

# CITY OF MYRTLE BEACH

SOUTH CAROLINA



## POPULAR ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2018



# City of Myrtle Beach, South Carolina

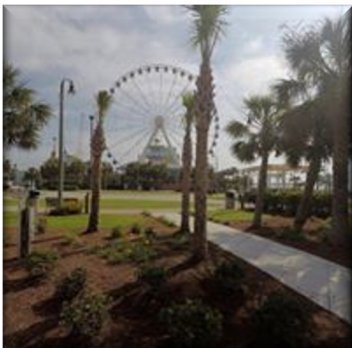


# Popular Annual Financial Report

## Fiscal Year Ended June 30, 2018

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# Purpose of the Report

The Popular Annual Financial Report (PAFR) is an unaudited summary of management's representations concerning the finances of the City and is prepared primarily from detailed information contained in the Comprehensive Annual Financial Report (CAFR), with certain information from prior year's CAFRs.

The CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and includes audited financial statements. As such, it provides detailed financial and supplementary information for the City, including full disclosure of material events, both financial and non-financial in nature. The CAFR received a favorable audit opinion from our independent auditor, Smith, Sapp, Bookhout, Crumpler, & Calliham, confirming that our financial statements are presented in conformity with GAAP. The GAAP presentation includes the City's component units and information on individual funds.

While extremely informative, the statements and disclosures presented in the CAFR tend to be technical and complex. Conversely, the PAFR is designed to present the financial information from the CAFR in a more concise and understandable format without the use of technical accounting terms or excessive detail. The PAFR is unaudited and not intended to provide a complete financial picture of the City in accordance with GAAP. The goal is to simplify the information contained in the CAFR and better inform citizens who wish to gain an overview of the city's financial condition and the financial activities of the City's governmental and enterprise funds.

Copies of both the PAFR and CAFR are available on the City's website. Please visit the City's website at [www.cityofmyrtlebeach.com](http://www.cityofmyrtlebeach.com).

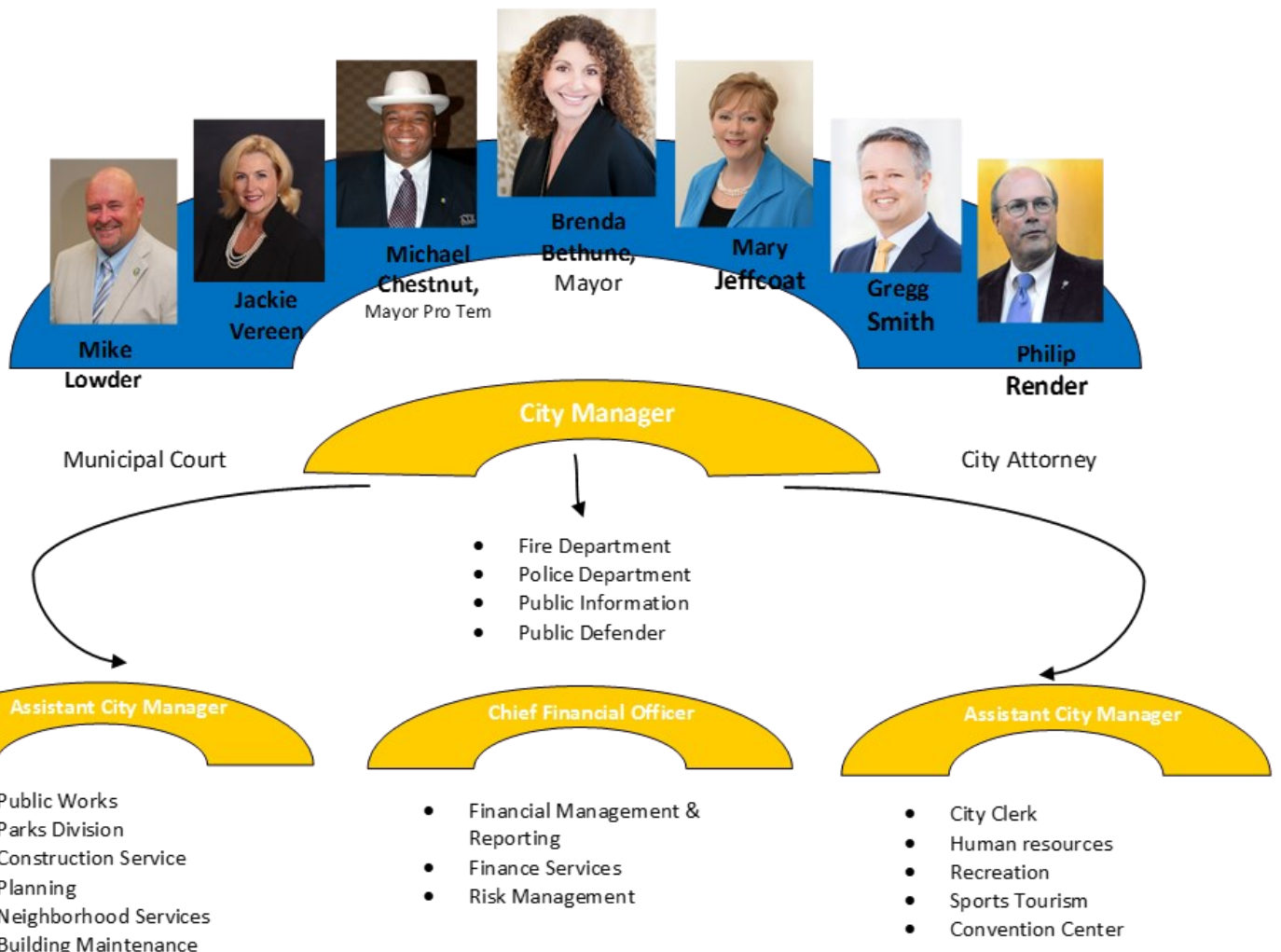




# Governance

The City of Myrtle Beach operates under a council-manager form of government, which was adopted by voters in 1973. Council is the legislative body of government, comprising seven elected members including the Mayor, each serving four-year teams. The Mayor and three Council Members stand for election in one year and two years later the remaining three Council seats are up for election. The Council determines the city's policy direction by enacting ordinances and resolutions as well as by their actions to approve the annual budget. A professional City Manager is appointed by Council, and serves at the pleasure of the Council on a contractual basis. The Manager administers the daily operations of the City through appointed executive staff members and department heads.

