONWAY, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balances - Total Governmental Funds	\$ 20,466,075
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.	37,724,254
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,153,312
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(24,194,496)</u>
Net Position of Governmental Activities	\$ <u>38,149,145</u>

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

CITY OF CONWAY, SOUTH CAROLINA

Page 1 of 2

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018**

	General Fund	Hospitality Fund	Stormwater Management Fund
REVENUES			
Property Taxes	\$ 6,160,550	\$ -	\$ -
Franchise Fees	1,502,834	-	-
Hospitality Fees	-	854,848	-
Local Accommodations Tax	-	-	-
Stormwater Fees	-	-	1,153,938
Licenses and Permits	6,891,765	-	-
Fines and Forfeitures	212,530	-	-
Interest	38,137	95	613
Intergovernmental	1,151,501	-	-
Charges for Services	2,909,991	-	-
Recreation Center	874,638	-	-
Other	876,412	-	7,209
Total Revenues	\$ 20,618,358	\$ 854,943	\$ 1,161,760
EXPENDITURES			
Current:			
General Government	\$ 2,885,991	\$ -	\$ -
Public Safety	8,400,628	-	-
Street	741,388	-	799,486
Sanitation	1,996,301	-	-
Intragovernmental Maintenance	219,048	-	-
Beautification	866,920	-	-
Culture and Recreation	2,225,712	185,389	-
Capital Outlay	1,066,548	2,491	47,496
Debt Service	546,265	303,849	173,873
Total Expenditures	\$ 18,948,801	\$ 491,729	\$ 1,020,855
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,669,557	\$ 363,214	\$ 140,905
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	\$ 80,816	\$ -	\$ -
Proceeds from Insurance Recoveries	47,443	-	-
Transfers In	884,085	-	-
Transfers Out	-	(112,450)	-
Total Other Financing Sources (Uses)	\$ 1,012,344	\$ (112,450)	\$ -
Net Change in Fund Balances	\$ 2,681,901	\$ 250,764	\$ 140,905
Fund Balances - Beginning	13,854,035	511,488	890,080
Fund Balances - Ending	\$ 16,535,936	\$ 762,252	\$ 1,030,985

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

CITY OF CONWAY, SOUTH CAROLINA

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**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018**

	Community Development Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	\$ -	\$ 375,546	\$ 6,536,096
Franchise Fees	-	-	1,502,834
Hospitality Fees	-	-	854,848
Local Accommodations Tax	-	14,385	14,385
Stormwater Fees	-	-	1,153,938
Licenses and Permits	-	-	6,891,765
Fines and Forfeitures	-	-	212,530
Interest	-	711	39,556
Intergovernmental	286,728	729,809	2,168,038
Charges for Services	-	-	2,909,991
Recreation Center	-	-	874,638
Other	-	-	883,621
Total Revenues	\$ <u>286,728</u>	\$ <u>1,120,451</u>	\$ <u>24,042,240</u>
EXPENDITURES			
Current:			
General Government	\$ 115,448	\$ 48,871	\$ 3,050,310
Public Safety	-	-	8,400,628
Street	-	10,357	1,551,231
Sanitation	-	-	1,996,301
Intragovernmental Maintenance	-	-	219,048
Beautification	-	-	866,920
Culture and Recreation	-	-	2,411,101
Capital Outlay	170,629	600,079	1,887,243
Debt Service	-	273,339	1,297,326
Total Expenditures	\$ <u>286,077</u>	\$ <u>932,646</u>	\$ <u>21,680,108</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>651</u>	\$ <u>187,805</u>	\$ <u>2,362,132</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	\$ -	\$ -	\$ 80,816
Proceeds from Insurance Recoveries	-	-	47,443
Transfers In	-	-	884,085
Transfers Out	-	(26,735)	(139,185)
Total Other Financing Sources (Uses)	\$ <u>-</u>	\$ <u>(26,735)</u>	\$ <u>873,159</u>
Net Change in Fund Balances	\$ 651	\$ 161,070	\$ 3,235,291
Fund Balances - Beginning	<u>(104,143)</u>	<u>2,079,324</u>	<u>17,230,784</u>
Fund Balances - Ending	\$ <u><u>(103,492)</u></u>	\$ <u><u>2,240,394</u></u>	\$ <u><u>20,466,075</u></u>

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

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
Year Ended June 30, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 3,235,291

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 (\$1,887,243) were less than depreciation (\$3,194,720) in the current period. (1,307,477)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (7,036)

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. 1,194,512

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. (958,731)

Change in Net Position of Governmental Activities \$ 2,156,559

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, 2018**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
ASSETS	
Current Assets:	
Cash on Hand	\$ 1,250
Cash in Banks and Temporary Investments	5,789,018
Restricted Cash and Temporary Investments	
Customers Deposits	1,366,103
Receivables (Net):	
Accounts	1,266,287
Interest - Unrestricted	4,079
Interest - Restricted	1,831
Other	48,257
Inventories	587,671
Total Current Assets	\$ <u>9,064,496</u>
Noncurrent Assets:	
Restricted Cash and Temporary Investments	\$ 2,922,485
Land and Construction in Process	126,912
Other Capital Assets (Net)	19,307,733
Total Noncurrent Assets	\$ <u>22,357,130</u>
Total Assets	\$ <u>31,421,626</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension Plan	\$ 550,545
Related to OPEB	2,178
	\$ <u>552,723</u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ 1,002,744
Revenue Bonds	255,845
Unearned Revenue	144,700
Current Liabilities Payable From Restricted Assets:	
Customer Deposits	1,366,103
Total Current Liabilities	\$ <u>2,769,392</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, 2018**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
Noncurrent Liabilities:	
Compensated Absences	\$ 42,822
Revenue Bonds (Net)	1,362,253
Net Pension Liability	2,774,459
Net OPEB Liability	292,067
Total Noncurrent Liabilities	\$ <u>4,471,601</u>
Total Liabilities	\$ <u>7,240,993</u>
 DEFERRED INFLOWS OF RESOURCES	
Related to Pension Plan	\$ <u>1,485</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 17,816,547
Restricted for Capital Projects	2,922,485
Unrestricted	3,992,839
Total Net Position	\$ <u><u>24,731,871</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, 2018

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
OPERATING REVENUES	
Water Usage, Tap Fees and Penalties	\$ 7,605,991
Sewer Usage, Tap Fees and Penalties	2,618,055
Miscellaneous	370,990
Total Operating Revenues	\$ <u>10,595,036</u>
OPERATING EXPENSES	
Maintenance	\$ 2,217,889
Operations	941,144
Construction	777,274
Non-Departmental	5,017,723
Depreciation and Amortization	1,363,751
Total Operating Expenses	\$ <u>10,317,781</u>
Operating Income	\$ <u>277,255</u>
NONOPERATING REVENUES (EXPENSES)	
Unrestricted Interest Earned	\$ 11,675
Restricted Interest Earned	12,457
Insurance Recoveries	
Interest Expense	(37,606)
Total Nonoperating Revenues (Expenses)	\$ <u>(13,474)</u>
Income Before Contributions and Transfers	\$ <u>263,781</u>
CONTRIBUTIONS AND TRANSFERS	
Capital Contributions	\$ 1,240,150
Transfer Out	(744,900)
Total Contributions and Transfers	\$ <u>495,250</u>
Change in Net Position	\$ 759,031
Total Net Position - Beginning	24,265,461
Cumulative Effect of Adopting GASB Statement No. 75	(292,621)
Total Net Position - Beginning, as Restated	<u>23,972,840</u>
Total Net Position - Ending	<u>\$ 24,731,871</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, 2018

Enterprise FundWaterworks and
Sewer Fund**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts From Customers	\$ 10,107,569
Payments to Suppliers	(7,513,105)
Payments to Employees	(1,063,512)
Other Receipts	638,436
Net Cash and Cash Equivalents Provided by Operating Activities	<u>\$ 2,169,388</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer Out	\$ (744,900)
Net Cash and Cash Equivalents Used by NonCapital Financing Activities	<u>\$ (744,900)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Payments on Revenue Bonds	\$ (250,625)
Interest Paid on Revenue Bonds	(39,243)
Capital Contributions	1,240,150
Insurance Recoveries	-
Purchases of Capital Assets	(1,853,519)
Net Cash and Cash Equivalents Used by Capital and Related Financing Activities	<u>\$ (903,237)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Maturities	\$ 3,718,386
Investment Purchases	(3,735,008)
Interest Received	21,812
Net Cash and Cash Equivalents Used by Investing Activities	<u>\$ 5,190</u>

Net Increase in Cash and Cash Equivalents	\$ 526,441
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Cash and Cash Equivalents - Beginning	<u>5,817,407</u>
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Cash and Cash Equivalents - Ending	<u><u>\$ 6,343,848</u></u>
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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, 2018

Enterprise FundWaterworks and
Sewer Fund

**Reconciliation of Operating Income to Net Cash and
Cash Equivalents Provided by Operating Activities**

Operating Income	\$ 277,255
Adjustments to Reconcile Operating Income to Net Cash and Cash Equivalents Provided by Operating Activities:	
Depreciation and Amortization	1,363,751
(Increase) in Accounts Receivable	(140,970)
Decrease in Other Receivable	267,446
Decrease in Inventories	96,930
Increase in Accounts Payable and Accrued Expenses	99,857
(Decrease) in Unearned Revenue	(54,100)
Increase in Customer Deposits Payable	78,593
Increase in Pension Liability	183,357
(Decrease) in OPEB Liability	(2,731)
Net Cash and Cash Equivalents Provided by Operating Activities	\$ <u>2,169,388</u>

Reconciliation of Cash and Cash Equivalents

Unrestricted Cash and Temporary Investments	\$ 5,790,268
Restricted Cash and Temporary Investments	<u>4,288,588</u>
Temporary Investments With Original Maturity Dates of Greater Than Three Months	\$ 10,078,856
	<u>(3,735,008)</u>
Cash and Cash Equivalents	\$ <u>6,343,848</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, 2018

ASSETS

Cash and Temporary Investments	\$ <u>76,599</u>
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LIABILITIES

Due to General Fund	\$ 1,468
Due to Firemen's Association	<u>75,131</u>
Total Liabilities	\$ <u>76,599</u>

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

CITY OF CONWAY, SOUTH CAROLINA

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 government, 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 City as a whole. For the most part, the effect of interfund activity (other than services provided and used), within the governmental and business-type columns has been removed from these statements. 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.

In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis. The City's net position is reported in three parts: 1) net investment in capital assets; 2) restricted net position; and 3) unrestricted net position.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Government-Wide Financial Statements** *(continued)*

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.

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:

- 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.
- 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.
- 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Financial Statements *(continued)*

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:

- 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.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statement presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenue to be available if collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and net pension liability, are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Measurement Focus and Basis of Accounting** *(continued)*

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.

Adoption of New Accounting Standards

Effective for the fiscal year ended June 30, 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – a new accounting standard for public Other Post Employment Benefit (OPEB) plans which replaces GASB 45*. As a result of this implementation, the City will now report its projected net OPEB liability. Since the information for the restatement of beginning balances of deferred inflows of resources or deferred outflows of resources is not available for the earliest period presented, the cumulative effect of the Statement implementation will be shown as restatement to ending net position as of June 30, 2017. The effect of this implementation is discussed in Note 13.

Estimates

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

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.

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. 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.

The fair value of the City's position in the South Carolina Local Government Investment Pool (SCLGIP) is the same as the value of the pool shares. The SCLGIP is not registered with the Securities Exchange Commission as an investment company. The State Treasurer is responsible for oversight of the SCLGIP.

Cash Equivalents

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***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.

Interfund Balances and Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Residual balances outstanding between government 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 a 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.

