

CITY OF CONWAY, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Prepared By:

Finance Department

Allison Williams



INTRODUCTORY SECTION



CITY OF CONWAY, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2019

Page 1 of 3

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Table of Contents.....	i
List of Principal Officials.....	iv
City Organizational Chart.....	v
Finance Department Organizational Chart.....	vi
Letter of Transmittal.....	vii
Certificate of Achievement for Excellence in Financial Reporting.....	xi

FINANCIAL SECTION

Independent Auditors' Report	1
-------------------------------------------	---

Management's Discussion and Analysis	3
---------------------------------------------------	---

Basic Financial Statements

Government-Wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities.....	12

Fund Financial Statements	
Balance Sheet – Governmental Funds.....	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	16
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Net Position – Proprietary Funds.....	20
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	22
Statement of Cash Flows.....	23
Statement of Fiduciary Net Position – Agency Fund.....	25

Notes to Financial Statements.....	26
------------------------------------	----

Required Supplementary Information

Schedule of the City's Proportionate Share of SCRS Net Pension Liability.....	56
Schedule of the City's Proportionate Share of PORS Net Pension Liability.....	57
Schedule of the City's Contributions to SCRS.....	58
Schedule of the City's Contributions to PORS.....	59
Schedule of Changes in the Net OPEB Liability.....	60
Schedule of Net OPEB Liability.....	61
Schedule of Employer Contributions.....	62

CITY OF CONWAY, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2019

Page 2 of 3

TABLE OF CONTENTS

Page

FINANCIAL SECTION *(continued)*

Required Supplementary Information *(continued)*

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual General Fund.....	63
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Hospitality Fund.....	64
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Stormwater Management Fund.....	65
Notes to Required Supplementary Information.....	66

Other Supplementary Information

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Community Development Fund.....	67
Schedule of Revenues, Expenses and Changes in Fund Net Position – Budget and Actual Enterprise Fund Waterworks and Sewer Fund.....	68
Schedule of Fines, Assessments and Surcharges.....	69

Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds	
Combining Balance Sheet.....	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	71
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Nonmajor Governmental Funds	
Special Revenue Funds	
Accommodations Tax Fund.....	72
Street and Drainage Fund.....	73
Tax Increment Revenue Fund.....	74
Agency Fund	
Statement of Changes in Assets and Liabilities Firemen’s Fund.....	75

STATISTICAL SECTION (UNAUDITED)

Financial Trend Information

Schedule 1	Net Position by Component.....	76
Schedule 2	Changes in Net Position.....	77
Schedule 3	Fund Balances, Governmental Funds.....	79
Schedule 4	Changes in Fund Balances, Governmental Funds.....	80

CITY OF CONWAY, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2019

Page 3 of 3

TABLE OF CONTENTS

Page

STATISTICAL SECTION (UNAUDITED) (continued)

Schedules of Revenue Capacity Information

Schedule 5	Assessed Value and Estimated Value of Taxable Property.....	82
Schedule 6	Direct and Overlapping Property Tax Rates.....	83
Schedule 7	Principal Property Tax Payers.....	84
Schedule 8	Property Tax Levies and Collections.....	85
Schedule 9	Water and Sewer Gallons and Number of Customers.....	86
Schedule 10	Water and Sewer Rates.....	87
Schedule 11	Principal Water and Sewer Customers.....	88

Schedules of Debt Capacity Information

Schedule 12	Ratios of Outstanding Debt by Type.....	89
Schedule 13	Ratios of Net General Bonded Debt Outstanding.....	90
Schedule 14	Direct and Overlapping Governmental Activities Debt.....	91
Schedule 15	Legal Debt Margin Information.....	92
Schedule 16	Pledged-Revenue Coverage.....	93

Schedules of Demographic and Economic Information

Schedule 17	Demographic and Economic Statistics.....	95
Schedule 18	Principal Employers.....	96

Schedules of Operating Information

Schedule 19	Full-Time Equivalent Employees by Function/Program.....	97
Schedule 20	Operating Indicators by Function/Program.....	98
Schedule 21	Capital Asset Statistics by Function/Program.....	99

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards.....	100
Notes to Schedule of Expenditures of Federal Awards.....	101
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 <i>Governmental Auditing Standards</i>	102
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance.....	104
Schedule of Findings and Questioned Costs.....	106

CITY OF CONWAY, SOUTH CAROLINA

PRINCIPAL OFFICIALS

June 30, 2019

ELECTED

MayorBarbara Jo Blain-Bellamy

Mayor Pro Tem..... William M. Goldfinch, IV

City Councilmember.....Jean M. Timbes

City Councilmember..... Thomas J. “Tom” Anderson II

City Councilmember..... Larry White

City Councilmember.....Shane Hubbard

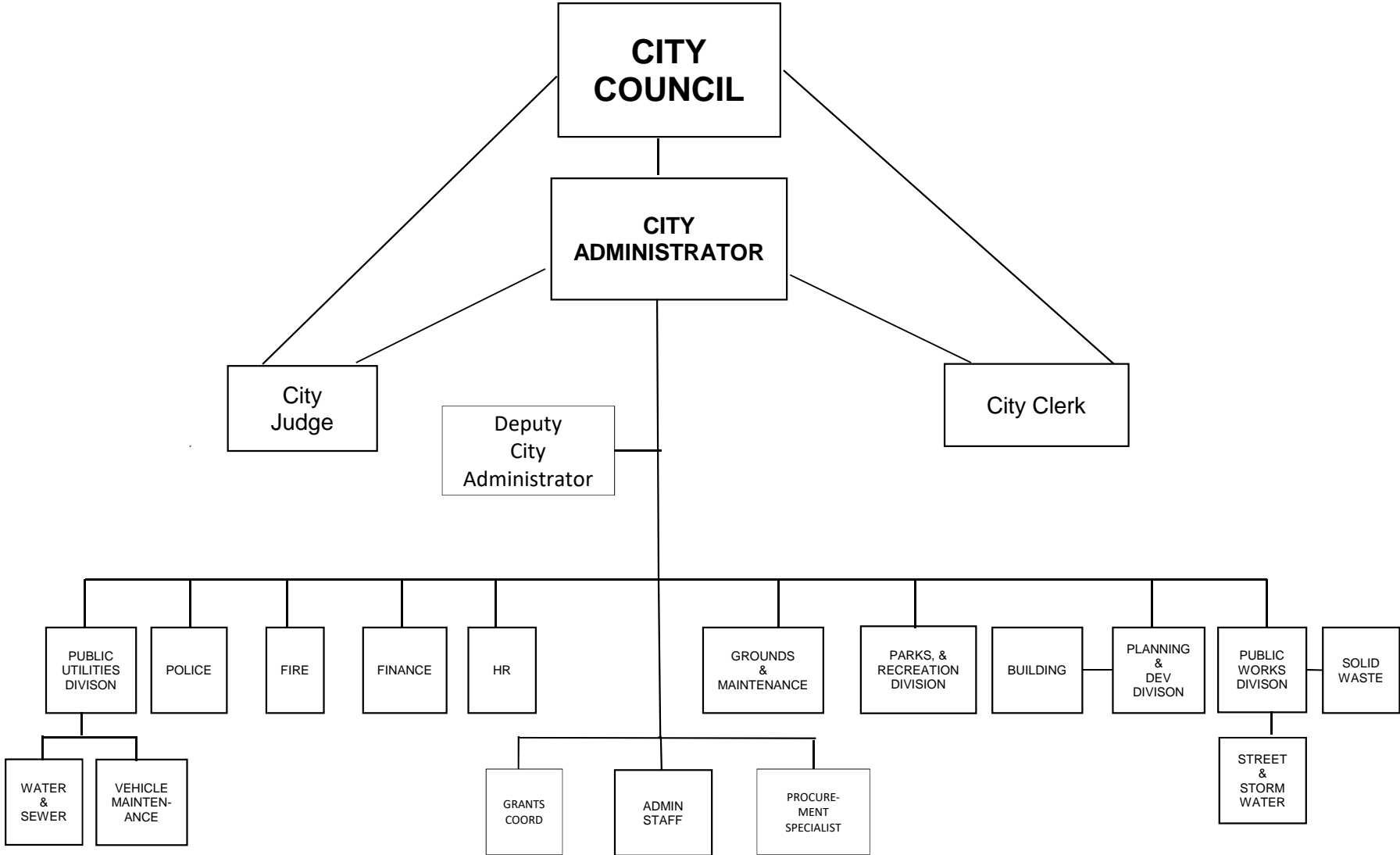
APPOINTED

Administrator Adam Emrick

Finance Director..... Allison Williams

CITY OF CONWAY, SOUTH CAROLINA

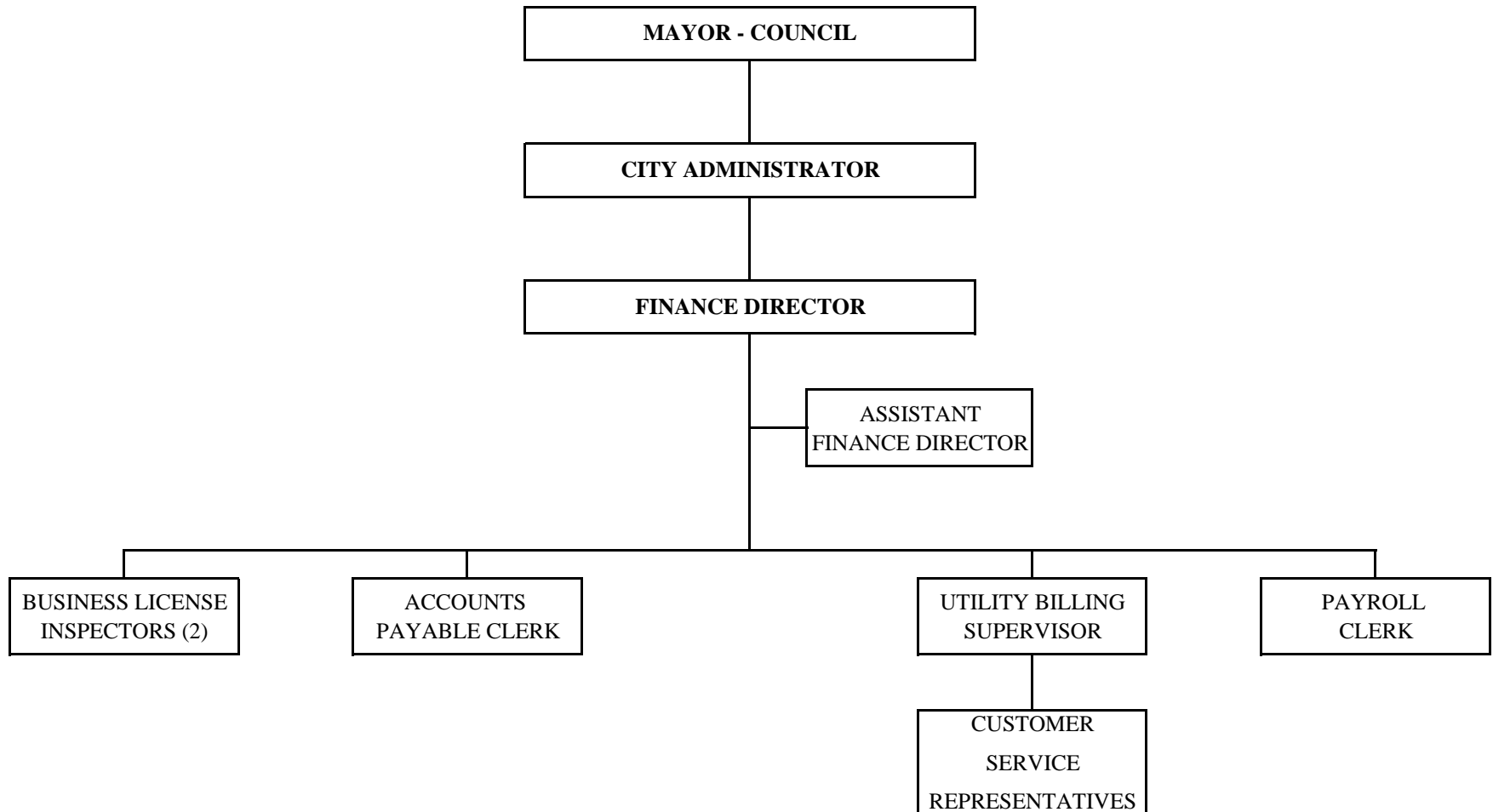
ORGANIZATIONAL CHART
June 30, 2019



CITY OF CONWAY, SOUTH CAROLINA

FINANCE DEPARTMENT ORGANIZATIONAL CHART

June 30, 2019



MAYOR
Barbara Blain-Bellamy

MAYOR PRO TEM
William M. Goldfinch IV



COUNCIL MEMBERS
Thomas J. "Tom" Anderson II
Shane Hubbard
Jean M. Timbes
Larry A. White

December 23, 2019

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, 2019. This report contains financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the City. These financial statements contain all disclosures necessary to enable the reader to gain an understanding of the City's financial activities. The responsibility for the accuracy of all data presented and its completeness and fairness of presentation rests with the city.

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

The City's financial statements have been audited by Smith Sapp Professional Association. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019, 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, 2019, 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 \$14,734,906 which falls within the policy guidelines set by the City Council for budgetary and planning purposes. Those guidelines require the City to maintain an unassigned fund balance in the general fund of at least \$5.2 million. Following its most recent annual review of the City of Conway's Five Year Capital Plan, the Council plans to leave the policy guidelines at \$5.2 million for the general fund's unassigned fund balance.

Certificate of Excellence Award

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Conway for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the twenty-eighth year out of the last thirty years that the City of Conway has received this prestigious award. In order to be awarded a Certificate of Achievement, the City of Conway had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

Sincerely,

A handwritten signature in black ink, appearing to read "Allison Williams", with a long horizontal flourish extending to the right.

