

CITY OF MYRTLE BEACH

SOUTH CAROLINA



POPULAR ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019



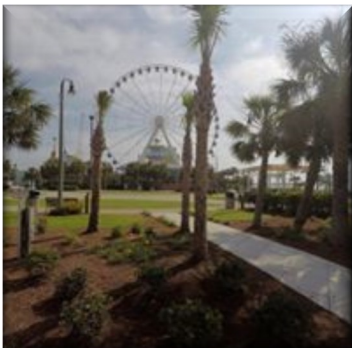
City of Myrtle Beach, South Carolina



Popular Annual Financial Report

Fiscal Year Ended June 30, 2019

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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 years' 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.

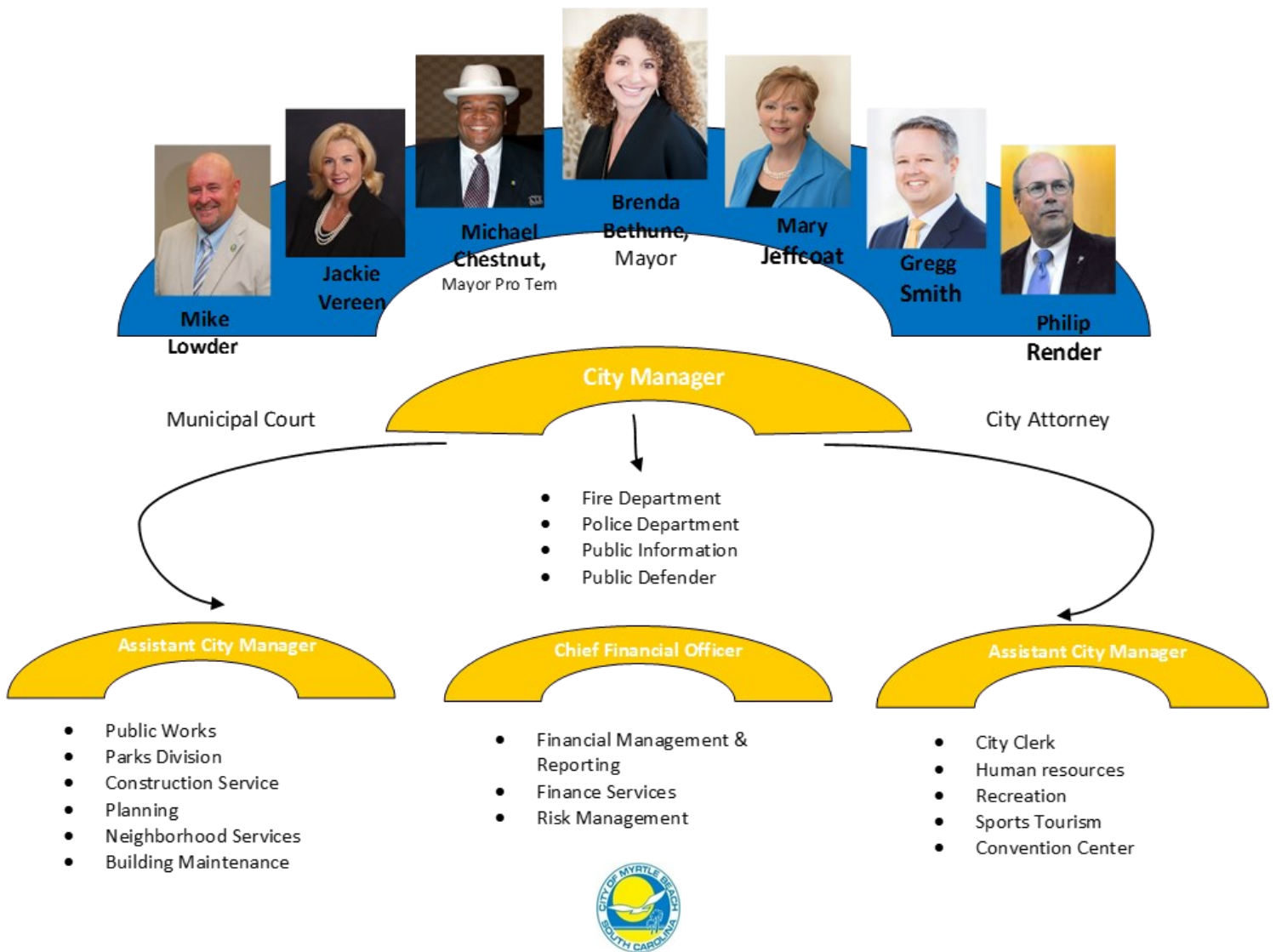




Governance

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 its action 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 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%)