Inventories

Inventories of the General Fund consist of equipment maintenance supplies and postage, while inventories of the Waterworks and Sewer System Fund consist of various repair and maintenance supplies. All General Fund inventories are accounted for on the "consumption" method and are valued at cost utilizing the first-in, first-out method. Inventory acquisitions are recorded initially in inventory accounts and charged to expenditures when used. For purposes of financial reporting in the fund financial statements, the City reserves fund balance in the General Fund for current inventory levels to indicate that they do not constitute "available expendable resources" even though they are a component of net current assets. Inventories in the Waterworks and Sewer System Fund are stated at the lower of cost or market, with cost being determined on a first-in, first-out basis.

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.

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 \$1,000. 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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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
Furniture, Vehicles and Equipment	5 - 10 years

Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The City currently has two items that qualify for reporting in this category. The deferred amounts related to pension plans and the net OPEB obligation represents the City's proportionate share of the plans' deferred outflows of resources.

Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until then. The City currently has two items which qualify for reporting in this category. Unavailable revenue, which arises only under the modified accrual basis of accounting and is reported only in the governmental funds balance sheet, is deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred amounts related to pension plans represents the City's proportionate share of the plans' deferred inflows of resources.

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.

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.

Post-Employment Benefits Other than Pensions (OPEB)

Basis of Accounting: The Trust's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the other post-employment benefit plans (OPEB) of participating employers.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Post-Employment Benefits Other than Pensions (OPEB)** *(continued)*

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

Termination: The Trustees specifically reserve the right to discontinue or terminate this Plan and Trust in whole or in part. Upon termination of the Plan and Trust, the Plan Administrator and Trustees shall take steps as determined necessary or desirable to comply with applicable laws, and such steps necessary to ensure that assets may not be transferred to a tax-exempt organization that is not a political subdivision of a state or an organization the income of which is to be excluded from gross income under IRS Code section 115.

In addition, no assets of the Trust are to be distributed to the participating employer, or to any person or entity under the control of such participating employer. Lastly, the assets are to remain dedicated to the payment of health and welfare benefits for participants in another tax-exempt vehicle. If, after satisfaction of all liabilities with respect to a participating employer's liabilities, there is any fund balance remaining in the individual employer account within the Trust, such balance shall be refunded to the relevant employer if not otherwise prohibited by law and provided that the right of such participating employer to receive such refund shall not jeopardize the Trust's status as a vehicle for the contributions held to offset OPEB liabilities of participating employers.

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.

In the governmental fund financial statements, 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.

Assigned - Consists of amounts the City intends to be used for specific purposes. Amounts may be assigned by the Administrator under the authorization of the City's Council.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity Classification *(continued)*

Unassigned – Consists of all amounts not included in other spendable classifications.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance.

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. When an expenditure is incurred for which assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of assigned funds and then unassigned funds, as needed.

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. There were no tax abatements granted during the fiscal year ending June 30, 2018.

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 deferred 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 unrestricted fund balance in the General Fund of \$5,200,000. The City is currently in compliance with this policy.

Note 2 - STEWARDSHIP AND ACCOUNTABILITY

At June 30, 2018, the Community Development Fund, a nonmajor governmental fund, had an equity deficit of \$103,492.

CITY OF CONWAY, SOUTH CAROLINA

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 3 - 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, \$24,194,496, follows:

Bonds Payable	\$ 3,965,388
Capital Lease Obligations	176,198
Net Pension Liability and Related Amounts	17,462,955
Compensated Absences	491,711
Net OPEB Liability and Related Amounts	2,065,216
Accrued Interest Payable	<u>33,028</u>
	\$ <u>24,194,496</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, \$(958,731), is comprised of the following:

Compensated Absences	\$ (10,697)
Net Pension Liability	(881,704)
Net OPEB Liability	19,311
Gain on Sale of Capital Assets	(92,002)
Accrued Interest	<u>6,361</u>
	\$ <u>(958,731)</u>

Note 4 - CASH AND TEMPORARY INVESTMENTS

Deposits

At year end, the carrying amount of the City's deposits in financial institutions was \$10,072,116 and the financial institutions' balances totaled \$11,219,738 including certificates of deposit. Of that balance, \$356,373 was covered by federal depository insurance and \$10,863,365 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 \$2,300 at June 30, 2018.

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.

Investments

At year-end, the City's investments consisted of the following:

	<u>Maturities</u>	<u>Standard & Poor's Credit Rating</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Repurchase Agreement	1 Day	Not Rated	\$ <u>20,071,567</u>	<u>100.00%</u>
			\$ <u>20,071,567</u>	<u>100.00%</u>

At June 30, 2017, fair value measurements of the City's investments are as follows:

CITY OF CONWAY, SOUTH CAROLINA

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 4 - CASH AND TEMPORARY INVESTMENTS (continued)

Investments (continued)

	Fair Value Measurements Using	
	Level 1 Inputs	Total
Repurchase Agreement	\$ 20,071,567	\$ 20,071,567
	<u>\$ 20,071,567</u>	<u>\$ 20,071,567</u>

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, 2018, including the applicable allowances for doubtful accounts, are as follows:

	General Fund	Hospitality Fund	Community Development Fund	Waterworks and Sewer Fund	Nonmajor and Other Funds	Totals
Property Taxes	\$ 863,453	\$	\$	\$	\$ 10,406	\$ 873,859
Franchise Fees	511,566					511,566
Business Licenses	583,643					583,643
Local Accommodations Tax					2,086	2,086
Hospitality Fees		88,784				88,784
Customer Accounts				1,332,308		1,332,308
Interest	22,380			5,910		28,290
Intergovernmental	433,144				199,017	632,161
Other			501	48,257		48,758
	<u>\$ 2,414,186</u>	<u>\$ 88,784</u>	<u>\$ 501</u>	<u>\$ 1,386,475</u>	<u>\$ 211,509</u>	<u>\$ 4,101,455</u>
Allowances for Doubtful Accounts	(581,978)			(66,021)	(520)	(648,519)
	<u>\$ 1,832,208</u>	<u>\$ 88,784</u>	<u>\$ 501</u>	<u>\$ 1,320,454</u>	<u>\$ 210,989</u>	<u>\$ 3,452,936</u>

Note 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2018, amounts due to/from other funds were as follows:

	Receivable	Payable
General Fund	\$ 1,468	\$
Agency Fund		1,468
	<u>\$ 1,468</u>	<u>\$ 1,468</u>

Interfund transfers during the year ended June 30, 2018 were as follows:

CITY OF CONWAY, SOUTH CAROLINA

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

	Purpose	Transfer In	Transfer Out
General Fund		\$ 884,085	\$
Special Revenue Fund			
Hospitality Fund	Subsidy		112,450
Accommodations Tax Fund	Subsidy		26,735
Enterprise Fund			
Waterworks and Sewer Fund	Subsidy		744,900
		<u>\$ 884,085</u>	<u>\$ 884,085</u>

Note 7 - RESTRICTED CASH AND TEMPORARY INVESTMENTS

The City's restricted cash and temporary investments consisted of the following at June 30, 2018:

Governmental Activities:

General Fund	
Public Safety Programs	\$ 294,065
Sanitation Funds	157,826
Lakeside Cemetery Fund	258,796
Performance Bonds	300,651
Other	75,962
Total Governmental Activities	<u>\$ 1,087,300</u>

Business-Type Activities:

Waterworks and Sewer Fund:	
Customer Deposits	\$ 1,366,103
Renewal and Replacement Accounts	2,922,485
Total Business-Type Activities:	<u>\$ 4,288,588</u>

Note 8 - CAPITAL ASSETS (NET)

The City's capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 6,253,823	\$	\$	\$ 6,253,823
Construction in Progress	282,546	40,694	282,546	40,694
	<u>\$ 6,536,369</u>	<u>\$ 40,694</u>	<u>\$ 282,546</u>	<u>\$ 6,294,517</u>
Capital Assets Being Depreciated:				
Land Improvements	\$ 2,914,497	\$ 56,996	\$	\$ 2,971,493
Buildings and Improvements	19,084,860	327,438		19,412,298
Furniture, Vehicles and Equipment	14,337,350	1,089,690	811,112	14,615,928
Other Improvements	6,435,529	16,269		6,451,798
Infrastructure	27,612,681	638,702		28,251,383
	<u>\$ 70,384,917</u>	<u>\$ 2,129,095</u>	<u>\$ 811,112</u>	<u>\$ 71,702,900</u>

CITY OF CONWAY, SOUTH CAROLINA

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8 - CAPITAL ASSETS (NET) (continued)

Accumulated Depreciation for:

Land Improvements	\$ (1,617,372)	\$ (115,828)	\$ (1,733,200)
Buildings and Improvements	(4,831,728)	(592,233)	(5,423,961)
Furniture, Vehicles and Equipment	(9,788,234)	(1,420,610)	(719,110) (10,489,734)
Other Improvements	(4,272,451)	(218,227)	(4,490,678)
Infrastructure	(17,287,768)	(847,822)	(18,135,590)
	<u>\$ (37,797,553)</u>	<u>\$ (3,194,720)</u>	<u>\$ (719,110) \$ (40,273,163)</u>

Capital Assets (Net)	<u>\$ 39,123,733</u>	<u>\$ (1,024,931)</u>	<u>\$ 374,548</u>	<u>\$ 37,724,254</u>
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Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated:				
Land	<u>\$ 126,912</u>			<u>\$ 126,912</u>
	<u>\$ 126,912</u>			<u>\$ 126,912</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 3,554,841	\$	\$	\$ 3,554,841
Distribution System	33,081,218	838,004		33,919,222
Furniture, Vehicles and Equipment	4,529,009	1,015,515		5,544,524
Intangible Assets	<u>1,025,362</u>			<u>1,025,362</u>
	<u>\$ 42,190,430</u>	<u>\$ 1,853,519</u>		<u>\$ 44,043,949</u>
Accumulated Depreciation for:				
Buildings and Improvements	\$ (850,041)	\$ (89,457)	\$	\$ (939,498)
Distribution System	(17,796,884)	(1,046,715)		(18,843,599)
Furniture, Vehicles and Equipment	(3,700,178)	(227,579)		(3,927,757)
Intangible Assets	<u>(1,025,362)</u>			<u>(1,025,362)</u>
	<u>\$ (23,372,465)</u>	<u>\$ (1,363,751)</u>	<u>\$ ()</u>	<u>\$ (24,736,216)</u>
Capital Assets (Net)	<u>\$ 18,944,877</u>	<u>\$ 489,768</u>	<u>\$</u>	<u>\$ 19,434,645</u>

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

Governmental Activities:

General Government	\$ 138,822
Public Safety	765,865
Street	1,026,650
Sanitation	427,075
Intergovernmental Maintenance	83,729
Beautification	100,604
Culture and Recreation	<u>651,975</u>
	<u>\$ 3,194,720</u>

Business-Type Activities:

Waterworks & Sewer	<u>\$ 1,363,751</u>
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CITY OF CONWAY, SOUTH CAROLINA

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**NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES / EXPENDITURES

Accounts payable and accrued expenses / expenditures consisted of the following at June 30, 2018:

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Stormwater Management Fund</u>	<u>Community Development Fund</u>	<u>Waterworks and Sewer Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Totals</u>
Trade Accounts Payables	\$ 720,689	\$ 5,256	\$ 21,136	\$	\$ 933,457	\$ 13,998	\$ 1,694,536
Accrued Salaries and Wages	368,112				48,709		416,821
Interest Payable					10,578		10,578
Compensated Absences					10,000		10,000
	<u>\$ 1,088,801</u>	<u>\$ 5,256</u>	<u>\$ 21,136</u>	<u>\$</u>	<u>\$ 1,002,744</u>	<u>\$ 13,998</u>	<u>\$ 2,131,935</u>

Reconciliation to the Government-Wide Statement of Net Position:

Accrued Interest Payable	33,028
Compensated Absences – General Fund	<u>250,000</u>
	<u>\$ 2,414,963</u>

Note 10 – UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

At June 30, 2018, unearned revenue was comprised of the following:

	<u>General Fund</u>	<u>Waterworks and Sewer Fund</u>	<u>Total</u>
Recreation Membership Fees	\$ 78,334	\$	\$ 78,334
Tap Fees		72,900	72,900
Capital Contributions		71,800	71,800
	<u>\$ 78,334</u>	<u>\$ 144,700</u>	<u>\$ 223,034</u>

During the year ended June 30, 2015, the City adopted the provisions of GASB Statement No. 65. As a result, property taxes recognized as a receivable but unavailable for use in the current period are now classified as deferred inflows of resources in the Governmental Funds as opposed to deferred revenue as described in previous years.

