

**CITY OF CONWAY, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Prepared By:

Finance Department

Allison Williams



---

## INTRODUCTORY SECTION

---



**CITY OF CONWAY, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2016**

Page 1 of 3

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
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
<b>FINANCIAL SECTION</b>	
<b>Independent Auditors' Report</b>	<b>1</b>
<b>Management's Discussion and Analysis</b>	<b>3</b>
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	23
Statement of Cash Flows	24
Statement of Fiduciary Net Position – Agency Fund	26
Notes to Financial Statements	27
<b>Required Supplementary Information</b>	
Schedule of the City's Proportionate Share of SCRS Net Pension Liability	51
Schedule of the City's Proportionate Share of PORS Net Pension Liability	52
Schedule of the City's Contributions to SCRS	53
Schedule of the City's Contributions to PORS	54
Schedule of Funding Progress for Postemployment Healthcare Plan	55
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual General Fund	56

**CITY OF CONWAY, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2016**

Page 2 of 3

**TABLE OF CONTENTS**

Page

**FINANCIAL SECTION** *(continued)*

**Required Supplementary Information** *(continued)*

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Hospitality Fund	57
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Stormwater Management Fund	58
Notes to Required Supplementary Information	59

**Other Supplementary Information**

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Community Development Fund	60
Schedule of Revenues, Expenses and Changes in Fund Net Position – Budget and Actual Enterprise Fund Waterworks and Sewer Fund	61
Schedule of Fines, Assessments and Surcharges	62

**Combining and Individual Fund Statements and Schedules**

Nonmajor Governmental Funds Combining Balance Sheet	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	64
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Nonmajor Governmental Funds Special Revenue Funds Accommodations Tax Fund	65
Street and Drainage Fund	66
Tax Increment Revenue Fund	67
Agency Fund Statement of Changes in Assets and Liabilities Firemen's Fund	68

**STATISTICAL SECTION (UNAUDITED)**

**Financial Trend Information**

Schedule 1	Net Position by Component	69
Schedule 2	Changes in Net Position	70
Schedule 3	Fund Balances, Governmental Funds	72
Schedule 4	Changes in Fund Balances, Governmental Funds	73

**Schedules of Revenue Capacity Information**

Schedule 5	Assessed Value and Estimated Value of Taxable Property	75
------------	--	----

**CITY OF CONWAY, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2016**

Page 3 of 3

**TABLE OF CONTENTS**

Page

**STATISTICAL SECTION (UNAUDITED) *(continued)***

Schedule 6	Direct and Overlapping Property Tax Rates	76
Schedule 7	Principal Property Tax Payers	77
Schedule 8	Property Tax Levies and Collections	78
Schedule 9	Water and Sewer Gallons and Number of Customers	79
Schedule 10	Water and Sewer Rates	80
Schedule 11	Principal Water and Sewer Customers	81

**Schedules of Debt Capacity Information**

Schedule 12	Ratios of Outstanding Debt by Type	82
Schedule 13	Ratios of Net General Bonded Debt Outstanding	83
Schedule 14	Direct and Overlapping Governmental Activities Debt	84
Schedule 15	Legal Debt Margin Information	85
Schedule 16	Pledged-Revenue Coverage	86

**Schedules of Demographic and Economic Information**

Schedule 17	Demographic and Economic Statistics	88
Schedule 18	Principal Employers	89

**Schedules of Operating Information**

Schedule 19	Full-Time Equivalent Employees by Function/Program	90
Schedule 20	Operating Indicators by Function/Program	91
Schedule 21	Capital Asset Statistics by Function/Program	92

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>	93
---	----

**CITY OF CONWAY, SOUTH CAROLINA**

**PRINCIPAL OFFICIALS**

**June 30, 2016**

**ELECTED**

Mayor .....Barbara Jo Blain-Bellamy

Mayor Pro Tem .....Jean M. Timbes

City Councilmember .....Randle L. Alford

City Councilmember .....Thomas J. "Tom" Anderson II

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

City Councilmember .....Ashley Smith

City Councilmember .....Larry A. White

**APPOINTED**

Administrator .....Bill Graham

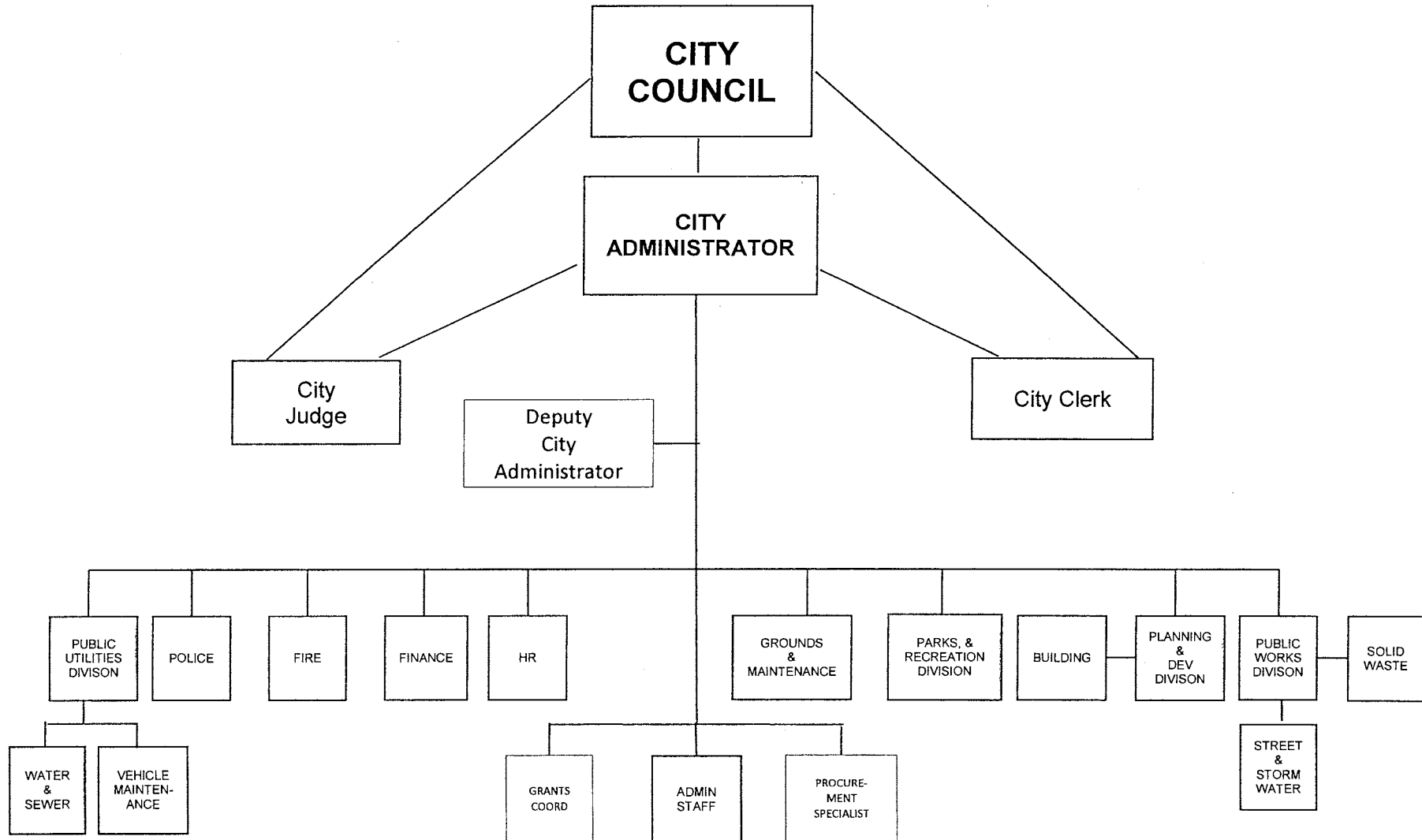
Finance Director .....Allison Williams



CITY OF CONWAY, SOUTH CAROLINA

ORGANIZATIONAL CHART

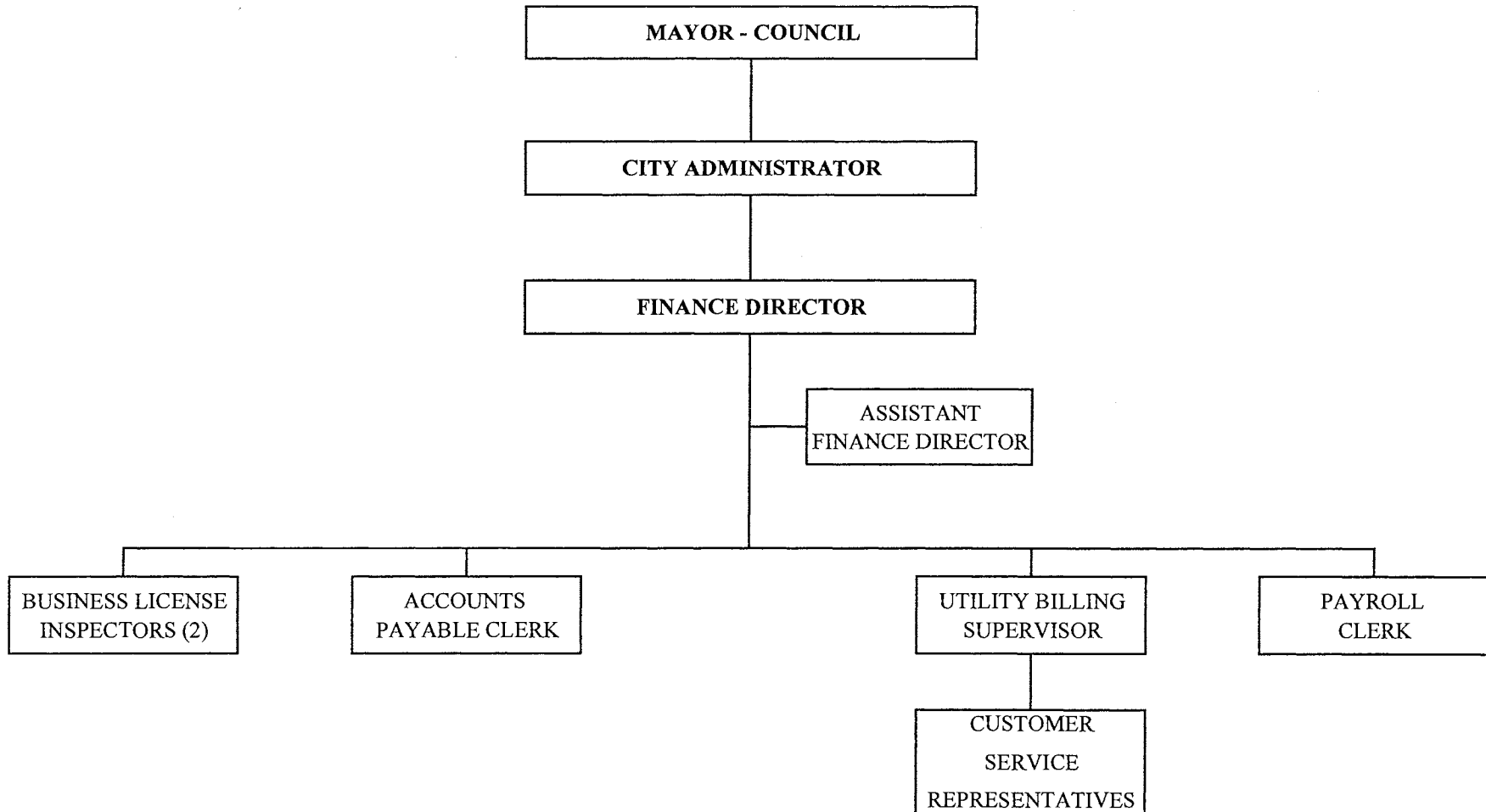
June 30, 2016



**CITY OF CONWAY, SOUTH CAROLINA**

**ORGANIZATIONAL CHART OF FINANCE DEPARTMENT**

June 30, 2016



*MAYOR*  
Barbara Blain-Bellamy

*MAYOR PRO TEM*  
Jean M. Timbes



*COUNCIL MEMBERS*  
Randle L. Alford  
Thomas J. "Tom" Anderson II  
William M. Goldfinch, IV  
Ashley Smith  
Larry A. White

December 19, 2016

**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, 2016. 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, Bookhout, Crumpler & Calliham, P.A. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016, 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, 2016, 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 \$11,176,025 which falls within the policy guidelines set by the City Council for budgetary and planning purposes. Those guidelines require the City to maintain an unassigned fund balance in the general fund of at least \$5,200,000. Following its most recent annual review of the City of Conway's Five Year Capital Plan, the Council plans to leave the policy guidelines at \$5.2 million for the general fund's unassigned fund balance.

### **Certificate of Excellence Award**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Conway for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the twenty-sixth year out of the last twenty eight years that the City of Conway has received this prestigious award. In order to be awarded a Certificate of Achievement, the City of Conway had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted

accounting principles and applicable legal requirements.

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

### **Acknowledgements**

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

Sincerely,

A handwritten signature in cursive script, 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, 2015**

Executive Director/CEO





---

## FINANCIAL SECTION

---





**SMITH  
SAPP**

*Trusted Advisors For Over 60 Years*

MYRTLE BEACH

4728 Jenn Drive  
Suite 100  
Myrtle Beach, SC 29577

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

CONWAY

1109 Main Street  
Suite A  
Conway, SC 29526

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

PAWLEYS ISLAND

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

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

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Conway, South Carolina, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 11), pension plan information (pages 51 - 53), schedule of funding progress (page 55) and budgetary comparison information (pages 56 - 61) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Conway, South Carolina's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, on our consideration of the City of Conway, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Conway, South Carolina's internal control over financial reporting and compliance.



SMITH SAPP BOOKHOUT CRUMPLER & CALLIHAM  
Professional Association  
Certified Public Accountants and Consultants

Myrtle Beach, South Carolina  
December 12, 2016

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---



**CITY OF CONWAY, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2016**

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, 2016. 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 2016 by \$58,967,510 (net position). Of this amount, \$4,206,050 (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 \$835,574, or 3.45%, which was mainly due to an increase of net pension liability in the amount of \$2,453,300; a decrease of \$221,851 in long-term accrued compensated absences; a decrease of \$1,395,875 related to long-term debt repayments for bonds payable.
- The City's total net position increased by \$2,544,468. This is a result of an increase in net position of our business-type activities of \$385,366, or 1.69%, and an increase in net position of our governmental activities of \$2,159,102, or 6.43%.
- The City's total revenues amounted to \$30,846,852 during the year ended June 30, 2016. Revenues of governmental activities totaled \$20,539,248, an increase of 4.34%, and revenues of business type activities were \$10,307,604, an increase of 2.40%.
- During the year ended June 30, 2016, the City's total expenses amounted to \$29,047,284. Expenses of governmental activities totaled \$19,125,046, an increase of 5.21%, and expenses of business-type activities were \$9,922,238, an increase of 10.86%, mainly due to increased maintenance costs and personnel costs.
- At June 30, 2016, the City's governmental funds reported combined fund balances of \$15,338,815 an increase of \$1,921,429 in comparison to the prior year.
- The City's investment in capital assets for the current fiscal year increased \$413,935 or 1.29% for governmental activities, and increased \$673,033, or 4.03%, for business-type activities.
- At year-end, the City had outstanding debt and net pension liability of \$20,425,922 from governmental activities, an increase of 4.80%, and outstanding debt and net pension liability of \$4,261,023 from business-type activities, an increase of 2.95%. The increase in net pension liability is due in part to changes in actuarial assumptions of projected salaries compared to the prior year.

***Overview of the Financial Statements***

The following is a narrative overview and analysis of the financial activities of the City of Conway for the fiscal year ended June 30, 2016. 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, 2016**

***Government-wide Financial Statements***

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

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

***Fund Financial Statements***

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

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

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

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

***Notes to the Financial Statements***

The notes to the financial statements provide the additional information that is essential for a full and fair presentation of the information provided in the government-wide and fund financial statements. The notes to the financial statements are presented on pages 27-50.

***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 51-59 of this report.



# CITY OF CONWAY, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2016

Other supplementary information is presented immediately following the required supplementary information. This information can be found on page 60-62. The combining and individual fund statements and schedules can be found on pages 63-68.

### *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, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 16,933,863	\$ 15,310,704	\$ 10,225,839	\$ 9,975,685	\$ 27,159,702	\$ 25,286,389
Capital Assets	<u>39,104,450</u>	<u>39,845,957</u>	<u>19,502,619</u>	<u>19,070,019</u>	<u>58,607,069</u>	<u>58,915,976</u>
Total Assets	\$ <u>56,038,313</u>	\$ <u>55,156,661</u>	\$ <u>29,728,458</u>	\$ <u>29,045,704</u>	\$ <u>85,766,771</u>	\$ <u>84,202,365</u>
Deferred Outflows of Resources	\$ 2,809,314	\$ 1,217,026	\$ 383,076	\$ 166,569	\$ 3,192,390	\$ 1,383,595
Long-Term Liabilities						
Outstanding	\$ 19,552,282	\$ 18,862,066	\$ 4,053,030	\$ 3,932,592	\$ 23,605,312	\$ 22,794,658
Other Liabilities	<u>2,602,470</u>	<u>2,747,675</u>	<u>2,725,567</u>	<u>2,308,754</u>	<u>5,328,037</u>	<u>5,056,429</u>
Total Liabilities	\$ <u>22,154,752</u>	\$ <u>21,609,741</u>	\$ <u>6,778,597</u>	\$ <u>6,241,346</u>	\$ <u>28,933,349</u>	\$ <u>27,851,087</u>
Deferred Inflows of Resources	\$ 931,240	\$ 1,161,413	\$ 127,062	\$ 150,418	\$ 1,058,302	\$ 1,311,831
Net position						
Net Investment in Capital Assets	\$ 32,593,574	\$ 32,179,639	\$ 17,388,343	\$ 16,715,310	\$ 49,981,917	\$ 48,894,949
Restricted	2,575,415	2,168,440	2,204,128	2,341,304	4,779,543	4,509,744
Unrestricted	<u>592,646</u>	<u>(745,546)</u>	<u>3,613,404</u>	<u>3,763,895</u>	<u>4,206,050</u>	<u>3,018,349</u>
Total Net position	\$ <u>35,761,635</u>	\$ <u>33,602,533</u>	\$ <u>23,205,875</u>	\$ <u>22,820,509</u>	\$ <u>58,967,510</u>	\$ <u>56,423,042</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, 2016, was \$58,967,510, an increase of \$2,044,468, or 3.62%, from a year ago.