## Mayor and City Council



## Vision for the City of Myrtle Beach

**The employees of the City of Myrtle Beach are a diverse group of individuals who blend their unique talents to create the most effective, elite team of public servants in South Carolina.**

# City Profile



The City is committed to being “First in Service,” providing quality service at reasonable prices. This commitment, along with the City’s ideal oceanfront location, combine to position Myrtle Beach among the best resort, business, and residential locations on the East Coast. Public amenities within the City include:

- ◇ 6 Fire stations and full Emergency Medical Services.
- ◇ 3 Police stations-including the main headquarters, the police annex, and the joint use of Fire Station #4 on the former Air Force Base.
- ◇ 1.2 mile Oceanfront Boardwalk featuring shops, cafes, and an oceanfront park.
- ◇ 12.5 miles of Greenway Bike Pathways.
- ◇ 37 City Parks, three full-service recreation centers, and 9.25 miles of beaches, including 141 public beach accesses.
- ◇ 18-hole, championship Whispering Pines Golf Course.
- ◇ Myrtle Beach Convention Center with 100,000 square feet of meeting space.
- ◇ 402-room Sheraton Myrtle Beach Convention Center Hotel, with ratings of 4-star by Forbes and Northstar and 3-diamond by AAA.
- ◇ Water and Sewer System serving over 17,000 commercial and residential customers.
- ◇ Full Solid Waste residential and recycling services, as well as limited service for shared compactors along Ocean Boulevard.
- ◇ Myrtle Beach Colored School and the Historic Train Depot, historical sites, and community centers.
- ◇ Chapin Memorial Library, owned and operated by the City.
- ◇ The Myrtle Beach Sports Center, a 100,000 Square foot Indoor Sports Complex located on the Myrtle Beach Convention Center Campus.

**Year of Incorporation:** 1938

**Form of Government:**  
Council-Manger

**Location:**

NE coast of SC, 23 miles south of the NC Border

**Total Land Size:**

15,167 acres (23.7 square miles)

**Population of Myrtle Beach:**

27,109 (2010 Census)

**History of Population Growth:**

1970 - 1980:	104.50%
1980 - 1990:	34.44%
1990 - 2000:	24.20%
2000 - 2010:	(12.13%)

**2017 Estimate:** 32,795

## Myrtle Beach MSA, Top 10 Employers

Company/Organization	Type of Business	# Employees
Horry County School District	Education ( K-12)	5,650
WalMart	Retail Sales	2,800
Horry County	County Government	2,200
Coastal Carolina University	Higher Education	2,125
Conway Hospital	Hospital	1,400
Grand Strand Regional Medical Center	Hospital	1,350
Food Lion	Grocery Store	1,150
McLeod Loris Seacoast	Hospital	980
City of Myrtle Beach	Local Government	923
Horry Telephone Cooperative	Utility	690

\* Source: Myrtle Beach Regional Economic Development Corp. & survey of businesses.

# 41.0

Median Age, 2017

# \$27,166

Per Capita Personal Income, 2017





# Community Programs

The City of Myrtle Beach offers a variety of programs in an effort to provide an unparalleled quality of life for its residents and business owners. A few of those programs are:

**MyBeach 101** The MyBeach 101 program is an eight week course, held annually. The class provides our citizens with a unique opportunity to learn how our city government functions.



**Citizens Police Academy** The Citizens Police Academy is a 10 week course in which participants get a behind-the-scenes look at law enforcement. Topics include crime scene investigation, K-9 units, emergency vehicle operations, and simulated firearms training. Class members also ride along with Myrtle Beach police officers.

**Teen Program** Myrtle Beach Recreation Services provides programming for City teens and coordinates participation with teen centered organizations. Programming includes job readiness training, community service projects, life skills, financial management, homework assistance, college field trips, and recreation.



**Child Safety Seat Checks** The Myrtle Beach Fire Police Department offers free child safety seat checks in an effort to improve automobile safety for children.

**Free Smoke Detector Program** The Myrtle Beach Fire Department provides and installs free battery operated smoke detectors to residents



**Operation Fire Safe** is a program where department members meet with area businesses to assist with Emergency Evacuation plans and provide fire extinguisher training.



*For Youth...Someplace To Go.  
Someone To Help.*

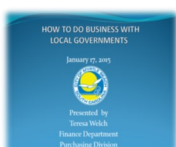
**Safe Place** Yellow diamonds mark the way to a safe place for troubled kids, modern-day underground railroads that leads to freedom from the dangers that lurk in a life on the streets. All fire stations participate in the program.

**Shop With A Hero** Police and Fire staff raise money throughout the year for the Shop with a Hero program. Each child is paired with an officer, who helps them shop for clothing, gifts, and toys for themselves and their family members.



**Breakfast with Santa** The Fire department hosts a pancake breakfast with Santa. All donations and proceeds are used to purchase Christmas gifts for children in the Myrtle Beach community.

**Prescription Drug Disposal** The Myrtle Beach Police Department has a prescription drug drop-off box. It's designed to accept all unused, expired, and unwanted pharmaceuticals. The box is an effort to get prescription drugs that are no longer needed or outdated out of homes and off the streets.



**Doing Business with the City Workshop** The workshop is held in January as a part of the Martin Luther King Holiday celebration. It provides valuable information to the small business owner on how to do business with the local governments. Several Procurement Departments from local governmental agencies in Horry County are in attendance in order to share their procurement policies.



# City Team Members

We believe that the employees of the city are collectively among the most talented and dedicated to be found in any work force. Through the efforts of these employees, the City of Myrtle Beach serves the public in an outstanding manner, providing needed services efficiently and courteously.

We believe that we can learn from the collective experiences of this work force to focus our efforts, provide even better service to the public, and improve the satisfaction experienced by all employees for the contributions they make.