At June 30, 2018, deferred inflows of resources were comprised of the following:

	<u>General Fund</u>	<u>Tax Increment Fund</u>	<u>Total</u>
Unavailable Property Taxes	<u>\$ 5,359</u>	<u>\$ 1,485</u>	<u>\$ 6,844</u>

CITY OF CONWAY, SOUTH CAROLINA

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11 - LONG-TERM LIABILITIES

Governmental Activities

At June 30, 2018, long-term debt of the City's governmental activities was as follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
General Obligation Bonds			
Municipal Improvements	05/12/14	1.20%	\$ -
Municipal Improvements	05/12/14	2.00%	631,184
Revenue Bonds			
Rev. and Refunding Rev. Bonds	01/22/13	2.25%	1,947,746
Stormwater Projects	05/15/14	1.40%	340,580
Tax Increment Bonds			
Municipal Improvements	05/14/14	1.80%	1,045,878
Lease/Purchase Obligation			
Sanitation Equipment	12/10/13	1.52%	<u>176,198</u>
			<u>\$ 4,141,586</u>

The City's long-term liability activity for governmental activities for the year ended June 30, 2018 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:					
General Obligation Bonds	\$ 981,050	\$	\$ (349,866)	\$ 631,184	\$ 88,874
Revenue Bond	2,709,399		(421,073)	2,288,326	429,184
Tax Increment Bond	1,295,891		(250,013)	1,045,878	254,554
Capital Lease Obligations	349,758		(173,560)	176,198	176,198
Compensated Absences	<u>481,014</u>	<u>260,697</u>	<u>(250,000)</u>	<u>491,711</u>	<u>250,000</u>
	<u>\$ 5,817,112</u>	<u>\$ 260,697</u>	<u>\$ (1,444,512)</u>	<u>\$ 4,633,297</u>	<u>\$ 1,198,810</u>
Reconciliation to the Government-Wide Statement of Net Position:					
Compensated Absences Included in Accounts Payable and Accrued Expenses				(250,000)	(250,000)
Net OPEB Liability				2,065,216	
Net Pension Liability				<u>17,252,990</u>	
				<u>\$ 23,701,503</u>	<u>\$ 948,810</u>

In prior years, the general fund and the stormwater fund have been used to liquidate the net pension liability.

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:

CITY OF CONWAY, SOUTH CAROLINA

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11 - LONG-TERM LIABILITIES (continued)

	Principal	Interest	Total
Year Ending June 30, 2019	\$ 84,874	\$ 12,805	\$ 97,679
2020	86,565	11,114	97,679
2021	88,350	9,329	97,679
2022	90,142	7,537	97,679
2023	91,970	5,709	97,679
2024-2025	<u>189,283</u>	<u>6,075</u>	<u>195,358</u>
	<u>\$ 631,184</u>	<u>\$ 52,569</u>	<u>\$ 683,753</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:

	Principal	Interest	Total
Year Ending June 30, 2019	\$ 429,184	\$ 48,660	\$ 477,844
2020	437,296	40,548	477,844
2021	271,857	31,992	303,849
2022	277,974	25,875	303,849
2023	284,229	19,620	303,849
2024-2025	<u>587,786</u>	<u>19,911</u>	<u>607,697</u>
	<u>\$ 2,288,326</u>	<u>\$ 186,606</u>	<u>\$ 2,474,932</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:

	Principal	Interest	Total
Year Ending June 30, 2019	\$ 254,554	\$ 19,097	\$ 273,651
2020	259,160	14,491	273,651
2021	263,930	9,721	273,651
2022	<u>268,234</u>	<u>5,417</u>	<u>273,651</u>
	<u>\$ 1,045,878</u>	<u>\$ 48,726</u>	<u>\$ 1,094,604</u>

Capital Lease Obligations

Capital leases were incurred in conjunction with the purchase of sanitation equipment. The capital leases are to be repaid by property tax revenues. At June 30, 2018, the gross amount of equipment recorded under capital leases totaled \$176,198. The minimum future lease payments due under the capital leases as of June 30, 2018 are as follows:

Year Ending June 30, 2019	<u>178,876</u>
Total Minimum Lease Payments	\$ 178,876
Amount Representing Interest	<u>(2,678)</u>
Present Value of Minimum Lease Payments	<u>\$ 176,198</u>

CITY OF CONWAY, SOUTH CAROLINA

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11 - LONG-TERM LIABILITIES *(continued)*

Business Type Activities

Long-term debt of the City's business-type activities consisted of the following at June 30, 2017:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Revenue Bonds			
Waterworks and Sewer System Improvement Revenue Bonds 2014	05/16/2014	2.10%	\$ <u>1,618,098</u>

The City's long-term liability activity for business-type activities for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 1,868,723	\$	\$ (250,625)	\$ 1,618,098	\$ 255,845
Compensated Absences	<u>40,418</u>	<u>22,404</u>	<u>(10,000)</u>	<u>52,822</u>	<u>10,000</u>
	<u>\$ 1,909,141</u>	<u>\$ 22,404</u>	<u>\$ (260,625)</u>	<u>\$ 1,670,920</u>	<u>\$ 265,845</u>
Reconciliation to the Government-Wide Statement of Net Position:					
Compensated Absences Included in Accounts Payable and Accrued Expenses				(10,000)	(10,000)
Net OPEB Liability				292,067	
Net Pension Liability				<u>2,774,459</u>	
				<u>\$ 4,727,446</u>	<u>\$ 255,845</u>

In prior years, the proprietary fund has been used to liquidate the net pension liability.

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, 2019	\$ 255,845	\$ 34,472	\$ 290,317
2020	261,213	29,104	290,317
2021	266,855	23,463	290,318
2022	272,536	17,781	290,317
2023	278,339	11,978	290,317
2024	<u>283,310</u>	<u>6,630</u>	<u>289,940</u>
	<u>\$ 1,618,098</u>	<u>\$ 123,428</u>	<u>\$ 1,741,526</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

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 brief summary of benefit terms for the SCRS and the PORS 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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12 – PENSION PLANS *(continued)*

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

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for the SCRS and 5.0% for the PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

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	13.41%	15.84%
Class Three Member	13.41	15.84
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, 2018 were \$805,770 and \$635,414, respectively. The contributions made by the City were equal to the required contributions for the year.

CITY OF CONWAY, SOUTH CAROLINA

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 12 – PENSION PLANS (continued)

E. Net Pension Liability and Pension Expense

SCRS - At June 30, 2018, the City reported a liability of \$12,347,392 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the City's proportion was 0.054890%, which is a decrease of 0.002774% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$1,535,074.

PORS - At June 30, 2018, the City reported a liability of \$7,680,057 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the City's proportion was 0.28034%, which is an increase of 0.011830% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the City recognized pension expense of \$971,171.

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

At June 30, 2018, the City reported deferred outflows of resources related to pension plans from the following sources:

	<u>SCRS</u>	<u>PORS</u>
Difference Between Expected and Actual Pension Liability Experience	\$ 55,045	\$ 68,484
Assumption Changes	722,807	728,908
Differences Between Projected and Actual Earnings on Plan Investments	344,681	273,672
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	608,773	153,544
City Contributions Subsequent to the Measurement Date	<u>805,770</u>	<u>635,414</u>
	<u>\$ 2,537,076</u>	<u>\$ 1,860,022</u>

At June 30, 2018, the City reported deferred inflows of resources related to pension plans from the following sources:

	<u>SCRS</u>	<u>PORS</u>
Differences Between Expected and Actual Pension Liability Experience	\$ 6,844	\$ 204,606
Differences Between Projected and Actual Earnings on Plan Investments	<u>-</u>	<u>-</u>
	<u>\$ 6,844</u>	<u>\$ 204,606</u>

The \$805,770 for SCRS and \$635,414 for PORS amounts reported as deferred outflows of resources related to pension plan 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension plan will be recognized in pension expense as follows:

CITY OF CONWAY, SOUTH CAROLINA

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12 – PENSION PLANS (continued)

	SCRS	PORS
Year Ended June 30, 2018	621,209	\$ 337,196
2019	704,669	445,574
2020	484,521	247,758
2021	(85,937)	(10,526)
	<u>\$ 1,724,462</u>	<u>\$ 1,020,002</u>

G. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

Mortality rates were based on the 2016 Public Retirees of South Carolina Mortality Table for males or females, as appropriate, with adjustments for mortality improvements based on 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 2017 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. The target assets allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

	Target Asset Allocation	Expected Arithmetic Real Rate of Return
Global Equity		
Global Public Equity	31.0%	6.72%
Private Equity	9.0	9.60
Equity Options Strategies	5.0	5.91
Real Assets		
Real Estate (Private)	5.0	4.32
Real Estate (REITs)	2.0	6.33
Infrastructure	1.0	6.26
Opportunistic		
GTAA/Risk Parity	10.0	4.16
Hedge Funds (non-PA)	4.0	3.82
Other Opportunistic Strategies	3.0	4.16
Diversified Credit		
Mixed Credit	6.0	3.92
Emerging Markets Debt	5.0	5.01
Private Debt	7.0	4.37

CITY OF CONWAY, SOUTH CAROLINA

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 12 – PENSION PLANS *(continued)*

Conservative Fixed Income		
Core Fixed Income	10.0	1.60
Cash and Short Duration (Net)	<u>2.0</u>	<u>0.92</u>
	<u><u>100.0%</u></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 employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. 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 active and inactive employees. 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 7.5%, 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 (6.5%) or one percentage point higher (8.5%) than the current rate:

	<u>SCRS</u>		
	<u>1.0% Decrease</u>	<u>Current Rate</u>	<u>1.0% Increase</u>
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
City's Proportionate Share of the Net Pension Liability	\$ <u>15,914,092</u>	\$ <u>12,347,392</u>	\$ <u>10,183,243</u>

	<u>PORS</u>		
	<u>1.0% Decrease</u>	<u>Current Rate</u>	<u>1.0% Increase</u>
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
City's Proportionate Share of the Net Pension Liability	\$ <u>10,369,538</u>	\$ <u>7,680,057</u>	\$ <u>5,561,589</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.

Note 13 – POSTEMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The South Carolina Other Retirement Benefits Employer Program (Program) was established November 19, 2008 to provide a mechanism for pre-funding OPEB Liabilities.

The Program 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

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13 – POST EMPLOYMENT HEALTH CARE PLAN (continued)

administration of the Program pursuant to the Trust Agreement and Bylaws. As of 2017 and 2016, the Trust had 43 participating employers. Of those participating employers, 33 and 38 of those made contributions to the Trust by December 31, 2017 and 2016, respectively.