The largest portion of the City's net position, \$49,981,917 or 84.76%, 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, \$4,779,543 of the City's net position, or 8.17%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of \$4,206,050 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, 2016**

Due to the implementation of GASB 68, the governmental activities reported a deficit of \$745,546 for its unrestricted category of net position in the prior fiscal year. As of the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for its separate governmental and business-type activities,

Changes in the City's net position during the year ended June 30, 2016 follows.

**City of Conway's Changes in Net Position  
June 30, 2016**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 5,895,237	\$ 5,519,289	\$ 9,491,456	\$ 8,945,450	\$ 15,386,693	\$ 14,464,739
Operating Grants and Contributions	380,981	395,523			380,981	395,523
Capital Grants and Contributions	64,424	86,885	791,900	1,092,907	868,684	1,179,792
General Revenues						
Property Taxes	5,773,639	5,513,255			5,773,639	5,513,255
Franchise Fees	1,187,017	1,168,553			1,187,017	1,168,553
Other Taxes and Fees	839,757	782,567			839,757	782,567
Licenses	4,979,368	4,821,157			4,979,368	4,821,157
Interest	31,455	36,106	24,248	12,226	43,343	48,332
Grants and Contributions	1,268,265	1,268,130			1,268,265	1,268,130
Gain on Sale of Capital Assets	<u>119,105</u>	<u>93,869</u>		<u>15,392</u>	<u>119,105</u>	<u>109,261</u>
<b>Total Revenues</b>	<b>\$ <u>20,539,248</u></b>	<b>\$ <u>19,685,334</u></b>	<b>\$ <u>10,307,604</u></b>	<b>\$ <u>10,065,975</u></b>	<b>\$ <u>30,846,852</u></b>	<b>\$ <u>29,751,309</u></b>
<b>Expenses</b>						
Governmental Activities						
General Government	\$ 1,683,982	\$ 1,497,794	\$	\$	\$ 1,683,982	\$ 1,497,794
Public Safety	8,231,817	7,615,337			8,231,817	7,615,337
Street	2,499,654	2,748,446			2,499,654	2,748,446
Sanitation	2,047,894	1,881,025			2,047,894	1,881,025
Intragovernmental						
Maintenance	294,974	292,595			294,974	292,595
Beautification	739,171	661,098			739,171	661,098
Culture and Recreation	2,628,841	2,489,723			2,628,841	2,489,723
Non-Departmental	861,980	835,854			861,980	835,854
Interest and Fiscal Charges	136,733	156,731			136,733	156,731
Business Activities						
Maintenance	\$	\$	\$ 1,546,990	\$ 1,035,434	\$ 1,546,990	\$ 1,035,434
Operations			1,060,477	880,928	1,560,477	880,928
Construction			773,794	786,887	773,794	786,887
Non-Departmental			4,498,387	4,381,217	4,498,387	4,381,217
Depreciation and Amort.			1,248,040	1,117,644	1,248,040	1,117,644
Interest and Fiscal Charges			<u>49,650</u>	<u>53,180</u>	<u>49,650</u>	<u>53,180</u>
<b>Total Expenses</b>	<b>\$ <u>19,125,046</u></b>	<b>\$ <u>18,178,623</u></b>	<b>\$ <u>9,177,338</u></b>	<b>\$ <u>8,255,290</u></b>	<b>\$ <u>28,302,384</u></b>	<b>\$ <u>26,433,913</u></b>

# CITY OF CONWAY, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended June 30, 2016

### *The City as a Whole* (continued)

#### City of Conway's Changes in Net Position Fiscal Year Ended June 30, 2016

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Increase in Net Position						
Before Transfers	\$ 1,414,202	\$ 1,506,711	\$ 1,130,266	\$ 1,810,685	\$ 2,544,468	\$ 3,317,396
Transfers	<u>744,900</u>	<u>694,900</u>	<u>(744,900)</u>	<u>(694,900)</u>		
Increase in Net Position	\$ 2,159,102	\$ 2,201,611	\$ 385,366	\$ 1,115,785	\$ 2,544,468	\$ 3,317,396
Net Position – Beginning	<u>33,602,533</u>	<u>31,400,922</u>	<u>22,820,509</u>	<u>21,704,724</u>	<u>56,423,042</u>	<u>53,105,646</u>
Net Position – Ending	<u>\$ 35,761,635</u>	<u>\$ 33,602,533</u>	<u>\$ 23,205,875</u>	<u>\$ 22,820,509</u>	<u>\$ 58,967,510</u>	<u>\$ 56,423,042</u>

The City's total revenues exceeded expenses by \$2,544,468 of which \$2,159,102 was from governmental activities and \$385,366 was from business-type activities.

#### *Governmental Activities*

The City's net position from governmental activities increased \$2,159,102. 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 \$592,646 at June 30, 2016.

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

The cost of all governmental activities for fiscal year 2016 was \$19,125,046. However, as shown in the statement of activities on pages 13 and 14, the amount that taxpayer's ultimately financed for these activities was only \$12,784,404 because some of the cost was paid by those who directly benefited from the programs (\$5,895,237) or by other governments and organizations that subsidized certain programs with grants and contributions (\$445,405). Overall, the City's governmental program revenues were \$6,340,642. 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 \$14,943,506.

#### *Business-Type Activities*

The City's net position from business-type activities increased \$385,366.

The City's programs for business-type activities are comprised of waterworks and sewer activities. Revenues of the City's business-type activities were \$10,307,604, a 2.40% increase. Expenses of the City's business-type activities were \$9,922,238, a 10.86% increase from personnel costs, materials and supplies expenses, and additional depreciation.

The cost of all business-type activities, \$9,922,238 for fiscal year 2016 as shown in the statement of activities which begins on page 13, were funded from payments by users in the amount \$9,491,456 and from operating and capital contributions in the amount of \$791,900. Unrestricted investment earnings were \$11,888, restricted investment earnings were \$12,360 and transfers out totaled \$744,900, which are included in the cost of all business-type activities.

**CITY OF CONWAY, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2016**

*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 2016, the City's governmental funds reported combined ending fund balances of \$15,338,815, an increase of \$1,921,429. The increase is primarily due to an increase in licenses and permit revenues and a decrease in capital outlay expenditures.

Unassigned fund balance of the governmental funds is \$11,070,957 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 2016, the fund balance of the General Fund was \$12,650,322 of which \$11,176,025 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 64.29% of total General Fund expenditures, while total fund balance represents a very healthy 72.77% of that same amount.

In the Hospitality Fund, fund balance increased \$102,112 at June 30, 2016. This was primarily due to an increase in hospitality fees.

Fund balance in the Stormwater Management Fund increased by \$150,895 at June 30, 2016. This was primarily due to an increase in Stormwater fees revenues and a decrease in capital outlay expenditures.

In the Community Development Fund, fund balance increased by \$95,324 at June 30, 2016. This was primarily due to an increase in Intergovernmental revenues.

***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 \$1,269,648. Following is the more noteworthy variance from revenue estimates:

- Property tax revenues were over budget by \$38,951.
- Franchise Fees were under budget by \$9,983.
- Licenses and permits exceeded budget by \$730,153 primarily due to an increase in residential building permits and business license collections.

**CITY OF CONWAY, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2016**

*The City's Funds (continued)*

- Intergovernmental revenues exceeded budget by \$220,191 which is was primarily due to increased collections from State shared revenues.
- Recreation center revenues were under budget by \$11,354 which was primarily due to a decrease in membership revenues.

Actual expenditures incurred were \$968,635 less than appropriations. The more significant variances from the budget are noted below:

- Public Safety expenditures were under budget by \$171,058 which was primarily in the area of personnel expenditures.
- Capital outlay expenditures were under budget by \$538,966 which was primarily due to delays in completing budgeted projects..
- General government expenditures were under budget by \$113,009 which was primarily in the area of personnel expenditures

***Capital Assets***

The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2016 amounts to \$58,607,069 as reflected in the following schedule. This represents a net decrease of \$308,907, or 0.52%, over last year. More detailed information about the City's capital assets is presented in Note 8 to the financial statements.

<b>Capital Assets (net of depreciation) June 30, 2016</b>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 6,253,823	\$ 6,253,823	\$ 126,912	\$ 126,912	\$ 6,380,735	\$ 6,380,735
Land Improvements	1,410,280	1,091,637			1,410,280	1,091,637
Buildings and Improvements	14,674,281	15,149,623	2,794,257	2,883,714	17,468,538	18,033,337
Other Improvements	2,340,281	2,577,032			2,340,281	2,577,032
Distributions System			15,263,585	15,162,849	15,263,585	15,162,849
Machinery, Equipment & Vehicles	4,000,607	3,779,640	817,865	872,132	4,818,472	4,651,772
Infrastructure	10,259,533	10,967,047			10,259,533	10,967,047
Intangible Assets				24,412		24,412
Construction in Progress	<u>165,645</u>	<u>27,155</u>	<u>500,000</u>		<u>665,645</u>	<u>27,155</u>
<b>Total</b>	<b><u>\$ 39,104,450</u></b>	<b><u>\$ 39,845,957</u></b>	<b><u>\$ 19,502,619</u></b>	<b><u>\$ 19,070,019</u></b>	<b><u>\$ 58,607,069</u></b>	<b><u>\$ 58,915,976</u></b>

Major capital asset events during the fiscal year 2016 related to governmental activities include the following:

- City invested \$63,648 for the purchase of two new vehicles for the City.
- City invested \$473,333 in various parks and recreation projects throughout the City.
- City invested \$24,122 for the purchase of mobile record system and software.

**CITY OF CONWAY, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2016**

*Capital Assets (continued)*

- City invested \$216,022 for the purchase of seven vehicles for the police department.
- City invested \$43,029 for the purchase of two new vehicles for the fire department.
- City invested \$23,901 for the purchase of new computer equipment for the fire department.
- City invested \$69,963 in new computer equipment and telecommunications equipment.
- City invested \$315,506 in various street and drainage projects throughout the City.
- City invested \$639,593 in operating equipment for the sanitation department.
- City invested \$500,000 in construction of pump station currently in construction in progress.

*Debt Administration*

As shown in the table below, the City had \$24,686,945 in bonds, lease/purchase obligations and pension related debt outstanding at year end. This is an increase of \$1,057,425, 4.48%, from the prior year. The increase is due to the addition of the City's net pension liability, in accordance with GASB 68, of \$2,453,300 and a decrease of \$1,395,875 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:

	<b>Outstanding Debt June 30, 2016</b>					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 1,326,112	\$ 1,666,437	\$	\$	\$ 1,326,112	\$ 1,666,437
Tax increment bonds	1,541,471	1,782,744			1,541,471	1,782,744
Revenue bonds	3,122,574	3,528,017	2,114,276	2,354,709	5,236,850	5,882,726
Pension Related Debt	13,915,046	11,824,326	2,146,747	1,784,167	16,061,793	13,608,493
Lease/Purchase Obligations	520,719	689,120			520,719	689,120
<b>Total liabilities</b>	<b><u>\$20,425,922</u></b>	<b><u>\$19,490,644</u></b>	<b><u>\$ 4,261,023</u></b>	<b><u>\$ 4,138,876</u></b>	<b><u>\$ 24,686,945</u></b>	<b><u>\$ 23,629,520</u></b>

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, 2016, the amount of new general obligation debt that can be issued without referendum was \$3,893,262.

The City's elected and appointed officials considered many factors when setting the fiscal year 2017 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.

**CITY OF CONWAY, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2016**

*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 2017. Amounts available for appropriation in the General Fund budget are \$19,706,072, an increase of 7.37% over the final fiscal year 2016 budget of \$18,353,638. Budgeted expenditures are expected to increase 7.37% to \$19,706,072 from \$18,353,638 in fiscal year 2017. The City has added no major new programs to the fiscal year 2017 budget. If these estimates are realized, the City's budgetary General Fund balance is not expected to change in fiscal year 2017.

As for the City's business-type activities, the anticipated revenues and expenses for Waterworks and Sewer System will decrease by 0.32% for the fiscal year 2017.

*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.

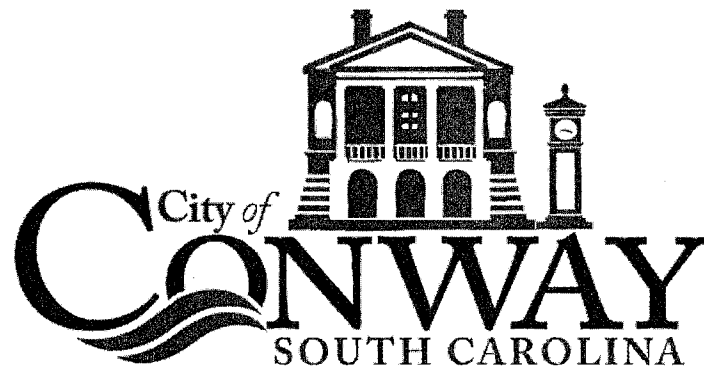




---

## BASIC FINANCIAL STATEMENTS

---



**CITY OF CONWAY, SOUTH CAROLINA**

**STATEMENT OF NET POSITION**

**June 30, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Temporary Investments	\$ 13,381,999	\$ 4,954,435	\$ 18,336,434
Receivables (Net)	2,274,962	1,230,181	3,505,143
Inventories	109,195	625,657	734,852
Restricted Cash and Temporary Investments	1,167,707	3,415,566	4,583,273
Land and Construction In Progress	6,419,468	626,912	7,046,380
Other Capital Assets (Net)	<u>32,684,982</u>	<u>18,875,707</u>	<u>51,560,689</u>
Total Assets	\$ <u>56,038,313</u>	\$ <u>29,728,458</u>	\$ <u>85,766,771</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Pension Plans	\$ <u>2,809,314</u>	\$ <u>383,076</u>	\$ <u>3,192,390</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 908,240	\$ 1,139,440	\$ 2,047,680
Liabilities Payable from Restricted Assets	441,879	1,211,438	1,653,317
Unearned Revenue	77,727	129,400	207,127
Noncurrent Liabilities:			
Due Within One Year	1,174,624	245,289	1,419,913
Due in More Than One Year	<u>19,552,282</u>	<u>4,053,030</u>	<u>23,605,312</u>
Total Liabilities	\$ <u>22,154,752</u>	\$ <u>6,778,597</u>	\$ <u>28,933,349</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pension Plans	\$ <u>931,240</u>	\$ <u>127,062</u>	\$ <u>1,058,302</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 32,593,574	\$ 17,388,343	\$ 49,981,917
Restricted for:			
Community Development	1,818,714	-	1,818,714
Public Safety Programs	243,392	-	243,392
Tourism	513,309	-	513,309
Capital Projects	-	2,204,128	2,204,128
Unrestricted	<u>592,646</u>	<u>3,613,404</u>	<u>4,206,050</u>
Total Net Position	\$ <u><u>35,761,635</u></u>	\$ <u><u>23,205,875</u></u>	\$ <u><u>58,967,510</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, 2016

Functions / Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General Government	\$ 1,683,982	\$ 32,588	\$ 240,176
Public Safety	8,231,817	1,049,155	106,778
Street	2,499,654	1,068,730	14,496
Sanitation	2,047,894	2,589,202	-
Intragovernmental Maintenance	294,974	-	-
Beautification	739,171	-	5,596
Culture and Recreation	2,628,841	1,155,562	13,935
Non-Departmental	861,980	-	-
Interest and Fiscal Charges	136,733	-	-
Total Governmental Activities	<u>\$ 19,125,046</u>	<u>\$ 5,895,237</u>	<u>\$ 380,981</u>
Business-Type Activities:			
Water & Sewer	<u>\$ 9,177,338</u>	<u>\$ 9,491,456</u>	<u>\$ -</u>
Total	<u><u>\$ 28,302,384</u></u>	<u><u>\$ 15,386,693</u></u>	<u><u>\$ 380,981</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  
 Gain (Loss) on Sale of Capital Assets