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, 2018

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION





SMITH
SAPP

Certified Public Accountants & Consultants

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Conway, South Carolina, as of and for the year ended June 30, 2019, 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, 2019, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 10), pension plan information (pages 56 - 59), OPEB information (pages 60 - 62) and budgetary comparison information (pages 63 - 68) 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund statements and schedules, other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019, on our consideration of the City of Conway, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Conway, South Carolina's internal control over financial reporting and compliance.

Smith Sapp, PA

SMITH SAPP PROFESSIONAL ASSOCIATION
Certified Public Accountants and Consultants

Myrtle Beach, South Carolina
December 23, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF CONWAY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2019

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, 2019. 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 2019 by \$66,759,379 (net position). Of this amount, \$2,174,871 (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 \$658,596, or 2.32%, which was mainly due to an increase of Net Pension Liability in the amount of \$831,023; decrease of Net OPEB Liability of \$43,998; increase of \$121,752 in long-term accrued compensated absences; offset by net decrease of \$250,181 related to long-term debt repayments for Bonds Payable, Net Pension Liability and Compensated Absences.
- The City's total net position increased by \$3,878,363. This is a result of an decrease in net position of our business-type activities of \$743,408, or (3.01)%, and an increase in net position of our governmental activities of \$4,621,771, or 12.12%.
- The City's total revenues amounted to \$40,790,003 during the year ended June 30, 2019. Revenues of governmental activities totaled \$29,090,485, an increase of 21.09%, and revenues of business type activities were \$11,699,518, a decrease of (1.35)%.
- During the year ended June 30, 2019, the City's total expenses amounted to \$36,911,640. Expenses of governmental activities totaled \$25,213,614, an increase of 11.50%, and expenses of business-type activities were \$11,698,026, an increase of 5.38%, mainly due to increased maintenance costs, personnel costs, and named storm costs.
- At June 30, 2019, the City's governmental funds reported combined fund balances of \$19,364,232 a decrease of \$(1,101,843) in comparison to the prior year.
- The City's outlays for capital assets for the current fiscal year increased \$6,754,682 or 357.91% for governmental activities, and decreased \$(741,730) or (40.02)%, for business-type activities.
- At year-end, the City had outstanding debt, pension liability and OPEB liability of \$24,115,882 from governmental activities, an increase of 2.80%, mainly due to an increase in pension liability and capital lease obligations. The outstanding debt, pension liability and OPEB liability from business-type activities was \$4,565,376, a decrease of (2.55)%, mainly due to the repayment of outstanding debt.

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, 2019. 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, 2019

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 26-55.

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 56-66 of this report.

CITY OF CONWAY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2019

Other Information (continued)

Other supplementary information is presented immediately following the required supplementary information. This information can be found on pages 67-69. The combining and individual fund statements and schedules can be found on pages 70-75.

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, 2019

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 22,038,911	\$ 22,320,038	\$ 11,736,186	\$ 11,986,981	\$ 33,775,097	\$ 34,307,019
Capital Assets	<u>44,165,692</u>	<u>37,724,253</u>	<u>19,029,096</u>	<u>19,434,645</u>	<u>63,194,788</u>	<u>57,158,898</u>
Total Assets	\$ <u>66,204,603</u>	\$ <u>60,044,291</u>	\$ <u>30,765,282</u>	\$ <u>31,421,626</u>	\$ <u>96,969,885</u>	\$ <u>91,465,917</u>
Deferred Outflows of Resources	\$ 3,940,116	\$ 3,861,951	\$ 592,492	\$ 552,723	\$ 4,532,358	\$ 4,414,674
Long-Term Liabilities						
Outstanding	\$ 24,466,678	\$ 22,752,693	\$ 4,620,867	\$ 4,471,601	\$ 29,087,545	\$ 27,224,294
Other Liabilities	<u>2,701,494</u>	<u>2,794,439</u>	<u>2,731,177</u>	<u>2,769,392</u>	<u>5,432,671</u>	<u>5,563,831</u>
Total Liabilities	\$ <u>27,168,172</u>	\$ <u>25,547,132</u>	\$ <u>7,352,044</u>	\$ <u>7,240,993</u>	\$ <u>34,520,216</u>	\$ <u>32,788,125</u>
Deferred Inflows of Resources	\$ 205,631	\$ 209,965	\$ 17,017	\$ 1,485	\$ 222,648	\$ 211,450
Net position						
Net Investment in						
Capital Assets	\$ 40,018,561	\$ 33,582,669	\$ 17,666,725	\$ 17,816,547	\$ 57,685,286	\$ 51,399,216
Restricted	3,717,706	4,267,170	3,181,516	2,922,485	6,899,222	7,189,655
Unrestricted	<u>(965,351)</u>	<u>299,306</u>	<u>3,140,222</u>	<u>3,992,839</u>	<u>2,174,871</u>	<u>4,292,145</u>
Total Net position	\$ <u>42,770,916</u>	\$ <u>38,149,145</u>	\$ <u>23,988,463</u>	\$ <u>24,731,871</u>	\$ <u>66,759,377</u>	\$ <u>62,881,016</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, 2019, was \$66,759,379, an increase of \$3,878,363, or 6.17%, from a year ago.

The largest portion of the City's net position, \$57,685,286 or 86.41%, 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, \$6,899,222 of the City's net position, or 10.33%, 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 \$2,174,871 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, 2019

The City as a Whole (continued)

Condensed statements of net position at June 30, 2019 and 2018 are shown below.

City of Conway's Changes in Net Position
June 30, 2019

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Charges for Services	\$ 6,522,933	\$ 6,850,450	\$ 10,842,510	\$10,595,036	\$ 17,365,443	\$ 17,445,486
Operating Grants and Contributions	2,165,294	1,163,180			2,165,294	1,163,180
Capital Grants and Contributions	4,130,500	599,292	816,720	1,240,150	4,947,220	1,839,442
General Revenues						
Property Taxes	6,962,831	6,529,060			6,962,831	6,529,060
Franchise Fees	1,542,428	1,502,834			1,542,428	1,502,834
Other Taxes and Fees	909,296	945,817			909,296	945,817
Licenses	6,283,188	5,980,255			6,283,188	5,980,255
Interest	137,707	39,556	40,288	24,132	177,995	63,688
Grants and Contributions	436,308	424,760			436,308	424,760
Total Revenues	\$ 29,090,485	\$ 24,035,204	\$ 11,699,518	\$11,859,318	\$ 40,790,003	\$ 35,894,522
Expenses						
Governmental Activities						
General Government	\$ 4,336,783	\$ 3,494,840	\$	\$	\$ 4,336,783	\$ 3,494,840
Public Safety	10,614,205	9,661,894			10,614,205	9,661,894
Street	2,585,570	2,606,364			2,585,570	2,606,364
Sanitation	2,837,668	2,425,701			2,837,668	2,425,701
Intragovernmental						
Maintenance	419,004	306,286			419,004	306,286
Beautification	1,151,729	969,893			1,151,729	969,893
Culture and Recreation	3,156,844	3,062,113			3,156,844	3,062,113
Interest and Fiscal Charges	111,811	96,454			111,811	96,454
Business Activities						
Maintenance	\$	\$	\$ 2,378,866	\$ 2,217,889	\$ 2,378,866	\$ 2,217,889
Operations			1,019,957	941,144	1,019,957	941,144
Construction			971,769	777,274	971,769	777,274
Non-Departmental			5,778,044	5,017,723	5,778,044	5,017,723
Depreciation and Amort.			1,517,338	1,363,751	1,517,338	1,363,751
Interest and Fiscal Charges			32,052	37,606	32,052	37,606
Total Expenses	\$ 25,213,614	\$ 22,623,545	\$ 11,698,026	\$10,355,387	\$ 36,911,640	\$ 32,978,932

CITY OF CONWAY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

The City as a Whole (continued)

City of Conway's Changes in Net Position
Fiscal Year Ended June 30, 2019

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Change in Net Position						
Before Transfers	\$ 3,876,871	\$ 1,411,659	\$ 1,492	\$ 1,503,931	\$ 3,878,363	\$ 2,915,590
Transfers	<u>744,900</u>	<u>744,900</u>	<u>(744,900)</u>	<u>(744,900)</u>		
Change in Net Position	\$ 4,621,771	\$ 2,156,559	\$ (743,408)	\$ 759,031	\$ 3,878,363	\$ 2,915,590
Net Position – Beginning	38,149,145	38,175,738	24,731,871	24,265,461	62,881,016	62,441,199
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>42,770,916</u>	\$ <u>38,149,145</u>	\$ <u>23,988,463</u>	\$ <u>24,731,871</u>	\$ <u>66,759,379</u>	\$ <u>62,881,016</u>

The City's total revenues exceeded expenses by \$3,878,363 of which \$3,876,871 was from governmental activities and \$1,492 was from business-type activities.

Governmental Activities

The City's net position from governmental activities increased \$4,621,771. 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 \$(965,351) at June 30, 2019. The decrease from the prior year arises from large capital asset purchases in 2019 such that a much larger portion of the net position is represented by the net investment in capital assets.

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

The cost of all governmental activities for fiscal year 2019 was \$25,213,614. However, as shown in the statement of activities on pages 12 and 13, the amount that taxpayer's ultimately financed for these activities was only \$12,394,887 because some of the cost was paid by those who directly benefited from the programs (\$6,522,933) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,295,794). Overall, the City's governmental program revenues were \$12,818,727. 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 \$12,394,887.

Business-Type Activities

The City's net position from business-type activities decreased \$(743,408). The City's programs for business-type activities are comprised of waterworks and sewer activities. Revenues of the City's business-type activities were \$11,699,518, a 1.35% decrease that arose from a decrease in capital contributions. Expenses of the City's business-type activities were \$11,698,026, a 12.97% increase from personnel costs, materials and supplies expenses, and additional depreciation.

CITY OF CONWAY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

Business-Type Activities (continued)

The cost of all business-type activities, \$11,698,026 for fiscal year 2019 as shown in the statement of activities which begins on page 12, were funded from payments by users in the amount \$10,842,510 and from operating and capital contributions in the amount of \$816,720. Unrestricted investment earnings were \$32,372, restricted investment earnings were \$7,916 and transfers out totaled \$744,900, which are included in the cost of all business-type activities.

The City's Funds

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

Governmental Funds

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

As of the end of fiscal year 2019, the City's governmental funds reported combined ending fund balances of \$19,364,232, an decrease of \$1,101,843. The decrease is primarily due to an increase in public safety expenditures and capital outlays.

Unassigned fund balance of the governmental funds is \$14,580,745 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 2019, the fund balance of the General Fund was \$16,036,310 of which \$14,734,906 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 59.80% of total General Fund expenditures, while total fund balance represents a very healthy 65.08% of that same amount.

In the Hospitality Fund, fund balance decreased \$(64,298) at June 30, 2019. This was primarily due to an increase in capital outlay expenditures.

Fund balance in the Stormwater Management Fund decreased by \$(601,159) at June 30, 2019. This was primarily due to an increase in capital outlay expenditures.

In the Community Development Fund, fund balance decreased by \$(50,669) at June 30, 2019. This was primarily due to an increase in Intergovernmental revenues and an increase in capital outlay expenditures.

Proprietary Fund

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

General Fund Budgetary Highlights

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

Total general fund revenues exceeded budgetary estimates for the year by \$5,531,525. Following is the more noteworthy variance from revenue estimates:

CITY OF CONWAY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

General Fund Budgetary Highlights (continued)

- Property tax revenues exceeded budget by \$518,762.
- Licenses and permits exceeded budget by \$920,787 primarily due to an increase in residential building permits and business license collections.
- Intergovernmental revenues exceeded budget by \$3,613,582 primarily due to additional grants from the Federal Emergency Management Agency (FEMA) related to hazard mitigation.

Actual expenditures incurred were \$1,646,458 more than appropriations. The more significant variances from the budget are noted below:

- Capital outlay was over budget by \$1,480,781, which was primarily related an increase in grant spending related to named storm costs.

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2019 amounts to \$63,194,788 as reflected in the following schedule. This represents a net increase of \$6,035,890, or 10.56%, 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, 2019						
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 6,801,232	\$ 6,253,823	\$ 126,912	\$ 126,912	\$ 6,928,144	\$ 6,380,735
Land Improvements	1,134,219	1,238,290			1,134,219	1,238,290
Buildings and Improvements	13,491,293	13,988,335	2,525,886	2,615,343	16,017,179	16,603,678
Other Improvements	1,759,629	1,961,120			1,759,629	1,961,120
Distributions System			14,553,381	15,075,623	14,553,381	15,075,623
Furniture, Vehicles & Equipment	4,872,966	4,126,194	1,822,917	1,616,767	6,695,883	5,742,961
Infrastructure	12,189,675	10,115,795			12,189,675	10,115,795
Construction in Progress	<u>3,916,678</u>	<u>40,696</u>			<u>3,916,678</u>	<u>40,696</u>
Total	<u>\$ 44,165,692</u>	<u>\$ 37,724,253</u>	<u>\$ 19,029,096</u>	<u>\$ 19,434,645</u>	<u>\$ 63,194,788</u>	<u>\$ 57,158,898</u>

Major capital asset events during the fiscal year 2019 related to governmental activities include the following:

- City invested \$950,000 for the purchase of a fire truck for the fire department.
- City invested \$2,840,778 for drainage and street improvement projects.
- City invested \$3,537,894 for the purchase of disaster mitigation land for the purpose of culture and recreation.