The Program 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, 2017, the annual money weighted rate of return on the plan investments was 2.82%. 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 2017 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>

The membership of the Plan consisted of the following at January 1, 2017, the date of the latest actuarial valuation:

Inactive Employees or and beneficiaries currently receiving benefits	16
Active employees	<u>226</u>
Total	<u>242</u>

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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Note 13 – POST EMPLOYMENT HEALTH CARE PLAN *(continued)*

B. Investment Policies *(continued)*

Number of participating employers

43

C. Additional Financial Information

Additional financial information is located in the Trust's CAFR for the fiscal year ended December 31, 2017. Questions concerning any of the information provided in this report or for a copy of the Trust's CAFR please contact the administrator at the following address:

Risk Management Services
Municipal Association of South Carolina
PO Box 12109
Columbia, SC 29211

D. 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%
SCRS with 20 - 27 years	
or	50.00%
PORS with 20 - 24 years	
SCRS with at least 28 years	
or	
PORS with at least 25 years	100.00%
or	
PORS Duty Disabled	

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.

E. 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.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13 – POST EMPLOYMENT HEALTH CARE PLAN *(continued)*

F. 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.

G. Representative Monthly Amounts of Retiree Premiums

The following table displays the January 1, 2017 PEBA monthly premium rates for the medical plan. The amounts do not include the \$3.00/month administrative fee. No experience load was reported for the 2017 plan year.

<u>Tier</u>	<u>Standard Plan/Medicare Supplement</u>
Retiree Only	\$460.66
Retiree and Spouse	972.34

The following table displays the January 1, 2017 PEBA monthly premium rates for the dental and dental plus plans:

<u>Tier</u>	<u>Dental</u>	<u>Dental Plus</u>
Retiree Only	\$13.48	\$25.96
Retiree and Spouse	21.12	52.46

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%

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13 – POST EMPLOYMENT HEALTH CARE PLAN *(continued)*H. Other Actuarial Assumptions *(continued)*

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	3.86%
Measurement Date	3.55%
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	7.50% for 2017 decreasing to an ultimate Rate of 5.00% by 2023
Medicare	5.50% for 2016 decreasing to an ultimate rate of 5.00% by 2020

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, 2017 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, 2017 valuation were based on a review of recent plan experience done concurrently with the January 1, 2017 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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13 – POST EMPLOYMENT HEALTH CARE PLAN *(continued)***I. Other Information** *(continued)*

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	94.30%
Equity Funds	0.00%
Cash and Cash Equivalents	<u>5.70%</u>
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, 2017. In addition to the actuarial methods and assumptions of the January 1, 2017 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.

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:

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13 – POST EMPLOYMENT HEALTH CARE PLAN *(continued)*

K. Health Care Cost Trend Rate Sensitivity Analysis *(continued)*

Health Care Cost Trend Rate Sensitivity

	1% Decrease	Current	1% Increase
Net OPEB Liability	\$1,776,304	\$2,357,283	\$3,114,327

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:

Discount Rate Sensitivity

	1% Decrease (3.75%)	Current (4.75%)	1% Increase (5.75%)
Net OPEB Liability	\$3,185,269	\$2,357,283	\$1,678,131

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, January 1, 2017. An expected TOL is determined as of December 31, 2017 using standard roll forward techniques. The roll forward calculation begins with the TOL, as of January 1, 2017, 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, 2017, is shown in the following table:

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13 – POST EMPLOYMENT HEALTH CARE PLAN *(continued)***M. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** *(continued)*

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of December 31, 2016:	\$ 4,755,176	\$ 2,393,426	\$ 2,361,750
Changes for the year:			
Service Cost at the end of the year*	200,141		200,141
Interest on TOL and Cash Flows	222,847		222,847
Difference between expected and actual experience	19,580		19,580
Changes of assumptions or other inputs			
Contributions - Employer		397,063	(397,063)
Net investment income		67,459	(67,459)
Benefit payments and implicit subsidy credit	(128,831)	(128,831)	
Plan administrative expenses		(17,487)	17,487
Net Changes:	\$ 313,737	\$ 318,204	\$ (4,467)
Balance as of December 31, 2017:	\$ 5,068,913	\$ 2,711,630	\$ 2,357,283

*The service cost includes interest for the year.

The employer has no special funding situations.

Since the Prior Measurement Date, the Discount Rate has changed from 3.86% to 3.55% due to a change in the Municipal Bond Rate.

There are no changes in benefit terms since the Prior Measurement Date.

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 June 30, 2018:

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 13 – POST EMPLOYMENT HEALTH CARE PLAN *(continued)***M. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** *(continued)*

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,576	\$ -
Changes of Assumptions or other inputs	-	-
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>-</u>
Total:	\$ <u>17,576</u>	\$ <u>-</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 June 30:</u>	
2019	\$ 2,004
2020	\$ 2,004
2021	\$ 2,004
2022	\$ 2,004
2023	\$ 2,004
Thereafter	\$ 7,556

Note 14 - COMMITMENTS

On February 13, 1989, the City entered into a long-term service contract with Grand Strand Water and Sewer Authority (GSWSA) whereby the City agreed to purchase water treatment and distribution capacity in the "Bull Creek Project" constructed by GSWSA. The Bull Creek Project consists of a water treatment plant and water distribution system which treats and distributes surface water from Bull Creek, a tributary of the Great Pee Dee River. The project was completed in 1991, at which time the City was required to pay a monthly service charge comprised of a capital charge, an operating expense charge, a working capital charge, and an administrative facilities and equipment charge. These charges are designed to reflect the actual costs of furnishing the water capacity to the City. Actual costs to the City for the fiscal year ended June 30, 2018 were \$2,823,690.

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these risks of loss, the City purchases commercial insurance. During the fiscal year ended June 30, 2018, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the City's commercial coverage in any of the past three years.

The City is self-insured for unemployment benefits. Claims are administered by the South Carolina Employment Security Commission and are then reimbursed by the City. No liability has been accrued at year-end for potential claims, as they are expected to be minimal.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 16 - LITIGATION

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.



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF CONWAY, SOUTH CAROLINA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE SCRS NET PENSION LIABILITY
Last Four 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>
6/30/18	0.054890 %	\$ 12,347,392	\$ 5,942,254	207.79 %	53.36 %
6/30/17	0.052116	11,131,901	5,465,760	203.67	52.90
6/30/16	0.051381	9,744,654	4,929,246	197.69	56.99
6/30/15	0.048607	8,368,514	4,419,409	189.36	59.92

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 Four 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>
6/30/18	0.28034 % \$	7,680,057	\$ 3,912,650	196.29 %	60.94 %
6/30/17	0.29217	7,410,717	4,084,652	181.43	60.40
6/30/16	0.28984	6,317,139	4,104,409	153.91	64.57
6/30/15	0.27371	5,239,979	3,486,123	150.31	67.55

* 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 Four 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>
6/30/18	\$ 805,770	\$ 805,770	\$ -	\$ 5,942,254	13.56 %
6/30/17	639,739	639,739	-	5,465,760	11.70
6/30/16	558,166	558,166	-	4,929,246	11.32
6/30/15	525,114	525,114	-	4,419,409	11.88

* 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 Four 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>
6/30/18	\$ 635,414	\$ 635,414	\$ -	\$ 3,912,650	16.24 %
6/30/17	537,596	537,596	-	4,084,652	13.16
6/30/16	512,146	512,146	-	4,104,409	12.48
6/30/15	481,521	481,521	-	3,486,123	13.81

* 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 FISCAL YEAR
As of June 30, 2018

Fiscal Year Ending December 31,	<u>2017</u>
Total OPEB Liability	
Service Cost at end of year	\$ 200,141
Interest on the Total OPEB Liability	222,847
Difference Between Expected and Actual Experience	19,580
Benefit Payment*	<u>(128,831)</u>
Net Change in Total OPEB Liability	<u>313,737</u>
Total OPEB Liability - Beginning	\$ 4,755,176
Total OPEB Liability - Ending (a)	<u>\$ 5,068,913</u>
Plan Fiduciary Net Position	
Contributions - Employer**	\$ 397,063
Net Investment Income	67,459
Benefits Payments*	(128,831)
Administrative Expense	<u>(17,487)</u>
Net Change in Plan Fiduciary Net Position	\$ 318,204
Plan Fiduciary Net Position - Beginning	\$ 2,393,426
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,711,630</u>
Plan's Net OPEB Liability - Ending - (a) - (b)	\$ 2,357,283

Notes to Schedule

* Benefit payments are net of participant contributions and include a payment of \$24,700 for implicit subsidy based on the guidance in illustration B-1 of GASB Implementation Guide No. 2017-2 "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans". Benefit payments include \$104,131 paid outside the trust

**Employer contribution includes \$104,131 paid outside the Trust and \$24,700 due to the implicit subsidy

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 FISCAL YEAR
As of June 30, 2018

Fiscal Year Ending December 31,	<u>2017</u>
Total OPEB Liability	\$ 5,068,913
Plan Fiduciary Net Position	<u>2,711,630</u>
Net OPEB Liability	\$ 2,357,283
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	53.50%
Covered Payroll*	\$ 8,525,938
Net OPEB Liability as a percentage of Covered Payroll	27.65%

Notes to Schedule

*For years following the valuation date (when no new valuation is performed), covered payroll has been set to equal to the covered 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 FISCAL YEAR
As of June 30, 2018**

Fiscal Year Ending December 31,	<u>2017</u>
Actuarially Determined Employer Contribution (ADEC)	\$ 295,671.00
Contributions in relation to ADEC	<u>397,063.00</u>
Annual contribution deficiency (excess)	\$ <u><u>(101,392.00)</u></u>
Covered Payroll*	\$ 8,525,938
Actual contributions as a percentage of covered payroll	4.66%