## First in Service

**Safety -- Comes First**

**Excellence -- Constantly Improving**

**Respect -- For Ourselves and Others**

**Value -- The Individual and the Organization**

**Integrity -- Fairness and Honesty**

**Communication and Courtesy -- To All**

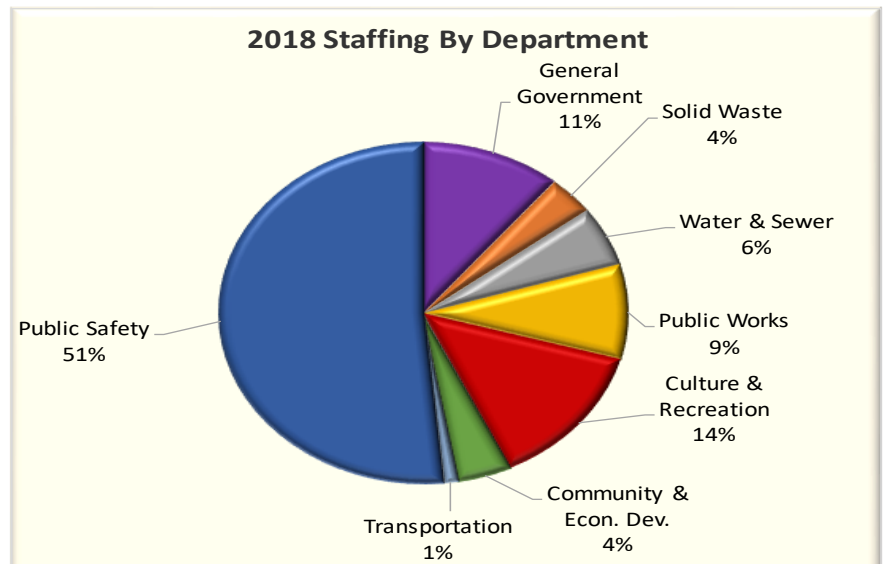
**Education -- Knowledge to Help**



**As a service organization focused on significant part of the operating budget, nearly 40% is funding for employees who provide services to the citizenry.**

<b><u>Community Services</u></b>	<b>2018</b>
Police	308
Municipal Court	16
Victim Witness/Advocate	3
Fire	170
Transportation	10
Parks	54
Recreation	77
Community Development	40
Water & Sewer	53
Convention Center	42
Sports Tourism	8
Solid Waste Management	34
Storm Water Management	17
<b>Total Community Services</b>	<b>832</b>
<b><u>Support Services</u></b>	
Policy & Administration	15
Financial Operations	46
Human Resources	5
Public Works Administration & Engineering*	29
<b>Total Support Services</b>	<b>95</b>
<b>Total Authorized Positions</b>	<b>927</b>

\* Includes 8 staff members from the Fleet Service Internal Service Fund





# Awards & Accolades



The Myrtle Beach Metropolitan Statistical Area (MSA) was listed as the 2<sup>nd</sup> fastest growing area in the nation by the US Census Bureau. According to 2017 Census estimates, there are more than 449,000 people living in the Myrtle Beach-Conway-North Myrtle Beach MSA .

Popularly known as the Grand Strand, the Myrtle Beach area is one of the largest tourist destinations in the United States. It stretches from Little River to Pawley’s Island. Pristine beaches, abundant dining and entertainment choices, and moderate climate contribute to the areas popularity.

The Travel Channel ranks Myrtle Beach second on its list of top 10 Beaches in America (2018) and, according to *TripAdvisor, LLC*, an American travel and restaurant website, Myrtle Beach was listed among the best places to travel (2018).

- AMERICA’S BEST SMALL CITIES, #9 (2018)** - *Resonance Consultancy*
- BEST PLACES PEOPLE ARE MOVING TO (2018)** - *US NEWS & WORLD REPORT*
- TOP DESTINATION AREAS FOR RETIREES #10 (2018)** - *WHERE TO RETIRE*
- MOST BIKEABLE COASTAL CITIES (2018)** - *Brooklyn Bicycle Co.*
- GREENEST CITY IN SOUTH CAROLINA (2018)** - *INSURIFY*
- BEST SOUTHERN DOG PARKS, BARC PARK (2018)** - *SOUTHERN LIVING*
- MOST AFFORDABLE BEACH TOWNS IN AMERICA #6 (2018)** - *COASTAL LIVING*
- BEST FAMILY SUMMER VACATIONS #8 (2018)** - *US NEWS & WORLD REPORT*
- 20 BEST VACATIONS FOR TEENS & PARENTS ALIKE (2018)** - *TRIPADVISOR*  
Myrtle Beach was named one of the top 20 best vacations the entire family will enjoy.
- 25 BEST BEACHES IN THE UNITED STATES (2018)** - *TRAVEL PULSE*  
Myrtle Beach was selected as one of the top 25 beaches in the United States.
- BEST SOUTH CAROLINA BEACHES (2018)** - *USA TODAY*  
USA Today Readers’ Choice named Myrtle Beach as one of the top two beaches in South Carolina.
- 10 BEST EAST COAST BEACHES (2018)** - *TRAVEL CHANNEL*  
Travel Channel featured Myrtle Beach as one of the best East Coast beaches in the United States.



**Estimated Number of Visitors (millions)**

<u>Year</u>	<u>Estimated Number of Visitors (millions)</u>
2013	16.1
2014	17.0
2015	17.2
2016	18.6
2017	19.6

*Source Myrtle Beach Area Chamber of Commerce*

## Myrtle Beach International Airport Commercial Passenger Totals

<u>Year</u>	<u>Arrivals</u>	<u>Departures</u>
2014	872,734	876,923
2015	916,720	913,351
2016	942,948	937,740
2017	1,029,014	1,027,714
2018	1,207,696	1,215,241

*Source Myrtle Beach International Airport*



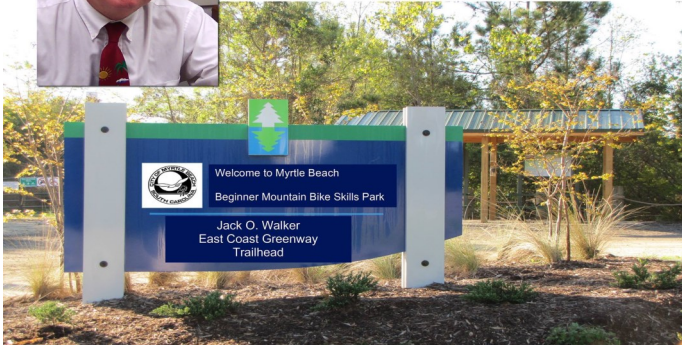




# Awards & Accolades cont'd



*East Coast Greenway trailhead on South Kings Highway, near Seagate Village, to be named for retired Planning Director Jack Walker.*



Myrtle Beach is the first in the nation to fully complete its segment of the East Coast Greenway bike path. The East Coast Greenway is a 3,000-mile biking and walking route designed to link the major cities along the Atlantic coast from Calais, Maine, to Key West, Florida. The main pathway and complementary routes are designed to accommodate non-motorized human transportation for everything from local commutes to long-distance trips. The City utilized a number of funding sources to accomplish the border to border Greenway connection. General revenues, governmental grants, and local agency participation enabled the City to enjoy the distinction of being first in the nation.

Savannah's Playground is the Southeast's first enabling playground and received the South Carolina Recreation and Parks Association Excellence Award in 2017. The playground, which is located in The Market Common, is designed with the specific intent to accommodate special needs children.