CITY OF CONWAY, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

Debt Administration

As shown in the table below, the City had \$28,681,258 in bonds, capital lease obligations, pension and OPEB related debt/liabilities outstanding at year end. This is an increase of \$536,842 or 1.9% from the prior year. The increase is mainly due to the addition of the City's net pension liability in accordance with GASB 68 of \$831,021; a lease of a fire truck for \$950,000; offset by a decrease in net OPEB liability in accordance with GASB 75 of \$43,998 and a net decrease of \$1,200,181 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, 2019					
	Governmental Activities		Business-Type Activities		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General obligation bonds	\$ 546,370	\$ 631,184	\$	\$	\$ 546,370	\$ 631,184
Tax increment bonds	791,578	1,045,878			791,578	1,045,878
Revenue bonds	1,859,184	2,288,326	1,362,371	1,618,098	3,221,555	3,906,424
Pension liability	17,966,833	17,252,990	2,891,637	2,774,459	20,858,470	20,027,449
OPEB liability	2,001,917	2,065,216	311,368	292,067	2,313,285	2,357,283
Capital Lease Obligations	<u>950,000</u>	<u>176,198</u>			<u>950,000</u>	<u>176,198</u>
Total liabilities	<u>\$24,115,882</u>	<u>\$23,459,792</u>	<u>\$ 4,565,676</u>	<u>\$ 4,684,624</u>	<u>\$ 28,681,258</u>	<u>\$ 28,144,416</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, 2019, the amount of new general obligation debt that can be issued without referendum was \$5,111,804.

The City's elected and appointed officials considered many factors when setting the fiscal year 2020 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 2020. Amounts available for appropriation in the General Fund budget are \$22,323,055, an increase of 7.18% over the final fiscal year 2019 budget of \$20,827,021. Budgeted expenditures are expected to increase 6.06% to \$25,463,080 from \$24,009,159 in fiscal year 2019. The City has added no major new programs to the fiscal year 2020 budget. If these estimates are realized, the City's budgetary General Fund balance is not expected to change in fiscal year 2020.

As for the City's business-type activities, the anticipated revenues and expenses for Waterworks and Sewer System will increase by 19.98% for the fiscal year 2020.

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, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Temporary Investments	\$ 16,568,713	\$ 7,360,415	\$ 23,929,128
Receivables (Net)	4,256,934	1,487,877	5,744,811
Due from Agency Fund	12,364	-	12,364
Inventories	125,022	516,513	641,535
Restricted Cash and Temporary Investments	1,075,878	2,371,381	3,447,259
Land and Construction In Progress	10,717,910	126,912	10,844,822
Other Capital Assets (Net)	<u>33,447,782</u>	<u>18,902,184</u>	<u>52,349,966</u>
Total Assets	\$ <u>66,204,603</u>	\$ <u>30,765,282</u>	\$ <u>96,969,885</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pension Plans	\$ 3,689,285	\$ 553,229	\$ 4,242,514
Related to OPEB	<u>250,831</u>	<u>39,013</u>	<u>289,844</u>
	<u>3,940,116</u>	<u>592,242</u>	<u>4,532,358</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 2,286,521	\$ 789,398	\$ 3,075,919
Liabilities Payable from Restricted Assets	338,766	1,414,974	1,753,740
Unearned Revenue	76,207	526,805	603,012
Noncurrent Liabilities:			
Due Within One Year	1,086,794	261,213	1,348,007
Due in More Than One Year	<u>23,379,884</u>	<u>4,359,654</u>	<u>27,739,538</u>
Total Liabilities	\$ <u>27,168,172</u>	\$ <u>7,352,044</u>	\$ <u>34,520,216</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pension Plans	\$ <u>205,631</u>	\$ <u>17,017</u>	\$ <u>222,648</u>
NET POSITION			
Net Investment in Capital Assets	\$ 40,018,561	\$ 17,666,725	\$ 57,685,286
Restricted for:			
Community Development	1,925,359	-	1,925,359
Public Safety Programs	235,624	-	235,624
Tourism	775,646	-	775,646
Tax Increment	781,077	-	781,077
Capital Projects	-	3,181,516	3,181,516
Unrestricted	<u>(965,351)</u>	<u>3,140,222</u>	<u>2,174,871</u>
Total Net Position	\$ <u><u>42,770,916</u></u>	\$ <u><u>23,988,463</u></u>	\$ <u><u>66,759,379</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, 2019

Functions / Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General Government	\$ 4,336,783	\$ 118,631	\$ 223,420
Public Safety	10,614,205	1,046,933	104,215
Street	2,585,570	1,227,570	1,794,144
Sanitation	2,837,668	3,131,107	-
Intragovernmental Maintenance	419,004	-	-
Beautification	1,151,729	-	50
Culture and Recreation	3,156,844	998,692	43,465
Interest and Fiscal Charges	111,811	-	-
Total Governmental Activities	<u>\$ 25,213,614</u>	<u>\$ 6,522,933</u>	<u>\$ 2,165,294</u>
Business-Type Activities:			
Water & Sewer	<u>\$ 11,698,026</u>	<u>\$ 10,842,510</u>	<u>\$ -</u>
Total	<u><u>\$ 36,911,640</u></u>	<u><u>\$ 17,365,443</u></u>	<u><u>\$ 2,165,294</u></u>

General Revenues:

Property Taxes

In Lieu of Property Taxes

Franchise Fee Taxes

Hospitality Fee Taxes

Local Accommodations Tax

Business License Taxes

Grants and Contributions not Restricted to Specific Programs

Unrestricted Investment Earnings

Restricted Investment Earnings

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

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
\$ -	\$ (3,994,732)	\$ -	\$ (3,994,732)
138,384	(9,324,673)	-	(9,324,673)
-	436,144	-	436,144
-	293,439	-	293,439
602,037	183,033	-	183,033
-	(1,151,679)	-	(1,151,679)
3,390,079	1,275,392	-	1,275,392
-	(111,811)	-	(111,811)
<u>\$ 4,130,500</u>	<u>\$ (12,394,887)</u>	<u>\$ -</u>	<u>\$ (12,394,887)</u>
 \$ 816,720	 \$ -	 \$ (38,796)	 \$ (38,796)
<u>\$ 4,947,220</u>	<u>\$ (12,394,887)</u>	<u>\$ (38,796)</u>	<u>\$ (12,433,683)</u>
	\$ 6,962,831	\$ -	\$ 6,962,831
	76,770	-	76,770
	1,542,428	-	1,542,428
	817,917	-	817,917
	14,609	-	14,609
	6,283,188	-	6,283,188
	436,308	-	436,308
	129,984	32,372	162,356
	7,723	7,916	15,639
	744,900	(744,900)	-
	<u>\$ 17,016,658</u>	<u>\$ (704,612)</u>	<u>\$ 16,312,046</u>
	\$ 4,621,771	\$ (743,408)	\$ 3,878,363
	38,149,145	\$ 24,731,871	62,881,016
	<u>\$ 42,770,916</u>	<u>\$ 23,988,463</u>	<u>\$ 66,759,379</u>

CITY OF CONWAY, SOUTH CAROLINA

Page 1 of 2

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Hospitality Fund	Stormwater Management Fund
ASSETS			
Cash and Temporary Investments	\$ 13,084,749	\$ 735,174	\$ 435,773
Receivables (Net):			
Property Taxes	463,987	-	-
Franchise Fees	412,562	-	-
Local Accommodations Tax	-	-	-
Hospitality Fees	-	79,948	-
Interest	-	-	-
Intergovernmental	1,844,474	-	-
Other	1,277,705	-	-
Due From Other Funds	166,525	-	-
Inventories	125,022	-	-
Restricted Cash and Temporary Investments	<u>1,075,878</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 18,450,902</u>	<u>\$ 815,122</u>	<u>\$ 435,773</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ 1,718,524	\$ 117,168	\$ 5,947
Due to Other Fund	-	-	-
Payable From Restricted Assets:			
Performance Bonds	286,461	-	-
Court Bonds	15,705	-	-
Narcotics Funds on Hand	36,600	-	-
Unearned Revenue	<u>76,207</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 2,133,497</u>	<u>\$ 117,168</u>	<u>\$ 5,947</u>
Deferred Inflows of Resources	\$ 281,095	\$ -	\$ -
Fund Balances:			
Unspendable			
Inventories	\$ 125,022	\$ -	\$ -
Restricted			
Accommodations	-	-	-
Hospitality	-	697,954	-
Narcotics Law Enforcement	40,136	-	-
Street and Drainage Project	-	-	-
Stormwater	-	-	429,826
Tax Increment	-	-	-
Victims Assistance	192,136	-	-
Assigned			
Beautification	958	-	-
Lakeside Cemetery	262,664	-	-
Recreation Center	511,248	-	-
Public Safety	5,598	-	-
Sanitation Department	158,242	-	-
Sculpture Trail	5,400	-	-
Unassigned	<u>14,734,906</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 16,036,310</u>	<u>\$ 697,954</u>	<u>\$ 429,826</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 18,450,902</u>	<u>\$ 815,122</u>	<u>\$ 435,773</u>

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

Community Development Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,313,017	\$ 16,568,713
-	-	-
-	4,506	468,493
-	-	412,562
-	3,637	3,637
-	-	79,948
-	-	-
-	170,115	2,014,589
-	-	1,277,705
-	-	166,525
-	-	125,022
-	-	-
-	-	1,075,878
<u>\$ -</u>	<u>\$ 2,491,275</u>	<u>\$ 22,193,072</u>
\$ -	\$ 133,042	\$ 1,974,681
154,161	-	154,161
-	-	286,461
-	-	15,705
-	-	36,600
-	-	76,207
<u>\$ 154,161</u>	<u>\$ 133,042</u>	<u>\$ 2,543,815</u>
\$ -	\$ 3,930	\$ 285,025
\$ -	\$ -	\$ 125,022
-	77,692	77,692
-	-	697,954
-	-	40,136
-	1,495,534	1,495,534
-	-	429,826
-	781,077	781,077
-	-	192,136
-	-	958
-	-	262,664
-	-	511,248
-	-	5,598
-	-	158,242
-	-	5,400
(154,161)	-	14,580,745
<u>\$ (154,161)</u>	<u>\$ 2,354,303</u>	<u>\$ 19,364,232</u>
<u>\$ -</u>	<u>\$ 2,491,275</u>	<u>\$ 22,193,072</u>

CITY OF CONWAY, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2019

Total Fund Balances - Total Governmental Funds	\$ 19,364,232
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.	44,165,692
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,225,141
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(24,984,149)</u>
Net Position of Governmental Activities	<u>\$ 42,770,916</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, 2019**

	General Fund	Hospitality Fund	Stormwater Management Fund
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
REVENUES			
Property Taxes	\$ 6,578,762	\$ -	\$ -
Franchise Fees	1,542,428	-	-
Hospitality Fees	-	817,917	-
Local Accommodations Tax	-	-	-
Stormwater Fees	-	-	1,227,570
Licenses and Permits	6,967,537	-	-
Fines and Forfeitures	184,216	-	-
Interest	130,320	1,690	2,719
Intergovernmental	4,255,853	-	-
Charges for Services	3,089,855	-	-
Recreation Center	699,807	-	-
Other	750,768	-	1,362
Total Revenues	\$ <u>24,199,546</u>	\$ <u>819,607</u>	\$ <u>1,231,651</u>
EXPENDITURES			
Current:			
General Government	\$ 3,703,770	\$ -	\$ -
Public Safety	9,492,235	-	-
Street	798,371	-	880,053
Sanitation	2,475,500	-	-
Intragovernmental Maintenance	330,998	-	-
Beautification	1,027,004	-	-
Culture and Recreation	2,226,166	262,245	-
Capital Outlay	5,456,881	205,361	778,884
Debt Service	276,392	303,849	173,873
Total Expenditures	\$ <u>25,787,317</u>	\$ <u>771,455</u>	\$ <u>1,832,810</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>(1,587,771)</u>	\$ <u>48,152</u>	\$ <u>(601,159)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	\$ 9,237	\$ -	\$ -
Proceeds from Insurance Recoveries	194,758	-	-
Transfers In	884,150	-	-
Transfers Out	-	(112,450)	-
Total Other Financing Sources (Uses)	\$ <u>1,088,145</u>	\$ <u>(112,450)</u>	\$ <u>-</u>
Net Change in Fund Balances	\$ (499,626)	\$ (64,298)	\$ (601,159)
Fund Balances - Beginning	<u>16,535,936</u>	<u>762,252</u>	<u>1,030,985</u>
Fund Balances - Ending	\$ <u><u>16,036,310</u></u>	\$ <u><u>697,954</u></u>	\$ <u><u>429,826</u></u>

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

CITY OF CONWAY, SOUTH CAROLINA

Page 2 of 2

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2019**

	Community Development Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property Taxes	\$ -	\$ 390,405	\$ 6,969,167
Franchise Fees	-	-	1,542,428
Hospitality Fees	-	-	817,917
Local Accommodations Tax	-	14,609	14,609
Stormwater Fees	-	-	1,227,570
Licenses and Permits	-	-	6,967,537
Fines and Forfeitures	-	-	184,216
Interest	-	2,978	137,707
Intergovernmental	602,036	1,835,989	6,693,878
Charges for Services	-	-	3,089,855
Recreation Center	-	-	699,807
Other	-	-	752,130
Total Revenues	\$ <u>602,036</u>	\$ <u>2,243,981</u>	\$ <u>29,096,821</u>
EXPENDITURES			
Current:			
General Government	\$ 163,746	\$ 43,190	\$ 3,910,706
Public Safety	-	-	9,492,235
Street	58,477	7,117	1,744,018
Sanitation	-	-	2,475,500
Intragovernmental Maintenance	-	-	330,998
Beautification	-	-	1,027,004
Culture and Recreation	9,309	-	2,497,720
Capital Outlay	421,173	1,779,626	8,641,925
Debt Service	-	273,339	1,027,453
Total Expenditures	\$ <u>652,705</u>	\$ <u>2,103,272</u>	\$ <u>31,147,559</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>(50,669)</u>	\$ <u>140,709</u>	\$ <u>(2,050,738)</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	\$ -	\$ -	\$ 9,237
Proceeds from Insurance Recoveries	-	-	194,758
Transfers In	-	-	884,150
Transfers Out	-	(26,800)	(139,250)
Total Other Financing Sources (Uses)	\$ <u>-</u>	\$ <u>(26,800)</u>	\$ <u>948,895</u>
Net Change in Fund Balances	\$ <u>(50,669)</u>	\$ <u>113,909</u>	\$ <u>(1,101,843)</u>
Fund Balances - Beginning	<u>(103,492)</u>	<u>2,240,394</u>	<u>20,466,075</u>
Fund Balances - Ending	\$ <u><u>(154,161)</u></u>	\$ <u><u>2,354,303</u></u>	\$ <u><u>19,364,232</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, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ (1,101,843)