Notes to Schedule

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

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 2017 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, 2018**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Property Taxes	\$ 5,770,000	\$ 6,160,550	\$ 390,550
Franchise Fee	1,195,000	1,502,834	307,834
Licenses and Permits	5,776,250	6,891,765	1,115,515
Fines and Forfeitures	265,000	212,530	(52,470)
Interest	24,200	38,137	13,937
Intergovernmental	767,112	1,151,501	384,389
Charges for Services	2,700,000	2,909,991	209,991
Recreation Center	842,900	874,638	31,738
Other	658,650	876,412	217,762
Total Revenues	\$ <u>17,999,112</u>	\$ <u>20,618,358</u>	\$ <u>2,619,246</u>
EXPENDITURES			
Current:			
General Government	\$ 3,082,183	\$ 2,885,991	\$ 196,192
Public Safety	8,796,930	8,400,628	396,302
Street	849,909	741,388	108,521
Sanitation	2,052,457	1,996,301	56,156
Intragovernmental Maintenance	244,013	219,048	24,965
Beautification	862,412	866,920	(4,508)
Culture and Recreation			-
Recreation Center	825,540	822,912	2,628
Other Recreation Facilities	1,330,110	1,402,800	(72,690)
Capital Outlay	2,271,218	1,066,548	1,204,670
Debt Service	546,476	546,265	211
Total Expenditures	\$ <u>20,861,248</u>	\$ <u>18,948,801</u>	\$ <u>1,912,447</u>
Excess (Deficiency) of Revenues Over(Under) Expenditures	\$ <u>(2,862,136)</u>	\$ <u>1,669,557</u>	\$ <u>4,531,693</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	\$ 20,000	\$ 80,816	\$ 60,816
Proceeds from Insurance Recoveries	10,000	47,443	37,443
Transfers In	884,000	884,085	85
	\$ <u>914,000</u>	\$ <u>1,012,344</u>	\$ <u>98,344</u>
Net Change in Fund Balances	\$ (1,948,136)	\$ 2,681,901	\$ 4,630,037
Fund Balances - Beginning	<u>6,721,021</u>	<u>13,854,035</u>	<u>7,133,014</u>
Fund Balances - Ending	\$ <u><u>4,772,885</u></u>	\$ <u><u>16,535,936</u></u>	\$ <u><u>11,763,051</u></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, 2018**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Hospitality Fees	\$ 780,000	\$ 854,848	\$ 74,848
Interest	200	95	(105)
Total Revenues	<u>\$ 780,200</u>	<u>\$ 854,943</u>	<u>\$ 74,743</u>
EXPENDITURES			
Current			
Culture and Recreation	\$ 224,630	\$ 185,389	\$ 39,241
Capital Outlay	385,000	2,491	382,509
Debt Service	508,606	303,849	204,757
Total Expenditures	<u>\$ 1,118,236</u>	<u>\$ 491,729</u>	<u>\$ 626,507</u>
Deficiency of Revenues Under Expenditures	\$ (338,036)	\$ 363,214	\$ 701,250
OTHER FINANCING SOURCES (USES)			
Transfer Out	<u>\$ (112,450)</u>	<u>\$ (112,450)</u>	<u>\$ -</u>
	<u>\$ (112,450)</u>	<u>\$ (112,450)</u>	<u>\$ -</u>
Net Change in Fund Balances	(450,486)	250,764	701,250
Fund Balance - Beginning	<u>\$ (189,858)</u>	<u>\$ 511,488</u>	<u>\$ 701,346</u>
Fund Balance - Ending	<u><u>\$ (640,344)</u></u>	<u><u>\$ 762,252</u></u>	<u><u>\$ 1,402,596</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, 2018**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Stormwater Fees	\$ 1,070,000	\$ 1,153,938	\$ 83,938
Interest	1,000	613	(387)
Other	-	7,209	7,209
Total Revenues	<u>\$ 1,071,000</u>	<u>\$ 1,161,760</u>	<u>\$ 90,760</u>
EXPENDITURES			
Current			
Street	\$ 915,024	\$ 799,486	\$ 115,538
Capital Outlay	319,500	47,496	272,004
Debt Service	173,996	173,873	123
Total Expenditures	<u>\$ 1,408,520</u>	<u>\$ 1,020,855</u>	<u>\$ 387,665</u>
Net Change in Fund Balances	<u>\$ (337,520)</u>	<u>\$ 140,905</u>	<u>\$ 478,425</u>
Fund Balance - Beginning	<u>83,083</u>	<u>890,080</u>	<u>806,997</u>
Fund Balance - Ending	<u><u>\$ (254,437)</u></u>	<u><u>\$ 1,030,985</u></u>	<u><u>\$ 1,285,422</u></u>



CITY OF CONWAY, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

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, 2018, 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, 2018.

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 Fund and the 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, 2018**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Intergovernmental	\$ 530,000	\$ 286,728	\$ (243,272)
Total Revenues	<u>\$ 530,000</u>	<u>\$ 286,728</u>	<u>\$ (243,272)</u>
EXPENDITURES			
Current			
General Government	\$ -	\$ 115,448	\$ (115,448)
Street		165,754	(165,754)
Culture and Recreation	530,000	4,875	525,125
Total Expenditures	<u>\$ 530,000</u>	<u>\$ 286,077</u>	<u>\$ 243,923</u>
Net Change in Fund Balance	\$ -	\$ 651	\$ 651
Fund Balance - Beginning	<u>\$ (212,014)</u>	<u>(104,143)</u>	<u>(107,871)</u>
Fund Balance - Ending	<u><u>\$ (212,014)</u></u>	<u><u>\$ (103,492)</u></u>	<u><u>\$ (108,522)</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, 2018

	Original and Final Budget	Actual Amounts	Variance With Budget - Positive (Negative)
OPERATING REVENUES			
Water Usage, Tap Fees & Penalties	\$ 7,131,000	\$ 7,605,991	\$ 474,991
Sewer Usage, Tap Fees & Penalties	2,426,000	2,618,055	192,055
Miscellaneous Revenues	317,000	370,990	53,990
Total Operating Revenues	<u>\$ 9,874,000</u>	<u>\$ 10,595,036</u>	<u>\$ 721,036</u>
OPERATING EXPENSES			
Maintenance	\$ 3,767,237	\$ 2,217,889	\$ 1,549,348
Operations	865,696	941,144	(75,448)
Construction	741,710	777,274	(35,564)
Non-Departmental	4,787,175	5,017,723	(230,548)
Depreciation and Amortization	-	1,363,751	(1,363,751)
Total Operating Expenses	<u>\$ 10,161,818</u>	<u>\$ 10,317,781</u>	<u>\$ (155,963)</u>
Operating Income	<u>\$ (287,818)</u>	<u>\$ 277,255</u>	<u>\$ 565,073</u>
NONOPERATING REVENUES (EXPENSES)			
Unrestricted Interest Earned	\$ 9,000	\$ 11,675	\$ 2,675
Restricted Interest Earned	10,000	12,457	2,457
Interest Expense	(39,806)	(37,606)	2,200
Total Nonoperating Revenues (Expenses)	<u>\$ (20,806)</u>	<u>\$ (13,474)</u>	<u>\$ 7,332</u>
Income before Contributions and Transfers	<u>\$ (308,624)</u>	<u>\$ 263,781</u>	<u>\$ 572,405</u>
CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	\$ 825,000	\$ 1,240,150	\$ 415,150
Transfer Out	(744,900)	(744,900)	-
Total Contributions and Transfers	<u>\$ 80,100</u>	<u>\$ 495,250</u>	<u>\$ 415,150</u>
Change in Net Position	<u>\$ (228,524)</u>	<u>\$ 759,031</u>	<u>\$ 987,555</u>
Total Net Position - Beginning	19,239,150	24,265,461	5,026,311
Cumulative Effect of Adopting GASB Statement No. 75	-	(292,621)	(292,621)
Total Net Position - Beginning, as Restated	<u>19,239,150</u>	<u>23,972,840</u>	<u>4,733,690</u>
Total Net Position - Ending	<u>\$ 19,010,626</u>	<u>\$ 24,731,871</u>	<u>\$ 5,721,245</u>

CITY OF CONWAY, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES

Year Ended June 30, 2018

Court Fines

Court Fines Collected	\$ 157,288
Court Fines Retained by City	<u>(157,288)</u>
Court Fines Remitted to State Treasurer	<u>\$ -</u>

Court Assessments

Court Assessments Collected	\$ 245,545
Court Assessments Retained by City	<u>(19,179)</u>
Court Assessments Remitted to State Treasurer	<u>\$ 226,366</u>

Court Surcharges

Court Surcharges Collected	\$ 14,663
Court Surcharges Retained by City	<u>(14,663)</u>
Court Surcharges Remitted to State Treasurer	<u>\$ -</u>

Victim Services

Court Assessments Allocated to Victim Services	\$ 19,179
Court Surcharges Allocated to Victim Services	14,663
Investment Income	<u>337</u>
Total Funds Allocated to Victim Services	<u>\$ 34,179</u>
Victim Services Expenditures	<u>(60,543)</u>
Funds Available for Carryforward From Year Ended June 30, 2018	<u>\$ (26,364)</u>
Funds Carried Forward From Year Ended June 30, 2017	<u>233,097</u>
Funds Available for Carryforward at June 30, 2018	<u>\$ 206,733</u>



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for revenue from specific sources which is legally restricted to be expended for specific purposes. The City of Conway utilizes the three Special Revenue Funds described below:

Accommodations Tax Fund is used for revenues received from the State for special taxes levied on rentals of transient accommodations. Use of monies is restricted to the promotion of tourism and tourist related activities.

Street and Drainage Fund is used to account for revenue from Horry County representing a portion of road maintenance fees assessed by the County on all county residents. The revenue is restricted to expenditures for street and drainage improvements.

The **Tax Increment Fund** is used to account for incremental property tax revenues generated within the City's tax increment district. The revenue is restricted to expenditures for community development within the district.

CITY OF CONWAY, SOUTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Accommodations Tax	Street & Drainage	Tax Increment Revenue	
ASSETS				
Cash and Temporary Investments	\$ 64,776	\$ 1,325,343	\$ 663,170	\$ 2,053,289
Receivables (Net):				
Property Taxes	-	-	9,886	9,886
Local Accommodations Tax	2,086	-	-	2,086
Intergovernmental	19,014	179,231	772	199,017
Total Assets	<u>\$ 85,876</u>	<u>\$ 1,504,574</u>	<u>\$ 673,828</u>	<u>\$ 2,264,278</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and				
Accrued Expenditures	\$ 13,997	\$ 1	\$ -	\$ 13,998
Total Liabilities	<u>\$ 13,997</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 13,998</u>
Deferred Inflows of Resources	\$ -	\$ -	\$ 9,886	\$ 9,886
Fund Balances				
Restricted	\$ 71,879	\$ 1,504,573	\$ 663,942	\$ 2,240,394
Total Fund Balances	<u>\$ 71,879</u>	<u>\$ 1,504,573</u>	<u>\$ 663,942</u>	<u>\$ 2,240,394</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 85,876</u>	<u>\$ 1,504,574</u>	<u>\$ 673,828</u>	<u>\$ 2,264,278</u>

CITY OF CONWAY, SOUTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Accommodations Tax	Street & Drainage	Tax Increment Revenue	
REVENUES				
Property Taxes	\$ -	\$ -	\$ 375,546	\$ 375,546
Local Accommodations Tax	14,385	-	-	14,385
Interest	51	615	45	711
Intergovernmental	59,709	670,100	-	729,809
Total Revenues	<u>\$ 74,145</u>	<u>\$ 670,715</u>	<u>\$ 375,591</u>	<u>\$ 1,120,451</u>
EXPENDITURES				
Current:				
General Government	\$ 48,871	\$ -	\$ -	\$ 48,871
Street	-	10,357	-	10,357
Capital Outlay	-	600,079	-	600,079
Debt Service	-	-	273,339	273,339
Total Expenditures	<u>\$ 48,871</u>	<u>\$ 610,436</u>	<u>\$ 273,339</u>	<u>\$ 932,646</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,274	\$ 60,279	\$ 102,252	\$ 187,805
OTHER FINANCING (USES)				
Transfer Out	<u>\$ (26,735)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,735)</u>
Net Change in Fund Balances	<u>\$ (1,461)</u>	<u>\$ 60,279</u>	<u>\$ 102,252</u>	<u>\$ 161,070</u>
Fund Balances - Beginning	<u>73,340</u>	<u>1,444,294</u>	<u>561,690</u>	<u>2,079,324</u>
Fund Balances - Ending	<u><u>\$ 71,879</u></u>	<u><u>\$ 1,504,573</u></u>	<u><u>\$ 663,942</u></u>	<u><u>\$ 2,240,394</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, 2018**

	Original and Final Budget	Actual Amounts	Variance With Final Budget- Positive (Negative)
REVENUES			
Local Accommodations Tax	\$ 16,850	\$ 14,385	\$ (2,465)
Interest	-	51	51
Intergovernmental	60,000	59,709	(291)
Total Revenues	<u>\$ 76,850</u>	<u>\$ 74,145</u>	<u>\$ (2,705)</u>
EXPENDITURES			
Current			
General Government	\$ 50,100	\$ 48,871	\$ 1,229
Excess of Revenues Over Expenditures	\$ 26,750	\$ 25,274	\$ (1,476)
OTHER FINANCING USES			
Operating Transfer Out To General Fund	<u>(26,750)</u>	<u>(26,735)</u>	<u>15</u>
Net Change in Fund Balance	\$ -	\$ (1,461)	\$ (1,461)
Fund Balance - Beginning	<u>12,063</u>	<u>73,340</u>	<u>61,277</u>
Fund Balance - Ending	<u><u>\$ 12,063</u></u>	<u><u>\$ 71,879</u></u>	<u><u>\$ 59,816</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, 2018**