## 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
\$ -	\$ (1,411,218)	\$ -	\$ (1,411,218)
12,239	(7,063,645)	-	(7,063,645)
	(1,416,428)	-	(1,416,428)
-	541,308	-	541,308
-	(294,974)	-	(294,974)
-	(733,575)	-	(733,575)
52,185	(1,407,159)	-	(1,407,159)
-	(861,980)	-	(861,980)
-	(136,733)	-	(136,733)
<u>\$ 64,424</u>	<u>\$ (12,784,404)</u>	<u>\$ -</u>	<u>\$ (12,784,404)</u>
 \$ 791,900	 \$ -	 \$ 1,106,018	 \$ 1,106,018
<u>\$ 856,324</u>	<u>\$ (12,784,404)</u>	<u>\$ 1,106,018</u>	<u>\$ (11,678,386)</u>
	\$ 5,773,639	\$ -	\$ 5,773,639
	54,436	-	54,436
	1,187,017	-	1,187,017
	768,850	-	768,850
	16,471	-	16,471
	4,979,368	-	4,979,368
	1,268,265	-	1,268,265
	31,455	11,888	43,343
	-	12,360	12,360
	119,105	-	119,105
	744,900	(744,900)	-
	<u>\$ 14,943,506</u>	<u>\$ (720,652)</u>	<u>\$ 14,222,854</u>
	\$ 2,159,102	\$ 385,366	\$ 2,544,468
	<u>33,602,533</u>	<u>22,820,509</u>	<u>56,423,042</u>
	<u>\$ 35,761,635</u>	<u>\$ 23,205,875</u>	<u>\$ 58,967,510</u>

## CITY OF CONWAY, SOUTH CAROLINA

Page 1 of 2

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

	General Fund	Hospitality Fund	Stormwater Management Fund
<b>ASSETS</b>			
Cash and Temporary Investments	\$ 11,036,824	\$ 328,842	\$ 796,526
Receivables (Net):			
Property Taxes	271,770	-	-
Franchise Fees	473,744	-	-
Local Accommodations Tax	-	-	-
Hospitality Fees	-	130,448	-
Interest	13,374	-	-
Intergovernmental	334,980	-	-
Other	688,705	-	-
Due From Other Funds	102,818	-	-
Inventories	109,195	-	-
Restricted Cash and Temporary Investments	<u>1,167,707</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 14,199,117</u>	<u>\$ 459,290</u>	<u>\$ 796,526</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ 757,238	\$ 6,204	\$ 1,124
Due to Other Fund	-	-	-
Payable From Restricted Assets:			
Performance Bonds	373,324	-	-
Court Bonds	7,248	-	-
Narcotics Funds on Hand	61,307	-	-
Unearned Revenue	<u>77,727</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 1,276,844</u>	<u>\$ 6,204</u>	<u>\$ 1,124</u>
Deferred Inflows of Resources	\$ 271,951	\$ -	\$ -
Fund Balances:			
Unspendable			
Inventories	\$ 109,195	\$ -	\$ -
Restricted			
Accommodations	-	-	-
Hospitality	-	453,086	-
Narcotics Law Enforcement	7,357	-	-
Street and Drainage Project	-	-	-
Stormwater	-	-	795,402
Tax Increment	-	-	-
Victims Assistance	236,035	-	-
Assigned			
Beautification	953	-	-
Lakeside Cemetery	257,275	-	-
Recreation Center	699,998	-	-
Public Safety	650	-	-
Sanitation Department	157,461	-	-
Sculpture Trail	5,373	-	-
Unassigned	<u>11,176,025</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 12,650,322</u>	<u>\$ 453,086</u>	<u>\$ 795,402</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,199,117</u>	<u>\$ 459,290</u>	<u>\$ 796,526</u>

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

Community Development Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,219,807	\$ 13,381,999
-	9,194	280,964
-	-	473,744
-	2,998	2,998
-	-	130,448
-	-	13,374
-	349,749	684,729
-	-	688,705
-	-	102,818
-	-	109,195
-	-	1,167,707
\$ -	\$ 1,581,748	\$ 17,036,681
\$ 2,250	\$ 27,481	\$ 794,297
102,818	-	102,818
-	-	373,324
-	-	7,248
-	-	61,307
-	-	77,727
\$ 105,068	\$ 27,481	\$ 1,416,721
\$ -	\$ 9,194	\$ 281,145
\$ -	\$ -	\$ 109,195
-	60,223	60,223
-	-	453,086
-	-	7,357
-	1,023,312	1,023,312
-	-	795,402
-	461,538	461,538
-	-	236,035
-	-	953
-	-	257,275
-	-	699,998
-	-	650
-	-	157,461
-	-	5,373
(105,068)	-	11,070,957
\$ (105,068)	\$ 1,545,073	\$ 15,338,815
\$ -	\$ 1,581,748	\$ 17,036,681

**CITY OF CONWAY, SOUTH CAROLINA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2016**

Total Fund Balances - Total Governmental Funds	\$ 15,338,815
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.	39,104,450
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,090,459
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(21,772,089)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 35,761,635</u></b>

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, 2016**

	General Fund	Hospitality Fund	Stormwater Management Fund
<b>REVENUES</b>			
Property Taxes	\$ 5,404,951	\$ -	\$ -
Franchise Fees	1,187,017	-	-
Hospitality Fees	-	768,850	-
Local Accommodations Tax	-	-	-
Stormwater Fees	-	-	1,051,870
Licenses and Permits	5,511,853	-	-
Fines and Forfeitures	330,664	-	-
Interest	28,840	405	1,344
Intergovernmental	826,436	-	-
Charges for Services	2,554,849	-	-
Recreation Center	832,209	-	-
Other	661,287	35	16,860
Total Revenues	\$ <u>17,338,106</u>	\$ <u>769,290</u>	\$ <u>1,070,074</u>
<b>EXPENDITURES</b>			
Current:			
General Government	\$ 1,478,523	\$ -	\$ -
Public Safety	7,515,565	-	-
Street	652,085	-	717,319
Sanitation	1,663,271	-	-
Intragovernmental Maintenance	207,005	-	-
Beautification	691,434	-	-
Culture and Recreation	1,795,213	216,941	-
Non-Departmental	937,334	-	-
Capital Outlay	1,898,384	33,938	27,987
Debt Service	546,189	303,849	173,873
Total Expenditures	\$ <u>17,385,003</u>	\$ <u>554,728</u>	\$ <u>919,179</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>(46,897)</u>	\$ <u>214,562</u>	\$ <u>150,895</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Capital Assets	\$ 122,268	\$ -	\$ -
Proceeds from Insurance Recoveries	39,374	-	-
Transfers In	884,074	-	-
Transfers Out	-	(112,450)	-
Total Other Financing Sources (Uses)	\$ <u>1,045,716</u>	\$ <u>(112,450)</u>	\$ <u>-</u>
<b>Net Change in Fund Balances</b>	\$ 998,819	\$ 102,112	\$ 150,895
Fund Balances - Beginning	<u>11,651,503</u>	<u>350,974</u>	<u>644,507</u>
<b>Fund Balances - Ending</b>	\$ <u><u>12,650,322</u></u>	\$ <u><u>453,086</u></u>	\$ <u><u>795,402</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, 2016**

	Community Development Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ -	\$ 381,484	\$ 5,786,435
Franchise Fees	-	-	1,187,017
Hospitality Fees	-	-	768,850
Local Accommodations Tax	-	16,471	16,471
Stormwater Fees	-	-	1,051,870
Licenses and Permits	-	-	5,511,853
Fines and Forfeitures	-	-	330,664
Interest	-	866	31,455
Intergovernmental	101,844	754,804	1,683,084
Charges for Services	-	-	2,554,849
Recreation Center	-	-	832,209
Other	-	-	678,182
Total Revenues	\$ <u>101,844</u>	\$ <u>1,153,625</u>	\$ <u>20,432,939</u>
<b>EXPENDITURES</b>			
Current:			
General Government	\$ -	\$ -	\$ 1,478,523
Public Safety	-	-	7,515,565
Street	4,107	1,254	1,374,765
Sanitation	-	-	1,663,271
Intragovernmental Maintenance	-	-	207,005
Beautification	-	-	691,434
Culture and Recreation	-	-	2,012,154
Non-Departmental	2,413	46,562	986,309
Capital Outlay	-	231,467	2,191,776
Debt Service	-	273,339	1,297,250
Total Expenditures	\$ <u>6,520</u>	\$ <u>552,622</u>	\$ <u>19,418,052</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>95,324</u>	\$ <u>601,003</u>	\$ <u>1,014,887</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Capital Assets	\$ -	\$ -	\$ 122,268
Proceeds from Insurance Recoveries	-	-	39,374
Transfers In	-	-	884,074
Transfers Out	-	(26,724)	(139,174)
Total Other Financing Sources (Uses)	\$ <u>-</u>	\$ <u>(26,724)</u>	\$ <u>906,542</u>
<b>Net Change in Fund Balances</b>	\$ 95,324	\$ 574,279	\$ 1,921,429
Fund Balances - Beginning	<u>(200,392)</u>	<u>970,794</u>	<u>13,417,386</u>
<b>Fund Balances - Ending</b>	\$ <u><u>(105,068)</u></u>	\$ <u><u>1,545,073</u></u>	\$ <u><u>15,338,815</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, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ 1,921,429

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 (\$2,191,776) were less than depreciation (\$2,930,121) in the current period. (738,345)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (12,796)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net assets. 1,155,442

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. (166,628)

**Change in Net Position of Governmental Activities \$ 2,159,102**

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, 2016

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash on Hand	\$ 1,100
Cash in Banks and Temporary Investments	4,953,335
Restricted Cash and Temporary Investments	
Customers Deposits	1,211,438
Receivables (Net):	
Accounts	1,041,482
Interest - Unrestricted	751
Interest - Restricted	1,796
Other	186,152
Inventories	625,657
Total Current Assets	\$ <u>8,021,711</u>
Noncurrent Assets:	
Restricted Cash and Temporary Investments	\$ 2,204,128
Land and Construction in Process	626,912
Other Capital Assets (Net)	18,875,707
Total Noncurrent Assets	\$ <u>21,706,747</u>
<b>Total Assets</b>	\$ <u>29,728,458</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to Pension Plan	\$ <u>383,076</u>
 <b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable and Accrued Expenses	\$ 1,139,440
Revenue Bonds	245,289
Unearned Revenue	129,400
Current Liabilities Payable From Restricted Assets:	
Customer Deposits	1,211,438
Total Current Liabilities	\$ <u>2,725,567</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, 2016**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
Noncurrent Liabilities:	
Compensated Absences	\$ 37,296
Revenue Bonds (Net)	1,868,987
Net Pension Liability	2,146,747
Total Noncurrent Liabilities	\$ <u>4,053,030</u>
<b>Total Liabilities</b>	\$ <u>6,778,597</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to Pension Plan	\$ <u>127,062</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 17,388,343
Restricted for Capital Projects	2,204,128
Unrestricted	3,613,404
<b>Total Net Position</b>	\$ <u><u>23,205,875</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, 2016**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
<b>OPERATING REVENUES</b>	
Water Usage, Tap Fees and Penalties	\$ 6,864,367
Sewer Usage, Tap Fees and Penalties	2,320,427
Miscellaneous	306,662
Total Operating Revenues	\$ <u>9,491,456</u>
<b>OPERATING EXPENSES</b>	
Maintenance	\$ 1,557,852
Operations	1,060,477
Construction	773,794
Non-Departmental	4,498,387
Depreciation and Amortization	1,248,040
Total Operating Expenses	\$ <u>9,138,550</u>
Operating Income	\$ <u>352,906</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Unrestricted Interest Earned	\$ 11,888
Restricted Interest Earned	12,360
Insurance Recoveries	10,862
Interest Expense	(49,650)
Total Nonoperating Revenues (Expenses)	\$ <u>(14,540)</u>
Income Before Contributions and Transfers	\$ <u>338,366</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>	
Capital Contributions	\$ 791,900
Transfer Out	(744,900)
Total Contributions and Transfers	\$ <u>47,000</u>
<b>Change in Net Position</b>	\$ 385,366
Total Net Position - Beginning	<u>22,820,509</u>
<b>Total Net Position - Ending</b>	\$ <u><u>23,205,875</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, 2016**

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts From Customers	\$ 9,132,342
Payments to Suppliers	(6,282,969)
Payments to Employees	(983,026)
Other Receipts	340,972
Net Cash and Cash Equivalents Provided by Operating Activities	\$ <u>2,207,319</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer Out	\$ (744,900)
Net Cash and Cash Equivalents Used by NonCapital Financing Activities	\$ <u>(744,900)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal Payments on Revenue Bonds	\$ (240,433)
Interest Paid on Revenue Bonds	(49,434)
Capital Contributions	791,900
Insurance Recoveries	10,862
Purchases of Capital Assets	(1,680,640)
Net Cash and Cash Equivalents Used by Capital and Related Financing Activities	\$ <u>(1,167,745)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Maturities	\$ 3,694,171
Investment Purchases	(3,705,676)
Interest Received	24,076
Net Cash and Cash Equivalents Used by Investing Activities	\$ <u>12,571</u>
<b>Net Increase in Cash and Cash Equivalents</b>	\$ 307,245
<b>Cash and Cash Equivalents - Beginning</b>	<u>4,357,080</u>
<b>Cash and Cash Equivalents - Ending</b>	\$ <u><u>4,664,325</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, 2016

	<u>Enterprise Fund</u>
	<u>Waterworks and Sewer Fund</u>
<b><u>Reconciliation of Operating Income to Net Cash and Cash Equivalents Provided by Operating Activities</u></b>	
Operating Income	\$ 352,906
Adjustments to Reconcile Operating Income to Net Cash and Cash Equivalents	
Provided by Operating Activities:	
Depreciation and Amortization	1,248,040
Increase in Accounts Receivable	(30,869)
Decrease in Due from Other Funds	15,392
Decrease in Other Receivable	18,918
(Increase) in Inventories	65,327
(Decrease) in Accounts Payable and Accrued Expenses	432,932
Increase in Unearned Revenue	(94,200)
Increase in Customer Deposits Payable	72,617
(Decrease) in Compensated Absences	3,539
Increase in Pension Liability	122,717
Net Cash and Cash Equivalents Provided by Operating Activities	\$ <u>2,207,319</u>

**Reconciliation of Cash and Cash Equivalents**

Unrestricted Cash and Temporary Investments	\$ 4,954,435
Restricted Cash and Temporary Investments	<u>3,415,566</u>
Temporary Investments With Original Maturity Dates of Greater Than Three Months	\$ <u>8,370,001</u> <u>(3,705,676)</u>
Cash and Cash Equivalents	\$ <u>4,664,325</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, 2016**

**ASSETS**

Cash and Temporary Investments	\$ <u>134,507</u>
--------------------------------	-------------------

**LIABILITIES**

Due to Firemen's Association	\$ <u>134,507</u>
------------------------------	-------------------

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

## **CITY OF CONWAY, SOUTH CAROLINA**

Page 1 of 23

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

#### **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 City is also required to apply, when applicable, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with or contradict 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, 2016

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

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

The government-wide financial statement focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

**Fund Financial Statements**

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

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

*Governmental Funds*

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

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

CITY OF CONWAY, SOUTH CAROLINA

Page 3 of 23

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

**Fund Financial Statements** *(continued)*

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

*Proprietary Funds*

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

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

*Fiduciary Funds*

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

**Measurement Focus and Basis of Accounting**

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

**Measurement Focus and Basis of Accounting** *(continued)*

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

**Estimates**

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

**Cash and Temporary Investments**

The City pools the cash of all funds into a central depository bank account except where legal restrictions prohibit the commingling of funds or when alternative deposit or investment accounts are better able to meet particular City needs. Temporary investments are then made from the account in collaborative form in order to maximize the return on invested funds. Each individual fund's equity in the pooled cash and temporary investments is shown in that fund. Allocation of the interest earned is made to each fund based on pro rata equity.

State statutes authorize the City to invest in obligations of the U.S. Treasury and agencies thereof, obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent secured by the Federal Deposit Insurance Corporation, and certificates of deposit and repurchase agreements where the certificates or agreements are collaterally secured by obligations of the United States and agencies thereof or by obligations of the State of South Carolina or any of its political units. Investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

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

**Cash Equivalents**

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

**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.

**CITY OF CONWAY, SOUTH CAROLINA**

Page 5 of 23

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**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 are recorded at estimated fair value on the date of donation.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***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 one item that qualifies for reporting in this category. The deferred amounts related to pension plans 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.

**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.

**CITY OF CONWAY, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

Page 7 of 23

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

**Equity Classification** *(continued)*

*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.

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

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.

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.



**CITY OF CONWAY, SOUTH CAROLINA**

Page 8 of 23

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

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

**Revenues and Expenses** *(continued)*

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

**Fund Balance Policy**

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

**Note 2 - STEWARDSHIP AND ACCOUNTABILITY**

At June 30, 2016, the Community Development Fund, a nonmajor governmental fund, had an equity deficit of \$105,068.

**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, \$21,772,089, follows:

Bonds Payable	\$ 5,990,157
Capital Lease Obligations	520,719
Net Pension Liability and Related Amounts	14,846,286
Compensated Absences	550,984
Net OPEB Obligation	(189,237)
Accrued Interest Payable	<u>53,180</u>
	<u>\$ 21,772,089</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, \$(166,628), is comprised of the following:

Compensated Absences	\$ (24,610)
Net Pension Liability	(268,259)
Loss on Sale of Capital Assets	(3,163)
Change in OPEB Obligation	124,329
Accrued Interest	<u>5,075</u>
	<u>\$ (166,628)</u>

**Note 4 - CASH AND TEMPORARY INVESTMENTS**

**Deposits**

At year end, the carrying amount of the City's deposits in financial institutions was \$11,258,114 and the financial institutions' balances totaled \$11,119,659 including certificates of deposit. Of that balance, \$356,002 was covered by federal depository insurance and \$10,763,657 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 \$2,890 at June 30, 2016.