The park has several distinctive play areas. The early childhood playground, school-age playground, interactive playground, and musical park complete with percussive instruments create a unique and stimulating experience overall for the enjoyment of all children.



During 2018, the City of Myrtle Beach received its 22nd consecutive Tree City U.S.A. award. Tree City U.S.A. is sponsored by The National Arbor Day Foundation, the U.S. Forest Service, and the National Association of State Foresters. The award recognizes excellence in urban forestry management.

The City implemented an enhanced ocean rescue program, creating an aquatic rescue team of highly trained personnel to better serve beachgoers. As a result, the Fire Department received accreditation by the United States Lifesaving Association (USLA) in 2018, becoming only the third East Coast fire department to receive accreditation. In addition, the City purchased four robotic lifesaving devices (EMILYs), in partnership with the Myrtle Beach Area Chamber of Commerce, and positioned those along the beach for speedy use.





# Financial Policy & Budget Process

Preparing a budget for the City involves: (1) the use of a balanced mix of revenues that provide stability for operation and continuation of service through varying economic cycles, while also providing flexibility to respond to increased service demands in times of rapid growth, (2) keeping operating expenditures within the City's ability to raise revenues while keeping taxes and rates competitive to maintain structural balance over the long-term, (3) paying for day to day operations without the use of borrowing, and (4) maintain the City's credit rating to keep the cost of borrowing for capital low.

The City uses historical trends to develop estimates of major revenues and expenditures. Economic projections from the Waccamaw Regional Council, Charleston Southern University, and other credible sources are also considered when budgeting to identify factors that may effect revenues and expenditures.

The City budgets to maintain sufficient balances in governmental funds to avoid borrowing for operations and to retain sufficient working capital to provide some cushion against possible interruption of cash inflows in the event of a natural disaster. The target range in the General Fund is between 15% and 20% of recurring expenditures.

Each year the City adopts balanced budgets and attempts to maintain balance between revenues and each operating fund over the long term. The budget process is outlined below:





# Governmental Funds

## Years Ended June 30, 2017 and June 30, 2018

**Governmental Funds** — The City maintains 16 governmental funds. Governmental funds are used to account for basic services provided by the City such as public safety, public works, storm water maintenance, transportation, parks, recreation, general government, and community development. The major governmental funds are the General Fund, Convention Center Fund, Local Option Tourism Fee Fund, and the Capital Improvements Fund.



The General Fund accounts for activity that is not required to be segregated or reported in another fund.

Special Revenue Funds are used to account for and report the proceeds of special revenue sources.

Debt Service Funds are used to account for proceeds from and payment of general long term debt.

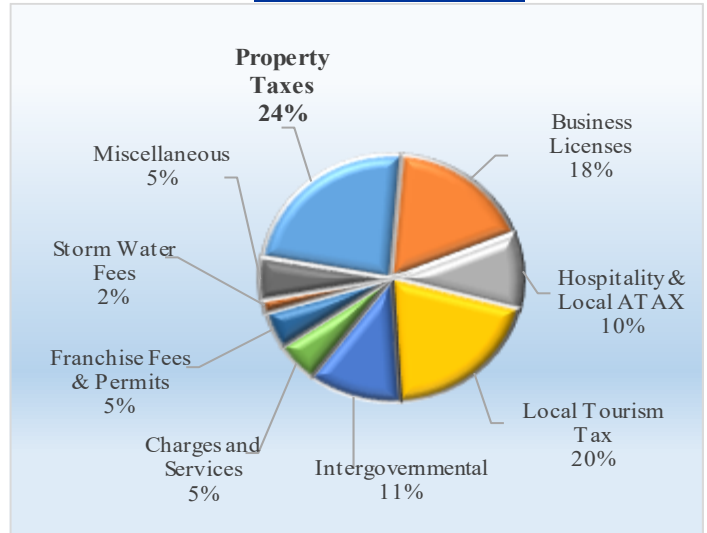
Capital Projects Funds are used to account for capital outlays and improvements.



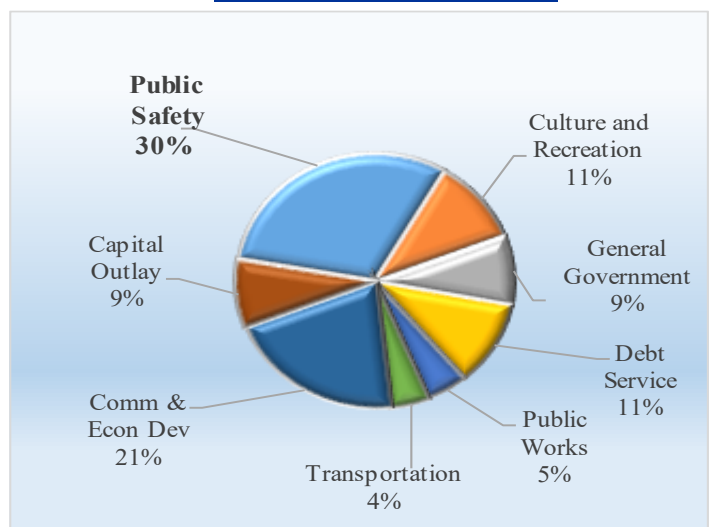
### GOVERNMENTAL FUNDS

Revenues:	2017	2018
<b>Property Taxes</b>	<b>\$ 33,450,822</b>	<b>\$ 33,999,652</b>
Local Accommodations Taxes	2,755,560	2,698,332
Hospitality Fee Taxes	11,874,960	11,908,883
Storm Water Fees	2,319,629	2,360,916
Local Option Tourism Taxes	28,316,017	28,763,094
Licenses and Permits	31,692,036	32,460,299
Fines and Forfeitures	1,429,939	1,255,638
Intergovernmental Revenues	17,934,520	16,535,412
Charges for Services	7,570,602	7,778,873
Miscellaneous	8,098,964	7,961,344
<b>Total Revenues</b>	<b>\$ 145,443,049</b>	<b>\$ 145,722,443</b>
Expenditures by Function:	2017	2018
General Government	\$ 12,694,369	\$ 13,148,637
<b>Public Safety</b>	<b>41,947,516</b>	<b>45,719,606</b>
Transportation	6,256,190	6,750,406
Community and Economic Development	31,053,204	31,220,689
Culture and Recreation	15,537,265	16,200,606
Public Works	7,117,694	7,190,325
Capital Outlay	12,262,257	12,946,366
Debt Service	25,880,473	16,313,719
<b>Total Expenditures</b>	<b>\$ 152,748,968</b>	<b>\$ 149,490,354</b>
Other Financing Sources (Uses):	2017	2018
Transfers In	\$ 28,561,689	\$ 39,154,969
Transfers Out	(28,266,416)	(38,886,369)
Issuance of Bonds	43,280,000	16,820,000
Premium on Issuance of Bonds	4,669,194	1,536,379
Payments to Escrow Agent	(40,086,136)	(7,809,536)
Storm Water Revenue		
Bonds Issued	2,355,769	487,348
Capital Lease Obligation	782,616	1,605,416
Sale of Capital Assets	21,787	22,750
<b>Net Change in Fund Balances</b>	<b>\$ 4,012,584</b>	<b>\$ 9,163,046</b>
<b>Fund Balances, Beginning</b>	<b>51,069,976</b>	<b>55,082,560</b>
<b>Fund Balances, Ending</b>	<b>\$ 55,082,560</b>	<b>\$ 64,245,606</b>