2018 Estimate: 33,908

Myrtle Beach MSA, Top 10 Employers		
Company/Organization	Type of Business	# Employees
Horry County School District	Education (K-12)	5,808
WalMart	Retail Sales	3,100
Coastal Carolina University	Higher Education	2,548
Horry County	County Government	2,250
Conway Hospital	Hospital	1,500
Grand Strand Regional Medical Center	Hospital	1,425
Food Lion	Grocery Store	1,204
McLeod Loris Seacoast	Hospital	984
City of Myrtle Beach	Local Government	948
Horry Telephone Cooperative	Utility	694

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

42.4

Median Age, 2018

\$28,280

Per Capita Personal Income, 2018





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 under ground 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.





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

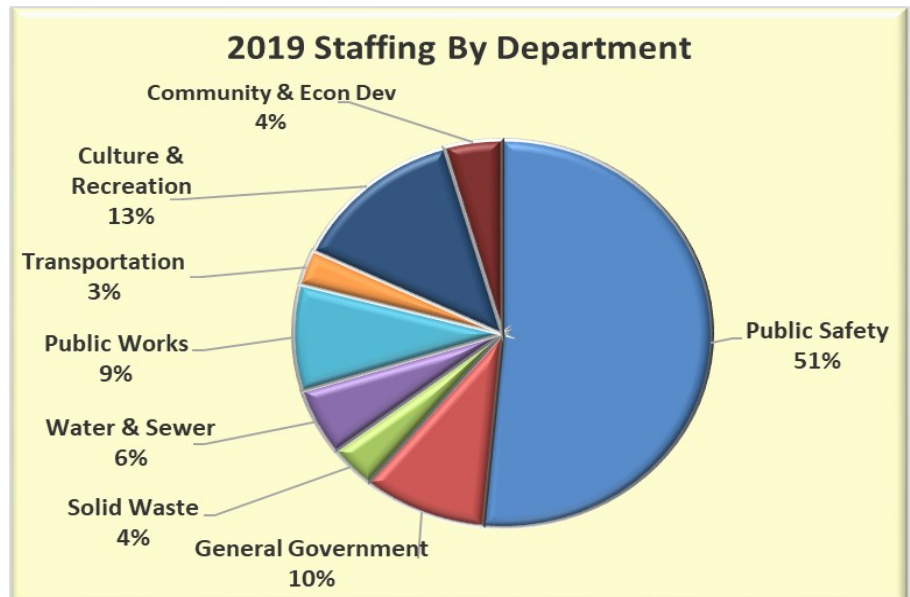
Education -- Knowledge to Help



As a public organization focused on providing services to the citizenry, nearly 40% of the budget is comprised of funding for employees who provide those services.

<u>Community Services</u>	2019
Police	316
Municipal Court	18
Victim Witness/Advocate	3
Fire	172
Transportation	12
Parks	54
Recreation	77
Community Development	42
Water & Sewer	53
Convention Center	42
Sports Tourism	9
Solid Waste Management	34
Storm Water Management	16
Total Community Services	848
<u>Support Services</u>	
Policy & Administration	17
Financial Operations	48
Human Resources	5
Public Works Administration & Engineering*	30
Total Support Services	100
Total Authorized Positions	948

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





Awards & Accolades

The Myrtle Beach Metropolitan Statistical Area (MSA) was listed as the 2nd fastest growing area in the nation by the US Census Bureau. According to 2018 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 Pawleys Island. Pristine beaches, abundant dining and entertainment choices, and moderate climate contribute to the area's 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*



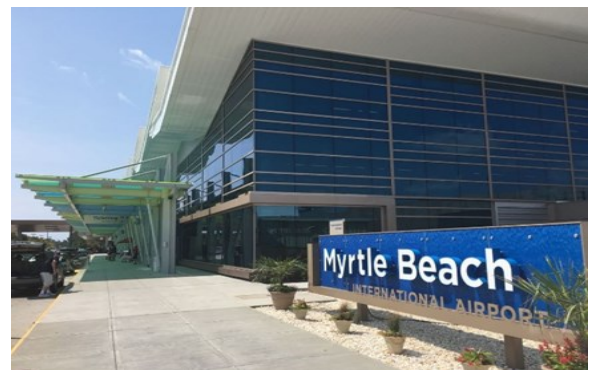
Year	Estimated Number of Visitors (millions)
2014	17.0
2015	17.2
2016	18.6
2017	19.6
2018	20.4

Source Myrtle Beach Area Chamber of Commerce

Myrtle Beach International Airport
Commercial Passenger Totals

Year	Arrivals	Departures
2014	872,734	876,923
2015	916,720	913,351
2016	972,041	970,886
2017	1,134,119	1,142,925
2018	1,254,494	1,255,401

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 for children's enjoyment.