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 (\$8,641,925) were more than depreciation (\$3,131,964) in the current period. 5,509,961

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (6,336)

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. 944,454

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. (724,465)

Change in Net Position of Governmental Activities \$ 4,621,771

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, 2019**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
ASSETS	
Current Assets:	
Cash on Hand	\$ 1,250
Cash in Banks and Temporary Investments	5,134,056
Restricted Cash and Temporary Investments	
Customers Deposits	1,414,974
Receivables (Net):	
Accounts	1,356,849
Interest - Unrestricted	4,079
Interest - Restricted	1,831
Other	125,118
Inventories	516,513
Total Current Assets	\$ <u>8,554,670</u>
Noncurrent Assets:	
Restricted Cash and Temporary Investments	\$ 3,181,516
Land and Construction in Process	126,912
Other Capital Assets (Net)	18,902,184
Total Noncurrent Assets	\$ <u>22,210,612</u>
Total Assets	\$ <u>30,765,282</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Related to Pension Plan	\$ 553,229
Related to OPEB	39,013
	\$ <u>592,242</u>
 LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ 789,398
Revenue Bonds	261,213
Unearned Revenue	526,805
Current Liabilities Payable From Restricted Assets:	
Customer Deposits	1,414,974
Total Current Liabilities	\$ <u>2,992,390</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, 2019

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
Noncurrent Liabilities:	
Compensated Absences	\$ 55,490
Revenue Bonds (Net)	1,101,158
Net Pension Liability	2,891,638
Net OPEB Liability	311,368
Total Noncurrent Liabilities	\$ <u>4,359,654</u>
Total Liabilities	\$ <u>7,352,044</u>
 DEFERRED INFLOWS OF RESOURCES	
Related to Pension Plan	\$ <u>17,017</u>
 NET POSITION	
Net Investment in Capital Assets	\$ 17,666,725
Restricted for Capital Projects	3,181,516
Unrestricted	3,140,222
Total Net Position	\$ <u><u>23,988,463</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, 2019

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
OPERATING REVENUES	
Water Usage, Tap Fees and Penalties	\$ 7,663,562
Sewer Usage, Tap Fees and Penalties	2,780,828
Miscellaneous	398,120
Total Operating Revenues	\$ <u>10,842,510</u>
OPERATING EXPENSES	
Maintenance	\$ 2,387,579
Operations	1,019,957
Construction	971,769
Non-Departmental	5,778,044
Depreciation and Amortization	1,517,338
Total Operating Expenses	\$ <u>11,674,687</u>
Operating Loss	\$ <u>(832,177)</u>
NONOPERATING REVENUES (EXPENSES)	
Unrestricted Interest Earned	\$ 32,372
Restricted Interest Earned	7,916
Insurance Recoveries	8,713
Interest Expense	(32,052)
Total Nonoperating Revenues (Expenses)	\$ <u>16,949</u>
Loss Before Contributions and Transfers	\$ <u>(815,228)</u>
CONTRIBUTIONS AND TRANSFERS	
Capital Contributions	\$ 816,720
Transfer Out	(744,900)
Total Contributions and Transfers	\$ <u>71,820</u>
Change in Net Position	\$ (743,408)
Total Net Position - Beginning	24,731,871
Total Net Position - Ending	\$ <u><u>23,988,463</u></u>

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

CITY OF CONWAY, SOUTH CAROLINA

Page 1 of 2

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2019**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	\$ 10,784,804
Payments to Suppliers	(8,807,987)
Payments to Employees	(1,364,300)
Other Receipts	321,259
Net Cash and Cash Equivalents Provided by Operating Activities	\$ <u>933,776</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer Out	\$ <u>(744,900)</u>
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	\$ (255,727)
Interest Paid on Revenue Bonds	(34,141)
Capital Contributions	816,720
Insurance Recoveries	8,713
Purchases of Capital Assets	(1,111,789)
Net Cash and Cash Equivalents Used by Capital and Related Financing Activities	\$ <u>(576,224)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Maturities	\$ 3,735,008
Investment Purchases	(425,580)
Interest Received	40,288
Net Cash and Cash Equivalents Provided by Investing Activities	\$ <u>3,349,716</u>
 Net Increase in Cash and Cash Equivalents	\$ 2,962,368
 Cash and Cash Equivalents - Beginning	<u>6,343,848</u>
 Cash and Cash Equivalents - Ending	\$ <u><u>9,306,216</u></u>

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

CITY OF CONWAY, SOUTH CAROLINA

Page 2 of 2

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2019**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
 <u>Reconciliation of Operating Income to Net Cash and Cash Equivalents Provided by Operating Activities</u>	
Operating Loss	\$ (832,177)
Adjustments to Reconcile Operating Income to Net Cash and Cash Equivalents Provided by Operating Activities:	
Depreciation and Amortization	1,517,338
(Increase) in Accounts Receivable	(90,562)
(Increase) in Other Receivable	(76,861)
Decrease in Inventories	71,158
(Decrease) in Accounts Payable and Accrued Expenses	(198,589)
Increase in Unearned Revenue	382,105
Increase in Customer Deposits Payable	48,871
Increase in Pension Liability	130,027
Decrease in OPEB Liability	(17,534)
Net Cash and Cash Equivalents Provided by Operating Activities	\$ <u><u>933,776</u></u>

Reconciliation of Cash and Cash Equivalents

Unrestricted Cash and Temporary Investments	\$ 5,135,306
Restricted Cash and Temporary Investments	<u>4,596,490</u>
Temporary Investments With Original Maturity Dates of Greater Than Three Months	\$ <u><u>9,731,796</u></u> <u>(425,580)</u>
Cash and Cash Equivalents	\$ <u><u>9,306,216</u></u>

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

CITY OF CONWAY, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2019

ASSETS

Cash and Temporary Investments	\$ <u>130,503</u>
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LIABILITIES

Due to General Fund	\$ 12,363
Due to Firemen's Association	<u>118,140</u>
Total Liabilities	<u>\$ 130,503</u>

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

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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, 2019

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).

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Fund Financial Statements *(continued)*

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

Proprietary Funds

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

- 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

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

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

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Measurement Focus and Basis of Accounting** *(continued)*

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

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 now reports 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.

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.

Due to the nature of the contractual agreements surrounding the various repurchase agreements, which include complete access to the funds and lack of withdrawal penalty, said agreements will be treated, for liquidity purposes, as cash.

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, 2019

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, 2019

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, 2019

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 IRC 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, 2019**

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 unassigned 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, 2019, the Community Development Fund, a nonmajor governmental fund, had an equity deficit of \$154,161.

CITY OF CONWAY, SOUTH CAROLINA

Page 9 of 30

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, \$24,984,149, follows:

Bonds Payable	\$ 3,197,132
Capital Lease Obligations	950,000
Net Pension Liability and Related Amounts	18,172,464
Compensated Absences	600,796
Net OPEB Liability and Related Amounts	2,001,917
Accrued Interest Payable	<u>61,840</u>
	\$ <u>24,984,149</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, \$(724,465), is comprised of the following:

Compensated Absences	\$ (109,084)
Net Pension Liability	(866,779)
Net OPEB Liability	298,732
Loss on Sale of Capital Assets	(18,522)
Accrued Interest	<u>(28,812)</u>
	\$ <u>(724,465)</u>

Note 4 - CASH AND TEMPORARY INVESTMENTS

Deposits

At year end, the carrying amount of the City's deposits in financial institutions was \$3,473,893 and the financial institutions' balances totaled \$4,386,281 including certificates of deposit. Of that balance, \$357,075 was covered by federal depository insurance and \$4,029,206 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 \$2,295 at June 30, 2019.

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

Temporary Investments

At 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	3 Day	Not Rated	\$ 3,941,390	16.40%
Repurchase Agreement	365 Day	Not Rated	<u>20,089,308</u>	<u>83.60%</u>
			\$ <u>24,030,698</u>	<u>100.00%</u>

At June 30, 2019, fair value measurements of the City's investments are as follows:

CITY OF CONWAY, SOUTH CAROLINA

Page 10 of 30

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4 - CASH AND TEMPORARY INVESTMENTS *(continued)*

Temporary Investments *(continued)*

	<u>Fair Value Measurements Using</u>	
	Level 2	
	<u>Inputs</u>	<u>Total</u>
Repurchase Agreements	\$ 24,030,698	\$ 24,030,698
	<u>\$ 24,030,698</u>	<u>\$ 24,030,698</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, 2019, including the applicable allowances for doubtful accounts, are as follows:

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Community Development Fund</u>	<u>Waterworks and Sewer Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Totals</u>
Property Taxes	\$ 1,080,082	\$	\$	\$	\$ 4,712	\$ 1,084,794
Franchise Fees	412,562					412,562
Business Licenses	907,221					907,221
Local Accommodations Tax					3,637	3,637
Hospitality Fees		79,948				79,948
Customer Accounts				1,423,310		1,423,310
Interest				5,910		5,910
Intergovernmental	1,844,474				170,115	2,014,589
Other	370,484			125,118		495,602
	<u>\$ 4,614,823</u>	<u>\$ 79,948</u>	<u>\$</u>	<u>\$ 1,554,338</u>	<u>\$ 178,464</u>	<u>\$ 6,427,573</u>
Allowances for Doubtful Accounts	<u>(616,095)</u>			<u>(66,461)</u>	<u>(206)</u>	<u>(682,762)</u>
	<u>\$ 3,998,728</u>	<u>\$ 79,948</u>	<u>\$</u>	<u>\$ 1,487,877</u>	<u>\$ 178,258</u>	<u>\$ 5,744,811</u>

Note 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2019, amounts due to/from other funds were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 12,364	\$
Agency Fund		12,364
	<u>\$ 12,364</u>	<u>\$ 12,364</u>

The interfund loans were made to cover cash flow deficiencies of the various funds. The amounts due from the Agency Fund (\$12,364) are expected to be repaid shortly after the end of the fiscal year.

CITY OF CONWAY, SOUTH CAROLINA

Page 11 of 30

NOTES TO FINANCIAL STATEMENTS
June 30, 2019**Note 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS** *(continued)*

	Purpose	Transfer In	Transfer Out
General Fund		\$ 884,150	\$
Special Revenue Fund			
Hospitality Fund	Subsidy		112,450
Accommodations Tax Fund	Subsidy		26,800
Enterprise Fund			
Waterworks and Sewer Fund	Subsidy		744,900
		<u>\$ 884,150</u>	<u>\$ 884,150</u>

Note 7 - RESTRICTED CASH AND TEMPORARY INVESTMENTS

The City's restricted cash and temporary investments consisted of the following at June 30, 2019:

Governmental Activities:

General Fund	
Public Safety Programs	\$ 290,673
Sanitation Funds	158,242
Lakeside Cemetery Fund	262,664
Performance Bonds	286,461
Other	77,838
Total Governmental Activities	<u>\$ 1,075,878</u>

Business-Type Activities:

Waterworks and Sewer Fund:	
Customer Deposits	\$ 1,414,974
Renewal and Replacement Accounts	3,181,516
Total Business-Type Activities:	<u>\$ 9,731,796</u>

Note 8 - CAPITAL ASSETS (NET)

The City's capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital Assets not Being Depreciated:				
Land	\$ 6,253,823	\$ 547,409	\$	\$ 6,801,232
Construction in Progress	40,696	3,875,982		3,916,678
	<u>\$ 6,294,519</u>	<u>\$ 4,423,391</u>	<u>\$</u>	<u>\$ 10,717,910</u>
Capital Assets Being Depreciated:				
Land Improvements	\$ 2,971,493	\$ 15,936	\$	\$ 2,987,429
Buildings and Improvements	19,412,296	93,081	8,820	19,496,557
Furniture, Vehicles and Equipment	14,617,514	2,208,915	383,375	16,443,054
Other Improvements	6,451,798	9,825		6,461,623
Infrastructure	28,251,381	2,840,778		31,092,158
	<u>\$ 71,704,482</u>	<u>\$ 5,168,535</u>	<u>\$ 392,195</u>	<u>\$ 76,480,821</u>

CITY OF CONWAY, SOUTH CAROLINA

Page 12 of 30

NOTES TO FINANCIAL STATEMENTS
June 30, 2019**Note 8 - CAPITAL ASSETS (NET)** *(continued)*

Accumulated Depreciation for:				
Land Improvements	\$ (1,733,203)	\$ (120,007)	\$	\$ (1,853,210)
Buildings and Improvements	(5,423,961)	(590,123)	(8,820)	(6,005,264)
Furniture, Vehicles and Equipment	(10,491,320)	(1,443,621)	(364,853)	(11,570,088)
Other Improvements	(4,490,678)	(211,316)		(4,701,994)
Infrastructure	(18,135,586)	(766,897)		(18,902,483)
	<u>\$ (40,274,748)</u>	<u>\$ (3,131,964)</u>	<u>\$ (373,673)</u>	<u>\$ (43,033,039)</u>
Capital Assets (Net)	<u>\$ 37,724,253</u>	<u>\$ 6,459,962</u>	<u>\$ 18,522</u>	<u>\$ 44,165,692</u>