### FY 18 REVENUES



### FY 18 EXPENDITURES



At June 30, 2018 Governmental Funds had fund balances of \$64M, an increase of \$9M over the prior year. The increase is primarily due to increased business license collections, property taxes, and growth in tourism related revenues.



MB Convention Center



# Where does the Money Come From?



Governmental Revenue	
Revenue Source	
Property Taxes	23.3%
Licenses and Permits	22.3%
Local Option Tourism Taxes	19.7%
Intergovernmental Revenues	11.3%
Hospitality Fee Taxes	8.2%
Miscellaneous	5.5%
Charges for Services	5.3%
Local Accommodations	1.9%
Storm Water	1.6%
Fines and Forfeitures	0.9%

**Property Tax** is the largest source of operating revenues for the City. Property taxes are levies collected from property within the City based on assessed value and tax rate.

**Business License** revenue is the second largest revenue source for the City. Licenses and permit revenues include revenue generated through business licensing, encroachment permitting, construction permit issuance, utility, and business franchising.

**The Local Option Tourism Tax** is the third largest revenue. It is a general sales and use tax on almost all retail sales taxable under the state sales and use tax.

**The Accommodations Tax** is a uniform fee equal to .5% on gross proceeds derived from the rental of transient accommodations.

**The Hospitality Fees** is a uniform fee equal to 1% on gross proceeds derived from the rental of transient accommodations, the sale of all prepared food and beverages, and paid admissions to places of amusement.

**Storm Water Fee** is charged to all developed sites located within the corporate limits of the City. The fee is set by the City to recover the costs of maintaining and operating the storm water system.

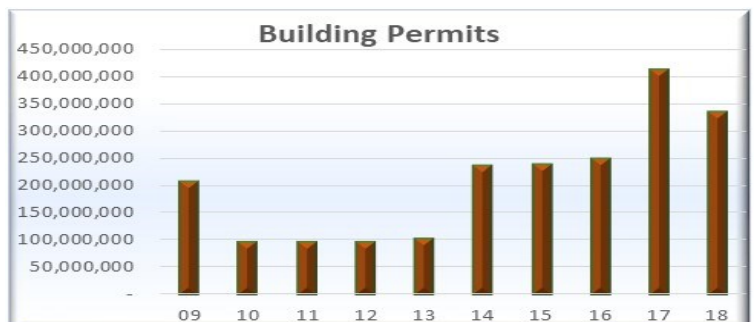
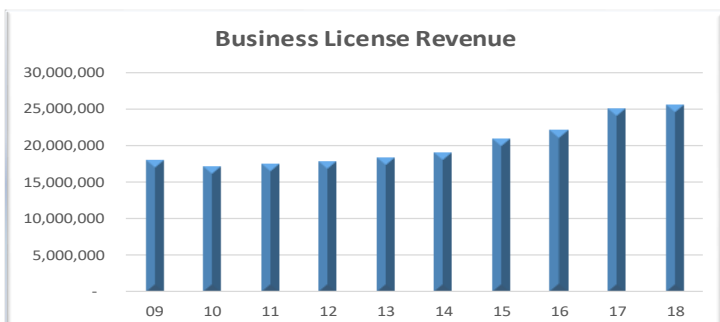
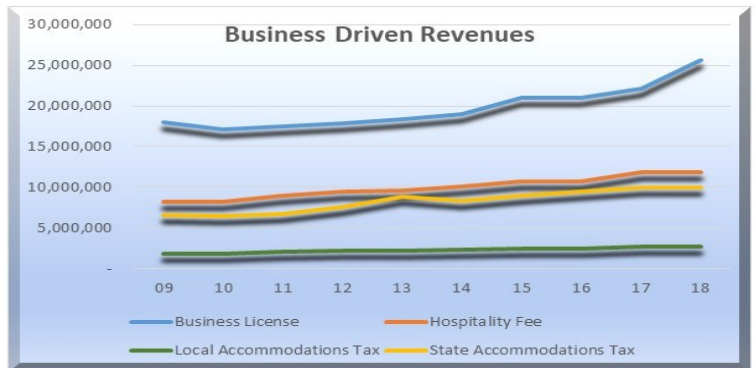
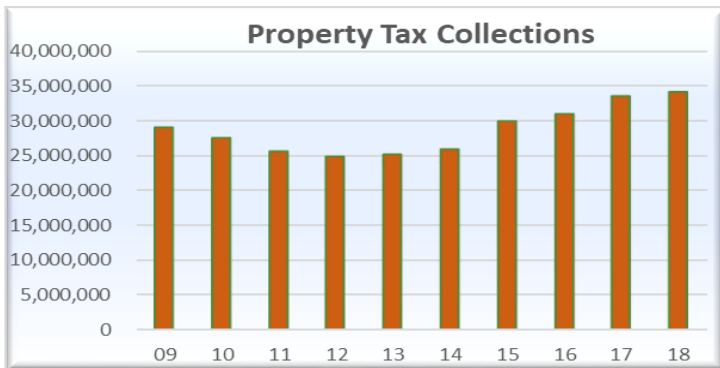
**Fines and Forfeiture** revenues are generated from court and traffic fines, parking violations, and library fines.

**Intergovernmental Revenue** consists of grants and other funding Federal, State, and County sources.

**Charges for Services** are revenues collected for services rendered to the public. Recreation program and membership fees, concessions revenues, facility rentals, and cemetery plot sales are examples of service charges.

**Miscellaneous Revenues** are those that do not fall into designated categories, such as sales tax discounts and vending machine commissions.

Revenue growth in business license fees, local option tourism fees, and hospitality fees evidence the strength of the local economy. All of the aforementioned revenues are derived from business conducted within the City limits and, with the exception of the business license fee, all are special purpose revenues that are restricted primarily for capital projects or the promotion of tourism.