In 2019, the Recreation Department was named the Athletic Department of the Year by the South Carolina Recreation and Parks Association. The award marked the seventh time the department received the honor in the last 11 years.



During 2019, the City of Myrtle Beach received its 23rd 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.



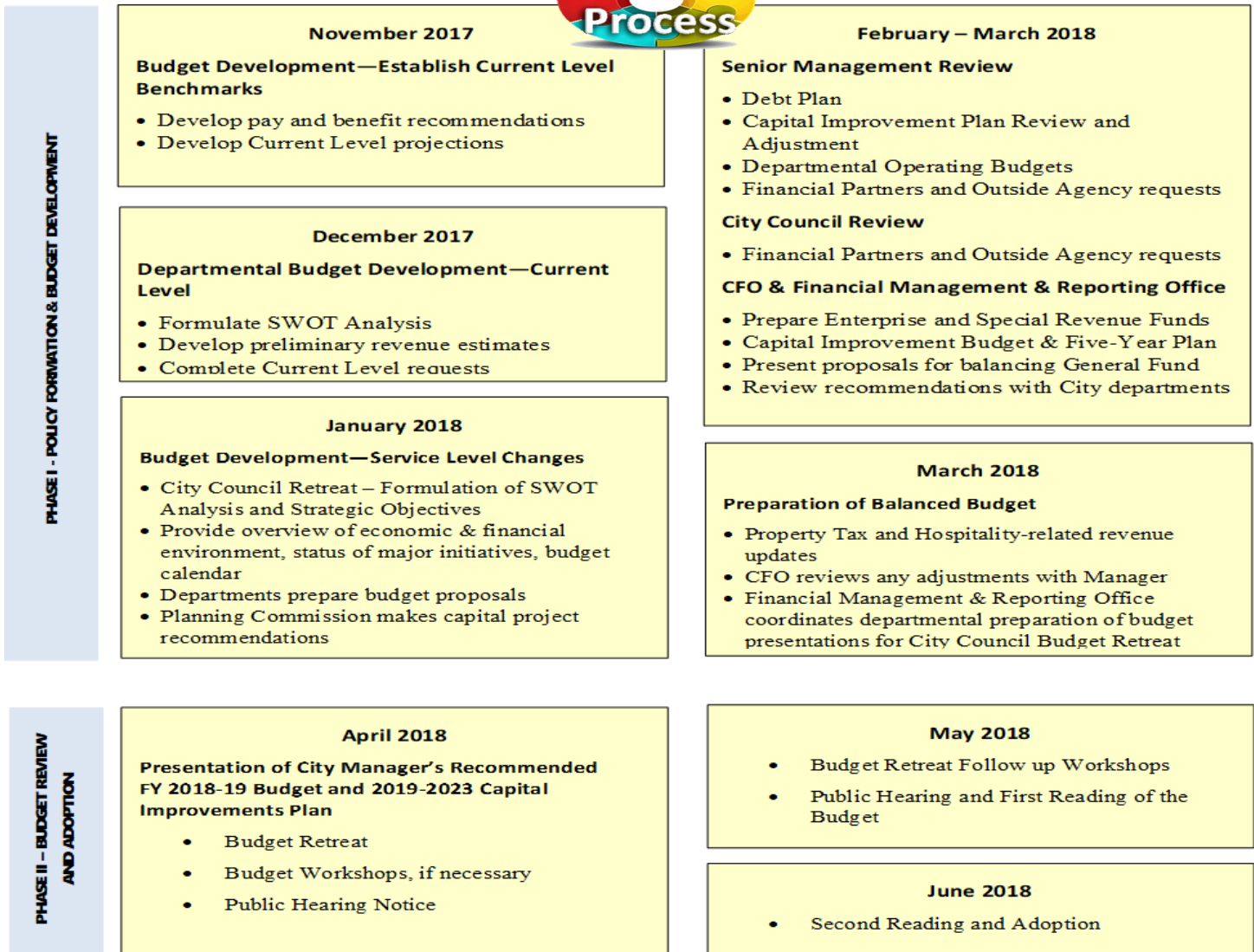


Financial Policy & Budget Process

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.