## CITY OF CONWAY, SOUTH CAROLINA

Page 8 of 23

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

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

## Investments

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

	<u>Maturities</u>	<u>Standard &amp; Poor's Credit Rating</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Repurchase Agreement	1 Day	Not Rated	\$ 11,654,864	99.97%
State Treasurer's Investment Pool	2 Months Average	Not Rated	3,839	.03
			<u>\$ 11,658,703</u>	<u>100.00%</u>

At June 30, 2016, fair value measurements of the City's investments are as follows:

	<u>Fair Value Measurements Using</u>		
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Total</u>
Repurchase Agreement	\$ 11,654,864	\$	\$ 11,654,864
State Treasurer's Investment Pool		3,839	3,839
	<u>\$ 11,654,864</u>	<u>\$ 3,839</u>	<u>\$ 11,658,703</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, 2016, 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	\$ 831,523	\$	\$	\$	\$ 9,678	\$ 841,201
Franchise Fees	473,744					473,744
Business Licenses	683,348					683,348
Local Accommodations Tax					2,998	2,998
Hospitality Fees		130,448				130,448
Customer Accounts				1,200,787		1,200,787
Interest	13,374			2,547		15,921
Intergovernmental	334,980				349,749	684,729
Other	5,357			186,152		191,509
	<u>\$ 2,342,326</u>	<u>\$ 130,448</u>	<u>\$</u>	<u>\$ 1,389,486</u>	<u>\$ 362,425</u>	<u>\$ 4,224,685</u>
Allowances for Doubtful Accounts	(559,753)			(159,305)	(484)	(719,542)
	<u>\$ 1,782,573</u>	<u>\$ 130,448</u>	<u>\$</u>	<u>\$ 1,230,181</u>	<u>\$ 361,941</u>	<u>\$ 3,505,143</u>

## CITY OF CONWAY, SOUTH CAROLINA

Page 9 of 23

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**Note 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

At June 30, 2016, amounts due to/from other funds were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 102,818	\$
Community Development Fund	<u>102,818</u>	<u>102,818</u>
	<u>\$ 102,818</u>	<u>\$ 102,818</u>

Interfund transfers during the year ended June 30, 2016 were as follows:

	<u>Purpose</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		\$ 744,900	\$
Enterprise Fund			
Waterworks and Sewer Fund	Subsidy	<u>744,900</u>	<u>744,900</u>
		<u>\$ 744,900</u>	<u>\$ 744,900</u>

**Note 7 - RESTRICTED CASH AND TEMPORARY INVESTMENTS**

The City's restricted cash and temporary investments consisted of the following at June 30, 2016:

**Governmental Activities:**

General Fund	
Public Safety Programs	\$ 313,093
Sanitation Funds	157,461
Lakeside Cemetery Fund	257,275
Performance Bonds	373,324
Other	<u>66,554</u>
<b>Total Governmental Activities</b>	<b>\$ 1,167,707</b>

**Business-Type Activities:**

Waterworks and Sewer Fund:	
Customer Deposits	\$ 1,211,438
Renewal and Replacement Accounts	<u>2,204,128</u>
<b>Total Business-Type Activities:</b>	<b>\$ 3,415,566</b>

**Note 8 - CAPITAL ASSETS (NET)**

The City's capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets not Being Depreciated:				
Land	\$ 6,253,823	\$	\$	\$ 6,253,823
Construction in Progress	<u>27,155</u>	<u>165,645</u>	<u>27,155</u>	<u>165,645</u>
	<u>\$ 6,280,978</u>	<u>\$ 165,645</u>	<u>\$ 27,155</u>	<u>\$ 6,419,468</u>

## CITY OF CONWAY, SOUTH CAROLINA

Page 10 of 23

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

## Note 8 - CAPITAL ASSETS (NET) (continued)

## Capital Assets Being Depreciated:

Land Improvements	\$ 2,508,617	\$ 403,110	\$	\$ 2,911,727
Buildings and Improvements	19,381,692	81,506		19,463,198
Furniture, Vehicles and Equipment	12,718,194	1,286,515	737,088	13,267,621
Other Improvements	6,389,453			6,389,453
Infrastructure	<u>26,363,587</u>	<u>282,155</u>		<u>26,645,742</u>
	<u>\$ 67,361,543</u>	<u>\$ 2,053,286</u>	<u>\$ 737,088</u>	<u>\$ 68,677,741</u>

## Accumulated Depreciation for:

Land Improvements	\$ (1,416,980)	\$ (84,467)	\$	\$ (1,501,447)
Buildings and Improvements	(4,232,069)	(556,848)		(4,788,917)
Furniture, Vehicles and Equipment	(8,938,556)	(1,062,386)	(733,928)	(9,267,014)
Other Improvements	(3,812,421)	(236,751)		(4,049,172)
Infrastructure	<u>(15,396,540)</u>	<u>(989,669)</u>		<u>(16,386,209)</u>
	<u>\$ (33,796,566)</u>	<u>\$ (2,930,121)</u>	<u>\$ (733,928)</u>	<u>\$ (35,992,759)</u>

## Capital Assets (Net)

	<u>\$ 39,845,955</u>	<u>\$ (711,190)</u>	<u>\$ 30,315</u>	<u>\$ 39,104,450</u>
--	----------------------	---------------------	------------------	----------------------

## Business-Type Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated:				
Land	\$ 126,912			\$ 126,912
Land		<u>500,000</u>		<u>\$ 500,000</u>
	<u>\$ 126,912</u>	<u>\$ 500,000</u>		<u>\$ 626,912</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 3,554,841	\$	\$	\$ 3,554,841
Distribution System	31,068,368	998,596		32,066,964
Furniture, Vehicles and Equipment	4,201,434	182,044	69,649	4,313,829
Intangible Assets	<u>1,025,362</u>			<u>1,025,362</u>
	<u>\$ 39,850,005</u>	<u>\$ 1,180,640</u>		<u>\$ 40,960,996</u>
Accumulated Depreciation for:				
Buildings and Improvements	\$ (671,127)	\$ (89,457)	\$	\$ (760,584)
Distribution System	(15,905,519)	(897,860)		(16,803,379)
Furniture, Vehicles and Equipment	(3,329,302)	(236,311)	(69,649)	(3,495,964)
Intangible Assets	<u>(1,000,950)</u>	<u>(24,412)</u>		<u>(1,025,362)</u>
	<u>\$ (20,906,898)</u>	<u>\$ (1,248,040)</u>		<u>\$ (22,085,289)</u>
Capital Assets (Net)	<u>\$ 19,070,019</u>	<u>\$ 432,600</u>		<u>\$ 19,502,619</u>

**CITY OF CONWAY, SOUTH CAROLINA**

Page 11 of 23

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 8 - CAPITAL ASSETS (NET) (continued)**

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

Governmental Activities:	
General Government	\$ 69,040
Public Safety	619,943
Street	1,112,116
Sanitation	385,421
Intergovernmental Maintenance	87,075
Beautification	43,076
Culture and Recreation	<u>613,450</u>
	\$ <u>2,930,121</u>
Business-Type Activities:	
Waterworks & Sewer	\$ <u>1,248,040</u>

The City capitalized \$1,025,362 as wastewater treatment rights as described in Note 14. Amortization of wastewater treatment rights during the fiscal year ended June 30, 2016 was \$24,412 leaving an unamortized balance of \$0.

**Note 9 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES / EXPENDITURES**

Accounts payable and accrued expenses / expenditures consisted of the following at June 30, 2016:

	<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	\$ 468,345	\$ 6,204	\$ 1,124	\$ 2,250	\$ 1,075,497	\$ 27,481	\$ 1,580,901
Accrued Salaries and Wages	288,893				38,300		327,193
Interest Payable					15,643		15,643
Compensated Absences	<u>250,000</u>				<u>10,000</u>		<u>260,000</u>
	\$ <u>757,238</u>	\$ <u>6,204</u>	\$ <u>1,124</u>	\$ <u>2,250</u>	\$ <u>1,139,440</u>	\$ <u>27,481</u>	\$ <u>2,183,737</u>

Reconciliation to the Government-Wide Statement of Net Position:

Accrued Interest Payable	53,180
OPEB Liability	<u>(189,237)</u>
	\$ <u>2,047,680</u>

**Note 10 – UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES**

At June 30, 2016, unearned revenue was comprised of the following:

## CITY OF CONWAY, SOUTH CAROLINA

Page 12 of 23

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

## Note 10 – UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES (continued)

	General Fund	Waterworks and Sewer Fund	Total
Recreation Membership Fees	\$ 77,727	\$	\$ 77,727
Tap Fees		57,700	57,700
Capital Contributions		71,700	71,700
	<u>\$ 77,727</u>	<u>\$ 129,400</u>	<u>\$ 207,127</u>

During the year ended June 30, 2014, 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, 2016, deferred inflows of resources were comprised of the following:

	General Fund	Tax Increment Fund	Total
Unavailable Property Taxes	<u>\$ 271,951</u>	<u>\$ 9,194</u>	<u>\$ 281,145</u>

## Note 11 - LONG-TERM LIABILITIES

## Governmental Activities

At June 30, 2016, long-term debt of the City's governmental activities was as follows:

	Date of Issue	Interest Rate	Amount Outstanding
General Obligation Bonds			
Municipal Improvements	05/12/14	1.20%	\$ 530,109
Municipal Improvements	05/12/14	2.00%	796,003
Revenue Bonds			
Rev. and Refunding Rev. Bonds	01/22/13	2.25%	2,450,757
Stormwater Projects	05/15/14	1.40%	671,817
Tax Increment Bonds			
Municipal Improvements	05/14/14	1.80%	1,541,471
Lease/Purchase Obligation			
Sanitation Equipment	12/10/13	1.52%	<u>520,719</u>
			<u>\$ 6,510,876</u>

The City's long-term liability activity for governmental activities for the year ended June 30, 2016 was as follows:

## CITY OF CONWAY, SOUTH CAROLINA

Page 13 of 23

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 1,666,437	\$	\$ (340,325)	\$ 1,326,112	\$ 344,987
Revenue Bond	3,528,017		(405,443)	3,122,574	413,164
Tax Increment Bond	1,782,744		(241,273)	1,541,471	245,512
Capital Lease Obligations	689,120		(168,401)	520,719	170,961
Compensated Absences	526,374	274,610	(250,000)	550,984	250,000
	<u>\$ 8,192,692</u>	<u>\$ 274,610</u>	<u>\$ (1,405,442)</u>	<u>\$ 7,061,860</u>	<u>\$ 1,424,624</u>

## Reconciliation to the Government-Wide Statement of Net Position:

Compensated Absences Included in Accounts Payable and Accrued Expenses	(250,000)	(250,000)
Net Pension Liability	13,915,046	
	<u>\$ 20,726,906</u>	<u>\$ 1,174,624</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:

	Principal	Interest	Total
Year Ending June 30, 2017	\$ 344,987	\$ 22,613	\$ 367,600
2018	349,843	17,757	367,600
2019	84,874	12,805	97,679
2020	86,565	11,114	97,679
2021	88,350	9,329	97,679
2022-2025	371,493	19,223	390,716
	<u>\$ 1,326,112</u>	<u>\$ 92,841</u>	<u>\$ 1,418,953</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. The tax increment revenue bonds are to be repaid by the property taxes generated in association with increased assessed values of property within the redevelopment area. These bonds are secondarily secured by Waterworks and Sewer Fund revenues. Annual debt service requirements to maturity for the tax increment revenue bonds are as follows:

	Principal	Interest	Total
Year Ending June 30, 2017	\$ 413,164	\$ 64,680	\$ 477,844
2018	421,095	56,749	477,844
2019	429,184	48,660	477,844
2020	437,284	40,560	477,844
2021	271,857	31,992	303,849
2022-2025	1,149,990	90,712	1,215,396
	<u>\$ 3,122,574</u>	<u>\$ 308,047</u>	<u>\$ 3,430,621</u>

## CITY OF CONWAY, SOUTH CAROLINA

Page 14 of 23

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

*Tax Increment Revenue Bond*

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30, 2017	\$ 245,512	\$ 28,139	\$ 273,651
2018	249,992	23,659	273,651
2019	254,554	19,097	273,651
2020	259,160	14,491	273,651
2021	263,930	9,721	273,651
2022	268,323	5,328	273,651
	<u>\$ 1,541,471</u>	<u>\$ 100,435</u>	<u>\$ 1,641,906</u>

*Capital Lease Obligations*

Capital leases were incurred in conjunction with the purchase of sanitation equipment. The capital leases are to be repaid by property tax revenues. At June 30, 2016, the gross amount of equipment recorded under capital leases totaled \$520,719. The minimum future lease payments due under the capital leases as of June 30, 2016 are as follows:

Year Ending June 30, 2017	\$ 178,876
2018	178,876
2019	<u>178,876</u>
Total Minimum Lease Payments	\$ 536,628
Amount Representing Interest	<u>(15,909)</u>
Present Value of Minimum Lease Payments	<u>\$ 520,719</u>

*Business Type Activities*

Long-term debt of the City's business-type activities consisted of the following at June 30, 2016:

	<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>2,114,276</u>

The City's long-term liability activity for business-type activities for the year ended June 30, 2016 was as follows:



**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

	<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	\$ 2,354,709	\$	\$ (240,433)	\$ 2,114,276	\$ 245,289
Compensated Absences	<u>43,757</u>	<u>13,539</u>	<u>(10,000)</u>	<u>47,296</u>	<u>10,000</u>
	<u>\$ 4,182,633</u>	<u>\$ 13,539</u>	<u>\$ (250,433)</u>	<u>\$ 2,161,572</u>	<u>\$ 255,289</u>
Reconciliation to the Government-Wide Statement of Net Position:					
Compensated Absences Included in Accounts Payable and Accrued Expenses				(10,000)	(10,000)
Net Pension Liability				<u>2,146,747</u>	
				<u>\$ 4,298,319</u>	<u>\$ 245,289</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, 2017	\$ 245,289	\$ 45,028	\$ 290,317
2018	250,512	39,806	290,318
2019	255,845	34,472	290,317
2020	261,213	29,104	290,317
2021	266,855	23,463	290,318
2022-2024	<u>834,562</u>	<u>36,389</u>	<u>870,951</u>
	<u>\$ 2,114,276</u>	<u>\$ 208,262</u>	<u>\$ 2,322,538</u>

**Note 12 – PENSION PLANS****A. Plan Description**

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

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

PEBA issues a publicly available comprehensive annual financial report that can be obtained at [www.peba.sc.gov](http://www.peba.sc.gov) or by writing to PEBA, Post Office Box 11960, Columbia, South Carolina 29211.

CITY OF CONWAY, SOUTH CAROLINA

Page 16 of 23

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**Note 12 – PENSION PLANS** *(continued)*

**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.

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.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 12 – PENSION PLANS** *(continued)*

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

**D. Contributions**

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

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

	<u>SCRS</u>	<u>PORS</u>
Class Two Member	8.16%	8.74%
Class Three Member	8.16	8.74

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

	<u>SCRS</u>	<u>PORS</u>
Class Two Member	10.91 %	13.34%
Class Three Member	10.91	13.34
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, 2016 were \$558,166 and \$512,146, 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, 2016, the City reported a liability of \$9,744,654 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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, 2015, the City's proportion was 0.0513817%, which is an increase of 0.0027747% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$324,734.

PORS - At June 30, 2016, the City reported a liability of \$6,317,139 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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

## CITY OF CONWAY, SOUTH CAROLINA

Page 18 of 23

NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**Note 12 – PENSION PLANS** *(continued)*

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, 2014, the City's proportion was 0.28984%, which is an increase of 0.01613% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$120,235.

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

At June 30, 2016, 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	\$ 173,129	\$ 125,206
Differences Between Projected and Actual Earnings on Plan Investments	624,569	550,652
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	383,021	265,502
City Contributions Subsequent to the Measurement Date	<u>558,166</u>	<u>512,145</u>
	<u>\$ 1,738,885</u>	<u>\$ 1,453,505</u>

At June 30, 2016, 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	\$ 17,427	\$
Differences Between Projected and Actual Earnings on Plan Investments	<u>559,343</u>	<u>481,532</u>
	<u>\$ 576,770</u>	<u>\$ 481,532</u>

The \$1,070,311 amount reported as deferred outflows of resources related to pension plan resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension plan will be recognized in pension expense as follows:

Year Ended June 30, 2017	\$ 252,362
2018	252,362
2019	187,366
2020	<u>371,686</u>
	<u>\$ 1,063,776</u>

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 12 – PENSION PLANS** *(continued)***G. Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Inflation	2.75%	2.75%
Salary Increases	3.50-12.50	4.00-10.00
Investment Rate of Return	7.50	7.50

Mortality rates were based on the RP-2000 combined mortality table for males or females, as appropriate, with adjustments for mortality improvements based on Scale AA projected from the year 2000.

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the thirty year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as consensus economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market conditions and professional judgment.