# Where does the Money Go?



## Governmental Expenditures

Expenditure	
Public Safety	30.6%
Community & Economic Development	20.9%
Debt Service	10.9%
Culture & Recreation	10.8%
General Government	8.8%
Capital Outlay	8.7%
Public Works	4.8%
Transportation	4.5%

**General Government** expenditures include Council, Administration, Legal, Court Administration, Finance, Insurance /Risk Services, Human Resources/Organizational Development, Information Services, and Public Information.

**Public Safety** includes all operations of the Police Department, Fire Department, and Emergency Services.

**Transportation** includes construction and maintenance of roadways, traffic signals, intersections, storm water infrastructure, and sidewalks.

**Community & Economic Development** includes the Planning, Neighborhood Services, and Construction Services Departments, as well as Tourism Development. It involves programs and efforts to promote opportunities for growth and development and building a vibrant and healthy community.

**Culture & Recreation** includes the operation of recreation centers, programs, and recreational athletic leagues by the

Recreation Department. Operation of the Library, Train Depot, Myrtle's Market, the Myrtle Beach Convention Center, and Sports Tourism operations are included in this category as well.

**Public Works** includes expenditures for administrative and engineering staff, right of way maintenance, litter crews, beach maintenance, and capital project management.

**Capital Outlay** expenditures include purchases of capital equipment, major maintenance and renovation projects, and new construction. Capital equipment purchases include items such as police vehicles, fire trucks, lawn mowers, and heavy equipment. Maintenance projects involve items such as sidewalk and roadway repair, roof replacements, and court resurfacing.

**Debt Service** includes principal and interest payments for the City's general obligation, limited obligation, and special obligation debt.



## Governmental Expenditures FY18



Public Safety expenditures represent the largest operational General Government expense for the City. Funds expended on Public Safety in FY18 were \$46M (9.0%) greater than in FY17, primarily resulting from the implementation of the Police Recruitment and Retention Plan, which included the addition of 10 new police officers. Capital Outlay expenditures increased \$684K (5.6%), driven by a number of renovation projects. The next largest increase in expenditures was \$663k in the Culture and Recreation division and represents growth of 4.3%. The growth was a result of increases in the Convention Center, Sports Tourism, Capital Projects, and maintenance and operation of City recreation facilities. Transportation expenditures grew \$494k (7.9%) due to an increase in road resurfacing funding and utility costs for new street lighting. The General Government division grew by \$454k (3.6%) as a result of the addition of a number of positions to meet growing service demands in revenue billing, Information Technology, and Insurance and Risk Services. Debt Service expenditures decreased, however FY17 expenditures were elevated as a result of several debt refundings.





# Enterprise Funds

## Years Ended June 30, 2017 and June 30, 2018

**Enterprise Funds** — Enterprise funds are used to account for governmental activities that are similar to businesses found in the private sector. These funds are considered self-supporting in that the costs for services rendered are generally recovered through user charges. The City's programs for business-type funds include the Water and Sewer Utility Fund, Baseball Stadium Fund, Municipal Golf Course Fund, and the Solid Waste Management Fund.



The Water and Sewer Utility Fund is used to account for the provision of water and sewer service.

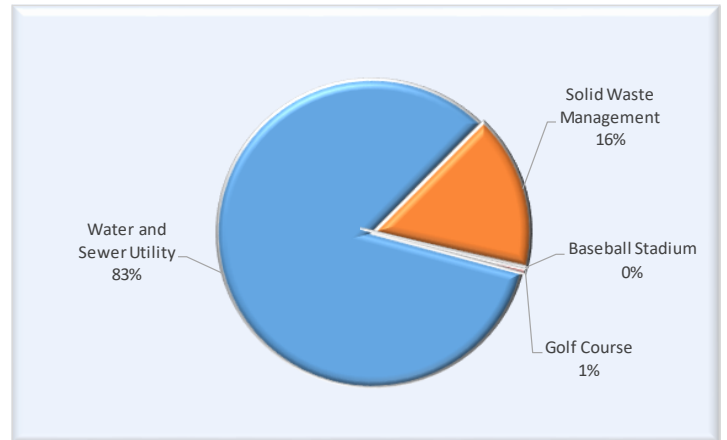
The Solid Waste Fund is used to account for the provision of solid waste collection services and operation of various recycling programs.

The Baseball Stadium Fund is used to account for the operation of the baseball stadium.

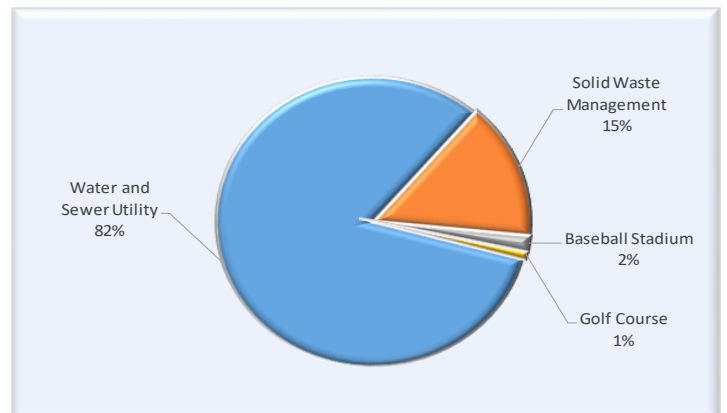
The Golf Course Fund is used to account for the operation of the Whispering Pines Golf Course.



### FY 18 REVENUES

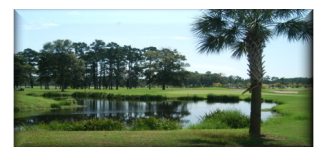
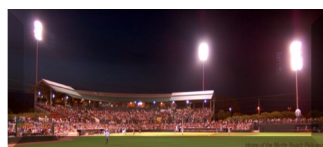