Governmental Funds

The City maintains 17 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.

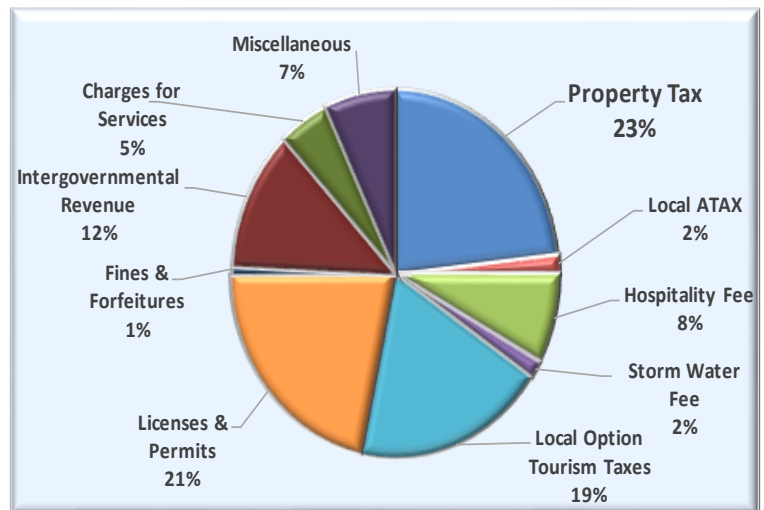
Debt Service Funds are used to account for proceeds from and payment of general long term debt.

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

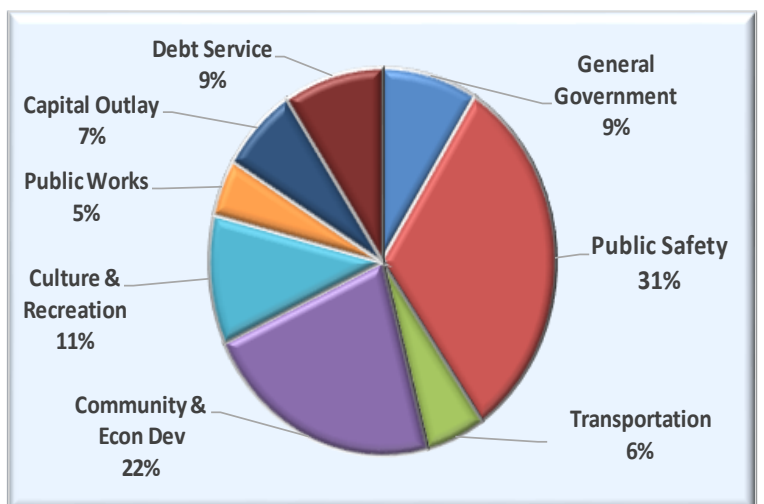


GOVERNMENTAL FUNDS		
Revenues:	2018	2019
Property Taxes	\$ 33,999,652	\$ 36,667,506
Local Accommodations Taxes	2,698,332	2,711,785
Hospitality Fee Taxes	11,908,883	12,159,412
Storm Water Fees	2,360,916	2,619,359
Local Option Tourism Taxes	28,763,094	29,699,386
Licenses and Permits	32,460,299	33,999,861
Fines and Forfeitures	1,255,638	1,188,906
Intergovernmental Revenues	16,535,412	19,424,885
Charges for Services	7,778,873	7,808,477
Miscellaneous	7,961,344	11,002,399
Total Revenues	\$ 145,722,443	\$ 157,292,976
Expenditures by Function:	2018	2019
General Government	\$ 13,148,637	\$ 14,093,595
Public Safety	45,719,606	49,456,616
Transportation	6,750,406	8,627,993
Community and Economic Development	31,220,689	35,171,060
Culture and Recreation	16,200,606	16,907,269
Public Works	7,190,325	7,430,976
Capital Outlay	12,946,366	11,294,692
Debt Service	16,313,719	14,537,148
Total Expenditures	\$ 149,490,354	\$ 157,517,349
Other Financing Sources (Uses):	2018	2019
Transfers In	\$ 39,154,969	\$ 30,901,767
Transfers Out	(38,886,369)	(30,514,392)
Issuance of Bonds	16,820,000	7,000,000
Premium on Issuance of Bonds	1,536,379	933,294
Payments to Escrow Agent	(7,809,536)	(7,809,536)
Storm Water Revenue		
Bonds Issued	487,348	
Capital Lease Obligation	1,605,416	84,366
Sale of Capital Assets	22,750	4,225
Net Change in Fund Balances	\$ 9,163,046	\$ 8,409,260
Fund Balances, Beginning	55,082,560	64,245,606
Fund Balances, Ending	\$ 64,245,606	\$ 72,428,493

FY 19 REVENUES



FY 19 EXPENDITURES



At June 30, 2019 Governmental Funds had fund balances of \$72M, an increase of \$8M over the last fiscal year. The increase is primarily due to increased business license collections, property taxes, intergovernmental revenue, and growth in tourism related revenues.