For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are as follows:

	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>
Short Term		
Cash	2.0%	1.9%
Short Duration	3.0	2.0
Domestic Fixed Income		
Core Fixed Income	7.0	2.7
Mixed Credit	6.0	3.8
Global Fixed Income		
Global Fixed Income	3.0	2.8
Emerging Markets Debt	6.0	5.1
Global Public Equity	31.0	7.1
Global Tactical Asset Allocation	10.0	4.9
Alternatives		
Hedge Funds (Low Beta)	8.0	4.3
Private Debt	7.0	9.9
Private Equity	9.0	9.9
Real Estate (Broad Market)	5.0	6.0
Commodities	3.0	5.9
	<u>100.0%</u>	

**CITY OF CONWAY, SOUTH CAROLINA**

Page 20 of 23

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2016**

**Note 12 – PENSION PLANS** *(continued)*

**H. Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. 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:

		SCRS		
		1.0% Decrease (6.5%)	Current Rate (7.5%)	1.0% Increase (8.5%)
City's Proportionate Share of the Net Pension Liability		\$ <u>12,285,225</u>	\$ <u>9,744,654</u>	\$ <u>7,615,333</u>

		PORS		
		1.0% Decrease (6.5%)	Current Rate (7.5%)	1.0% Increase (8.5%)
City's Proportionate Share of the Net Pension Liability		\$ <u>8,605,419</u>	\$ <u>6,317,139</u>	\$ <u>4,271,542</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 City's defined benefit postemployment healthcare plan (the Plan) provides medical benefits to eligible retirees and their eligible dependents. Employees become eligible when the employee qualifies for retirement benefits under the SCRS or PORS and has 10 years of service with the City. Information regarding SCRS and PORS eligibility may be obtained from the Comprehensive Annual Financial Report of the Plan. See Note 12. The Plan is approved each year by City Council; the contribution requirements of the City and plan members are established and amended by Council. These contributions are neither guaranteed nor mandatory. Council has retained the right to unilaterally modify its payments toward retiree health care benefits.

As of July 1, 2013, the measurement date for the plan year 2015, there were 213 covered participants; 14 members are retirees/beneficiaries receiving benefits and 199 are active participants.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**Note 13 - POSTEMPLOYMENT HEALTH CARE PLAN** *(continued)*

The Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (SC ORBET), an agent multiple-employer irrevocable trust administered by the Municipal Association of South Carolina. Each participating employer is responsible for determining the appropriate amount of contributions to remit to the Trust. SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of SC, P.O. Box 12109, Columbia, South Carolina 29211.

**B. Funding Policy**

The City pays the entire cost of medical benefits for retirees eligible for full service retirement (28 years of service with the City and retired under SCRS or 25 years of service with the City and retired under PORS). For retirees with at least 20 years of service with the City but less than the full service retirement, the City pays 50% of the premium for medical benefits. The City pays 0% of the premium for retirees with less than 20 years of service with the City. Spouses of retirees are allowed coverage under the plan but pay the full premium rate for their coverage. In addition to the amounts subsidized above, the retiree and spouse benefits are also implicitly subsidized for the cost of medical expense prior to Medicare eligibility.

The medical premiums for calendar year 2015 prior to Medicare enrollment are \$456.98 per month for retirees and \$493.64 for spouses. For participants retiring after October 27, 2008, the City continues to subsidize the cost of Medicare eligible benefits as described above, but the benefit is based upon a fixed premium rate of \$365.15 with no future growth.

The Plan includes a special disability benefit (for public safety only) similar to the above, except the City pays the full cost of coverage for the retiree regardless of service with the City.

**C. Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is based on a level percent of payroll increasing annually at 2.75%. The components of the annual OPEB cost, the amount actually contributed to the plan and changes in the net OPEB obligation during the year ended June 30, 2016 were as follows:

Normal Cost	\$ 182,994
30 Year Amortization of Unfunded Accrued Liability (UAL)	<u>80,391</u>
Total Annual Required Contribution	\$ 263,385
Gain on Investment of Net OPEB Obligation	(141,422)
Plan Expenses	11,940
Withdrawals	5,153
Contributions Made	<u>(263,385)</u>
Decrease in Net OPEB Obligation	\$ (124,329)
Net OPEB Obligation - Beginning	<u>(64,909)</u>
Net Prepaid OPEB Obligation - Ending	\$ <u>(189,238)</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation (prepaid) for the years ended June 30, 2016 to 2014 were as follows:

**CITY OF CONWAY, SOUTH CAROLINA**

Page 22 of 23

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 13 - POSTEMPLOYMENT HEALTH CARE PLAN** *(continued)*

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Prepaid)</u>
Year Ended June 30, 2016	\$ 263,385	100.0%	\$ (189,238)
2015	252,035	99.2	(64,909)
2014	242,639	100.0	(29,674)

**D. Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, the plan was 60.4% funded. The actuarial accrued liability for benefits (AAL) was \$3,720,307 and the actuarial value of assets was \$2,248,238, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,472,069. The covered payroll (annual payroll of active employees covered by the Plan) was \$8,393,818, and the ratio of the UAAL to the covered payroll was 17.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**E. Actuarial Methods and Assumptions**

For the July 1, 2015 actuarial valuation, the City used the Project Unit Credit Method. The actuarial assumptions included a 5.0% annual investment rate of return (net of administrative and investment related expenses), an inflation rate of 2.75%, and a healthcare cost trend rate of 7.5% - 5.00% for those under 65 and 5.50-5.00% for those 65 and older. The trend rate will decrease to 5.0% in the year 2020. The asset valuation method used is market value. The ORBET trust's actuarial consultants intend to use a smoothing method over a five year period with the assumed investment rate of return. The Plan's UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at July 1, 2015 was twenty-three years.

**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, 2016 were \$2,213,669.

The City of Conway entered into a long-term service contract on November 28, 1994 with GSWSA for treatment of the City's wastewater. Under this agreement, the City is required to pay a monthly service charge for wastewater treatment which is comprised of a capital charge and a volumetric service charge. In addition, the City agreed to convey its wastewater treatment



NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**Note 14 - COMMITMENTS** *(continued)*

plant and the property on which it is located to GSWSA in order to obtain a reduced monthly capital charge. The book value of the plant and property transferred to GSWSA amounted to \$1,025,362 and that amount was capitalized in the Enterprise Fund (Waterworks and Sewer System Fund) as wastewater treatment rights and is being amortized as an operating expense over the life of the service contract. The actual costs incurred by the City for wastewater treatment during the fiscal year ended June 30, 2016 amounted to \$1,624,093. Amortization of wastewater treatment rights during the fiscal year ended June 30, 2016 was \$24,412 leaving an unamortized balance of \$0.

**Note 15 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; 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, 2016, 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 16 - LITIGATION**

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

## CITY OF CONWAY, SOUTH CAROLINA

Page 1 of 2

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

	General Fund	Hospitality Fund	Stormwater Management Fund
<b>ASSETS</b>			
Cash and Temporary Investments	\$ 11,036,824	\$ 328,842	\$ 796,526
Receivables (Net):			
Property Taxes	271,770	-	-
Franchise Fees	473,744	-	-
Local Accommodations Tax	-	-	-
Hospitality Fees	-	130,448	-
Interest	13,374	-	-
Intergovernmental	334,980	-	-
Other	688,705	-	-
Due From Other Funds	102,818	-	-
Inventories	109,195	-	-
Restricted Cash and Temporary Investments	<u>1,167,707</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 14,199,117</u>	<u>\$ 459,290</u>	<u>\$ 796,526</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable and Accrued Expenditures	\$ 757,238	\$ 6,204	\$ 1,124
Due to Other Fund		-	-
Payable From Restricted Assets:			
Performance Bonds	373,324	-	-
Court Bonds	7,248	-	-
Narcotics Funds on Hand	61,307	-	-
Unearned Revenue	<u>77,727</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 1,276,844</u>	<u>\$ 6,204</u>	<u>\$ 1,124</u>
Deferred Inflows of Resources	\$ 271,951	\$ -	\$ -
Fund Balances:			
Unspendable			
Inventories	\$ 109,195	\$ -	\$ -
Restricted			
Accommodations	-	-	-
Hospitality	-	453,086	-
Narcotics Law Enforcement	7,357	-	-
Street and Drainage Project	-	-	-
Stormwater	-	-	795,402
Tax Increment	-	-	-
Victims Assistance	236,035	-	-
Assigned			
Beautification	953	-	-
Lakeside Cemetery	257,275	-	-
Recreation Center	699,998	-	-
Public Safety	650	-	-
Sanitation Department	157,461	-	-
Sculpture Trail	5,373	-	-
Unassigned	<u>11,176,025</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 12,650,322</u>	<u>\$ 453,086</u>	<u>\$ 795,402</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,199,117</u>	<u>\$ 459,290</u>	<u>\$ 796,526</u>

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

Community Development Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,219,807	\$ 13,381,999
-	9,194	280,964
-	-	473,744
-	2,998	2,998
-	-	130,448
-	-	13,374
-	349,749	684,729
-	-	688,705
-	-	102,818
-	-	109,195
-	-	1,167,707
<u>\$ -</u>	<u>\$ 1,581,748</u>	<u>\$ 17,036,681</u>
\$ 2,250	\$ 27,481	\$ 794,297
102,818	-	102,818
-	-	373,324
-	-	7,248
-	-	61,307
-	-	77,727
<u>\$ 105,068</u>	<u>\$ 27,481</u>	<u>\$ 1,416,721</u>
\$ -	\$ 9,194	\$ 281,145
\$ -	\$ -	\$ 109,195
-	60,223	60,223
-	-	453,086
-	-	7,357
-	1,023,312	1,023,312
-	-	795,402
-	461,538	461,538
-	-	236,035
-	-	953
-	-	257,275
-	-	699,998
-	-	650
-	-	157,461
-	-	5,373
(105,068)	-	11,070,957
<u>\$ (105,068)</u>	<u>\$ 1,545,073</u>	<u>\$ 15,338,815</u>
<u>\$ -</u>	<u>\$ 1,581,748</u>	<u>\$ 17,036,681</u>

**CITY OF CONWAY, SOUTH CAROLINA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2016**

Total Fund Balances - Total Governmental Funds	\$ 15,338,815
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.	39,104,450
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,090,459
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(21,772,089)</u>
<b>Net Position of Governmental Activities</b>	<b>\$ <u>35,761,635</u></b>

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



---

**REQUIRED SUPPLEMENTARY INFORMATION**

---



**CITY OF CONWAY, SOUTH CAROLINA**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE**  
**OF THE SCRS NET PENSION LIABILITY**  
**Last Three 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>
6/30/16	0.051381 % \$	9,744,654	\$ 4,929,246	197.69 %	56.99 %
6/30/15	0.048607	8,368,514	4,419,409	189.36	59.92
6/30/14	0.048607	8,718,362	4,402,155	198.05	56.39

\* 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 Three 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>
6/30/15	0.28984 % \$	6,317,139	\$ 4,104,409	153.91 %	64.57 %
6/30/15	0.27371	5,239,979	3,486,123	150.31	67.55
6/30/14	0.27371	5,673,933	3,233,436	175.48	62.98

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

**CITY OF CONWAY, SOUTH CAROLINA**  
**SCHEDULE OF CITY CONTRIBUTIONS TO THE SCRS**  
**Last Three 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>
6/30/16	\$ 558,166	\$ 558,166	\$ -	\$ 4,929,246	11.32 %
6/30/15	525,114	525,114	-	4,419,409	11.88
6/30/14	468,457	468,457	-	4,402,155	10.64

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

**CITY OF CONWAY, SOUTH CAROLINA**  
**SCHEDULE OF CITY CONTRIBUTIONS TO THE PORS**  
**Last Three 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>
6/30/16	\$ 512,146	\$ 512,146	\$ -	\$ 4,104,409	12.48 %
6/30/15	481,521	481,521	-	3,486,123	13.81
6/30/14	421,938	421,938	-	3,233,436	13.05

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

**CITY OF CONWAY, SOUTH CAROLINA**

**SCHEDULE OF FUNDING PROGRESS FOR  
POSTEMPLOYMENT HEALTHCARE PLAN  
June 30, 2016**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
7/1/11	1,022,760	2,895,728	1,872,968	35.3%	7,273,275	25.8%
7/1/13	1,688,110	3,332,972	1,644,862	50.6%	7,062,181	23.3%
7/1/15	2,248,238	3,720,307	1,472,069	60.4%	8,393,818	17.5%

**CITY OF CONWAY, SOUTH CAROLINA**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2016**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 5,366,000	\$ 5,404,951	\$ 38,951
Franchise Fee	1,197,000	1,187,017	(9,983)
Licenses and Permits	4,781,700	5,511,853	730,153
Fines and Forfeitures	260,500	330,664	70,164
Interest	24,200	28,840	4,640
Intergovernmental	606,245	826,436	220,191
Charges for Services	2,470,000	2,554,849	84,849
Recreation Center	843,563	832,209	(11,354)
Other	519,250	661,287	142,037
Total Revenues	<u>\$ 16,068,458</u>	<u>\$ 17,338,106</u>	<u>\$ 1,269,648</u>
<b>EXPENDITURES</b>			
Current:			
General Government	\$ 1,591,532	\$ 1,478,523	\$ 113,009
Public Safety	7,686,623	7,515,565	171,058
Street	713,386	652,085	61,301
Sanitation	1,739,048	1,663,271	75,777
Intragovernmental Maintenance	205,333	207,005	(1,672)
Beautification	654,703	691,434	(36,731)
Culture and Recreation			
Recreation Center	751,527	722,375	29,152
Other Recreation Facilities	1,086,906	1,072,838	14,068
Non-Departmental	940,750	937,334	3,416
Capital Outlay	2,437,350	1,898,384	538,966
Debt Service	546,480	546,189	291
Total Expenditures	<u>\$ 18,353,638</u>	<u>\$ 17,385,003</u>	<u>\$ 968,635</u>
Excess (Deficiency) of Revenues Over(Under) Expenditures	<u>\$ (2,285,180)</u>	<u>\$ (46,897)</u>	<u>\$ 2,238,283</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Capital Assets	\$ 20,000	\$ 122,268	\$ 102,268
Proceeds from Insurance Recoveries	10,000	39,374	29,374
Transfers In	884,100	884,074	(26)
	<u>\$ 914,100</u>	<u>\$ 1,045,716</u>	<u>\$ 131,616</u>
<b>Net Change in Fund Balances</b>	<u>\$ (1,371,080)</u>	<u>\$ 998,819</u>	<u>\$ 2,369,899</u>
<b>Fund Balances - Beginning</b>	<u>10,284,384</u>	<u>11,651,503</u>	<u>1,367,119</u>
<b>Fund Balances - Ending</b>	<u><u>\$ 8,913,304</u></u>	<u><u>\$ 12,650,322</u></u>	<u><u>\$ 3,737,018</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, 2016**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
<b>REVENUES</b>			
Hospitality Fees	\$ 685,000	\$ 768,850	\$ 83,850
Interest	350	405	55
Other	-	35	35
Total Revenues	<u>\$ 685,350</u>	<u>\$ 769,290</u>	<u>\$ 83,940</u>
<b>EXPENDITURES</b>			
Current			
Culture and Recreation	\$ 247,000	\$ 216,941	\$ 30,059
Capital Outlay	33,000	33,938	(938)
Debt Service	303,850	303,849	1
Total Expenditures	<u>\$ 583,850</u>	<u>\$ 554,728</u>	<u>\$ 29,122</u>
Deficiency of Revenues Under Expenditures	\$ 101,500	\$ 214,562	\$ 113,062
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer Out	\$ (112,450)	\$ (112,450)	\$ -
	<u>\$ (112,450)</u>	<u>\$ (112,450)</u>	<u>\$ -</u>
<b>Net Change in Fund Balances</b>	(10,950)	102,112	113,062
Fund Balance - Beginning	<u>\$ 171,092</u>	<u>\$ 350,974</u>	<u>\$ 179,882</u>
Fund Balance - Ending	<u>\$ 160,142</u>	<u>\$ 453,086</u>	<u>\$ 292,944</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, 2016**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
<b>REVENUES</b>			
Stormwater Fees	\$ 1,035,000	\$ 1,051,870	\$ 16,870
Interest	900	1,344	444
Other	-	16,860	16,860
Total Revenues	<u>\$ 1,035,900</u>	<u>\$ 1,070,074</u>	<u>\$ 34,174</u>
<b>EXPENDITURES</b>			
Current			
Street	\$ 835,455	\$ 717,319	\$ 118,136
Capital Outlay	162,350	27,987	134,363
Debt Service	173,995	173,873	122
Total Expenditures	<u>\$ 1,171,800</u>	<u>\$ 919,179</u>	<u>\$ 252,621</u>
<b>Net Change in Fund Balances</b>	<u>\$ (135,900)</u>	<u>\$ 150,895</u>	<u>\$ 286,795</u>
Fund Balance - Beginning	<u>431,059</u>	<u>644,507</u>	<u>213,448</u>
<b>Fund Balance - Ending</b>	<u><u>\$ 295,159</u></u>	<u><u>\$ 795,402</u></u>	<u><u>\$ 500,243</u></u>

**CITY OF CONWAY, SOUTH CAROLINA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2016**

**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, 2016, 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, 2016.