	Original and Final Budget	Actual Amounts	Variance With Final Budget- Positive (Negative)
REVENUES			
Interest	\$ -	\$ 615	\$ 615
Intergovernmental	1,018,830	670,100	(348,730)
Total Revenues	<u>\$ 1,018,830</u>	<u>\$ 670,715</u>	<u>\$ (348,115)</u>
EXPENDITURES			
Current			
Street	\$ -	\$ 10,357	\$ (10,357)
Capital Outlay	1,232,660	600,079	632,581
Total Expenditures	<u>\$ 1,232,660</u>	<u>\$ 610,436</u>	<u>\$ 622,224</u>
Net Change in Fund Balance	\$ (213,830)	\$ 60,279	\$ 274,109
Fund Balance - Beginning	<u>223,132</u>	<u>1,444,294</u>	<u>1,221,162</u>
Fund Balance - Ending	<u>\$ 9,302</u>	<u>\$ 1,504,573</u>	<u>\$ 1,495,271</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, 2018**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Property Taxes	\$ 370,000	\$ 375,546	\$ 5,546
Interest	50	45	(5)
Total Revenues	<u>\$ 370,050</u>	<u>\$ 375,591</u>	<u>\$ 5,541</u>
EXPENDITURES			
Debt Service	\$ 273,651	\$ 273,339	\$ 312
Total Expenditures	<u>\$ 273,651</u>	<u>\$ 273,339</u>	<u>\$ 312</u>
Net Change in Fund Balance	\$ 96,399	\$ 102,252	\$ 5,853
Fund Balance - Beginning	<u>494,132</u>	<u>561,690</u>	<u>67,558</u>
Fund Balance - Ending	<u><u>\$ 590,531</u></u>	<u><u>\$ 663,942</u></u>	<u><u>\$ 73,411</u></u>

CITY OF CONWAY, SOUTH CAROLINA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

FIREMEN'S FUND

Year Ended June 30, 2018

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
ASSETS				
Cash and Temporary Investments	\$ 109,401	\$ 75,859	\$ 108,661	\$ 76,599
	<u>109,401</u>	<u>75,859</u>	<u>108,661</u>	<u>76,599</u>
LIABILITIES				
Due to General Fund	\$ -	\$ 9,498	\$ 7,850	\$ 1,648
Due to Firemen's Association	109,401	174,275	99,324	74,951
	<u>109,401</u>	<u>183,773</u>	<u>107,174</u>	<u>76,599</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net Investment in capital assets	\$ 24,636,648	\$ 25,418,035	\$ 25,719,185	\$ 26,701,380	\$ 25,955,505	\$ 26,898,544	\$ 32,179,639	\$ 32,593,574	\$ 33,787,630	\$ 33,582,669
Restricted	3,237,635	2,927,195	1,815,399	1,853,937	3,040,281	1,814,392	2,168,440	2,575,415	3,152,741	4,267,170
Unrestricted	8,326,075	7,770,396	8,058,444	9,653,369	11,234,435	14,427,399	(745,546)	592,646	1,235,367	299,306
Total governmental activities net position	<u>\$ 36,200,358</u>	<u>\$ 36,115,626</u>	<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>
Business-type activities										
Net Investment in capital assets	\$ 17,545,080	\$ 17,748,237	\$ 16,995,029	\$ 16,169,298	\$ 16,000,016	\$ 16,407,936	\$ 16,715,310	\$ 17,388,343	\$ 17,076,154	\$ 17,816,547
Restricted	1,931,655	1,701,923	1,830,787	2,413,909	2,519,210	2,383,205	2,341,304	2,204,128	3,094,439	2,922,485
Unrestricted	2,617,564	2,216,957	1,975,343	3,216,958	3,926,214	4,672,563	3,763,895	3,613,404	4,094,868	3,992,839
Total business-type activities net position	<u>\$ 22,094,299</u>	<u>\$ 21,667,117</u>	<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>
Primary government										
Net Investment in capital assets	\$ 42,181,728	\$ 43,166,272	\$ 42,714,214	\$ 42,870,678	\$ 41,955,521	\$ 43,306,480	\$ 48,894,949	\$ 49,981,917	\$ 50,863,784	\$ 51,399,216
Restricted	5,169,290	4,629,118	3,646,186	4,267,846	5,559,491	4,197,597	4,509,744	4,779,543	6,247,180	7,189,655
Unrestricted	10,943,639	9,987,353	10,033,787	12,870,327	15,160,649	19,099,962	3,018,349	4,206,050	5,330,235	4,292,145
Total primary government net position	<u>\$ 58,294,657</u>	<u>\$ 57,782,743</u>	<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>

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
General government	\$ 2,324,845	\$ 2,553,214	\$ 2,322,745	\$ 1,952,913	\$ 1,871,106	\$ 2,127,473	\$ 2,333,648	\$ 2,545,962	\$ 3,744,947	\$ 3,494,840
Public safety	7,138,218	7,350,413	7,349,173	6,746,726	6,938,419	6,984,545	7,615,337	8,231,817	8,950,310	9,650,708
Street	2,879,130	3,149,210	3,006,669	2,832,133	2,851,842	3,082,746	2,748,466	2,499,654	2,588,314	2,606,364
Sanitation	1,755,904	1,828,333	1,867,969	1,905,030	1,939,382	1,835,091	1,881,025	2,047,894	2,300,834	2,425,701
Intragovernmental maintenance	249,326	368,262	340,580	330,890	341,054	307,012	292,595	294,974	270,256	306,286
Beautification	533,395	525,073	503,049	463,221	501,383	535,069	661,098	739,171	861,007	969,893
Culture and recreation	1,442,674	1,429,022	1,366,103	2,011,693	2,263,037	2,354,040	2,489,723	2,628,841	2,851,644	3,062,113
Interest and fiscal charges	250,718	270,517	319,683	343,363	263,688	344,833	156,731	136,733	108,681	96,454
Total governmental activities expenses	<u>16,574,210</u>	<u>17,474,044</u>	<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>
Business-type activities										
Water & sewer	<u>8,026,097</u>	<u>7,817,042</u>	<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>
Total primary government expenses	<u>\$ 24,600,307</u>	<u>\$ 25,291,086</u>	<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>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 3,316	\$ 3,995	\$ 5,808	\$ 14,837	\$ 28,885	\$ 11,146	\$ 7,836	\$ 32,588	\$ 42,184	\$ 122,218
Public safety	946,065	922,469	688,866	921,717	664,354	876,139	883,480	1,049,155	1,210,927	1,336,185
Street	965,042	963,445	987,144	957,644	1,002,704	1,027,742	1,045,648	1,068,730	1,094,090	1,153,938
Sanitation	2,259,746	2,245,330	2,288,750	2,296,687	2,368,424	2,435,199	2,510,044	2,589,202	2,711,119	2,953,021
Beautification			3,911							
Culture and recreation	242,468	218,295	236,969	1,066,483	1,239,555	1,216,316	1,072,280	1,155,562	1,264,691	1,285,088
Non-departmental										
Operating grants and contributions	658,640	745,981	656,056	444,039	284,655	1,087,010	395,523	380,981	2,738,021	1,163,180
Capital grants and contributions	253,715	838,799	440,188	1,213,899	357,641	8,891	86,885	64,424	259,878	599,292
Total governmental activities program revenues	<u>\$ 5,328,992</u>	<u>\$ 5,938,314</u>	<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>
Business-type activities										
Charges for services										
Water & sewer	\$ 7,533,748	\$ 7,574,780	\$ 7,529,058	\$ 8,388,764	\$ 8,561,701	\$ 9,034,201	\$ 8,945,450	\$ 9,491,456	\$ 9,792,030	\$ 10,595,036
Capital grants and contributions	<u>525,862</u>	<u>337,200</u>	<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>
Total business-type activities program revenues	<u>\$ 8,059,610</u>	<u>\$ 7,911,980</u>	<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>

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total primary government program revenues	\$ 13,388,602	\$ 13,850,294	\$ 13,047,767	\$ 15,897,832	\$ 15,035,233	\$ 16,644,441	\$ 16,040,053	\$ 16,623,998	\$ 20,287,740	\$ 20,448,108
Net (expense)/revenue										
Governmental activities	\$ (11,245,218)	\$ (11,535,730)	\$ (11,768,279)	\$ (9,670,663)	\$ (11,023,693)	\$ (10,908,366)	\$ (12,176,927)	\$ (12,784,404)	\$ (12,355,083)	\$ (13,999,437)
Business-type activities	33,513	94,938	(262,954)	1,606,338	1,294,720	1,702,774	1,783,067	1,106,018	1,782,394	1,479,799
Total primary government net expense	\$ (11,211,705)	\$ (11,440,792)	\$ (12,031,233)	\$ (8,064,325)	\$ (9,728,973)	\$ (9,205,592)	\$ (10,393,860)	\$ (11,678,386)	\$ (10,572,689)	\$ (12,519,638)
General revenues and other changes in net assets										
Governmental activities										
Property taxes	\$ 5,161,643	\$ 5,362,626	\$ 5,142,077	\$ 5,206,764	\$ 5,205,526	\$ 5,503,048	\$ 5,513,255	\$ 5,773,639	\$ 6,225,604	\$ 6,529,060
In lieu of property taxes	30,283	32,409	29,237	32,181	30,613	32,995	36,543	54,436	69,156	76,584
Franchise fee taxes	913,009	939,713	1,020,310	993,489	995,245	1,111,491	1,168,553	1,187,017	1,365,652	1,502,834
Hospitality fee taxes	542,643	536,544	535,914	618,718	614,475	669,236	722,318	768,850	825,313	854,848
Local accommodations taxes	14,977	12,977	13,002	12,950	13,637	16,155	23,706	16,471	15,868	14,385
Business license taxes	3,599,322	3,381,945	3,337,193	3,626,193	4,554,816	4,285,765	4,821,157	4,979,368	5,366,340	5,980,255
Grants and contributions not restricted to specific programs	527,656	458,885	455,367	458,965	759,044	1,448,104	1,268,130	1,268,265	424,289	424,760
Investment earnings	236,048	107,707	68,581	44,269	42,838	36,284	36,107	31,455	37,854	39,556
Gain on sale of capital assets	76,377	49,192	28,200	10,003	134,134	20,502	93,869	119,105	(305,790)	(11,186)
Transfers	563,833	569,000	615,800	615,800	694,900	694,900	694,900	744,900	744,900	744,900
Extraordinary Item				666,989						
Total governmental activities	\$ 11,665,791	\$ 11,450,998	\$ 11,245,681	\$ 12,286,321	\$ 13,045,228	\$ 13,818,480	\$ 14,378,538	\$ 14,943,506	\$ 14,769,186	\$ 16,155,996
Business-type activities										
Investment earnings	\$ 45,764	\$ 41,327	\$ 12,796	\$ 8,468	\$ 10,153	\$ 10,760	\$ 12,226	\$ 24,248	\$ 22,092	\$ 24,132
Gain (Loss) on sale of capital assets		5,553			35,302	(370)	15,392			
Transfers	(563,833)	(569,000)	(615,800)	(615,800)	(694,900)	(694,900)	(694,900)	(744,900)	(744,900)	(744,900)
Total business-type activities	\$ (518,069)	\$ (522,120)	\$ (603,004)	\$ (607,332)	\$ (649,445)	\$ (684,510)	\$ (667,282)	\$ (720,652)	\$ (722,808)	\$ (720,768)
Total primary government	\$ 11,147,722	\$ 10,928,878	\$ 10,642,677	\$ 11,678,989	\$ 12,395,783	\$ 13,133,970	\$ 13,711,256	\$ 14,222,854	\$ 14,046,378	\$ 15,435,228
Changes in net assets										
Governmental activities	\$ 420,573	\$ (84,732)	\$ (522,598)	\$ 2,615,658	\$ 2,021,535	\$ 2,910,114	\$ 2,201,611	\$ 2,159,102	\$ 2,414,103	\$ 2,156,559
Business-type activities	(484,556)	(427,182)	(865,958)	999,006	645,275	1,018,264	1,115,785	385,366	1,059,586	759,031
Total primary government	\$ (63,983)	\$ (511,914)	\$ (1,388,556)	\$ 3,614,664	\$ 2,666,810	\$ 3,928,378	\$ 3,317,396	\$ 2,544,468	\$ 3,473,689	\$ 2,915,590