Where does the Money Come From?



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 source. It is a general sales and use tax on nearly 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 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.

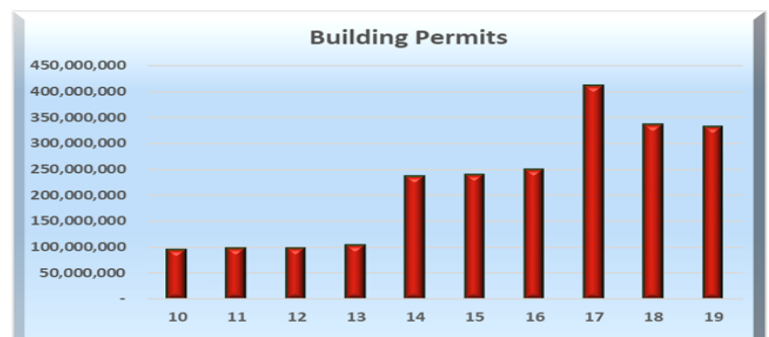
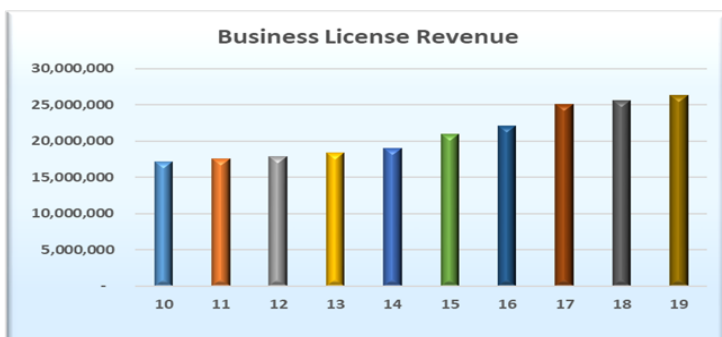
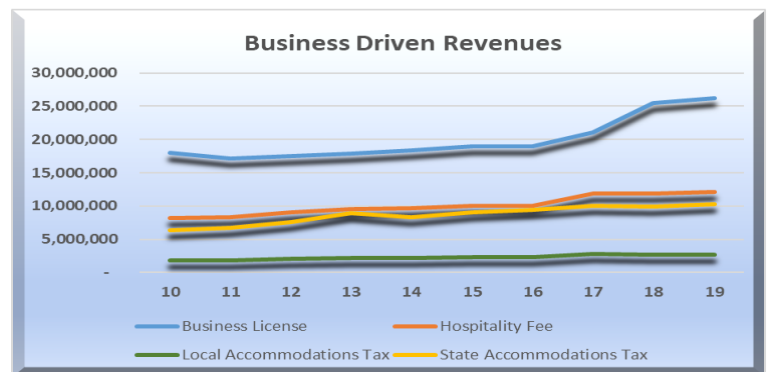
Intergovernmental Revenue consists of grants and other funding Federal, State, and County sources.

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.

Governmental Revenue	
Revenue Source	
Property Taxes	23.3%
Licenses and Permits	21.6%
Local Option Tourism Taxes	18.9%
Intergovernmental Revenues	12.3%
Hospitality Fee Taxes	7.7%
Miscellaneous	7.0%
Charges for Services	5.0%
Local Accommodations	1.7%
Storm Water	1.7%
Fines and Forfeitures	0.8%

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?