Business-Type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not Being Depreciated:				
Land	\$ 126,912			\$ 126,912
	<u>\$ 126,912</u>	<u>\$</u>	<u>\$</u>	<u>\$ 126,912</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 3,554,841	\$	\$	\$ 3,554,841
Distribution System	33,919,222	549,531		34,468,753
Furniture, Vehicles and Equipment	5,544,524	562,258		6,106,782
Intangible Assets	<u>1,025,362</u>	<u></u>	<u></u>	<u>1,025,362</u>
	<u>\$ 44,043,949</u>	<u>\$ 1,111,789</u>	<u>\$</u>	<u>\$ 45,155,738</u>
Accumulated Depreciation for:				
Buildings and Improvements	\$ (939,498)	\$ (89,457)	\$	\$ (1,028,955)
Distribution System	(18,843,599)	(1,071,773)		(19,915,372)
Furniture, Vehicles and Equipment	(3,927,757)	(356,108)		(4,283,865)
Intangible Assets	<u>(1,025,362)</u>	<u></u>	<u></u>	<u>(1,025,362)</u>
	<u>\$ (24,736,216)</u>	<u>\$ (1,517,338)</u>	<u>\$</u>	<u>\$ (26,253,554)</u>
Capital Assets (Net)	<u>\$ 19,434,645</u>	<u>\$ (405,549)</u>	<u>\$</u>	<u>\$ 19,029,096</u>

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

Governmental Activities:	
General Government	\$ 134,884
Public Safety	816,544
Street	955,174
Sanitation	360,001
Intergovernmental Maintenance	83,497
Beautification	118,448
Culture and Recreation	<u>663,416</u>
	<u>\$ 3,131,964</u>
Business-Type Activities:	
Waterworks & Sewer	<u>\$ 1,517,338</u>

CITY OF CONWAY, SOUTH CAROLINA

Page 13 of 30

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES / EXPENDITURES

Accounts payable and accrued expenses / expenditures consisted of the following at June 30, 2019:

	<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	\$ 1,322,928	\$ 117,168	\$ 5,947	\$	\$ 710,223	\$ 133,042	\$ 2,289,308
Accrued Salaries and Wages	395,596				60,686		456,282
Interest Payable					8,489		8,489
Compensated Absences					<u>10,000</u>		<u>10,000</u>
	<u>\$ 1,718,524</u>	<u>\$ 117,168</u>	<u>\$ 5,947</u>	<u>\$</u>	<u>\$ 789,398</u>	<u>\$ 133,042</u>	<u>\$ 2,764,079</u>

Reconciliation to the Government-Wide Statement of Net Position:

Accrued Interest Payable	61,840
Compensated Absences – General Fund	<u>250,000</u>
	<u>\$ 3,075,919</u>

Note 10 – UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES

At June 30, 2019, unearned revenue was comprised of the following:

	<u>General Fund</u>	<u>Waterworks and Sewer Fund</u>	<u>Total</u>
Recreation Membership Fees	\$ 76,207	\$	\$ 76,207
Tap Fees		93,405	93,405
Capital Contributions		<u>433,400</u>	<u>433,400</u>
	<u>\$ 76,207</u>	<u>\$ 526,805</u>	<u>\$ 603,012</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, 2019, 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>\$ 98,203</u>	<u>\$ 577</u>	<u>\$ 98,780</u>

CITY OF CONWAY, SOUTH CAROLINA

Page 14 of 30

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 11 - LONG-TERM LIABILITIES

Governmental Activities

At June 30, 2019, 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	2.00%	546,370
Revenue Bonds			
Rev. and Refunding Rev. Bonds	01/22/13	2.25%	1,687,722
Stormwater Projects	05/15/14	1.40%	171,462
Tax Increment Bonds			
Municipal Improvements	05/14/14	1.80%	791,578
Lease/Purchase Obligation			
Fire Truck	08/08/18	4.20%	<u>950,000</u>
			<u>\$ 4,147,132</u>

The City's long-term liability activity for governmental activities for the year ended June 30, 2019 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	\$ 631,184	\$	\$ (84,814)	\$ 546,370	\$ 86,566
Revenue Bond	2,288,326		(429,142)	1,859,184	437,337
Tax Increment Bond	1,045,878		(254,300)	791,578	259,160
Capital Lease Obligations	176,198	950,000	(176,198)	950,000	303,731
Compensated Absences	<u>491,711</u>	<u>359,083</u>	<u>(250,000)</u>	<u>600,796</u>	<u>250,000</u>
	<u>\$ 4,633,297</u>	<u>\$ 1,309,083</u>	<u>\$ (1,194,454)</u>	<u>\$ 4,747,928</u>	<u>\$ 1,336,794</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				2,001,917	
Net Pension Liability				<u>17,966,833</u>	
				<u>\$ 24,466,678</u>	<u>\$ 1,086,794</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

Page 15 of 30

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 11 - LONG-TERM LIABILITIES (continued)

	Principal	Interest	Total
Year Ending June 30, 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	93,824	3,855	97,679
2025	95,519	2,220	97,739
	<u>\$ 546,370</u>	<u>\$ 39,764</u>	<u>\$ 586,134</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, 2020	\$ 437,337	\$ 40,416	\$ 477,753
2021	271,857	31,992	303,849
2022	277,974	25,875	303,849
2023	284,229	19,620	303,849
2024	290,624	13,225	303,849
2025	297,163	6,686	303,849
	<u>\$ 1,859,184</u>	<u>\$ 137,814</u>	<u>\$ 1,996,998</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, 2020	\$ 259,160	\$ 14,491	\$ 273,651
2021	263,930	9,721	273,651
2022	268,488	4,905	273,393
	<u>\$ 791,578</u>	<u>\$ 29,117</u>	<u>\$ 820,695</u>

Capital Lease Obligations

Capital leases were incurred in conjunction with the purchase of fire equipment. The capital leases are to be repaid by property tax revenues. At June 30, 2019, the gross amount of equipment recorded under capital leases totaled \$950,000. The minimum future lease payments due under the capital leases as of June 30, 2019 are as follows:

Year Ending June 30, 2020	\$ 343,631
2021	343,631
2022	343,631
Total Minimum Lease Payments	\$ 1,030,894
Amount Representing Interest	(80,894)
Present Value of Minimum Lease Payments	<u>\$ 950,000</u>

CITY OF CONWAY, SOUTH CAROLINA

Page 16 of 30

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019:

	<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>1,362,371</u>

The City's long-term liability activity for business-type activities for the year ended June 30, 2019 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	\$ 1,618,098	\$	\$ (255,727)	\$ 1,362,371	\$ 261,213
Compensated Absences	<u>52,822</u>	<u>22,669</u>	<u>(10,000)</u>	<u>65,491</u>	<u>10,000</u>
	<u>\$ 1,670,920</u>	<u>\$ 22,669</u>	<u>\$ (265,727)</u>	<u>\$ 1,427,862</u>	<u>\$ 271,213</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	311,368	
Net Pension Liability	<u>2,891,637</u>	
	<u>\$ 4,620,867</u>	<u>\$ 261,213</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, 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>283,428</u>	<u>6,630</u>	<u>290,058</u>
	<u>\$ 1,362,371</u>	<u>\$ 88,956</u>	<u>\$ 1,451,327</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019

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. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the Board, are insufficient to maintain the amortization period set in statute, the Board shall increase employer contribution rates as necessary.

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

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9.0% and 9.75% for the SCRS and the PORS, respectively. The employer contribution rates will continue to increase annually by 1.0% through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56% for the SCRS and 21.24% for the PORS. The amortization period is scheduled to be reduced one year for each of the next ten years to a twenty year amortization period.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12 – PENSION PLANS *(continued)*

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

	<u>SCRS</u>	<u>PORS</u>
Class Two Member	14.41 %	16.84 %
Class Three Member	14.41	16.84
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, 2019 were \$1,008,855 and \$735,630, respectively. The contributions made by the City were equal to the required contributions for the year.

E. Net Pension Liability and Pension Expense

SCRS - At June 30, 2019, the City reported a liability of \$12,851,724 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the City's proportion was 0.057356%, which is an increase of 0.002466% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$1,660,450.

PORS - At June 30, 2019, the City reported a liability of \$8,006,748 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the City's proportion was 0.282570%, which is an increase of 0.00223% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$1,080,805.

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

At June 30, 2019, 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	\$ 23,199	\$ 246,701
Changes of Assumptions	509,885	527,924
Differences Between Projected and Actual Earnings on Plan Investments	204,150	160,116
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	712,708	113,346
City Contributions Subsequent to the Measurement Date	<u>1,008,855</u>	<u>735,630</u>
	<u>\$ 2,458,797</u>	<u>\$ 1,783,717</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12 – PENSION PLANS *(continued)*

At June 30, 2019, 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	\$ 75,629	\$
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions		147,019
	<u>\$ 75,629</u>	<u>\$ 147,019</u>

The \$1,744,485 amount reported as deferred outflows of resources related to pension plans resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension plans will be recognized in pension expense as follows:

	<u>SCRS</u>	<u>PORS</u>
Year Ended June 30, 2020	\$ 810,782	\$ 514,968
2021	582,807	316,049
2022	(8,060)	55,561
2023	<u>(11,216)</u>	<u>14,490</u>
	<u>\$ 1,374,313</u>	<u>\$ 901,068</u>

G. Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

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 2018 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:

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12 – PENSION PLANS *(continued)*

	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>
Global Equity		
Global Public Equity	33.0%	6.99%
Private Equity	9.0	8.73
Equity Options Strategies	5.0	5.52
Real Assets		
Real Estate (Private)	6.0	3.54
Real Estate (REITs)	2.0	5.46
Infrastructure	2.0	5.09
Opportunistic		
GTAA/Risk Parity	8.0	3.75
Hedge Funds (non-PA)	2.0	3.45
Other Opportunistic Strategies	3.0	3.75
Diversified Credit		
Mixed Credit	6.0	3.05
Emerging Markets Debt	5.0	3.94
Private Debt	7.0	3.89
Conservative Fixed Income		
Core Fixed Income	10.0	0.94
Cash and Short Duration (Net)	<u>2.0</u>	<u>0.34</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 (6.25%)</u>	<u>Current Rate (7.25%)</u>	<u>1.0% Increase (8.25%)</u>
City's Proportionate Share of the Net Pension Liability	\$ <u>16,422,117</u>	\$ <u>12,851,724</u>	\$ <u>10,299,235</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 12 – PENSION PLANS *(continued)*

	PORS		
	1.0% Decrease (6.25%)	Current Rate (7.25%)	1.0% Increase (8.25%)
City's Proportionate Share of the Net Pension Liability	\$ <u>10,794,097</u>	\$ <u>8,006,748</u>	\$ <u>5,723,675</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 administration of the Program pursuant to the Trust Agreement and Bylaws. As of 2018 and 2017, the Trust had 44 participating employers. Of those participating employers, 34 and 33 of those made contributions to the Trust by December 31, 2018 and 2017, 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, 2018, the annual money weighted rate of return on the plan investments was 0.59%. The money weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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 2018 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, 2018, the date of the latest actuarial valuation:

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

B. Investment Policies *(continued)*

Number of participating employers	44
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C. Additional Financial Information

Additional financial information is located in the Trust's CAFR for the fiscal year ended December 31, 2018. 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.

CITY OF CONWAY, SOUTH CAROLINA

Page 24 of 30

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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

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

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

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

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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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%
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	3.55%
Measurement Date	4.10%
Year FNP is projected to be depleted	
Prior Measurement Date	N/A
Measurement Date	N/A

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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.

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>	Target Allocation
Fixed Income	94.3%
Equity Fund	0.0%
Cash and Cash Equivalents	<u>5.7%</u>
Total	100.0%

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

	<u>Health Care Cost Trend Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$1,666,598	\$2,313,285	\$3,158,996

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:

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

	1% Decrease (3.75%)	Current (4.75%)	1% Increase (5.75%)
Net OPEB Liability	\$3,182,608	\$2,313,285	\$1,598,976

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, 2018, is shown in the following table:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) – (b)
Balance as of December 31, 2017	\$ 5,068,913	\$ 2,711,630	\$ 2,357,283
Changes for the year:			
Service Cost as the end of the year*	206,690		206,690
Interest on TOL and Cash Flows	237,215		237,215
Difference between expected and actual experience	23,526		23,526
Contributions – Employer		474,696	474,696
Net Investment Income		36,733	(36,733)
Benefit payments and implicit subsidy credit**	(151,586)	(151,586)	
Net Changes	\$ 315,845	\$ 359,843	\$ (43,998)
Balance as of December 31, 2018	\$ 5,384,758	\$ 3,071,473	\$ 2,313,285

* The service cost includes interest for the year.

** Benefit payments are net of participant contributions and include a payment of \$29,300 for the implicit subsidy. Benefit payments include \$122,286 paid outside the trust.

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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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)*

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:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 36,690	\$
Changes of assumptions or other inputs		
Net difference between projected and actual earnings on plan investments	<u>110,992</u>	<u> </u>
Total	\$ <u>147,682</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:

**Measurement Period
 Ended December 31:**

2019	34,766
2020	34,766
2021	34,766
2022	24,342
2023	4,412
Thereafter	14,630

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, 2019 were \$3,438,688.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14 - COMMITMENTS *(continued)*

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, 2019, 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.

Note 15 - 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>
6/30/19	0.573560 % \$	12,851,724 \$	5,942,254	216.28 %	54.10 %
6/30/18	0.054890	12,347,392	5,534,072	223.12	53.34
6/30/17	0.052116	11,131,901	4,929,246	225.83	52.91
6/30/16	0.051381	9,744,654	5,046,710	193.09	56.99

* 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>
6/30/19	0.28257 % \$	8,006,748 \$	3,912,650	204.64 %	61.73 %
6/30/18	0.28034	7,680,057	3,775,256	203.43	60.94
6/30/17	0.29217	7,410,717	4,104,409	180.56	60.44
6/30/16	0.28984	6,317,139	3,727,407	169.48	64.57

* 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>
6/30/19	\$ 1,008,855	\$ 1,008,855	\$ -	\$ 6,928,951	14.56 %
6/30/18	805,770	805,770	-	5,942,254	13.56
6/30/17	639,739	639,739	-	5,534,072	11.56
6/30/16	558,166	558,166	-	4,929,246	11.32

* 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>
6/30/19	\$	735,630	\$ 735,630	\$ -	\$ 4,266,996	17.24 %
6/30/18		635,414	635,414	-	3,912,650	16.24
6/30/17		537,596	537,596	-	3,775,256	14.24
6/30/16		512,146	512,146	-	4,104,409	12.48

* 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, 2019

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

Notes to Schedule

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

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

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

CITY OF CONWAY, SOUTH CAROLINA
SCHEDULE OF THE NET OPEB LIABILITY
LAST FISCAL YEAR
As of June 30, 2019

Fiscal Year Ending December 31,	<u>2018</u>	<u>2017</u>
Total OPEB Liability	\$ 5,384,758	\$ 5,068,913
Plan Fiduciary Net Position	<u>3,071,473</u>	<u>2,711,630</u>
Net OPEB Liability	\$ 2,313,285	\$ 2,357,283
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	57.04%	53.50%
Covered Payroll*	\$ 8,525,938	\$ 8,525,938
Net OPEB Liability as a percentage of Covered Payroll	27.13%	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, 2019

Fiscal Year Ending June 30,	<u>2019</u>	<u>2018</u>
Actuarially Determined Employer Contribution (ADEC)	\$ 326,440.00	\$ 295,671.00
Contributions in relation to ADEC	<u>474,696.00</u>	<u>397,063.00</u>
Annual contribution deficiency (excess)	\$ <u>(148,256.00)</u>	\$ <u>(101,392.00)</u>
Covered Payroll*	\$ 8,525,938	\$ 8,525,938
Actual contributions as a percentage of covered payroll	5.57%	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 2018 is unavailable.