### FY 18 EXPENSES



ENTERPRISE FUNDS			
<b>Operating Revenues:</b>			
	<b>2017</b>		<b>2018</b>
Water and Sewer Utility	\$ 28,088,666	\$	28,185,908
Solid Waste Management	5,181,788		5,493,986
Baseball Stadium	55,226		69,023
Golf Course	156,784		136,726
<b>Total Revenues</b>	<b>\$ 33,482,464</b>	<b>\$</b>	<b>33,885,643</b>
<b>Operating Expenditures by Function:</b>			
	<b>2017</b>		<b>2018</b>
Water and Sewer Utility	\$ 29,457,664	\$	29,780,727
Solid Waste Management	7,628,868		5,498,745
Baseball Stadium	591,847		639,930
Golf Course	334,645		310,170
<b>Total Expenditures</b>	<b>\$ 38,013,024</b>	<b>\$</b>	<b>36,229,572</b>
<b>Nonoperating Revenue (Expenses):</b>			
	<b>2017</b>		<b>2018</b>
Interest Earned	\$ 98,753	\$	141,309
Operating Grant Revenue	2,428,959		59,308
Miscellaneous Revenue	239,065		122,551
Interest and Fiscal Charges	(819,016)		(929,490)
Amortization of Bond Insurance	(8,597)		(7,019)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>\$ 1,939,074</b>	<b>\$</b>	<b>(613,611)</b>
<b>Income (Loss) before Contributions &amp; Transfers:</b>			
	<b>\$ (2,591,486)</b>	<b>\$</b>	<b>(2,957,540)</b>
Capital Contributions	\$ 4,981,673	\$	6,197,304
Transfers In	1,081,700		1,159,400
Transfers Out	(1,376,973)		(1,428,000)
<b>Change in Net Position</b>	<b>\$ 2,094,914</b>	<b>\$</b>	<b>2,971,164</b>
<b>Net Position, Beginning</b>	<b>120,077,196</b>		<b>122,172,110</b>
<b>Net Position, Ending</b>	<b>\$ 122,172,110</b>	<b>\$</b>	<b>125,143,274</b>

At June 30, 2018 Enterprise Funds had a total Net Position of \$125M, an increase of \$3M over the prior year. The increase is primarily due to 24% growth in capital contributions. Solid Waste fund revenues also increased as a result of a rate increase implemented in FY18 to offset the rate increase implemented by the Solid Waste Authority.



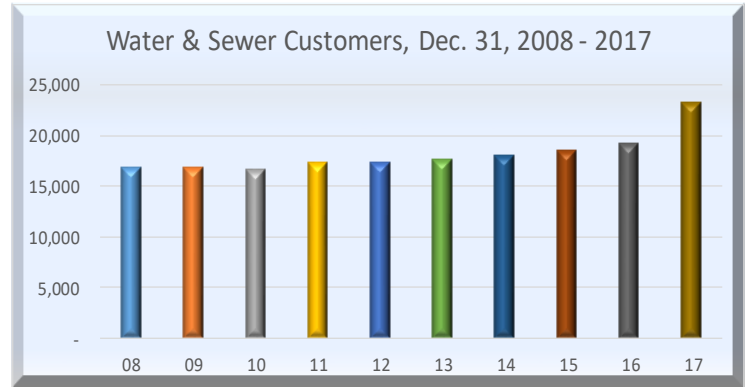


# Where does the Money Come From?

## Enterprise Revenue

### Revenue Source

Water & Sewer	82.4%
Solid Waste Management	16.1%
Baseball Stadium	0.2%
Golf Course	0.4%
Interest Earned	0.4%
Other Non-Operating	0.5%



**Water & Sewer Utility Operating Revenues** increased by .3% over the prior year. The increase was a result of growth in the customer base and a blended rate increase of 2.5%-2.8%. Revenue growth may seem small considering our growth in population and the rate increase; however, weather has a large impact on water sales and fluctuates from year to year.

**Solid Waste Management Operating Revenue** increased by 6.0% over the prior year. The increase is primarily due to the a rate increase implemented to offset the tipping fee increase charged by the Solid Waste Authority. In addition to the rate increase,

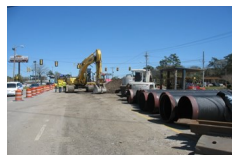
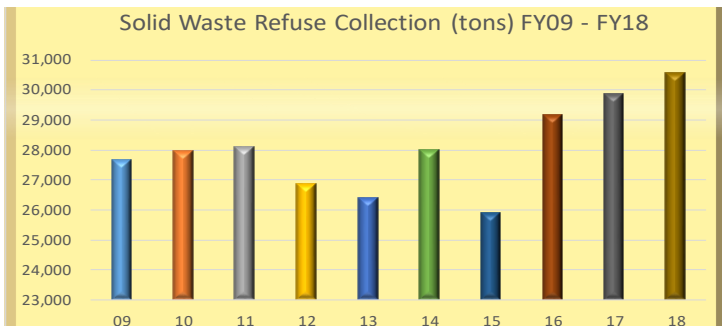
residential growth continues to increase our customer base.

**Baseball Stadium Revenues** increased slightly, .2%, over the prior year.

**Golf Course Revenues** decreased by 12.8%. In FY17, two lease payments were received as opposed to the usual annual remittance received for FY18.



# Where does the Money Go?



**Enterprise Fund Expenses** decreased \$1.8M (4.7%) over the prior year. Expenses in the Solid Waste Fund decreased \$2.1M (27.9%). Hurricane Matthew drove expenses in FY17, resulting in \$2.5M in hurricane recovery related costs. When adjusted for storm costs, expenses actually increased around \$400k or just under 8%. The growing customer base and maintenance costs were the primary reasons for expense growth in the Solid Waste fund. Water and Sewer expenses increased \$323K (1.1%) over FY17. As water consumption and sewer service increase, so do the wholesale utility costs recognized in the Water and Sewer Fund.

## Enterprise Expenses

### Expenses

Water & Sewer	80.2%
Solid Waste Management	14.8%
Baseball Stadium	1.7%
Golf Course	0.8%
Interest & Fiscal Charges	2.5%
Other Non-Operating Expense	0.0%



# How did we do?

**Governmental Fund Balances** The focus of activities that are accounted for in a governmental fund is not profit, as it is in business. Instead, governments are interested mainly in their ability to provide services and whether or not those financial resources earned or collected during the year are sufficient to cover expenses paid or accumulated during that year. When more financial resources are recorded coming into a governmental fund than going out, a fund balance gain is recorded. Conversely, when more resources flow out of a governmental fund than into the fund, a fund balance loss is recorded.

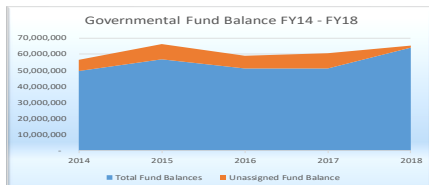
Fund balance is the difference between assets and liabilities in a governmental fund. The most common assets reported in governmental funds are cash, inventory, and receivables (amounts owed to the government.) The most common liabilities reported are amounts that the government owes to other governments, agencies, or individuals. Basically, fund balance in any given fund is what is left over after the fund's assets have been used to cover its liabilities.