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,

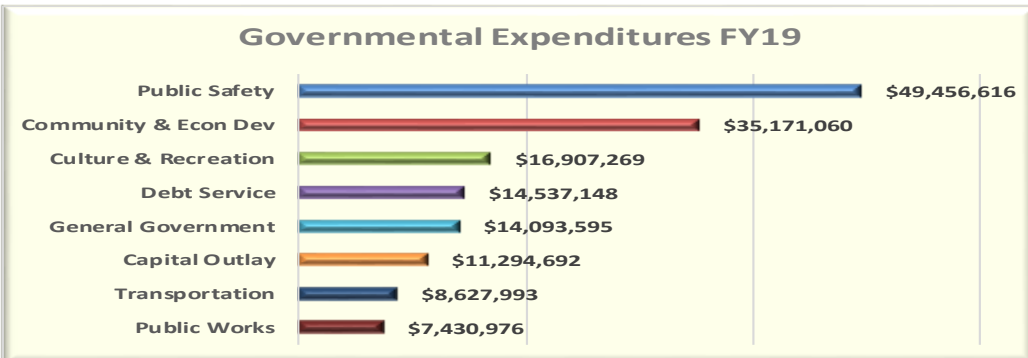
and recreational athletic leagues by the Recreation Department. Operation of the Library, Train Depot, Myrtle's Market, the Myrtle Beach Convention Center, and Sports Tourism operations are included in this category as well.

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	
Expenditure	
Public Safety	31.4%
Community & Economic Development	22.3%
Culture & Recreation	10.7%
Debt Service	9.2%
General Government	8.9%
Capital Outlay	7.2%
Transportation	5.5%
Public Works	4.8%



Public Safety expenditures represent the largest governmental operating expenditure for the City. Public Safety expenditures were \$49.5M for FY19, an increase of 8.2% over FY18. The increase was the result of continuation of the Police Recruitment and Retention Plan, which included the addition of 10 new police officers. Community and Economic Development expenditures grew by \$3.9M (12.7%) over the prior year as a result of growth in Local Option Tourism Development Fee revenue and the associated statutory remittance of 80% for out-of-market advertising as well as the distribution of surplus property tax in the Myrtle Beach Air Force Base Redevelopment fund. The next largest increase in expenditures was \$1.9M (27.8%) in the Transportation division and was driven by ocean outfall maintenance and renourishment projects. General Government expenditures grew by \$945k (7.2%) as a result of higher than normal professional fees incurred throughout the year. Culture and Recreation expenditures grew by \$706k as a result of increases in the Convention Center, Sports Tourism, Capital Projects, and maintenance and operation of City recreation facilities. Debt Service expenditures decreased by \$1.8M as a result of several prior debt refundings and debt extinguishment. Capital Outlay expenditures decreased by \$1.7M. Capital expenditures vary widely from year to year based on current capital needs.





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.

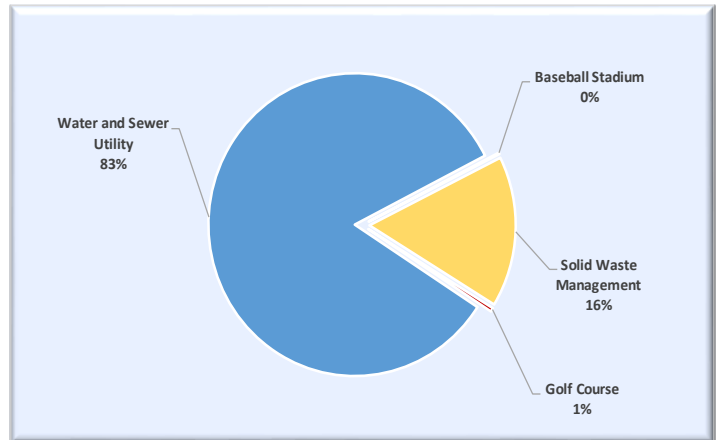
The Baseball Stadium Fund is used to account for the operation of the baseball stadium.