CITY OF CONWAY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2019**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Property Taxes	\$ 6,060,000	\$ 6,578,762	\$ 518,762
Franchise Fee	1,300,300	1,542,428	242,128
Licenses and Permits	6,046,750	6,967,537	920,787
Fines and Forfeitures	245,000	184,216	(60,784)
Interest	31,500	130,320	98,820
Intergovernmental	642,271	4,255,853	3,613,582
Charges for Services	2,880,000	3,089,855	209,855
Recreation Center	819,900	699,807	(120,093)
Other	642,300	750,768	108,468
Total Revenues	<u>\$ 18,668,021</u>	<u>\$ 24,199,546</u>	<u>\$ 5,531,525</u>
EXPENDITURES			
Current:			
General Government	\$ 3,091,044	\$ 3,703,770	\$ (612,726)
Public Safety	9,726,165	9,492,235	233,930
Street	879,094	798,371	80,723
Sanitation	2,223,631	2,475,500	(251,869)
Intragovernmental Maintenance	297,093	330,998	(33,905)
Beautification	1,014,129	1,027,004	(12,875)
Culture and Recreation	2,382,048	2,226,166	155,882
Capital Outlay	3,976,100	5,456,881	(1,480,781)
Debt Service	551,555	276,392	275,163
Total Expenditures	<u>\$ 24,140,859</u>	<u>\$ 25,787,317</u>	<u>\$ (1,646,458)</u>
Excess (Deficiency) of Revenues Over(Under) Expenditures	<u>\$ (5,472,838)</u>	<u>\$ (1,587,771)</u>	<u>\$ 3,885,067</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	\$ 25,000	\$ 9,237	\$ (15,763)
Proceeds from Insurance Recoveries	10,000	194,758	184,758
Capital Lease Obligations	1,240,000	-	(1,240,000)
Transfers In	884,000	884,150	150
	<u>\$ 2,159,000</u>	<u>\$ 1,088,145</u>	<u>\$ (1,070,855)</u>
Net Change in Fund Balances	<u>\$ (3,313,838)</u>	<u>\$ (499,626)</u>	<u>\$ 2,814,212</u>
Fund Balances - Beginning	<u>16,535,936</u>	<u>16,535,936</u>	
Fund Balances - Ending	<u><u>\$ 13,222,098</u></u>	<u><u>\$ 16,036,310</u></u>	<u><u>\$ 2,814,212</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, 2019**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Hospitality Fees	\$ 840,000	\$ 817,917	\$ (22,083)
Interest	200	1,690	1,490
Total Revenues	<u>\$ 840,200</u>	<u>\$ 819,607</u>	<u>\$ (20,593)</u>
EXPENDITURES			
Current			
Culture and Recreation	\$ 223,825	\$ 262,245	\$ (38,420)
Capital Outlay	235,000	205,361	29,639
Debt Service	309,661	303,849	5,812
Total Expenditures	<u>\$ 768,486</u>	<u>\$ 771,455</u>	<u>\$ (2,969)</u>
Deficiency of Revenues Under Expenditures	\$ 71,714	\$ 48,152	\$ (23,562)
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	(40,736)	(64,298)	(23,562)
Fund Balance - Beginning	<u>\$ 762,252</u>	<u>\$ 762,252</u>	<u>\$ -</u>
Fund Balance - Ending	<u><u>\$ 721,516</u></u>	<u><u>\$ 697,954</u></u>	<u><u>\$ (23,562)</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, 2019**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Stormwater Fees	\$ 1,155,000	\$ 1,227,570	\$ 72,570
Interest	1,000	2,719	1,719
Intergovernmental	500,000	-	(500,000)
Other	-	1,362	1,362
Total Revenues	<u>\$ 1,656,000</u>	<u>\$ 1,231,651</u>	<u>\$ (424,349)</u>
EXPENDITURES			
Current			
Street	\$ 1,023,051	\$ 880,053	\$ 142,998
Capital Outlay	1,010,500	778,884	231,616
Debt Service	173,996	173,873	123
Total Expenditures	<u>\$ 2,207,547</u>	<u>\$ 1,832,810</u>	<u>\$ 374,737</u>
Net Change in Fund Balances	<u>\$ (551,547)</u>	<u>\$ (601,159)</u>	<u>\$ (49,612)</u>
Fund Balance - Beginning	<u>1,030,985</u>	<u>1,030,985</u>	
Fund Balance - Ending	<u><u>\$ 479,438</u></u>	<u><u>\$ 429,826</u></u>	<u><u>\$ (49,612)</u></u>

CITY OF CONWAY, SOUTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

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, 2019, 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, 2019.

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, 2019**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Intergovernmental	\$ 788,287	\$ 602,036	\$ (186,251)
Total Revenues	<u>\$ 788,287</u>	<u>\$ 602,036</u>	<u>\$ (186,251)</u>
EXPENDITURES			
Current			
General Government	\$ 40,000	\$ 163,746	\$ (123,746)
Street	-	58,477	(58,477)
Culture and Recreation	548,287	9,309	538,978
Capital Outlay	<u>200,000</u>	<u>421,173</u>	<u>(221,173)</u>
Total Expenditures	<u>\$ 788,287</u>	<u>\$ 652,705</u>	<u>\$ 135,582</u>
Net Change in Fund Balance	\$ -	\$ (50,669)	\$ (50,669)
Fund Balance - Beginning	<u>\$ (103,492)</u>	<u>(103,492)</u>	
Fund Balance - Ending	<u><u>\$ (103,492)</u></u>	<u><u>\$ (154,161)</u></u>	<u><u>\$ 50,669</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, 2019**

	Original and Final Budget	Actual Amounts	Variance With Budget - Positive (Negative)
OPERATING REVENUES			
Water Usage, Tap Fees & Penalties	\$ 7,284,000	\$ 7,663,562	\$ 379,562
Sewer Usage, Tap Fees & Penalties	2,540,000	2,780,828	240,828
Miscellaneous Revenues	330,000	398,120	68,120
Total Operating Revenues	<u>\$ 10,154,000</u>	<u>\$ 10,842,510</u>	<u>\$ 688,510</u>
OPERATING EXPENSES			
Maintenance	\$ 4,161,200	\$ 2,387,579	\$ 1,773,621
Operations	978,291	1,019,957	(41,666)
Construction	786,000	971,769	(185,769)
Non-Departmental	5,042,675	5,778,044	(735,369)
Depreciation and Amortization	-	1,517,338	(1,517,338)
Total Operating Expenses	<u>\$ 10,968,166</u>	<u>\$ 11,674,687</u>	<u>\$ (706,521)</u>
Operating Income	<u>\$ (814,166)</u>	<u>\$ (832,177)</u>	<u>\$ (18,011)</u>
NONOPERATING REVENUES (EXPENSES)			
Unrestricted Interest Earned	\$ 11,000	\$ 32,372	\$ 21,372
Restricted Interest Earned	10,000	7,916	(2,084)
Insurance Recoveries	-	8,713	8,713
Interest Expense	<u>(34,472)</u>	<u>(32,052)</u>	<u>2,420</u>
Total Nonoperating Revenues (Expenses)	<u>\$ (13,472)</u>	<u>\$ 16,949</u>	<u>\$ 30,421</u>
Income before Contributions and Transfers	<u>\$ (827,638)</u>	<u>\$ (815,228)</u>	<u>\$ 12,410</u>
CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	\$ 900,000	\$ 816,720	\$ (83,280)
Transfer Out	<u>(744,900)</u>	<u>(744,900)</u>	<u>-</u>
Total Contributions and Transfers	<u>\$ 155,100</u>	<u>\$ 71,820</u>	<u>\$ (83,280)</u>
Change in Net Position	<u>\$ (672,538)</u>	<u>\$ (743,408)</u>	<u>\$ (70,870)</u>
Total Net Position - Beginning	24,731,871	24,731,871	
Total Net Position - Ending	<u><u>\$ 24,059,333</u></u>	<u><u>\$ 23,988,463</u></u>	<u><u>\$ (70,870)</u></u>

CITY OF CONWAY, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES

Year Ended June 30, 2019

Court Fines

Court Fines Collected	\$ 132,362
Court Fines Retained by City	(132,362)
Court Fines Remitted to State Treasurer	<u>\$ -</u>

Court Assessments

Court Assessments Collected	\$ 212,441
Court Assessments Retained by City	(16,376)
Court Assessments Remitted to State Treasurer	<u>\$ 196,065</u>

Court Surcharges

Court Surcharges Collected	\$ 11,637
Court Surcharges Retained by City	(11,637)
Court Surcharges Remitted to State Treasurer	<u>\$ -</u>

Victim Services

Court Assessments Allocated to Victim Services	\$ 16,376
Court Surcharges Allocated to Victim Services	11,637
Investment Income	552
Total Funds Allocated to Victim Services	<u>\$ 28,565</u>
Victim Services Expenditures	(43,162)
Funds Available for Carryforward From Year Ended June 30, 2018	<u>\$ (14,597)</u>
Funds Carried Forward From Year Ended June 30, 2017	206,733
Funds Available for Carryforward at June 30, 2018	<u><u>\$ 192,136</u></u>

CITY OF CONWAY, SOUTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Accommodations Tax	Street & Drainage	Tax Increment Revenue	
ASSETS				
Cash and Temporary Investments	\$ 62,335	\$ 1,473,665	\$ 777,017	\$ 2,313,017
Receivables (Net):				
Property Taxes	-	-	4,506	4,506
Local Accommodations Tax	3,637	-	-	3,637
Intergovernmental	<u>22,522</u>	<u>144,109</u>	<u>3,484</u>	<u>170,115</u>
Total Assets	<u>\$ 88,494</u>	<u>\$ 1,617,774</u>	<u>\$ 785,007</u>	<u>\$ 2,491,275</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and				
Accrued Expenditures	\$ <u>10,802</u>	\$ <u>122,240</u>	\$ -	\$ <u>133,042</u>
Total Liabilities	<u>\$ 10,802</u>	<u>\$ 122,240</u>	<u>\$ -</u>	<u>\$ 133,042</u>
Deferred Inflows of Resources	\$ -	\$ -	\$ 3,930	\$ 3,930
Fund Balances				
Restricted	\$ <u>77,692</u>	\$ <u>1,495,534</u>	\$ <u>781,077</u>	\$ <u>2,354,303</u>
Total Fund Balances	<u>\$ 77,692</u>	<u>\$ 1,495,534</u>	<u>\$ 781,077</u>	<u>\$ 2,354,303</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 88,494</u>	<u>\$ 1,617,774</u>	<u>\$ 785,007</u>	<u>\$ 2,491,275</u>

CITY OF CONWAY, SOUTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2019**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Accommodations Tax	Street & Drainage	Tax Increment Revenue	
REVENUES				
Property Taxes	\$ -	\$ -	\$ 390,405	\$ 390,405
Local Accommodations Tax	14,609	-	-	14,609
Interest	186	2,723	69	2,978
Intergovernmental	61,008	1,774,981	-	1,835,989
Total Revenues	<u>\$ 75,803</u>	<u>\$ 1,777,704</u>	<u>\$ 390,474</u>	<u>\$ 2,243,981</u>
EXPENDITURES				
Current:				
General Government	\$ 43,190	\$ -	\$ -	\$ 43,190
Street	-	7,117	-	7,117
Capital Outlay	-	1,779,626	-	1,779,626
Debt Service	-	-	273,339	273,339
Total Expenditures	<u>\$ 43,190</u>	<u>\$ 1,786,743</u>	<u>\$ 273,339</u>	<u>\$ 2,103,272</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 32,613	\$ (9,039)	\$ 117,135	\$ 140,709
OTHER FINANCING (USES)				
Transfer Out	<u>\$ (26,800)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,800)</u>
Net Change in Fund Balances	\$ 5,813	\$ (9,039)	\$ 117,135	\$ 113,909
Fund Balances - Beginning	<u>71,879</u>	<u>\$ 1,504,573</u>	<u>\$ 663,942</u>	<u>2,240,394</u>
Fund Balances - Ending	<u><u>\$ 77,692</u></u>	<u><u>\$ 1,495,534</u></u>	<u><u>\$ 781,077</u></u>	<u><u>\$ 2,354,303</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, 2019**

	Original and Final Budget	Actual Amounts	Variance With Final Budget- Positive (Negative)
REVENUES			
Local Accommodations Tax	\$ 15,500	\$ 14,609	\$ (891)
Interest	-	186	186
Intergovernmental	64,000	61,008	(2,992)
Total Revenues	<u>\$ 79,500</u>	<u>\$ 75,803</u>	<u>\$ (3,697)</u>
EXPENDITURES			
Current			
General Government	\$ 52,550	\$ 43,190	\$ 9,360
Excess of Revenues Over Expenditures	\$ 26,950	\$ 32,613	\$ 5,663
OTHER FINANCING USES			
Operating Transfer Out To General Fund	<u>(26,950)</u>	<u>(26,800)</u>	<u>150</u>
Net Change in Fund Balance	\$ -	\$ 5,813	\$ 5,813
Fund Balance - Beginning	<u>71,879</u>	<u>71,879</u>	<u></u>
Fund Balance - Ending	<u><u>\$ 71,879</u></u>	<u><u>\$ 77,692</u></u>	<u><u>\$ 5,813</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, 2019**