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, 2016**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
<b>REVENUES</b>			
Intergovernmental	\$ 307,145	\$ 101,844	\$ (205,301)
Total Revenues	<u>\$ 307,145</u>	<u>\$ 101,844</u>	<u>\$ (205,301)</u>
<b>EXPENDITURES</b>			
Current			
Public Safety	\$ 13,000	\$ -	\$ 13,000
Street	-	4,107	(4,107)
Non-Departmental	102,000	2,413	99,587
Capital Outlay	192,145	-	192,145
Total Expenditures	<u>\$ 307,145</u>	<u>\$ 6,520</u>	<u>\$ 108,480</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ 95,324</u>	<u>\$ 95,324</u>
Fund Balance - Beginning	<u>\$ (212,014)</u>	<u>(200,392)</u>	<u>(11,622)</u>
<b>Fund Balance - Ending</b>	<u><u>\$ (212,014)</u></u>	<u><u>\$ (105,068)</u></u>	<u><u>\$ (106,946)</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, 2016**

	Original and Final Budget	Actual Amounts	Variance With Budget - Positive (Negative)
<b>OPERATING REVENUES</b>			
Water Usage, Tap Fees & Penalties	\$ 6,345,000	\$ 6,864,367	\$ 519,367
Sewer Usage, Tap Fees & Penalties	2,212,500	2,320,427	107,927
Miscellaneous Revenues	334,800	306,662	(28,138)
Total Operating Revenues	<u>\$ 8,892,300</u>	<u>\$ 9,491,456</u>	<u>\$ 599,156</u>
<b>OPERATING EXPENSES</b>			
Maintenance	\$ 1,433,864	\$ 1,557,852	\$ (123,988)
Operations	2,722,769	1,060,477	1,662,292
Construction	799,097	773,794	25,303
Non-Departmental	4,269,675	4,498,387	(228,712)
Depreciation and Amortization	-	1,248,040	(1,248,040)
Total Operating Expenses	<u>\$ 9,225,405</u>	<u>\$ 9,138,550</u>	<u>\$ 86,855</u>
Operating Income	<u>\$ (333,105)</u>	<u>\$ 352,906</u>	<u>\$ 686,011</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Unrestricted Interest Earned	\$ 9,000	\$ 11,888	\$ 2,888
Restricted Interest Earned	10,000	12,360	2,360
Insurance Recoveries	-	10,862	10,862
Interest Expense	(50,280)	(49,650)	630
Total Nonoperating Revenues (Expenses)	<u>\$ (31,280)</u>	<u>\$ (14,540)</u>	<u>\$ 16,740</u>
Income before Contributions and Transfers	<u>\$ (364,385)</u>	<u>\$ 338,366</u>	<u>\$ 702,751</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Capital Contributions	\$ 580,000	\$ 791,900	\$ 211,900
Transfer Out	(744,900)	(744,900)	-
Total Contributions and Transfers	<u>\$ (164,900)</u>	<u>\$ 47,000</u>	<u>\$ 211,900</u>
Change in Net Position	<u>\$ (529,285)</u>	<u>\$ 385,366</u>	<u>\$ 914,651</u>
Total Net Position - Beginning	<u>19,768,435</u>	<u>22,820,509</u>	<u>3,052,074</u>
Total Net Position - Ending	<u><u>\$ 19,239,150</u></u>	<u><u>\$ 23,205,875</u></u>	<u><u>\$ 3,966,725</u></u>

CITY OF CONWAY, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES  
Year Ended June 30, 2016

**Court Fines**

Court Fines Collected	\$ 254,213
Court Fines Retained by City	(254,213)
Court Fines Remitted to State Treasurer	<u>\$ -</u>

**Court Assessments**

Court Assessments Collected	\$ 403,736
Court Assessments Retained by City	(30,601)
Court Assessments Remitted to State Treasurer	<u>\$ 373,135</u>

**Court Surcharges**

Court Surcharges Collected	\$ 28,594
Court Surcharges Retained by City	(28,594)
Court Surcharges Remitted to State Treasurer	<u>\$ -</u>

**Victim Services**

Court Assessments Allocated to Victim Services	\$ 30,601
Court Surcharges Allocated to Victim Services	28,594
Investment Income	362
Total Funds Allocated to Victim Services	<u>\$ 59,557</u>
Victim Services Expenditures	(16,257)
Funds Available for Carryforward From Year Ended June 30, 2016	<u>\$ 43,300</u>
Funds Carried Forward From Year Ended June 30, 2015	192,735
Funds Available for Carryforward at June 30, 2016	<u><u>\$ 236,035</u></u>



## **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

### **NONMAJOR GOVERNMENTAL FUNDS**

#### **Special Revenue Funds**

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

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

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

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



**CITY OF CONWAY, SOUTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2016**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Accommodations Tax	Street & Drainage	Tax Increment Revenue	
ASSETS				
Cash and Temporary Investments	\$ 46,965	\$ 712,662	\$ 460,180	\$ 1,219,807
Receivables (Net):				
Property Taxes	-	-	9,194	9,194
Local Accommodations Tax	2,998	-	-	2,998
Intergovernmental	21,460	326,931	1,358	349,749
Total Assets	\$ 71,423	\$ 1,039,593	\$ 470,732	\$ 1,581,748
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Expenditures	\$ 11,200	\$ 16,281	\$ -	\$ 27,481
Total Liabilities	\$ 11,200	\$ 16,281	\$ -	\$ 27,481
Deferred Inflows of Resources	\$ -	\$ -	\$ 9,194	\$ 9,194
Fund Balances				
Restricted	\$ 60,223	\$ 1,023,312	\$ 461,538	\$ 1,545,073
Total Fund Balances	\$ 60,223	\$ 1,023,312	\$ 461,538	\$ 1,545,073
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 71,423	\$ 1,039,593	\$ 470,732	\$ 1,581,748

**CITY OF CONWAY, SOUTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2016**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Accommodations Tax	Street & Drainage	Tax Increment Revenue	
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ 381,484	\$ 381,484
Local Accommodations Tax	16,471	-	-	16,471
Interest	88	740	38	866
Intergovernmental	59,483	695,321	-	754,804
Total Revenues	<u>\$ 76,042</u>	<u>\$ 696,061</u>	<u>\$ 381,522</u>	<u>\$ 1,153,625</u>
<b>EXPENDITURES</b>				
Current:				
Street	\$ -	\$ 1,254	\$ -	\$ 1,254
Non-Departmental	46,562	-	-	46,562
Capital Outlay	-	231,467	-	231,467
Debt Service	-	-	273,339	273,339
Total Expenditures	<u>\$ 46,562</u>	<u>\$ 232,721</u>	<u>\$ 273,339</u>	<u>\$ 552,622</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 29,480	\$ 463,340	\$ 108,183	\$ 601,003
<b>OTHER FINANCING (USES)</b>				
Transfer Out	<u>\$ (26,724)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (26,724)</u>
<b>Net Change in Fund Balances</b>	\$ 2,756	\$ 463,340	\$ 108,183	\$ 574,279
Fund Balances - Beginning	<u>57,467</u>	<u>559,972</u>	<u>353,355</u>	<u>970,794</u>
<b>Fund Balances - Ending</b>	<u><u>\$ 60,223</u></u>	<u><u>\$ 1,023,312</u></u>	<u><u>\$ 461,538</u></u>	<u><u>\$ 1,545,073</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, 2016**

	Original and Final Budget	Actual Amounts	Variance With Final Budget- Positive (Negative)
<b>REVENUES</b>			
Local Accommodations Tax	\$ 16,350	\$ 16,471	\$ 121
Interest	-	88	88
Intergovernmental	60,000	59,483	(517)
Total Revenues	<u>\$ 76,350</u>	<u>\$ 76,042</u>	<u>\$ (308)</u>
<b>EXPENDITURES</b>			
Current			
Non-Departmental	<u>\$ 49,600</u>	<u>\$ 46,562</u>	<u>\$ 3,038</u>
Excess of Revenues Over Expenditures	\$ 26,750	\$ 29,480	\$ 2,730
<b>OTHER FINANCING USES</b>			
Operating Transfer Out To General Fund	<u>(26,750)</u>	<u>(26,724)</u>	<u>26</u>
<b>Net Change in Fund Balance</b>	\$ -	\$ 2,756	\$ 2,756
Fund Balance - Beginning	<u>12,063</u>	<u>57,467</u>	<u>(45,404)</u>
<b>Fund Balance - Ending</b>	<u><u>\$ 12,063</u></u>	<u><u>\$ 60,223</u></u>	<u><u>\$ (42,648)</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, 2016**

	Original and Final Budget	Actual Amounts	Variance With Final Budget- Positive (Negative)
<b>REVENUES</b>			
Interest	\$ 350	\$ 740	\$ 390
Intergovernmental	595,545	695,321	99,776
Total Revenues	<u>\$ 595,895</u>	<u>\$ 696,061</u>	<u>\$ 100,166</u>
<b>EXPENDITURES</b>			
Current			
Street	\$ -	\$ 1,254	\$ (1,254)
Capital Outlay	606,090	231,467	374,623
Total Expenditures	<u>\$ 606,090</u>	<u>\$ 232,721</u>	<u>\$ 373,369</u>
<b>Net Change in Fund Balance</b>	<b>\$ (10,195)</b>	<b>\$ 463,340</b>	<b>\$ 473,535</b>
Fund Balance - Beginning	<u>354,632</u>	<u>559,972</u>	<u>(205,340)</u>
<b>Fund Balance - Ending</b>	<b><u>\$ 344,437</u></b>	<b><u>\$ 1,023,312</u></b>	<b><u>\$ 268,195</u></b>

**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, 2016**

	Original and Final Budget	Actual Amounts	Variance With Budget- Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 363,800	\$ 381,484	\$ 17,684
Interest	50	38	(12)
Total Revenues	<u>\$ 363,850</u>	<u>\$ 381,522</u>	<u>\$ 17,672</u>
<b>EXPENDITURES</b>			
Debt Service	\$ 273,655	\$ 273,339	\$ 316
Total Expenditures	<u>\$ 273,655</u>	<u>\$ 273,339</u>	<u>\$ 316</u>
<b>Net Change in Fund Balance</b>	\$ 90,195	\$ 108,183	\$ 17,988
Fund Balance - Beginning	<u>311,539</u>	<u>353,355</u>	<u>41,816</u>
<b>Fund Balance - Ending</b>	<u><u>\$ 401,734</u></u>	<u><u>\$ 461,538</u></u>	<u><u>\$ 59,804</u></u>

**CITY OF CONWAY, SOUTH CAROLINA**

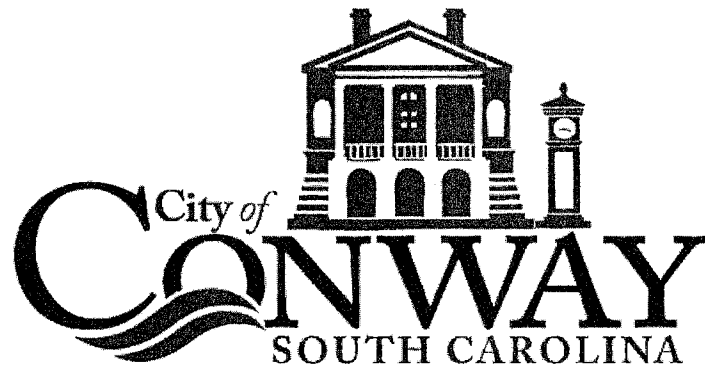
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

**AGENCY FUND**

**FIREMEN'S FUND**

**Year Ended June 30, 2016**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>ASSETS</b>				
Cash and Temporary Investments	\$ <u>97,506</u>	\$ <u>70,184</u>	\$ <u>33,183</u>	\$ <u>134,507</u>
<b>LIABILITIES</b>				
Due to Firemen's Association	\$ <u>97,506</u>	\$ <u>70,184</u>	\$ <u>33,183</u>	\$ <u>134,507</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net Investment in capital assets	\$ 21,724,764	\$ 24,985,255	\$ 24,636,648	\$ 25,418,035	\$ 25,719,185	\$ 26,701,380	\$ 25,955,505	\$ 26,898,544	\$ 32,179,639	\$ 32,593,574
Restricted	6,643,839	3,716,858	3,237,635	2,927,195	1,815,399	1,853,937	3,040,281	1,814,392	2,168,440	2,575,415
Unrestricted	5,517,891	7,077,672	8,326,075	7,770,396	8,058,444	9,653,369	11,234,435	14,427,399	(745,546)	592,646
Total governmental activities net position	<u>\$ 33,886,494</u>	<u>\$ 35,779,785</u>	<u>\$ 36,200,358</u>	<u>\$ 36,115,626</u>	<u>\$ 35,593,028</u>	<u>\$ 38,208,686</u>	<u>\$ 40,230,221</u>	<u>\$ 43,140,335</u>	<u>\$ 33,602,533</u>	<u>\$ 35,761,635</u>
<b>Business-type activities</b>										
Net Investment in capital assets	\$ 17,541,826	\$ 17,927,454	\$ 17,545,080	\$ 17,748,237	\$ 16,995,029	\$ 16,169,298	\$ 16,000,016	\$ 16,407,936	\$ 16,715,310	\$ 17,388,343
Restricted	1,741,035	1,879,792	1,931,655	1,701,923	1,830,787	2,413,909	2,519,210	2,383,205	2,341,304	2,204,128
Unrestricted	2,437,456	2,771,609	2,617,564	2,216,957	1,975,343	3,216,958	3,926,214	4,672,563	3,763,895	3,613,404
Total business-type activities net position	<u>\$ 21,720,317</u>	<u>\$ 22,578,855</u>	<u>\$ 22,094,299</u>	<u>\$ 21,667,117</u>	<u>\$ 20,801,159</u>	<u>\$ 21,800,165</u>	<u>\$ 22,445,440</u>	<u>\$ 23,463,704</u>	<u>\$ 22,820,509</u>	<u>\$ 23,205,875</u>
<b>Primary government</b>										
Net Investment in capital assets	\$ 39,266,590	\$ 42,912,709	\$ 42,181,728	\$ 43,166,272	\$ 42,714,214	\$ 42,870,678	\$ 41,955,521	\$ 43,306,480	\$ 48,894,949	\$ 49,981,917
Restricted	8,384,874	5,596,650	5,169,290	4,629,118	3,646,186	4,267,846	5,559,491	4,197,597	4,509,744	4,779,543
Unrestricted	7,955,347	9,849,281	10,943,639	9,987,353	10,033,787	12,870,327	15,160,649	19,099,962	3,018,349	4,206,050
Total primary government net position	<u>\$ 55,606,811</u>	<u>\$ 58,358,640</u>	<u>\$ 58,294,657</u>	<u>\$ 57,782,743</u>	<u>\$ 56,394,187</u>	<u>\$ 60,008,851</u>	<u>\$ 62,675,661</u>	<u>\$ 66,604,039</u>	<u>\$ 56,423,042</u>	<u>\$ 58,967,510</u>

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities										
General government	\$ 1,181,838	\$ 1,461,010	\$ 1,502,726	\$ 1,732,593	\$ 1,541,878	\$ 1,179,557	\$ 1,202,230	\$ 1,356,599	\$ 1,497,794	\$ 1,683,982
Public safety	6,651,489	7,203,546	7,138,218	7,350,413	7,349,173	6,746,726	6,938,419	6,984,545	7,615,337	8,231,817
Street	2,349,040	2,772,556	2,879,130	3,149,210	3,006,669	2,832,133	2,851,842	3,082,746	2,748,466	2,499,654
Sanitation	1,578,013	1,821,662	1,755,904	1,828,333	1,867,969	1,905,030	1,939,382	1,835,091	1,881,025	2,047,894
Intragovernmental maintenance	187,633	200,346	249,326	368,262	340,580	330,890	341,054	307,012	292,595	294,974
Beautification	406,231	470,922	533,395	525,073	503,049	463,221	501,383	535,069	661,098	739,171
Culture and recreation	1,233,130	1,376,959	1,442,674	1,429,022	1,366,103	2,011,693	2,263,037	2,354,040	2,489,723	2,628,841
Non-departmental	279,551	512,265	822,119	820,621	780,867	773,356	668,876	770,874	835,854	861,980
Interest and fiscal charges	340,524	366,200	250,718	270,517	319,683	343,363	263,688	344,833	156,731	136,733
Total governmental activities expenses	<u>14,207,449</u>	<u>16,185,466</u>	<u>16,574,210</u>	<u>17,474,044</u>	<u>17,075,971</u>	<u>16,585,969</u>	<u>16,969,911</u>	<u>17,570,809</u>	<u>18,178,623</u>	<u>19,125,046</u>
Business-type activities										
Water & sewer	<u>7,587,400</u>	<u>7,720,537</u>	<u>8,026,097</u>	<u>7,817,042</u>	<u>8,003,029</u>	<u>7,376,188</u>	<u>7,794,295</u>	<u>8,279,224</u>	<u>8,255,290</u>	<u>9,177,338</u>
Total primary government expenses	<u>\$ 21,794,849</u>	<u>\$ 23,906,003</u>	<u>\$ 24,600,307</u>	<u>\$ 25,291,086</u>	<u>\$ 25,079,000</u>	<u>\$ 23,962,157</u>	<u>\$ 24,764,206</u>	<u>\$ 25,850,033</u>	<u>\$ 26,433,913</u>	<u>\$ 28,302,384</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
General government	\$ 3,945	\$ 230	\$ 3,316	\$ 3,995	\$ 5,808	\$ 14,837	\$ 28,885	\$ 11,146	\$ 7,836	\$ 32,588
Public safety	1,345,935	1,205,029	946,065	922,469	688,866	921,717	664,354	876,139	883,480	1,049,155
Street	945,229	946,311	965,042	963,445	987,144	957,644	1,002,704	1,027,742	1,045,648	1,068,730
Sanitation	2,131,802	2,233,857	2,259,746	2,245,330	2,288,750	2,296,687	2,368,424	2,435,199	2,510,044	2,589,202
Beautification					3,911					
Culture and recreation	235,355	238,169	242,468	218,295	236,969	1,066,483	1,239,555	1,216,316	1,072,280	1,155,562
Non-departmental										
Operating grants and contributions	570,401	533,643	658,640	745,981	656,056	444,039	284,655	1,087,010	395,523	380,981
Capital grants and contributions	<u>2,743,340</u>	<u>1,465,679</u>	<u>253,715</u>	<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>
Total governmental activities program revenues	<u>\$ 7,976,007</u>	<u>\$ 6,622,918</u>	<u>\$ 5,328,992</u>	<u>\$ 5,938,314</u>	<u>\$ 5,307,692</u>	<u>\$ 6,915,306</u>	<u>\$ 5,946,218</u>	<u>\$ 6,662,443</u>	<u>\$ 6,001,696</u>	<u>\$ 6,340,642</u>
Business-type activities										
Charges for services										
Water & sewer	\$ 7,155,346	\$ 7,833,044	\$ 7,533,748	\$ 7,574,780	\$ 7,529,058	\$ 8,388,764	\$ 8,561,701	\$ 9,034,201	\$ 8,945,450	\$ 9,491,456
Capital grants and contributions	<u>1,266,530</u>	<u>1,009,975</u>	<u>525,862</u>	<u>337,200</u>	<u>211,017</u>	<u>593,762</u>	<u>527,314</u>	<u>947,797</u>	<u>1,092,907</u>	<u>791,900</u>
Total business-type activities program revenues	<u>\$ 8,421,876</u>	<u>\$ 8,843,019</u>	<u>\$ 8,059,610</u>	<u>\$ 7,911,980</u>	<u>\$ 7,740,075</u>	<u>\$ 8,982,526</u>	<u>\$ 9,089,015</u>	<u>\$ 9,981,998</u>	<u>\$ 10,038,357</u>	<u>\$ 10,283,356</u>