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

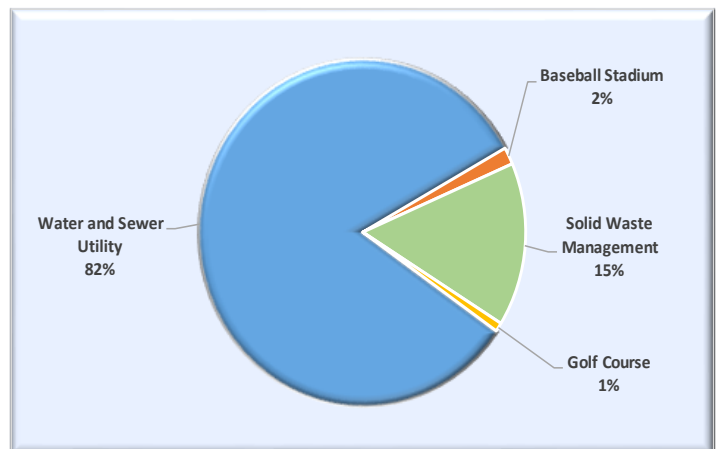


ENTERPRISE FUNDS			
Operating Revenues:			
	2018	2019	
Water and Sewer Utility	\$ 28,185,908	\$ 29,012,260	
Solid Waste Management	5,493,986	5,616,729	
Baseball Stadium	69,023	55,183	
Golf Course	136,726	141,977	
Total Revenues	\$ 33,885,643	\$ 34,826,149	
Operating Expenses by Function:			
	2018	2019	
Water and Sewer Utility	\$ 29,780,727	\$ 32,151,063	
Solid Waste Management	5,498,745	6,023,763	
Baseball Stadium	639,930	630,330	
Golf Course	310,170	324,047	
Total Expenses	\$ 36,229,572	\$ 36,229,572	
Nonoperating Revenue (Expenses):			
	2018	2019	
Interest Earned	\$ 141,309	\$ 196,463	
Operating Grant Revenue	59,308	39,665	
Miscellaneous Revenue	122,551	142,901	
Interest and Fiscal Charges	(929,490)	(889,223)	
Amortization of Bond			
Insurance	(7,019)	-	
Total Nonoperating Revenue (Expenses)	\$ (613,611)	\$ (510,194)	
Income (Loss) before Contributions & Transfers:			
	\$ (2,957,540)	\$ (4,813,248)	
Capital Contributions	\$ 6,197,304	\$ 5,062,764	
Transfers In	1,159,400	1,100,000	
Transfers Out	(1,428,000)	(1,487,375)	
Change in Net Position	\$ 2,971,164	\$ (137,859)	
Net Position, Beginning	122,172,110	125,143,274	
Net Position, Ending	\$ 125,143,274	\$ 125,005,415	

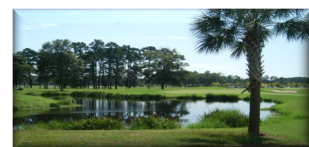
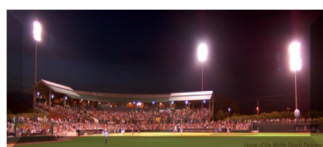
FY 19 OPERATING REVENUES



FY 19 OPERATING EXPENSES



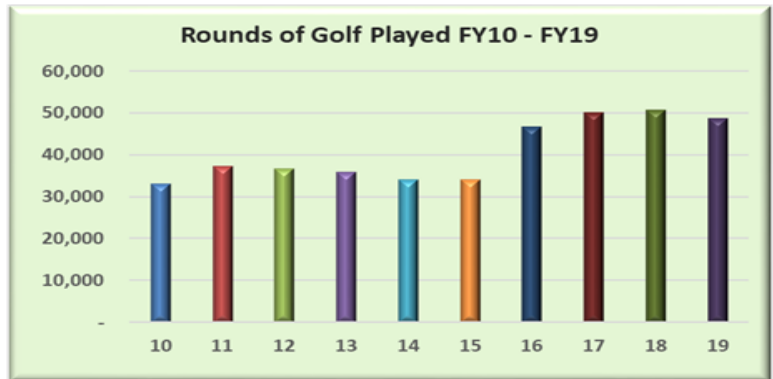
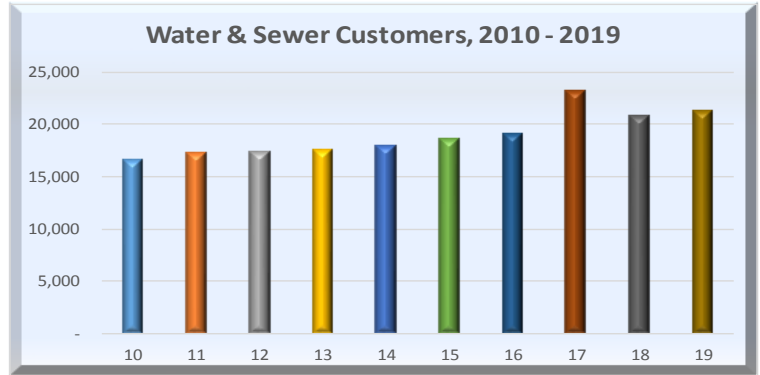
At June 30, 2019, Enterprise Funds had a total Net Position of \$125M, decreasing \$138k from the prior year. While revenues in the Water and Sewer, Solid Waste, and Golf Course Funds increased, expenses and a decrease in Capital Contributions slightly outpaced the revenue growth.