	Original and Final Budget	Actual Amounts	Variance With Final Budget- Positive (Negative)
REVENUES			
Interest	\$ -	\$ 2,723	\$ 2,723
Intergovernmental	<u>1,888,994</u>	<u>1,774,981</u>	<u>(114,013)</u>
Total Revenues	<u>\$ 1,888,994</u>	<u>\$ 1,777,704</u>	<u>\$ (111,290)</u>
EXPENDITURES			
Current			
Street	\$ -	\$ 7,117	\$ (7,117)
Capital Outlay	<u>2,747,975</u>	<u>1,779,626</u>	<u>968,349</u>
Total Expenditures	<u>\$ 2,747,975</u>	<u>\$ 1,786,743</u>	<u>\$ 961,232</u>
Net Change in Fund Balance	<u>\$ (858,981)</u>	<u>\$ (9,039)</u>	<u>\$ 849,942</u>
Fund Balance - Beginning	<u>1,504,573</u>	<u>1,504,573</u>	<u></u>
Fund Balance - Ending	<u><u>\$ 645,592</u></u>	<u><u>\$ 1,495,534</u></u>	<u><u>\$ 849,942</u></u>

CITY OF CONWAY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
TAX INCREMENT REVENUE FUND
Year Ended June 30, 2019**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
REVENUES			
Property Taxes	\$ 374,000	\$ 390,405	\$ 16,405
Interest	50	69	19
Total Revenues	<u>\$ 374,050</u>	<u>\$ 390,474</u>	<u>\$ 16,424</u>
EXPENDITURES			
Debt Service	\$ <u>273,652</u>	\$ <u>273,339</u>	\$ <u>313</u>
Total Expenditures	<u>\$ 273,652</u>	<u>\$ 273,339</u>	<u>\$ 313</u>
Net Change in Fund Balance	\$ 100,398	\$ 117,135	\$ 16,737
Fund Balance - Beginning	<u>663,942</u>	<u>663,942</u>	<u>-</u>
Fund Balance - Ending	<u><u>\$ 764,340</u></u>	<u><u>\$ 781,077</u></u>	<u><u>\$ 16,737</u></u>

CITY OF CONWAY, SOUTH CAROLINA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

FIREMEN'S FUND

Year Ended June 30, 2019

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
ASSETS				
Cash and Temporary Investments	\$ <u>76,599</u>	\$ <u>82,136</u>	\$ <u>28,232</u>	\$ <u>130,503</u>
LIABILITIES				
Due to General Fund	\$ 1,469	\$ 17,508	\$ 6,613	\$ 12,364
Due to Firemen's Association	<u>75,130</u>	<u>64,628</u>	<u>21,619</u>	<u>118,139</u>
	\$ <u>76,599</u>	\$ <u>82,136</u>	\$ <u>28,232</u>	\$ <u>130,503</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net Investment in capital assets	\$ 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	\$ 36,680,666
Restricted	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	3,717,706
Unrestricted	7,770,396	8,058,444	9,653,369	11,234,435	14,427,399	(745,546)	592,646	1,235,367	299,306	(965,349)
Total governmental activities net position	<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>	<u>\$ 39,433,023</u>
Business-type activities										
Net Investment in capital assets	\$ 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	\$ 17,666,725
Restricted	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	3,181,516
Unrestricted	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	3,140,222
Total business-type activities netpoition	<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>	<u>\$ 23,988,463</u>
Primary government										
Net Investment in capital assets	\$ 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	\$ 54,347,391
Restricted	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	6,899,222
Unrestricted	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	2,174,873
Total primary government net position	<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>	<u>\$ 63,421,486</u>

UNAUDITED

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental activities										
General government	\$ 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	\$ 4,336,784
Public safety	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	10,614,205
Street	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	2,585,570
Sanitation	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	2,837,668
Intragovernmental maintenance	368,262	340,580	330,890	341,054	307,012	292,595	294,974	270,256	306,286	419,004
Beautification	525,073	503,049	463,221	501,383	535,069	661,098	739,171	861,007	969,893	1,151,728
Culture and recreation	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	3,156,844
Interest and fiscal charges	270,517	319,683	343,363	263,688	344,833	156,731	136,733	108,681	96,454	111,810
Total governmental activities expenses	<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>	<u>25,213,613</u>
Business-type activities										
Water & sewer	<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>	<u>11,698,026</u>
Total primary government expenses	<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>	<u>\$ 36,911,639</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 3,995	\$ 5,808	\$ 14,837	\$ 28,885	\$ 11,146	\$ 7,836	\$ 32,588	\$ 42,184	\$ 122,218	\$ 118,631
Public safety	922,469	688,866	921,717	664,354	876,139	883,480	1,049,155	1,210,927	1,336,185	1,046,933
Street	963,445	987,144	957,644	1,002,704	1,027,742	1,045,648	1,068,730	1,094,090	1,153,938	1,227,570
Sanitation	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	3,131,107
Beautification		3,911								
Culture and recreation	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	998,692
Non-departmental										
Operating grants and contributions	745,981	656,056	444,039	284,655	1,087,010	395,523	380,981	2,738,021	1,163,180	2,165,294
Capital grants and contributions	<u>838,799</u>	<u>440,188</u>	<u>1,213,899</u>	<u>357,641</u>	<u>8,891</u>	<u>86,885</u>	<u>64,424</u>	<u>259,878</u>	<u>599,292</u>	<u>792,606</u>
Total governmental activities program revenues	<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>	<u>\$ 9,480,833</u>
Business-type activities										
Charges for services										
Water & sewer	\$ 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	\$ 10,842,510
Capital grants and contributions	<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>	<u>816,720</u>
Total business-type activities program revenues	<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>	<u>\$ 11,659,230</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total primary government program revenues	\$ 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	\$ 21,140,063
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (15,732,780)
Business-type activities	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	(38,796)
Total primary government net expense	\$ (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)	\$ (15,771,576)
General revenues and other changes in net assets										
Governmental activities										
Property taxes	\$ 5,362,626	\$ 5,142,077	\$ 5,206,764	\$ 5,205,526	\$ 5,503,048	\$ 5,513,255	\$ 5,773,639	\$ 5,919,814	\$ 6,517,874	\$ 6,962,831
In lieu of property taxes	32,409	29,237	32,181	30,613	32,995	36,543	54,436	69,156	76,584	76,770
Franchise fee taxes	939,713	1,020,310	993,489	995,245	1,111,491	1,168,553	1,187,017	1,365,652	1,502,834	1,542,428
Hospitality fee taxes	536,544	535,914	618,718	614,475	669,236	722,318	768,850	825,313	854,848	817,917
Local accommodations taxes	12,977	13,002	12,950	13,637	16,155	23,706	16,471	15,868	14,385	14,609
Business license taxes	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	6,283,188
Grants and contributions not restricted to specific programs	458,885	455,367	458,965	759,044	1,448,104	1,268,130	1,268,265	424,289	424,760	436,308
Investment earnings	107,707	68,581	44,269	42,838	36,284	36,107	31,455	37,854	39,556	137,707
Gain on sale of capital assets	49,192	28,200	10,003	134,134	20,502	93,869	119,105			
Transfers	569,000	615,800	615,800	694,900	694,900	694,900	744,900	744,900	744,900	744,900
Extraordinary Item			666,989							
Total governmental activities	\$ 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	\$ 17,016,658
Business-type activities										
Investment earnings	\$ 41,327	\$ 12,796	\$ 8,468	\$ 10,153	\$ 10,760	\$ 12,226	\$ 24,248	\$ 22,092	\$ 24,132	\$ 40,288
Gain (Loss) on sale of capital assets	5,553			35,302	(370)	15,392				
Transfers	(569,000)	(615,800)	(615,800)	(694,900)	(694,900)	(694,900)	(744,900)	(744,900)	(744,900)	(744,900)
Total business-type activities	\$ (522,120)	\$ (603,004)	\$ (607,332)	\$ (649,445)	\$ (684,510)	\$ (667,282)	\$ (720,652)	\$ (722,808)	\$ (720,768)	\$ (704,612)
Total primary government	\$ 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	\$ 16,312,046
Changes in net assets										
Governmental activities	\$ (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	\$ 1,283,878
Business-type activities	(427,182)	(865,958)	999,006	645,275	1,018,264	1,115,785	385,366	1,059,586	759,031	(743,408)
Total primary government	\$ (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	\$ 540,470

UNAUDITED

Schedule 3

CITY OF CONWAY, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Unspendable	\$ 98,029	\$ 118,458	\$ 136,012	\$ 139,247	\$ 144,783	\$ 99,614	\$ 109,195	\$ 118,074	\$ 118,960	\$ 125,022
Restricted	141,837	133,814	168,366	179,446	204,013	202,165	243,392	233,539	233,539	232,272
Assigned	429,920	277,805	639,426	867,894	1,059,399	969,119	1,121,710	1,122,218	1,153,951	944,110
Unassigned	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	14,734,906
Total general fund	<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>	<u>\$ 16,036,310</u>
All other governmental funds										
Unspendable	\$ -	\$ -	\$ -	\$ 197,000	\$ 197,000	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	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	3,482,083
Unassigned	(82,367)	(79,685)	(81,010)	(81,014)	(83,290)	(200,392)	(105,068)	(104,143)	(103,492)	(154,161)
Total all other governmental funds	<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>	<u>\$ 3,327,922</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Property taxes	\$ 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	\$ 6,969,167
Franchise fees	939,713	1,020,310	993,489	995,245	1,111,491	1,168,553	1,187,017	1,365,652	1,502,834	1,542,428
Hospitality fees	536,544	535,914	618,718	614,475	669,236	722,318	768,850	825,313	854,848	817,917
Local Accommodations Tax	12,977	13,002	12,950	13,637	16,155	23,706	16,471	15,868	14,385	14,609
Stormwater fees	938,071	973,579	950,908	984,198	1,012,802	1,038,509	1,051,870	1,094,090	1,153,938	1,227,570
Licenses and permits	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	6,967,537
Fines and forfeitures	342,652	351,152	315,583	286,899	249,165	292,622	330,664	273,874	212,530	184,216
Interest	117,748	68,581	44,269	42,838	36,284	36,107	31,455	37,854	39,556	137,707
Intergovernmental	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	5,545,949
Charges for services	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	3,089,855
Recreation center			849,073	1,001,303	953,243	774,313	832,209	871,911	874,638	699,807
Other	645,873	500,399	561,324	518,546	685,090	696,205	678,182	773,866	883,621	752,130
Total revenues	\$ 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	\$ 27,948,892
Expenditures										
General government	\$ 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	\$ 6,100,672
Public safety	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	9,492,235
Street	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	1,744,018
Sanitation	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	2,475,500
Intergovernmental maintenance	232,140	196,159	185,047	196,982	193,398	202,577	207,005	195,075	219,048	330,998
Beautification	509,398	492,653	456,778	492,105	525,290	640,228	691,434	795,950	866,920	1,027,004
Culture and recreation	1,056,368	992,582	1,503,761	1,767,750	1,838,998	1,925,220	2,012,154	2,228,751	2,411,101	2,497,720
Capital outlay	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	5,304,030
Debt service										
Principal	1,070,480	825,260	886,589	979,525	848,218	1,142,555	1,155,442	1,174,778	1,194,511	944,455
Interest	278,822	243,938	304,638	309,497	371,948	154,695	141,808	122,472	102,815	82,998
Financing fees		22,300		11,250	23,146					
Total expenditures	\$ 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	\$ 29,999,630
Excess (deficiency) of revenues over (under) expenditures	\$ (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	\$ (2,050,738)

UNAUDITED

CITY OF CONWAY, SOUTH CAROLINA

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	49,192	28,200	10,003	134,134	20,502	93,869	122,268	55,483	80,816	9,237
Proceeds from insurance recoveries	7,759	12,887	24,120	31,333	31,775	3,124	39,374	30,656	47,443	194,758
Payments on Refunded Bonds				(1,912,939)	(5,022,000)					
Transfers in	876,745	732,325	732,239	743,966	825,188	823,958	884,074	884,404	884,085	884,150
Transfers out	(307,745)	(116,525)	(116,439)	(49,066)	(130,288)	(129,058)	(139,174)	(139,504)	(139,185)	(139,250)
Total other financing sources (uses)	\$ 1,195,951	\$ 4,266,887	\$ 649,923	\$ 2,122,428	\$ 1,602,177	\$ 791,893	\$ 906,542	\$ 831,039	\$ 873,159	\$ 948,895
Extraordinary item										
Proceeds from dissolution of health insurance pool	\$	\$	\$ 666,989	\$	\$	\$	\$	\$	\$	\$
Net change in fund balances	\$ (898,565)	\$ (484,267)	\$ 1,452,970	\$ 3,882,640	\$ (172,617)	\$ (2,050,102)	\$ 1,921,429	\$ 1,891,969	\$ 3,235,291	\$ (1,101,843)
Debt service as a percentage of noncapital expenditures	8.50%	7.13%	8.00%	8.50%	7.59%	7.75%	7.53%	6.77%	6.55%	4.16%

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			Estimated Actual Value
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
2019	69,910	6,588	76,498	76.00	1,508,000	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	
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
2019	76.0	45.3	4.7	0.7	50.7	118.1	10.0	128.1	254.8