**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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total primary government program revenues	\$ 16,397,883	\$ 15,465,937	\$ 13,388,602	\$ 13,850,294	\$ 13,047,767	\$ 15,897,832	\$ 15,035,233	\$ 16,644,441	\$ 16,040,053	\$ 16,623,998
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (6,231,442)	\$ (9,562,548)	\$ (11,245,218)	\$ (11,535,730)	\$ (11,768,279)	\$ (9,670,663)	\$ (11,023,693)	\$ (10,908,366)	\$ (12,176,927)	\$ (12,784,404)
Business-type activities	834,476	1,122,482	33,513	94,938	(262,954)	1,606,338	1,294,720	1,702,774	1,783,067	1,106,018
Total primary government net expense	\$ (5,396,966)	\$ (8,440,066)	\$ (11,211,705)	\$ (11,440,792)	\$ (12,031,233)	\$ (8,064,325)	\$ (9,728,973)	\$ (9,205,592)	\$ (10,393,860)	\$ (11,678,386)
<b>General revenues and other changes in net assets</b>										
Governmental activities										
Property taxes	\$ 3,906,194	\$ 4,636,005	\$ 5,161,643	\$ 5,362,626	\$ 5,142,077	\$ 5,206,764	\$ 5,205,526	\$ 5,503,048	\$ 5,513,255	\$ 5,773,639
In lieu of property taxes	33,254	37,505	30,283	32,409	29,237	32,181	30,613	32,995	36,543	54,436
Franchise fee taxes	819,067	876,542	913,009	939,713	1,020,310	993,489	995,245	1,111,491	1,168,553	1,187,017
Hospitality fee taxes	532,063	558,879	542,643	536,544	535,914	618,718	614,475	669,236	722,318	768,850
Local accommodations taxes	11,196	16,193	14,977	12,977	13,002	12,950	13,637	16,155	23,706	16,471
Business license taxes	3,922,003	3,977,553	3,599,322	3,381,945	3,337,193	3,626,193	4,554,816	4,285,765	4,821,157	4,979,368
Grants and contributions not restricted to specific programs	500,448	545,705	527,656	458,885	455,367	458,965	759,044	1,448,104	1,268,130	1,268,265
Investment earnings	394,888	396,031	236,048	107,707	68,581	44,269	42,838	36,284	36,107	31,455
Gain on sale of capital assets	17,433	76,456	76,377	49,192	28,200	10,003	134,134	20,502	93,869	119,105
Transfers	335,000	335,000	563,833	569,000	615,800	615,800	694,900	694,900	694,900	744,900
Extraordinary Item						666,989				
Total governmental activities	\$ 10,471,546	\$ 11,120,869	\$ 11,665,791	\$ 11,450,998	\$ 11,245,681	\$ 12,286,321	\$ 13,045,228	\$ 13,818,480	\$ 14,378,538	\$ 14,943,506
Business-type activities										
Investment earnings	\$ 82,514	\$ 71,056	\$ 45,764	\$ 41,327	\$ 12,796	\$ 8,468	\$ 10,153	\$ 10,760	\$ 12,226	\$ 24,248
Gain (Loss) on sale of capital assets				5,553			35,302	(370)	15,392	
Transfers	(335,000)	(335,000)	(563,833)	(569,000)	(615,800)	(615,800)	(694,900)	(694,900)	(694,900)	(744,900)
Total business-type activities	\$ (252,486)	\$ (263,944)	\$ (518,069)	\$ (522,120)	\$ (603,004)	\$ (607,332)	\$ (649,445)	\$ (684,510)	\$ (667,282)	\$ (720,652)
Total primary government	\$ 10,219,060	\$ 10,856,925	\$ 11,147,722	\$ 10,928,878	\$ 10,642,677	\$ 11,678,989	\$ 12,395,783	\$ 13,133,970	\$ 13,711,256	\$ 14,222,854
<b>Changes in net assets</b>										
Governmental activities	\$ 4,240,104	\$ 1,558,321	\$ 420,573	\$ (84,732)	\$ (522,598)	\$ 2,615,658	\$ 2,021,535	\$ 2,910,114	\$ 2,201,611	\$ 2,159,102
Business-type activities	581,990	858,538	(484,556)	(427,182)	(865,958)	999,006	645,275	1,018,264	1,115,785	385,366
Total primary government	\$ 4,822,094	\$ 2,416,859	\$ (63,983)	\$ (511,914)	\$ (1,388,556)	\$ 3,614,664	\$ 2,666,810	\$ 3,928,378	\$ 3,317,396	\$ 2,544,468

UNAUDITED

## Schedule 3

## CITY OF CONWAY, SOUTH CAROLINA

## FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>General fund</b>										
Unspendable	\$ 100,178	\$ 94,186	\$ 82,148	\$ 98,029	\$ 118,458	\$ 136,012	\$ 139,247	\$ 144,783	\$ 99,614	\$ 109,195
Restricted	2,795,723	760,307	160,763	141,837	133,814	168,366	179,446	204,013	202,165	243,392
Assigned	399,901	411,784	423,511	429,920	277,805	639,426	867,894	1,059,399	969,119	1,121,710
Unassigned	8,515,123	8,360,119	8,367,545	7,763,539	8,180,542	9,214,984	11,476,697	12,335,204	10,380,605	11,176,025
Total general fund	<u>\$ 11,810,925</u>	<u>\$ 9,626,396</u>	<u>\$ 9,033,967</u>	<u>\$ 8,433,325</u>	<u>\$ 8,710,619</u>	<u>\$ 10,158,788</u>	<u>\$ 12,663,284</u>	<u>\$ 13,743,399</u>	<u>\$ 11,651,503</u>	<u>\$ 12,650,322</u>
<b>All other governmental funds</b>										
Unspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 197,000	\$ 197,000	\$ -	\$ -
Restricted	3,498,997	2,619,038	2,731,146	2,437,805	1,673,562	1,679,867	2,916,674	1,610,379	1,966,275	2,793,561
Unassigned	(50,782)	(74,272)	(77,785)	(82,367)	(79,685)	(81,010)	(81,014)	(83,290)	(200,392)	(105,068)
Total all other governmental funds	<u>\$ 3,448,215</u>	<u>\$ 2,544,766</u>	<u>\$ 2,653,361</u>	<u>\$ 2,355,438</u>	<u>\$ 1,593,877</u>	<u>\$ 1,598,857</u>	<u>\$ 3,032,660</u>	<u>\$ 1,724,089</u>	<u>\$ 1,765,883</u>	<u>\$ 2,688,493</u>

## 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Property taxes	\$ 3,923,389	\$ 4,607,519	\$ 5,080,674	\$ 5,322,818	\$ 5,209,816	\$ 5,064,658	\$ 5,248,997	\$ 5,503,103	\$ 5,508,266	\$ 5,786,435
Franchise fees	819,067	876,542	913,009	939,713	1,020,310	993,489	995,245	1,111,491	1,168,553	1,187,017
Hospitality fees	532,063	558,879	542,643	536,544	535,914	618,718	614,475	669,236	722,318	768,850
Local Accommodations Tax	11,196	16,193	14,977	12,977	13,002	12,950	13,637	16,155	23,706	16,471
Stormwater fees	888,050	917,367	936,049	938,071	973,579	950,908	984,198	1,012,802	1,038,509	1,051,870
Licenses and permits	4,700,881	4,520,559	3,907,306	3,669,218	3,510,526	4,071,092	4,765,398	4,739,976	5,229,838	5,511,853
Fines and forfeitures	324,091	400,468	346,750	342,652	351,152	315,583	286,899	249,165	292,622	330,664
Interest	626,214	582,834	251,621	117,748	68,581	44,269	42,838	36,284	36,107	31,455
Intergovernmental	3,389,364	2,343,058	1,348,695	1,710,778	1,504,790	2,015,097	1,380,870	2,371,077	1,612,484	1,683,084
Charges for services	2,108,051	2,212,932	2,243,627	2,229,920	2,273,088	2,285,523	2,353,477	2,417,954	2,483,555	2,554,849
Recreation center						849,073	1,001,303	953,243	774,313	832,209
Other	789,949	602,494	688,253	645,873	500,399	561,324	518,546	685,090	696,205	678,182
Total revenues	\$ 18,112,315	\$ 17,638,845	\$ 16,273,604	\$ 16,466,312	\$ 15,961,157	\$ 17,782,684	\$ 18,205,883	\$ 19,765,576	\$ 19,586,476	\$ 20,432,939
<b>Expenditures</b>										
General government	\$ 1,122,582	\$ 1,389,301	\$ 1,422,627	\$ 1,621,843	\$ 1,459,450	\$ 1,082,764	\$ 1,112,470	\$ 1,261,858	\$ 1,425,036	\$ 1,478,523
Public safety	6,069,079	6,693,925	6,652,277	6,913,838	6,923,998	6,449,875	6,587,410	6,643,629	7,134,356	7,515,565
Street	1,441,237	1,695,044	1,616,648	1,864,736	1,520,277	1,479,430	1,551,891	1,913,945	1,577,328	1,374,765
Sanitation	1,416,934	1,634,254	1,552,034	1,523,201	1,554,727	1,595,304	1,693,377	1,660,425	1,668,440	1,663,271
Intergovernmental maintenance	178,843	189,564	207,785	232,140	196,159	185,047	196,982	193,398	202,577	207,005
Beautification	377,129	450,153	515,225	509,398	492,653	456,778	492,105	525,290	640,228	691,434
Culture and recreation										
Recreation center						830,595	673,900	710,114	718,532	722,375
Other recreation activities	1,002,632	1,153,249	1,137,013	1,056,368	992,582	673,166	1,093,850	1,128,884	1,206,688	1,289,779
Non-departmental	279,551	512,265	783,119	812,021	766,465	835,357	665,452	803,972	871,089	986,309
Capital outlay	2,973,865	7,160,792	2,333,572	2,677,981	5,714,502	2,867,083	1,077,962	5,455,543	5,686,947	2,191,776
Debt service										
Principal	833,182	838,130	909,208	1,070,480	825,260	886,589	979,525	848,218	1,142,555	1,155,442
Interest	340,621	311,726	298,240	278,822	243,938	304,638	309,497	371,948	154,695	141,808
Financing fees					22,300		11,250	23,146		
Total expenditures	\$ 16,035,655	\$ 22,028,403	\$ 17,427,748	\$ 18,560,828	\$ 20,712,311	\$ 17,646,626	\$ 16,445,671	\$ 21,540,370	\$ 22,428,471	\$ 19,418,052
Excess (deficiency) of revenues over (under) expenditures	\$ 2,076,660	\$ (4,389,558)	\$ (1,154,144)	\$ (2,094,516)	\$ (4,751,154)	\$ 136,058	\$ 1,760,212	\$ (1,774,794)	\$ (2,841,995)	\$ 1,014,887

UNAUDITED



## CITY OF CONWAY, SOUTH CAROLINA

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Other financing sources (uses)</b>										
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		835,000		570,000				855,000		
Proceeds from sale of capital assets	17,433	76,456	76,377	49,192	28,200	10,003	134,134	20,502	93,869	122,268
Proceeds from insurance recoveries	30,439	55,124	24,933	7,759	12,887	24,120	31,333	31,775	3,124	39,374
Payments on Refunded Bonds							(1,912,939)	(5,022,000)		
Transfers in	637,733	1,198,157	1,106,738	876,745	732,325	732,239	743,966	825,188	823,958	884,074
Transfers out	(302,733)	(863,157)	(537,738)	(307,745)	(116,525)	(116,439)	(49,066)	(130,288)	(129,058)	(139,174)
Total other financing sources (uses)	\$ 382,872	\$ 1,301,580	\$ 670,310	\$ 1,195,951	\$ 4,266,887	\$ 649,923	\$ 2,122,428	\$ 1,602,177	\$ 791,893	\$ 906,542
<b>Extraordinary item</b>										
Proceeds from dissolution of health insurance pool	\$	\$	\$	\$	\$	\$ 666,989	\$	\$	\$	\$
Net change in fund balances	\$ 2,459,532	\$ (3,087,978)	\$ (483,834)	\$ (898,565)	\$ (484,267)	\$ 1,452,970	\$ 3,882,640	\$ (172,617)	\$ (2,050,102)	\$ 1,921,429
Debt service as a percentage of noncapital expenditures	8.99%	7.73%	8.00%	8.50%	7.13%	8.00%	8.50%	7.59%	7.75%	7.53%

---

**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			
2007	40,275	5,021	45,296	86.60	767,009	6.0
2008	47,694	5,015	52,709	86.60	899,441	6.0
2009	48,874	4,803	53,677	86.60	918,488	6.0
2010	51,433	4,353	55,786	86.60	959,903	6.0
2011	54,420	4,409	58,829	79.30	1,013,776	6.0
2012	56,747	5,299	62,046	79.30	1,063,806	6.0
2013	57,290	5,519	62,809	79.30	1,075,598	6.0
2014	57,230	5,040	62,270	79.30	1,154,526	5.0
2015	58,221	5,725	63,946	82.40	1,278,920	5.0
2016	58,148	6,187	64,335	82.40	1,286,700	5.0

**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**

<u>Fiscal Year Ended</u>	<u>City of Conway</u>	<u>Horry County</u>	<u>Horry County School District</u>	<u>Horry County Higher Education Commission</u>	<u>Maximum Combined Rate</u>
2007	86.6	45.6	129.7	0.7	262.6
2008	86.6	46.6	143.3	0.7	277.2
2009	86.6	46.6	139.3	0.7	273.2
2010	86.6	46.6	143.3	0.7	277.2
2011	79.3	44.2	132.2	0.7	256.4
2012	79.3	44.5	132.2	0.7	256.7
2013	79.3	44.5	130.2	0.7	254.7
2014	79.3	45.0	130.2	0.7	255.2
2015	82.4	51.7	133.1	0.7	267.9
2016	82.4	51.7	133.1	0.7	267.9

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

City Tax Data: Tax Rate Limits: None

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

All Personal Other Than Vehicles and Real - January 15

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

**UNAUDITED**

## Schedule 7

## CITY OF CONWAY, SOUTH CAROLINA

## PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	Type of Business	Assessed Valuation	2016		Tax Levy
			Percentage of Total Adjusted Assessed Valuation		
Coastal 544 Ventures, LLC	Real Estate	\$ 1,177,429	1.83 %		\$ 97,020
Coastal Carolina Development Partners LLC	Real Estate	1,034,040	1.61		85,204
Gator Coastal Shopping Centre	Real Estate	774,920	1.20		63,853
Fowler 501 Property, LLC	Automobile	615,710	0.96		50,735
Wall Conway, LLC	Real Estate	575,310	0.89		47,406
GD Conway, LLC	Real Estate	561,110	0.87		46,235
Conway National Bank	Financial Services	428,950	0.67		35,345
GSM Properties of Conway, Inc.	Real Estate	400,560	0.62		33,006
Wild Wing, LLC	Real Estate	384,950	0.60		31,720
University Suites at Coastal	Real Estate	380,130	0.59		31,322
		<u>\$ 6,333,109</u>	<u>9.84 %</u>		<u>\$ 521,846</u>

Taxpayer	Type of Business	Assessed Valuation	2007		Tax Levy
			Percentage of Total Adjusted Assessed Valuation		
Wild Wing Plantation, Inc.	Real Estate	\$ 930,393	2.51 %		\$ 89,969
WalMart Conway, LLC	Retail	693,195	1.87		67,032
Verizon South, Inc.	Communication	543,289	1.47		52,536
Triton PCS Holdings Co., LLC	Communication	271,717	.73		26,275
Peppertree Resort Villas, Inc.	Real Estate	235,264	.63		22,750
Peoples Federal Savings & Loan	Financial Services	245,202	.66		23,711
KPT Properties, LP	Real Estate	240,217	.65		23,229
Fowler 501 Property, LLC	Automobile	450,548	1.21		43,568
Conway Hospital, Inc.	Medical Services	237,073	.64		22,925
Coastal Centre Associates	Real Estate	607,125	1.64		58,709
		<u>\$ 4,454,023</u>	<u>8.70 %</u>		<u>\$ 430,704</u>

Source: Horry County Assessor's Office

UNAUDITED

**Schedule 8**

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>		<u>Subsequent Adjustments</u>	<u>Total Levy Including Adjustments</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
					<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2007	\$	3,607,942	\$	85,566	\$	3,693,508	\$	3,571,605	96.70%
2008		4,362,953		129,314		4,492,267		4,177,833	93.00%
2009		4,926,169		149,428		5,075,597		4,598,720	90.60%
2010		5,080,020		268,132		5,348,152		4,684,968	87.60%
2011		4,687,399		332,845		5,020,244		4,457,741	88.80%
2012		4,733,363		126,526		4,859,889		4,524,634	93.10%
2013		4,851,725		230,346		5,082,071		4,622,469	90.96%
2014		5,052,688		234,365		5,287,053		4,853,929	91.81%
2015		5,212,736		223,876		5,436,612		4,935,223	90.78%
2016		5,537,718		187,716		5,725,434		5,294,641	92.48%