Where does the Money Come From?

Enterprise Revenue	
Revenue Source	
Water & Sewer	82.4%
Solid Waste Management	16.0%
Baseball Stadium	0.2%
Golf Course	0.4%
Interest Earned	0.6%
Other Non-Operating	0.5%



Water & Sewer Utility Operating Revenues increased by 2.9% over the prior year. The increase was a result of growth in the customer base and a blended rate increase of 3.9%. Revenue growth may seem slightly low considering population growth and the rate increase; however, weather has a large impact on water sales and fluctuates from year to year.

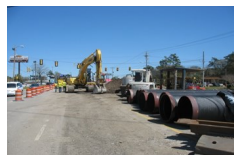
Solid Waste Management Operating Revenue increased by 2.2% over the prior year. The increase is primarily due to growth in the residential customer base.

Golf Course Revenues increased by 3.8%. In FY19. Miscellaneous non-recurring revenues contributed to the increase.

Baseball Stadium Revenues decreased by \$14K (20.1%) from the prior year. Stadium lease revenue and reimbursable charges were down for the fiscal year.



Where does the Money Go?



Enterprise Fund Expenses increased by \$2.9M (8.0%) over the prior year. Expenses in the Water and Sewer Fund accounted for \$2.4M of the increase water consumption and sewer service increase. As water consumption and sewer service increase, so do the wholesale utility costs recognized in the Water and Sewer Fund.

Solid Waste Fund expenses increased \$525K (9.5%) when compared to FY18. The growing customer base and maintenance costs were the primary reasons for expense growth in the Solid Waste fund.

Enterprise Expenses	
Expenses	
Water & Sewer	82.4%
Solid Waste Management	16.1%
Baseball Stadium	0.2%
Golf Course	0.4%
Interest & Fiscal Charges	0.4%
Other Non-Operating Expense	0.5%



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.

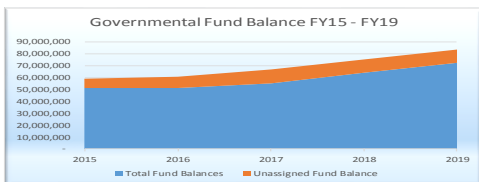
It is important to note that Fund Balance does not necessarily equal cash available to pay for general operations. Fund balance is made up of two components - unassigned funds available for general use and funds that are identified for specific purposes. When fund balance is identified for a specific 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 FY2019, the General Fund unassigned fund balance was \$12.2M which represents 14.4% of total expenditures. While the fund balance has slipped slightly below the 15% target, the difference is attributable to below target Business License and Accommodations Tax collections resulting from Hurricane Florence in the Fall of 2018. Business interruption insurance is expected to offset some of the fiscal impact of the storm and should be



Fund Balance	2015	2016	2017	2018	2019
Total Fund Balances	\$ 51,096,048	\$ 51,069,976	\$ 55,082,560	\$ 64,245,606	\$ 72,428,493
Unassigned Fund Balance	\$ 7,918,236	\$ 9,505,260	\$ 11,886,493	\$ 11,010,882	\$ 11,302,645

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.

Net Position represents the difference between assets and liabilities in an Enterprise Fund. Assets include cash, inventories, equipment, real property, and receivables. Liabilities include items such as amounts that the government owes other agencies or individuals, lease obligations, and long term debt. Basically, Net Position is what is left over after the funds have been used to cover its liabilities.

Net Position	2015	2016	2017	2018	2019
Net Investment in Capital Assets	\$116,288,674	\$111,740,507	\$110,922,505	\$111,884,829	\$113,318,702
Restricted	876,221	910,117	1,407,580	1,504,625	741,803
Unrestricted	3,028,989	7,426,572	9,842,025	11,753,820	10,944,910
Total Net Position	\$120,193,884	\$120,077,196	\$122,172,110	\$125,143,274	\$125,005,415

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 4:1 at June 30,2019 with current assets of \$22M and current liabilities of \$5.5M, current assets were sufficient to pay current liabilities 4.0x.



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 \$1,501.31 annually. This includes:

City Taxes	\$268.20
Water and Sewer charges	605.51
Storm Water Fees	75.00
Solid Waste Fees	312.60
Tourism Development Fee	240.00
Annual Total	\$1,501.31



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 \$1,501.31 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



2019 Popular Annual Financial Report
Fiscal Year Ended June 30, 2019