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

City Tax Data: Tax Rate Limits: None

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

All Personal Other Than Vehicles and Real - January 15

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

UNAUDITED

Schedule 7

CITY OF CONWAY, SOUTH CAROLINA

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	Type of Business	Assessed Valuation	2019		Tax Levy
			Percentage of Total Adjusted Assessed Valuation		
Coastal Club Borrower	Real Estate	\$ 1,838,250	2.40 %	\$	151,472
Founders Wild Wing LLC	Real Estate	1,155,120	1.51		95,182
Coastal 544 Ventures LLC	Real Estate	966,570	1.26		79,645
Gator Coastal Shopping Center	Real Estate	768,780	1.00		63,347
Orion CCU LLC	Real Estate	716,060	0.94		59,003
Fowler 501 Property LLC	Real Estate	615,710	0.80		50,735
Wall Conway, LLC	Financial Services	575,310	0.75		47,406
FC Real Estate Conway	Real Estate	421,500	0.55		34,732
Conway National Bank	Real Estate	408,830	0.53		33,688
University Suites at Coastal	Real Estate	380,130	0.50		31,323
		<u>\$ 7,846,260</u>	<u>10.26 %</u>	<u>\$</u>	<u>646,532</u>

Taxpayer	Type of Business	Assessed Valuation	2010		Tax Levy
			Percentage of Total Adjusted Assessed Valuation		
Campus Edge Apartments	Real Estate	\$ 1,406,724	2.52 %	\$	121,822
Wild Wing Company, LLC	Real Estate	912,393	1.64		79,013
Wall Conway, LLC	Financial Services	636,000	1.14		55,078
Portrait Homes-Midtown Village	Real Estate	595,278	1.07		51,551
Gator Coastal Shopping Centre, LLC	Real Estate	563,286	1.01		48,781
Fowler 501 Property, LLC	Real Estate	502,500	0.90		43,517
Verizon South, Inc	Communication	425,700	0.76		36,866
All Star Development of Conway	Real Estate	402,042	0.72		34,817
Burroughs & Chapin Company	Real Estate	368,395	0.66		31,903
GSM Properties of Conway	Real Estate	346,338	0.62		29,993
		<u>\$ 6,158,656</u>	<u>11.04 %</u>	<u>\$</u>	<u>533,341</u>

Source: Horry County Assessor's Office

UNAUDITED

Schedule 8

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	5,348,152	4,684,968	87.60%	621,118	5,306,086	99.21%
2011	5,020,244	4,457,741	88.80%	513,734	4,971,475	99.03%
2012	4,859,889	4,524,634	93.10%	274,619	4,799,253	98.75%
2013	5,082,071	4,622,469	90.96%	391,266	5,013,735	98.66%
2014	5,287,053	4,853,929	91.81%	358,570	5,212,499	98.59%
2015	5,436,612	4,935,223	90.78%	405,463	5,340,686	98.24%
2016	5,725,434	5,294,641	92.48%	109,584	5,404,225	94.39%
2017	5,859,388	5,554,995	94.81%	157,080	5,712,075	97.49%
2018	6,103,529	5,649,554	92.56%	204,487	5,739,938	94.04%
2019	6,610,542	6,005,486	90.85%		5,979,381	90.45%

UNAUDITED

Schedule 9**CITY OF CONWAY, SOUTH CAROLINA****WATER AND SEWER GALLONS AND NUMBER OF CUSTOMERS
Last Ten Fiscal Years**

Fiscal Year	Water and Sewer Gallons Billed	Number of Customers	Total Direct Rate			
			Water		Sewer	
			Base Rate	Usage Rate	Base Rate	Usage Rate
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
2019	1,184,420	16,569	10.27	1.94	5.36	3.26

Source: City Water and Sewer Department

Notes: Gallons are presented in thousands.

The water and sewer usage rates are per 1,000 gallons inside the City limits. See 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
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
2019	10.27	1.94	20.54	3.88	5.36	3.26	10.72	6.52

Source: City Water and Sewer Department

UNAUDITED

Schedule 11

CITY OF CONWAY, SOUTH CAROLINA

PRINCIPAL WATER CUSTOMERS
Current Year ⁽¹⁾

Customer	Fiscal Year 2019	
	Water Revenue	
	Amount	Percentage of Total Water Revenue
Coastal Carolina University	\$ 256,215	3.60%
Horry County Jail	126,544	1.78%
Horry County School District	124,021	1.74%
Conway Housing Authority	121,567	1.71%
Monarch 501	91,104	1.28%
Metglass	52,120	0.73%
Conway Manor	50,538	0.71%
Conbraco	43,344	0.61%
Walmart	41,112	0.58%
New South	36,624	0.52%
	<u>\$ 943,189</u>	<u>13.27%</u>

⁽¹⁾ Information not available for any years prior to 2010 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 ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligation Bonds	Hospitality Fee Revenue Bonds	Stormwater Management Revenue Bond	Tax Increment Revenue Bonds	Capital Lease Obligations	Water and Sewer Revenue Bonds			
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
2019	546,370	1,687,722	171,462	791,577	950,000	1,362,371	5,509,502	958,918.00	36,950

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

⁽¹⁾ See page 95 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		
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
2019	546,370		546,370	0.04	22

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

⁽¹⁾ See page 82 for property value data.

⁽²⁾ See page 95 for population data.

UNAUDITED

Schedule 14

CITY OF CONWAY, SOUTH CAROLINA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2019

	<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	\$ 63,007,710	3.5%	\$ 2,205,270
Horry County School District			
General Obligation Bonds	617,966,000	3.5%	<u>21,628,810</u>
			\$ 23,834,080
City Direct Governmental Activities Debt			<u>4,147,131</u>
			<u><u>\$ 27,981,211</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 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	\$ 5,658,174
Total net debt applicable to limit	<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>	<u>546,370</u>
Legal debt margin	<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>	<u>\$ 5,111,804</u>
Total net debt applicable to the limit as a percentage of debt limit	37.81%	54.20%	49.66%	43.97%	39.69%	32.12%	25.41%	17.55%	11.16%	9.66%

Legal Debt Margin Calculation for Fiscal Year 2019

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>(546,370)</u>
Legal debt margin without referendum	<u>\$ 5,111,804</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.

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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	
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
2019	10,842,510	10,157,349	685,161	255,727	32,052	2.38

Fiscal Year	Hospitality Fee Revenue Bonds ⁽²⁾			
	Hospitality Fees	Debt Service		Coverage
		Principal	Interest	
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
2019	817,917	260,025	43,824	2.69

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.

UNAUDITED

Schedule 16 (continued)

CITY OF CONWAY, SOUTH CAROLINA

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

Fiscal Year	Tax Increment Revenue Bonds ⁽³⁾			
	Property Tax Increment	Debt Service		Coverage
		Principal	Interest	
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
2019	390,405	254,300	19,039	1.43

Fiscal Year	Storm Water Revenue Bonds ⁽⁴⁾			
	Storm Water Fees	Debt Service		Coverage
		Principal	Interest	
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
2019	1,227,570	169,118	4,755	7.06

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**

Calendar Year	Population	Personal Income (Thousands of Dollars)	Per Capita Personal Income⁽¹⁾	Median Age⁽¹⁾	Unemployment Rate⁽¹⁾
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	958,918	36,950	42.4	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.

UNAUDITED

Schedule 18

CITY OF CONWAY, SOUTH CAROLINA

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

Employer	Type of Business	Calendar Year 2019	
		Employees	Percentage of Total County Employment
Horry County School District	Education	5,899	3.68 %
Wal-Mart	Retail Sales	2,484	1.55
Horry County Government	County Government	2,158	1.35
Coastal Carolina University	Education	1,481	0.92
Grand Strand Regional Medical Center	Hospital	1,246	0.78
Conway Medical Center	Hospital	1,170	0.73
City of Myrtle Beach	Municipal Government	1,051	0.66
McCloud Health System	Hospital	974	0.61
Food Lion	Retail Sales	935	0.58
Kingston Resorts	Vacation and Rental Accommodations	688	0.43
		<u>18,086</u>	<u>11.29 %</u>

Employer	Type of Business	Calendar Year 2010	
		Employees	Percentage of Total County Employment
Horry County School District	Education	4,870	3.53 %
Wal-Mart	Retail Sales	2,061	1.49
Horry County Government	County Government	1,913	1.39
Coastal Carolina University	Education	1,057	0.77
Grand Strand Regional Medical Center	Hospital	1,200	0.87
Conway Medical Center	Hospital	1,150	0.83
Myrtle Beach National	Hospitality Services	980	0.71
City of Myrtle Beach	Municipal Government	902	0.65
McCloud Health System	Hospital	900	0.65
Blue Cross Blue Shield	Insurance	827	0.60
		<u>15,860</u>	<u>11.49 %</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.

UNAUDITED

STATISTICAL SECTION (Unaudited)
SCHEDULES OF OPERATING INFORMATION

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



Schedule 19

CITY OF CONWAY, SOUTH CAROLINA

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Full-Time Equivalent Employees										
General Government	38	35	35	35	36	36	38	39	41	44
Public Safety	103	96	96	96	95	95	98	98	100	100
Street	22	16	16	16	16	16	16	16	16	16
Sanitation	18	17	17	17	17	17	18	18	20	21
Intragovernmental Maintenance	5	5	5	5	5	5	5	5	6	6
Beautification	10	9	9	9	12	12	14	15	19	19
Culture and Recreation	8	12	12	12	16	16	16	16	18	18
Water & Sewer	<u>42</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>27</u>	<u>28</u>	<u>33</u>	<u>33</u>	<u>38</u>	<u>38</u>
Total Full-Time Equivalent Employees	<u><u>246</u></u>	<u><u>217</u></u>	<u><u>217</u></u>	<u><u>217</u></u>	<u><u>224</u></u>	<u><u>225</u></u>	<u><u>238</u></u>	<u><u>240</u></u>	<u><u>258</u></u>	<u><u>262</u></u>

Source: City Finance Department

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

UNAUDITED

Schedule 20

CITY OF CONWAY, SOUTH CAROLINA

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Fire Calls per Engine Company	950	927	917	833	1,022	1,075	1,100	1,200	1,350	1,425
Environmental Protection ⁽¹⁾										
Tons of Refuse Collected	19,120	18,100	19,500	19,446	21,402	23,205	16,760	26,853	20,708	24,070
Community and Economic Development										
Building Permits Issued	667	584	584	649	913	934	1,145	1,291	1,660	1,450
Culture and Recreation										
Admissions to Recreation Centers	830	830	92,050	117,538	110,450	115,275	117,563	119,563	121,004	123,580
Water										
Average Daily Consumption <i>(thousands of gallons)</i>	3,427	3,472	3,508	3,069	2,954	3,400	3,590	3,780	3,850	4,150

Sources: Various City departments.

UNAUDITED

Schedule 21

CITY OF CONWAY, SOUTH CAROLINA

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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>)	175	203	213	214	214	214	214	214	214	214
Traffic Signals	34	34	36	38	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	76	76	76	125	125	125	125	125	125	125
Recreation Centers	3	3	3	1	1	1	1	1	1	1
Cemeteries	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (<i>miles</i>)	344	344	377	399	399	399	399	399	399	399
Sewer										
Gravity Sewers (<i>miles</i>)	120	120	126	127	128	128	128	134	134	134

Sources: Various City departments.

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

UNAUDITED



SINGLE AUDIT SECTION



CITY OF CONWAY, SOUTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Passed Through the State Emergency Management Division:			
Disaster Grant	97.036	FEMA-4241-PA-SC	\$ 17,355
Hazard Mitigation Grant Program	97.039	FEMA-4286-DR-SC	2,504,421
			<u>\$ 2,521,776</u>
U.S. Department of Housing and Urban Development/ Horry County, SC			
Passed Through Horry County Government:			
Community Development Block Grant	14.218	B-14-UC-45-0006	\$ 41,000
		B-15-UC-45-0006	9,719
		B-16-UC-45-0006	174,428
		B-17-UC-45-0006	224,512
		B-18-UC-45-0006	97,680
Passed Through Waccamaw Regional Council of Governments			
HOME Investment Partnership Program	14.239		<u>49,697</u>
			<u>\$ 597,036</u>
U.S. Department of the Interior			
Endangered Species - Candidate Conservation Action Funds	15.660		\$ 15,000
Total U.S. Department of Justice			<u>\$ 15,000</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Grant	16.607		\$ 4,523
Total U.S. Department of Justice			<u>\$ 4,523</u>
Total Expenditures of Federal Awards			<u>\$ 3,138,335</u>

CITY OF CONWAY, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Conway, South Carolina (the City) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pass-through entity identifying members are presented where available.

Note 3 - DISASTER GRANTS – PUBLIC ASSISTANCE (CFDA 97.036)

After a Presidential-Declared Disaster, the Federal Emergency Management Agency (“FEMA”) provides a Public Assistance Grant to reimburse eligible costs associated with repair, replacement, or restoration of disaster-damaged facilities. The federal government reimburses in the form of cost-shared grants. For the year ended June 30, 2019, FEMA approved approximately \$17,355 of eligible expenditures some of which were incurred in a prior year and are included in the Schedule.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Conway, South Carolina, as of and for the year ended June 30, 2019, 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 23, 2019.

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*.

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, PA

SMITH SAPP PROFESSIONAL ASSOCIATION
Certified Public Accountants

Myrtle Beach, South Carolina
December 23, 2019



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Conway, South Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Conway, South Carolina's major federal program for the year ended June 30, 2019. The City of Conway, South Carolina's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion of Major Federal Program

In our opinion, the City of Conway, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Smith Sapp, PA

SMITH SAPP PROFESSIONAL ASSOCIATION
Certified Public Accountants

Myrtle Beach, South Carolina
December 23, 2019

CITY OF CONWAY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the City of Conway, South Carolina were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Conway, South Carolina were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award program for the City of Conway, South Carolina expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) in this schedule.
7. The program tested as a major program was:

U.S. Department of Homeland Security – Hazard Grant Mitigation Program (HGMP) - CFDA No.
97.039
8. The threshold used for distinguishing between type A and B programs was \$750,000.
9. The City of Conway, South Carolina was not determined to be a low-risk auditee.

Findings - Financial Statement Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

None