UNAUDITED

Schedule 3

CITY OF CONWAY, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Unspendable	\$ 82,148	\$ 98,029	\$ 118,458	\$ 136,012	\$ 139,247	\$ 144,783	\$ 99,614	\$ 109,195	\$ 118,074	\$ 118,960
Restricted	160,763	141,837	133,814	168,366	179,446	204,013	202,165	243,392	233,539	233,539
Assigned	423,511	429,920	277,805	639,426	867,894	1,059,399	969,119	1,121,710	1,122,218	1,153,951
Unassigned	8,367,545	7,763,539	8,180,542	9,214,984	11,476,697	12,335,204	10,380,605	11,176,025	12,380,204	15,029,486
Total general fund	<u>\$ 9,033,967</u>	<u>\$ 8,433,325</u>	<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>
All other governmental funds										
Unspendable	\$ -	\$ -	\$ -	\$ -	\$ 197,000	\$ 197,000	\$ -	\$ -	\$ -	\$ -
Restricted	2,731,146	2,437,805	1,673,562	1,679,867	2,916,674	1,610,379	1,966,275	2,793,561	3,480,892	4,033,631
Unassigned	(77,785)	(82,367)	(79,685)	(81,010)	(81,014)	(83,290)	(200,392)	(105,068)	(104,143)	(103,492)
Total all other governmental funds	<u>\$ 2,653,361</u>	<u>\$ 2,355,438</u>	<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>

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property taxes	\$ 5,080,674	\$ 5,322,818	\$ 5,209,816	\$ 5,064,658	\$ 5,248,997	\$ 5,503,103	\$ 5,508,266	\$ 5,786,435	\$ 6,208,352	\$ 6,536,096
Franchise fees	913,009	939,713	1,020,310	993,489	995,245	1,111,491	1,168,553	1,187,017	1,365,652	1,502,834
Hospitality fees	542,643	536,544	535,914	618,718	614,475	669,236	722,318	768,850	825,313	854,848
Local Accommodations Tax	14,977	12,977	13,002	12,950	13,637	16,155	23,706	16,471	15,868	14,385
Stormwater fees	936,049	938,071	973,579	950,908	984,198	1,012,802	1,038,509	1,051,870	1,094,090	1,153,938
Licenses and permits	3,907,306	3,669,218	3,510,526	4,071,092	4,765,398	4,739,976	5,229,838	5,511,853	6,070,115	6,891,765
Fines and forfeitures	346,750	342,652	351,152	315,583	286,899	249,165	292,622	330,664	273,874	212,530
Interest	251,621	117,748	68,581	44,269	42,838	36,284	36,107	31,455	37,854	39,556
Intergovernmental	1,348,695	1,710,778	1,504,790	2,015,097	1,380,870	2,371,077	1,612,484	1,683,084	3,438,679	2,168,038
Charges for services	2,243,627	2,229,920	2,273,088	2,285,523	2,353,477	2,417,954	2,483,555	2,554,849	2,658,160	2,909,991
Recreation center				849,073	1,001,303	953,243	774,313	832,209	871,911	874,638
Other	688,253	645,873	500,399	561,324	518,546	685,090	696,205	678,182	773,866	883,621
Total revenues	\$ 16,273,604	\$ 16,466,312	\$ 15,961,157	\$ 17,782,684	\$ 18,205,883	\$ 19,765,576	\$ 19,586,476	\$ 20,432,939	\$ 23,633,734	\$ 24,042,240
Expenditures										
General government	\$ 2,205,746	\$ 2,433,864	\$ 2,225,915	\$ 1,918,121	\$ 1,777,922	\$ 2,065,830	\$ 2,296,125	\$ 2,464,832	\$ 3,246,928	\$ 3,050,310
Public safety	6,652,277	6,913,838	6,923,998	6,449,875	6,587,410	6,643,629	7,134,356	7,515,565	7,989,465	8,400,628
Street	1,616,648	1,864,736	1,520,277	1,479,430	1,551,891	1,913,945	1,577,328	1,374,765	1,517,039	1,551,231
Sanitation	1,552,034	1,523,201	1,554,727	1,595,304	1,693,377	1,660,425	1,668,440	1,663,271	1,877,688	1,996,301
Intergovernmental maintenance	207,785	232,140	196,159	185,047	196,982	193,398	202,577	207,005	195,075	219,048
Beautification	515,225	509,398	492,653	456,778	492,105	525,290	640,228	691,434	795,950	866,920
Culture and recreation										
Recreation center				830,595	673,900	710,114	718,532	722,375	790,803	822,912
Other recreation activities	1,137,013	1,056,368	992,582	673,166	1,093,850	1,128,884	1,206,688	1,289,779	1,437,948	1,588,189
Capital outlay	2,333,572	2,677,981	5,714,502	2,867,083	1,077,962	5,455,543	5,686,947	2,191,776	3,424,658	1,887,243
Debt service										
Principal	909,208	1,070,480	825,260	886,589	979,525	848,218	1,142,555	1,155,442	1,174,778	1,194,511
Interest	298,240	278,822	243,938	304,638	309,497	371,948	154,695	141,808	122,472	102,815
Financing fees			22,300		11,250	23,146				
Total expenditures	\$ 17,427,748	\$ 18,560,828	\$ 20,712,311	\$ 17,646,626	\$ 16,445,671	\$ 21,540,370	\$ 22,428,471	\$ 19,418,052	\$ 22,572,804	\$ 21,680,108
Excess (deficiency) of revenues over (under) expenditures	\$ (1,154,144)	\$ (2,094,516)	\$ (4,751,154)	\$ 136,058	\$ 1,760,212	\$ (1,774,794)	\$ (2,841,995)	\$ 1,014,887	\$ 1,060,930	\$ 2,362,132

UNAUDITED

CITY OF CONWAY, SOUTH CAROLINA

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017
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							
Lease purchases issued		570,000				855,000				
Proceeds from sale of capital assets	76,377	49,192	28,200	10,003	134,134	20,502	93,869	122,268	55,483	80,816
Proceeds from insurance recoveries	24,933	7,759	12,887	24,120	31,333	31,775	3,124	39,374	30,656	47,443
Payments on Refunded Bonds					(1,912,939)	(5,022,000)				
Transfers in	1,106,738	876,745	732,325	732,239	743,966	825,188	823,958	884,074	884,404	884,085
Transfers out	(537,738)	(307,745)	(116,525)	(116,439)	(49,066)	(130,288)	(129,058)	(139,174)	(139,504)	(139,185)
Total other financing sources (uses)	\$ 670,310	\$ 1,195,951	\$ 4,266,887	\$ 649,923	\$ 2,122,428	\$ 1,602,177	\$ 791,893	\$ 906,542	\$ 831,039	\$ 873,159
Extraordinary item										
Proceeds from dissolution of health insurance pool	\$	\$	\$	\$ 666,989	\$	\$	\$	\$	\$	\$
Net change in fund balances	\$ (483,834)	\$ (898,565)	\$ (484,267)	\$ 1,452,970	\$ 3,882,640	\$ (172,617)	\$ (2,050,102)	\$ 1,921,429	\$ 1,891,969	\$ 3,235,291
Debt service as a percentage of noncapital expenditures	8.00%	8.50%	7.13%	8.00%	8.50%	7.59%	7.75%	7.53%	6.77%	6.55%

UNAUDITED

STATISTICAL SECTION (Unaudited)
SCHEDULES OF REVENUE CAPACITY INFORMATION

Schedules 5 through 11 contain revenue capacity information to help the reader assess the factors affecting the City's ability to generate property taxes and water and sewer rates.



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			
2009	48,874	4,803	53,677	86.60	918,488	6.0
2010	51,433	4,353	55,786	86.60	959,903	6.0
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

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	
2009	86.6	41.3	5.3	0.7	47.3	119.3	20.0	139.3	273.2
2010	86.6	39.2	5.0	0.7	44.9	118.2	14.0	132.2	263.7
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

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	2018		Tax Levy
			Percentage of Total Adjusted Assessed Valuation		
Founders Wild Wing LLC	Real Estate	\$ 1,838,250	2.63 %	\$	151,472
Coastal Carolina Development Partners LLC	Real Estate	1,354,190	1.94		111,585
Coastal 544 Ventures LLC	Real Estate	1,177,429	1.69		97,020
Gator Coastal Shopping Center	Automobile	768,780	1.10		63,347
Orion CCU LLC	Real Estate	716,060	1.03		59,003
Fowler 501 Property LLC	Real Estate	615,710	0.88		50,735
Wall Conway	Financial Services	575,310	0.82		47,406
FC Real Estate Conway	Real Estate	425,540	0.61		35,064
Conway National Bank	Real Estate	421,500	0.60		34,732
University Suites at Coastal	Real Estate	380,130	0.54		31,322
		<u>\$ 8,272,899</u>	<u>11.84 %</u>	<u>\$</u>	<u>681,686</u>

Taxpayer	Type of Business	Assessed Valuation	2009		Tax Levy
			Percentage of Total Adjusted Assessed Valuation		
Campus Edge Apartments	Real Estate	\$ 1,630,614	3.04 %	\$	141,211
Wild Wing Company, LLC	Real Estate	926,556	1.73		80,240
Wal-Mart	Retail	636,000	1.18		55,078
Fowler 501 Properties	Automobile	502,500	0.94		43,517
Gator Coastal Shopping Centre, LLC	Real Estate	499,158	0.93		43,227
Conway National Bank	Financial Services	444,689	0.83		38,510
Verizon South	Communication	428,580	0.80		37,115
University Shops Holding	Real Estate	328,782	0.61		28,473
Burroughs & Chapin Company	Real Estate	323,976	0.60		28,056
Rivertown Partners	Real Estate	320,400	0.60		27,747
		<u>\$ 6,041,255</u>	<u>11.26 %</u>	<u>\$</u>	<u>523,174</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	Subsequent Adjustments	Total Levy Including Adjustments	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2009	4,926,169	149,428	5,075,597	4,598,720	90.60%	432,372	5,031,092	99.12%
2010	5,080,020	268,132	5,348,152	4,684,968	87.60%	619,661	5,304,629	99.19%
2011	4,687,399	332,845	5,020,244	4,457,741	88.80%	512,901	4,970,642	99.01%
2012	4,733,363	126,526	4,859,889	4,524,634	93.10%	273,825	4,798,459	98.74%
2013	4,851,725	230,346	5,082,071	4,622,469	90.96%	388,959	5,011,428	98.61%
2014	5,052,688	234,365	5,287,053	4,853,929	91.81%	356,018	5,209,947	98.54%
2015	5,212,736	223,876	5,436,612	4,935,223	90.78%	400,905	5,336,128	98.15%
2016	5,537,718	187,716	5,725,434	5,294,641	92.48%	100,184	5,394,825	94.23%
2017	5,797,220	62,168	5,859,388	5,554,995	94.81%	90,384	5,645,379	96.35%
2018	5,753,100	350,429	6,103,529	5,649,554	92.56%		5,739,938	94.04%

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	Number of Customers	Total Direct Rate			
	Gallons		Water		Sewer	
	Billed		Base Rate	Usage Rate	Base Rate	Usage Rate
2009	1,100,676	13,018	8.64	1.63	4.51	2.74
2010	983,694	13,102	8.64	1.63	4.51	2.74
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

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 page 80 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
2009	8.64	1.63	17.27	3.26	4.51	2.74	9.02	5.48
2010	8.64	1.63	17.27	3.26	4.51	2.74	9.02	5.48
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

Source: City Water and Sewer Department

UNAUDITED

Schedule 11

CITY OF CONWAY, SOUTH CAROLINA

PRINCIPAL WATER CUSTOMERS

Current Year ⁽¹⁾

Customer	Fiscal Year 2018	
	Water Revenue	
	Amount	Percentage of Total Water Revenue
Coastal Carolina University	\$ 256,215	3.37%
Horry County Jail	126,544	1.66%
Horry County School District	124,021	1.63%
Conway Housing Authority	121,567	1.60%
H & H Student Housing	91,104	1.20%
Metglass	52,120	0.69%
Conway Manor	50,538	0.66%
Walmart	43,344	0.57%
New South	41,112	0.54%
Monarch 501	36,624	0.48%
	<u>\$ 943,189</u>	<u>12.40%</u>

⁽¹⁾ Information not available for any years prior to 2009 and only available for water customers.