**UNAUDITED**

**Schedule 9**

**CITY OF CONWAY, SOUTH CAROLINA**

**WATER AND SEWER GALLONS AND NUMBER OF CUSTOMERS  
Last Ten Fiscal Years**

Fiscal Year	Water and Sewer	Number of Customers	Total Direct Rate			
	Gallons		Water		Sewer	
	Billed		Base Rate	Usage Rate	Base Rate	Usage Rate
2007	1,114,755	12,530	7.85	1.48	4.10	2.49
2008	1,134,459	12,809	8.64	1.63	4.51	2.74
2009	1,100,676	13,018	8.64	1.63	4.51	2.74
2010	983,694	13,102	8.64	1.63	4.51	2.74
2011	967,272	13,278	8.64	1.63	4.51	2.74
2012	994,119	13,429	9.50	1.79	4.96	3.01
2013	966,212	13,543	9.50	1.79	4.96	3.01
2014	985,361	13,970	9.50	1.79	4.96	3.01
2015	998,811	14,240	9.50	1.79	4.96	3.01
2016	1,056,415	14,905	9.50	1.79	4.96	3.01

**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
2007	7.85	1.48	15.70	2.96	4.10	2.49	8.20	4.98
2008	8.64	1.63	17.27	3.26	4.51	2.74	9.02	5.48
2009	8.64	1.63	17.27	3.26	4.51	2.74	9.02	5.48
2010	8.64	1.63	17.27	3.26	4.51	2.74	9.02	5.48
2011	8.64	1.63	17.27	3.26	4.51	2.74	9.02	5.48
2012	9.50	1.79	19.00	3.58	4.96	3.01	9.92	6.02
2013	9.50	1.79	19.00	3.58	4.96	3.01	9.92	6.02
2014	9.50	1.79	19.00	3.58	4.96	3.01	9.92	6.02
2015	9.50	1.79	19.00	3.58	4.96	3.01	9.92	6.02
2016	9.50	1.79	19.00	3.58	4.96	3.01	9.92	6.02

**Source:** City Water and Sewer Department

**UNAUDITED**

**Schedule 11**

**CITY OF CONWAY, SOUTH CAROLINA**

**PRINCIPAL WATER CUSTOMERS  
Current Year <sup>(1)</sup>**

Customer	Fiscal Year 2016	
	Water Revenue	Percentage of Total Water Revenue
	Amount	
Coastal Carolina University	\$ 249,809	2.63%
Horry County Jail	130,151	1.37%
Horry County School District	157,358	1.66%
Conway Housing Authority	123,167	1.30%
H & H Student Housing	77,415	0.82%
Metglass	56,674	0.60%
Conway Manor	50,538	0.53%
Walmart	40,030	0.42%
New South	42,221	0.44%
Monarch 501	28,525	0.30%
	<u>\$ 955,888</u>	<u>10.07%</u>

<sup>(1)</sup> Information not available for any years prior to 2008 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 <sup>(2)</sup>	Per Capita <sup>(2)</sup>
	General Obligation Bonds	Hospitality Fee Revenue Bonds	Stormwater Management Revenue Bond	Tax Increment Revenue Bonds	Capital Lease Obligations	Water and Sewer Revenue Bonds <sup>(1)</sup>			
2007	2,225,000	2,993,851	1,886,192	595,000	334,178		8,034,221	1.85	572
2008	2,075,000	2,831,300	1,772,816	410,000	941,975	3,300,000	11,331,091	2.53	806
2009	1,910,000	2,662,084	1,654,895	220,000	674,904	3,190,000	10,311,883	2.26	734
2010	1,715,000	2,485,930	1,532,246		888,227	3,075,000	9,696,403	2.17	690
2011	2,590,000	2,302,553	1,404,680	2,500,000	608,910	2,955,000	12,361,143	2.48	723
2012	2,501,016	2,111,660	1,271,998	2,309,711	325,169	2,830,000	11,349,554	2.29	648
2013	2,241,114	3,175,000	1,133,997	2,131,037	120,942	2,700,000	11,502,090	2.21	643
2014	2,006,000	2,931,873	995,000	2,021,000	855,000	2,600,000	11,408,873	1.99	591
2015	1,666,437	2,693,991	834,026	1,782,744	689,120	2,354,709	10,021,027	1.55	497
2016	1,326,112	2,450,757	671,817	1,541,471	520,719	2,114,276	8,625,152	1.67	428

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

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

<sup>(2)</sup> See page 86 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

UNAUDITED

**Schedule 13**

**CITY OF CONWAY, SOUTH CAROLINA**

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

Fiscal Year Ended	Net General Bonded Debt Outstanding			Percentage of Estimated Actual Taxable Value of Property <sup>(1)</sup>	Net Bonded Debt - Per Capita <sup>(2)</sup>
	General Obligation Bonds	Debt Service Funds Available	Net General Bonded Debt		
2007	2,225,000		2,225,000	0.29	158
2008	2,075,000		2,075,000	0.23	147
2009	1,910,000		1,910,000	0.21	136
2010	1,715,000		1,715,000	0.18	122
2011	2,590,000		2,590,000	0.27	151
2012	2,501,016		2,501,016	0.24	143
2013	2,241,114		2,241,114	0.21	125
2014	2,006,000		2,006,000	0.17	104
2015	1,666,437		1,666,437	0.13	83
2016	1,326,112		1,326,112	0.10	66

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

<sup>(1)</sup> See page 75 for property value data.

<sup>(2)</sup> See page 80 for population data.

**UNAUDITED**

**Schedule 14**

**CITY OF CONWAY, SOUTH CAROLINA**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**June 30, 2016**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>(1)</sup></u>	<u>Amount Applicable to the City of Conway</u>
<b>Overlapping Governmental Activities Debt</b>			
Horry County			
General Obligation Bonds	\$ 111,231,634	3.4%	\$ 3,737,383
Horry County School District			
General Obligation Bonds	467,505,000	3.4%	<u>15,708,168</u>
			\$ 19,445,551
<b>City Direct Governmental Activities Debt</b>			<u>6,510,876</u>
			<u><u>\$ 25,956,427</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.

<sup>(1)</sup> 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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 3,696,213	\$ 4,289,347	\$ 4,366,728	\$ 4,535,411	\$ 4,778,929	\$ 5,036,199	\$ 5,097,286	\$ 5,054,174	\$ 5,188,254	\$ 5,219,374
Total net debt applicable to limit	<u>2,225,000</u>	<u>2,075,000</u>	<u>1,910,000</u>	<u>1,715,000</u>	<u>2,590,000</u>	<u>2,501,016</u>	<u>2,241,114</u>	<u>2,006,000</u>	<u>1,666,437</u>	<u>1,326,112</u>
Legal debt margin	<u>\$ 1,471,213</u>	<u>\$ 2,214,347</u>	<u>\$ 2,456,728</u>	<u>\$ 2,820,411</u>	<u>\$ 2,188,929</u>	<u>\$ 2,535,183</u>	<u>\$ 2,856,172</u>	<u>\$ 3,048,174</u>	<u>\$ 3,521,817</u>	<u>\$ 3,893,262</u>
Total net debt applicable to the limit as a percentage of debt limit	60.20%	48.38%	43.74%	37.81%	54.20%	49.66%	43.97%	39.69%	32.12%	25.41%

**Legal Debt Margin Calculation for Fiscal Year 2016**

Assessed value	\$ 64,335,000
Exempt merchants inventory	<u>907,171</u>
	<u>\$ 65,242,171</u>
Debt limit eight percent of assessed value without voters approval	\$ 5,219,374
Amount of debt applicable to debt limit general obligation bonds payable	<u>(1,326,112)</u>
Legal debt margin without referendum	<u>\$ 3,893,262</u>

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

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

**UNAUDITED**

**Schedule 16**

**CITY OF CONWAY, SOUTH CAROLINA**

**PLEDGED-REVENUE COVERAGE**

**Last Ten Fiscal Years**

Fiscal Year	Water and Sewer Revenue Bonds <sup>(1)</sup>					
	Operating Revenues	Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	7,155,346	6,736,599	418,747	0	0	n/a
2008	7,833,044	6,709,774	1,123,270	0	0	n/a
2009	7,533,748	6,849,245	684,503	110,000	135,587	2.79
2010	7,574,780	6,537,535	1,037,245	115,000	120,079	4.41
2011	7,529,058	6,746,087	782,971	120,000	115,634	3.32
2012	8,388,764	6,152,580	2,236,184	125,000	110,998	9.48
2013	8,561,701	6,587,060	1,974,641	130,000	106,172	8.36
2014	9,034,201	7,076,862	1,957,339	100,000	123,230	8.77
2015	8,945,450	7,038,433	1,907,017	245,291	53,180	6.39
2016	9,491,456	7,890,510	1,600,946	240,433	49,650	5.52

Fiscal Year	Hospitality Fee Revenue Bonds <sup>(2)</sup>			
	Hospitality Fees	Debt Service		Coverage
		Principal	Interest	
2007	532,063	156,149	129,150	1.86
2008	558,879	162,551	122,748	1.96
2009	542,643	169,216	116,083	1.90
2010	536,544	176,154	109,145	1.88
2011	535,914	183,376	101,923	1.88
2012	618,718	190,894	94,405	2.17
2013	614,475	198,721	94,421	2.10
2014	669,236	243,128	60,722	2.20
2015	722,318	237,882	65,967	2.38
2016	768,850	243,234	60,615	2.53

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

<sup>(1)</sup> Operating expenses do not include depreciation.  
New Water and Sewer Revenue Bonds were issued in 2008.

<sup>(2)</sup> Debt Service payments began fiscal year 2001.

<sup>(3)</sup> Debt Service payments began fiscal year 1998.

<sup>(4)</sup> 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 <sup>(3)</sup>			
	Property Tax Increment	Debt Service		Coverage
		Principal	Interest	
2007	248,494	175,000	29,029	1.22
2008	259,352	185,000	22,432	1.25
2009	280,100	190,000	15,457	1.36
2010	297,329	220,000	8,294	1.30
2011	332,793			
2012	336,599	190,289	61,834	1.34
2013	335,431	178,674	73,449	1.33
2014	352,442	110,036	141,056	1.40
2015	359,125	238,257	35,082	1.31
2016	381,484	241,273	32,066	1.40

Fiscal Year	Storm Water Revenue Bonds <sup>(4)</sup>			
	Storm Water Fees	Debt Service		Coverage
		Principal	Interest	
2007	888,050	109,005	78,138	4.75
2008	917,367	113,375	73,768	4.90
2009	936,049	117,921	69,222	5.00
2010	938,071	122,649	64,494	5.01
2011	973,579	127,567	59,577	5.20
2012	950,908	132,681	54,462	5.08
2013	984,198	138,001	49,142	5.26
2014	1,012,802	138,997	46,558	5.46
2015	1,038,509	160,974	12,899	5.97
2016	1,051,870	162,209	111,664	3.84

---

STATISTICAL SECTION (Unaudited)  
*SCHEDULES OF DEMOGRAPHIC AND ECONOMIC INFORMATION*

---

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



**Schedule 17**

**CITY OF CONWAY, SOUTH CAROLINA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Calendar Years**

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (Thousands of Dollars)</u>	<u>Per Capita Personal Income<sup>(1)</sup></u>	<u>Median Age<sup>(1)</sup></u>	<u>Unemployment Rate<sup>(1)</sup></u>
2006	14,056	434,710	30,927	36.9	5.40 %
2007	14,056	448,738	31,925	37.1	5.20
2008	14,056	456,750	32,495	37.4	5.80
2009	14,056	446,967	31,799	37.6	9.56
2010	17,103	497,714	29,101	37.9	11.36
2011	17,513	495,005	28,265	38.3	10.20
2012	17,863	520,671	29,148	39.2	9.10
2013	19,300	574,021	29,742	40.2	8.50
2014	20,175	645,055	31,973	40.3	7.30
2015	20,175	515,976	25,575	44.6	5.20

**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.

<sup>(1)</sup> 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 2015	
		Employees	Percentage of Total County Employment
Horry County School District	Education	5,540	3.70 %
Wal-Mart	Retail Sales	3,100	2.07
Coastal Carolina University	Education	2,353	1.57
Horry County Government	County Government	2,057	1.38
Conway Medical Center	Hospital	1,500	1.00
Grand Strand Regional Medical Center	Hospital	1,450	0.97
Wyndham Vacation Ownership, Inc.	Vacation and Rental Accommodations	1,294	0.87
Food Lion	Retail Sales	1,000	0.67
City of Myrtle Beach	Municipal Government	895	0.60
McLoud Health System	Hospital	680	0.45
		<u>19,869</u>	<u>13.28 %</u>

Employer	Type of Business	Calendar Year 2006	
		Employees	Percentage of Total County Employment
Horry County School District	Education	5,120	4.60 %
Wal-Mart	Retail Sales	2,203	1.98
Horry County Government	County Government	1,850	1.66
Burroughs and Chapin	Developer	1,639	1.47
AVX Corporation	Manufacturer	1,500	1.35
Grand Strand Regional Medical Center	Hospital	1,150	1.03
Conway Medical Center	Hospital	1,075	0.96
Myrtle Beach National	Golf Courses and Accommodations	1,000	0.90
Blue Cross Blue Shield	Insurance Provider	925	0.83
City of Myrtle Beach	Municipal Government	902	0.81
		<u>17,364</u>	<u>15.59 %</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Full-Time Equivalent Employees</b>										
General Government	41	41	39	38	35	35	35	36	36	38
Public Safety	101	101	103	103	96	96	96	95	95	98
Street	22	22	22	22	16	16	16	16	16	16
Sanitation	18	18	18	18	17	17	17	17	17	18
Intragovernmental Maintenance	5	5	5	5	5	5	5	5	5	5
Beautification	9	9	10	10	9	9	9	12	12	14
Culture and Recreation	9	9	8	8	12	12	12	16	16	16
Water & Sewer	41	41	41	42	27	27	27	27	28	33
Total Full-Time Equivalent Employees	<u>246</u>	<u>246</u>	<u>246</u>	<u>246</u>	<u>217</u>	<u>217</u>	<u>217</u>	<u>224</u>	<u>225</u>	<u>238</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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Public Safety</b>										
Fire Calls per Engine Company	1,024	1,096	1,020	950	927	917	833	1,022	1,075	1,100
<b>Environmental Protection <sup>(1)</sup></b>										
Tons of Refuse Collected	20,801	19,088	19,672	19,120	18,100	19,500	19,446	21,402	23,205	16,760
<b>Community and Economic Development</b>										
Building Permits Issued	932	757	611	667	584	584	649	913	934	1,145
<b>Culture and Recreation</b>										
Admissions to Recreation Centers	895	882	885	830	830	92,050	117,538	110,450	115,275	117,563
<b>Water</b>										
Average Daily Consumption <i>(thousands of gallons)</i>	3,500	3,488	3,474	3,427	3,472	3,508	3,069	2,954	3,400	3,590

**Sources:** Various City departments.

**UNAUDITED**

## Schedule 21

## CITY OF CONWAY, SOUTH CAROLINA

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Public Safety</b>										
Police Stations	2	2	2	2	2	2	2	2	2	2
Fire Stations	3	3	3	3	3	3	3	3	3	3
<b>Streets</b>										
Streets ( <i>miles</i> )	166	166	166	175	203	213	214	214	214	214
Traffic Signals	32	32	32	34	34	36	38	38	38	38
<b>Sanitation <sup>(1)</sup></b>										
Collection Trucks	14	18	20	20	20	20	20	20	20	20
<b>Culture and Recreation</b>										
Parks	8	8	8	8	8	8	8	8	8	8
Park Acreage	74	74	74	76	76	76	125	125	125	125
Recreation Centers	3	3	3	3	3	3	1	1	1	1
Cemeteries	2	2	2	2	2	2	2	2	2	2
<b>Water</b>										
Water Mains ( <i>miles</i> )	248	252	258	344	344	377	399	399	399	399
<b>Sewer</b>										
Gravity Sewers ( <i>miles</i> )	100	102	108	120	120	126	127	128	128	128

Sources: Various City departments.

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

UNAUDITED



---

**INDEPENDENT AUDITORS' OTHER REPORT SECTION**

---





SMITH  
SAPP

Trusted Advisors For Over 60 Years

MYRTLE BEACH

4728 Jenn Drive  
Suite 100  
Myrtle Beach, SC 29577

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

CONWAY

1109 Main Street  
Suite A  
Conway, SC 29526

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

PAWLEYS ISLAND

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

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

**INDEPENDENT AUDITORS' REPORT 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, 2016, 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 12, 2016.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

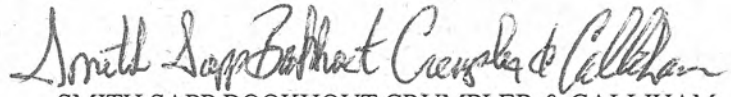
As part of obtaining reasonable assurance about whether the City of Conway, South Carolina's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

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

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

***Purpose of this Report***

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



SMITH SAPP BOOKHOUT CRUMPLER & CALLIHAM

*Professional Association*

*Certified Public Accountants and Consultants*

Myrtle Beach, South Carolina  
December 12, 2016