It is important to note that Fund Balance does not necessarily equal cash available to pay for general operations. Fund balance is made up of two components— unassigned funds available for general use and funds that are identified for specific purposes. When fund balance is identified for a specific use, it either means that the resources are in a form that cannot be spent (such as inventory) or that the resources must only be used for a particular purpose. Balances in all governmental

funds other than the General Fund are either required to be or intended by the government to be used for the purpose of the fund. A good example is the balance in the Local Option Tourism Fee fund, which can only be used for tourism promotion, property tax credits, and tourism related capital projects. While unassigned fund balance is technically available for general operation, it should not be viewed in the manner one might a personal savings account, accumulating money to be spent for big ticket items. Nor should it be viewed as a financial resource for use in lieu of raising a tax or fee to fund the ongoing cost of providing services.

Maintaining a certain level of fund balance is necessary to provide financial stability. An adequate fund balance will allow a city to continue providing services if a revenue stream decreases or when unexpected incidents occur, such as a natural disaster, that can drive up expenses and effect revenues. Additionally, credit rating agencies that review and grade city's financial health look at fund balance levels as indicators of the health of an organization. This is important because a city's credit rating effects how much interest they pay when borrowing for projects or equipment.

The City's policy is to maintain a fund balance of 15-20% of recurring expenditures to avoid service interruptions. For FY2018, the General Fund unassigned fund balance was \$12.6M which represents 15.5% of total expenditures.



Fund Balance	2014	2015	2016	2017	2018
Total Fund Balances	\$ 56,677,905	\$ 51,096,048	\$ 51,069,976	\$ 55,082,560	\$ 64,245,606
Unassigned Fund Balance	\$ 9,625,705	\$ 7,918,236	\$ 9,505,260	\$ 11,886,493	\$ 11,010,882

**Enterprise Net Position** Activities are accounted for in an enterprise fund more like accounting in the business world where the focus is placed on measuring operating income. Unlike a private business, governments don't normally strive to maximize profits, rather the goal is to set charges and rates to cover the cost of operation and maintenance of the enterprise fund.

Net Position represents the difference between assets and liabilities in an Enterprise Fund. Assets reported in Enterprise Funds include cash, inventories, equipment, real property, and receivables. Liabilities can include items such as amounts that the government owes other agencies, governments, or individuals, lease obligations, and long term debt. Basically, Net Position is

what is left over after the fund's assets have been used to cover its liabilities.

Net Position does not equal cash. It includes capital assets net of depreciation and any amounts owed on the assets, funds restricted for specific purposes, and unrestricted balances. Unrestricted assets can be considered usable for operations of the enterprise fund, though they may not be in a spendable form, like cash.

The same rationalization for maintaining unrestricted fund balance in Governmental Funds hold true for Enterprise Funds, the practice provides stability and supports the attainment and retention of a healthy credit rating.

The City's financial policy for Enterprise funds is slightly different from the Governmental Fund policy. Enterprise Fund policy focuses on the ratio of unrestricted current assets to current liabilities not associated with servicing long term debt (current ratio). The goal is to maintain a current ratio of 2:1 or to maintain current assets sufficient to cover 2x existing current liabilities. The Water and Sewer Fund, the City's major Enterprise Fund, had a ratio of 4.5:1 at June 30, 2018 with current assets of \$23M and current liabilities of \$5.2M, current assets were sufficient to pay current liabilities 4.5x.

Net Position	2014	2015	2016	2017	2018
Net Investment in Capital Assets	\$114,506,690	\$116,288,674	\$111,740,507	\$110,922,505	\$111,884,829
Restricted	945,308	876,221	910,117	1,407,580	1,504,625
Unrestricted	11,292,630	3,028,989	7,426,572	9,842,025	11,753,820
Total Net Position	\$126,744,628	\$120,193,884	\$120,077,196	\$122,172,110	\$125,143,274





# Buying Power of a Typical Household's Taxes and Fees

## Average Household:

Based upon a house valued at \$250,000 and two cars valued at \$28,000 and monthly household water consumption of 7,500 gallons, a typical Myrtle Beach household will pay the City's General Government a total of \$1,469.88 annually. This includes:

City Taxes	\$265.20
Water and Sewer charges	583.08
Storm Water Fees	69.00
Solid Waste Fees	312.60
Tourism Development Fee	240.00
<b>Annual Total</b>	<b>\$1,469.88</b>



Two bullet-proof vests or a gun and body camera for one Police Officer

One Level-A Hazardous Material Suit for a Fire Fighter or 250 ft. of fire hose

About 4.5 days' salary and benefits for an entry-level Police Officer or Firefighter or 200 ft. of fire hose

79 linear feet of new paving, 17 street signs or 72.5 linear feet of sidewalk

96 children's books, 32 reference books or 3 IPAD Air (available for loan) for Chapin Library.

100 cubic yards of mulch for landscaped medians and parks

Outfit 9 children for youth football with a helmet, shoulder pads, pants & pads, & a jersey.

**If you are the typical City resident, your \$1,469.88 will buy any one of these things:**





# Glossary

**CAPITAL PROJECTS FUND** – A fund created to account for financial resources to be used for the acquisition or the construction of major capital facilities or equipment.

**DEBT SERVICE FUND** – A fund established to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

**FUND BALANCE** – Net position of governmental fund (difference between assets, liabilities, deferred outflows of resources, and deferred inflows of resources).

**GENERAL FUND** – The fund used to account for all financial resources except those required to be accounted for in another fund.

**GENERAL OBLIGATION DEBT SERVICE FUND** – Bonds that finance a variety of public projects that pledge the full faith of the City.

**GOVERNMENTAL FUNDS** – Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

**NET POSITION** – The residual of all other financial statement elements presented in a statement of financial position.

**OPERATING REVENUES AND EXPENSES** – Cost of goods sold and services provided to customers and the revenue thus generated.

**OTHER FINANCING SOURCES** – An Operating statement classification in which financial inflows other than revenues are reported; for example, proceeds of general obligation bonds and transfers in.

**OTHER FINANCING USES** – Operating statement classification in which financial outflows other than expenditures are reported; for example, operating transfers out.

**PROPRIETARY FUNDS** – Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two types of proprietary funds: enterprise funds and internal service funds.

**TAX INCREMENT FINANCING (TIF)** – Financing secured by the anticipated incremental increase in property tax and sales tax revenues resulting from redevelopment.



The information in this report is taken from the City of Myrtle Beach's Comprehensive Annual Financial Report (CAFR).

A copy of the CAFR is available at [www.cityofmyrtlebeach.com](http://www.cityofmyrtlebeach.com)



2018 Popular Annual Financial Report  
Fiscal Year Ended June 30, 2018  
City of Myrtle Beach