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 ⁽²⁾	Per Capita ⁽²⁾
	General Obligation Bonds	Hospitality Fee Revenue Bonds	Stormwater Management Revenue Bond	Tax Increment Revenue Bonds	Capital Lease Obligations	Water and Sewer Revenue Bonds ⁽¹⁾			
2009	1,910,000	2,662,084	1,654,895	220,000	674,904	3,190,000	10,311,883	2.26	734
2010	1,715,000	2,485,930	1,532,246		888,227	3,075,000	9,696,403	2.17	690
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

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

⁽¹⁾ In 2006, the City paid off all of its outstanding water and sewer revenue bonds.

⁽²⁾ See page 86 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 Bonds	Debt Service Funds Available	Net General Bonded Debt		
2009	1,910,000		1,910,000	0.21	136
2010	1,715,000		1,715,000	0.18	122
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

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

⁽¹⁾ See page 75 for property value data.

⁽²⁾ See page 80 for population data.

UNAUDITED

Schedule 14

CITY OF CONWAY, SOUTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2018

	<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	\$ 174,051,709	3.5%	\$ 6,091,810
Horry County School District			
General Obligation Bonds	426,745,000	3.5%	<u>14,936,075</u>
			\$ 21,027,885
City Direct Governmental Activities Debt			<u>4,141,587</u>
			<u><u>\$ 25,169,472</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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 4,366,728	\$ 4,535,411	\$ 4,778,929	\$ 5,036,199	\$ 5,097,286	\$ 5,054,174	\$ 5,188,254	\$ 5,219,374	\$ 5,590,654	\$ 5,658,174
Total net debt applicable to limit	<u>1,910,000</u>	<u>1,715,000</u>	<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>
Legal debt margin	<u>\$ 2,456,728</u>	<u>\$ 2,820,411</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	43.74%	37.81%	54.20%	49.66%	43.97%	39.69%	32.12%	25.41%	17.55%	11.16%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 69,820,000
Exempt merchants inventory	<u>907,171</u>
	<u>\$ 70,727,171</u>
Debt limit eight percent of assessed value without voters approval	\$ 5,658,174
Amount of debt applicable to debt limit general obligation bonds payable	<u>(631,184)</u>
Legal debt margin without referendum	<u>\$ 5,026,990</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	Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	7,533,748	6,849,245	684,503	110,000	135,587	2.79
2010	7,574,780	6,537,535	1,037,245	115,000	120,079	4.41
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

Fiscal Year	Hospitality Fee Revenue Bonds ⁽²⁾			
	Hospitality Fees	Debt Service		Coverage
		Principal	Interest	
2009	542,643	169,216	116,083	1.90
2010	536,544	176,154	109,145	1.88
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

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

⁽¹⁾ Operating expenses do not include depreciation.

New Water and Sewer Revenue Bonds were issued in 2008.

⁽²⁾ Debt Service payments began fiscal year 2001.

⁽³⁾ Debt Service payments began fiscal year 1998.

⁽⁴⁾ Debt Service payments began fiscal year 2006.

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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	
2009	280,100	190,000	15,457	1.36
2010	297,329	220,000	8,294	1.30
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

Fiscal Year	Storm Water Revenue Bonds ⁽⁴⁾			
	Storm Water Fees	Debt Service		Coverage
		Principal	Interest	
2009	936,049	117,921	69,222	5.00
2010	938,071	122,649	64,494	5.01
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



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>Personal Income (Thousands of Dollars)</u>	<u>Per Capita Personal Income⁽¹⁾</u>	<u>Median Age⁽¹⁾</u>	<u>Unemployment Rate⁽¹⁾</u>
2009	14,056	446,967	31,799	37.6	9.56 %
2010	17,103	497,714	29,101	37.9	11.36
2011	17,513	495,005	28,265	38.3	10.20
2012	17,863	520,671	29,148	39.2	9.10
2013	19,300	574,021	29,742	40.2	8.50
2014	20,175	645,055	31,973	40.3	7.30
2015	20,175	515,976	25,575	44.6	5.20
2016	22,761	653,514	28,712	40.3	5.60
2017	23,714	842,321	35,520	41.0	5.10
2018	24,517	not available	not available	not available	3.80

Sources: Myrtle Beach and South Carolina Grand Strand Demographic Profile, South Carolina Statistical Abstract and Places Rated Almanac, U.S. Dept. of Commerce Bureau of Economic Analysis.

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

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Schedule 18

CITY OF CONWAY, SOUTH CAROLINA

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

Employer	Type of Business	Calendar Year 2018	
		Employees	Percentage of Total County Employment
Horry County School District	Education	5,861	3.83 %
Horry County Government	County Government	2,168	1.42
Wal-Mart	Retail Sales	2,157	1.41
Grand Strand Regional Medical Center	Hospital	1,546	1.01
Coastal Carolina University	Education	1,423	0.93
Conway Medical Center	Hospital	1,202	0.79
City of Myrtle Beach	Municipal Government	1,006	0.66
McLoud Health System	Hospital	943	0.62
Food Lion	Retail Sales	846	0.55
Kingston Resorts	Vacation and Rental Accommodations	686	0.45
		<u>17,838</u>	<u>11.67 %</u>

Employer	Type of Business	Calendar Year 2009	
		Employees	Percentage of Total County Employment
Horry County School District	Education	4,400	2.88 %
Horry County Government	County Government	2,019	1.32
Wal-Mart	Retail Sales	2,100	1.37
Grand Strand Regional Medical Center	Hospital	1,280	0.84
Conway Medical Center	Hospital	1,100	0.72
AVX Corporation	Manufacturer	1,100	0.72
City of Myrtle Beach	Municipal Government	1,076	0.70
Coastal Carolina University	Education	984	0.64
Blue Cross Blue Shield	Insurance	825	0.54
Burroughs and Chapin	Developer	700	0.46
		<u>15,584</u>	<u>10.19 %</u>

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

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

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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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Full-Time Equivalent Employees										
General Government	39	38	35	35	35	36	36	38	39	41
Public Safety	103	103	96	96	96	95	95	98	98	100
Street	22	22	16	16	16	16	16	16	16	16
Sanitation	18	18	17	17	17	17	17	18	18	20
Intragovernmental Maintenance	5	5	5	5	5	5	5	5	5	6
Beautification	10	10	9	9	9	12	12	14	15	19
Culture and Recreation	8	8	12	12	12	16	16	16	16	18
Water & Sewer	41	42	27	27	27	27	28	33	33	38
Total Full-Time Equivalent Employees	<u>246</u>	<u>246</u>	<u>217</u>	<u>217</u>	<u>217</u>	<u>224</u>	<u>225</u>	<u>238</u>	<u>240</u>	<u>258</u>

Source: City Finance Department

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

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Schedule 20

CITY OF CONWAY, SOUTH CAROLINA

**OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Fire Calls per Engine Company	1,020	950	927	917	833	1,022	1,075	1,100	1,200	1,350
Environmental Protection ⁽¹⁾										
Tons of Refuse Collected	19,672	19,120	18,100	19,500	19,446	21,402	23,205	16,760	26,853	20,708
Community and Economic Development										
Building Permits Issued	611	667	584	584	649	913	934	1,145	1,291	1,660
Culture and Recreation										
Admissions to Recreation Centers	885	830	830	92,050	117,538	110,450	115,275	117,563	119,563	121,004
Water										
Average Daily Consumption <i>(thousands of gallons)</i>	3,474	3,427	3,472	3,508	3,069	2,954	3,400	3,590	3,780	3,850

Sources: Various City departments.

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Schedule 21

CITY OF CONWAY, SOUTH CAROLINA

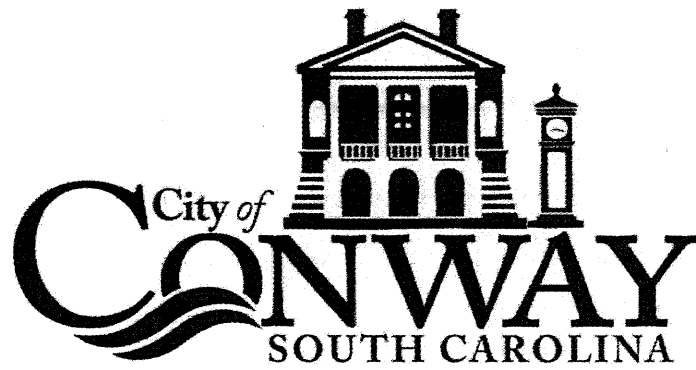
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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>)	166	175	203	213	214	214	214	214	214	214
Traffic Signals	32	34	34	36	38	38	38	38	38	38
Sanitation ⁽¹⁾										
Collection Trucks	20	20	20	20	20	20	20	20	20	20
Culture and Recreation										
Parks	8	8	8	8	8	8	8	8	8	8
Park Acreage	74	76	76	76	125	125	125	125	125	125
Recreation Centers	3	3	3	3	1	1	1	1	1	1
Cemeteries	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (<i>miles</i>)	258	344	344	377	399	399	399	399	399	399
Sewer										
Gravity Sewers (<i>miles</i>)	108	120	120	126	127	128	128	128	134	134

Sources: Various City departments.

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

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INDEPENDENT AUDITORS' OTHER REPORT SECTION



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MYRTLE BEACH

4728 Jenn Drive
Suite 100
Myrtle Beach, SC 29577

Phone (843) 448-8334
Fax (843) 626-7363
www.sccpa.com

CONWAY

1109 Main Street
Suite A
Conway, SC 29526

Phone (843) 248-5284
Fax (843) 381-0027
www.sccpa.com

PAWLEYS ISLAND

245 Business Center Drive
Suite 4A
Pawleys Island, SC 29585

Phone (843) 237-3453
Fax (843) 237-4809
www.sccpa.com

**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, 2018, 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 19, 2018.

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 statement, but not for the purpose of expressing an opinion on the effectiveness of the 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Conway, South Carolina's basic 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*.

Smith Sapp Bookhout Crumpler & Calliham
A Professional Association of Certified Public Accountants & Consultants

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South Carolina Association of Certified Public Accountants
American Institute of Certified Public Accountants - Private Companies Practice Section

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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SMITH SAPP BOOKHOUT CRUMPLER & CALLIHAM

Professional Association

Certified Public Accountants and Consultants

Myrtle Beach, South Carolina
December 19, 2018