

City of Conway, Arkansas

Independent Auditor's Reports and Financial Statements

For the Year Ended December 31, 2020

City of Conway, Arkansas
For the Year Ended December 31, 2020

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Independent Auditor's Report

The Mayor and City Council
City of Conway, Arkansas
Conway, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Conway, Arkansas (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City'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 did not audit the financial statements of Conway Corporation or the City of Conway Advertising and Promotion Commission, the discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for entities, are based solely on the reports of the other auditors. 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, based on our audit of the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Conway, Arkansas, as of December 31, 2020, 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2020, the City adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and pension and other postemployment benefit information listed in the table of contents 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's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated August 5, 2021, on our consideration of the City'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 solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance

BKD, LLP

Little Rock, Arkansas
August 5, 2021

City of Conway, Arkansas

Management's Discussion and Analysis

December 31, 2020

The following discussion and analysis of the City of Conway, Arkansas' (the City), financial performance provides an overview of the City's financial activities for the year ended December 31, 2020. Readers should consider the information presented here in conjunction with the City's financial statements that follow this section.

Financial Highlights

- Total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources at the close of 2020 by \$147,622,560. Of this amount, \$171,484,147 represents the City's net investment in capital assets; \$31,539,572 is restricted for debt service, capital improvements and other purposes; and there is an unrestricted net deficit of \$55,401,159. This deficit was primarily caused by the net pension liability of \$84,387,155.
- The City's reported net position increased by \$10,286,668 (7.5%) in 2020. Net position of the governmental activities increased \$9,182,180 (8.7%). Net position of the City's business-type activities, consisting of sanitation and airport operations, increased by \$1,104,488 (3.5%), primarily due to an increase in capital and operating grants of approximately \$700,000.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$44,721,016. The combined governmental funds balances increased \$11,918,288 (36.3%) from the prior year. The primary component of this change was the increase in sales tax revenue and a decrease in capital outlay compared to the prior year. The majority of governmental fund balances, \$32,018,526, are considered restricted to specific purposes at December 31, 2020, and \$12,702,490 is reported as unassigned and can be spent at the discretion of the City Council.
- The General Fund reported fund balance of \$12,764,286 at the end of the current year. The unassigned fund balance for the General Fund was \$12,764,286, or 38.9%, of total General Fund expenditures. There was a \$3,548,287 increase in the total fund balance for the General Fund for the year ended December 31, 2020.
- The City's total debt decreased by \$3,268,665 (7.7%) during the current year. The key factors in this decrease were the scheduled principal payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to that of a private-sector business.

The statement of net position presents information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows of resources, with the difference reported as net position.

City of Conway, Arkansas

Management's Discussion and Analysis

December 31, 2020

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future periods, *e.g.*, uncollected taxes and earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include general government, police and fire, public works, and parks and recreation. The business-type activities of the City consist of sanitation operations and municipal airport.

The government-wide financial statements include not only the City itself (known as the primary government), but also its component units, Conway Corporation and the City of Conway Advertising and Promotion Commission. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 19 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Street Fund and Street Sales & Use Tax Fund, which are considered to be major funds. Data from the other 16 governmental funds are combined into a single, aggregated presentation.

City of Conway, Arkansas
Management's Discussion and Analysis
December 31, 2020

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City maintains two enterprise funds, which are a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its sanitation operations and airport operations.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The Pension Trust Fund is used to report resources held in trust for retirees and beneficiaries covered by the Nonuniformed Employees' Defined Benefit Pension Plan. The Custodial Fund reports resources held by the City in a custodial capacity for individuals, private organizations and other governments.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund and Street Fund budgets and the City and Conway Corporation's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

City of Conway, Arkansas

Management's Discussion and Analysis

December 31, 2020

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$147,622,560 at December 31, 2020.

City of Conway, Arkansas Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 53,942,982	\$ 44,320,773	\$ 13,615,645	\$ 11,998,795	\$ 67,558,627	\$ 56,319,568
Noncurrent assets	-	-	6,055,673	5,972,167	6,055,673	5,972,167
Capital assets	<u>174,847,678</u>	<u>174,461,827</u>	<u>36,011,041</u>	<u>36,511,048</u>	<u>210,858,719</u>	<u>210,972,875</u>
Total assets	<u>228,790,660</u>	<u>218,782,600</u>	<u>55,682,359</u>	<u>54,482,010</u>	<u>284,473,019</u>	<u>273,264,610</u>
Total deferred outflows of resources	<u>16,397,526</u>	<u>20,548,129</u>	<u>2,490,958</u>	<u>1,922,804</u>	<u>18,888,484</u>	<u>22,470,933</u>
Total assets and deferred outflows of resources	<u>\$ 245,188,186</u>	<u>\$ 239,330,729</u>	<u>\$ 58,173,317</u>	<u>\$ 56,404,814</u>	<u>\$ 303,361,503</u>	<u>\$ 295,735,543</u>
Current liabilities	\$ 7,261,877	\$ 9,605,261	\$ 463,780	\$ 840,692	\$ 7,725,657	\$ 10,445,953
Noncurrent liabilities	<u>114,729,135</u>	<u>118,616,250</u>	<u>23,544,397</u>	<u>22,087,730</u>	<u>138,273,532</u>	<u>140,703,980</u>
Total liabilities	<u>121,991,012</u>	<u>128,221,511</u>	<u>24,008,177</u>	<u>22,928,422</u>	<u>145,999,189</u>	<u>151,149,933</u>
Total deferred inflows of resources	<u>8,410,175</u>	<u>5,504,399</u>	<u>1,329,579</u>	<u>1,745,319</u>	<u>9,739,754</u>	<u>7,249,718</u>
Net position						
Net investment in capital assets	135,473,106	131,799,947	36,011,041	36,511,048	171,484,147	168,310,995
Restricted	31,539,572	24,132,471	-	-	31,539,572	24,132,471
Unrestricted (deficit)	<u>(52,225,679)</u>	<u>(50,327,599)</u>	<u>(3,175,480)</u>	<u>(4,779,975)</u>	<u>(55,401,159)</u>	<u>(55,107,574)</u>
Total net position	<u>114,786,999</u>	<u>105,604,819</u>	<u>32,835,561</u>	<u>31,731,073</u>	<u>147,622,560</u>	<u>137,335,892</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 245,188,186</u>	<u>\$ 239,330,729</u>	<u>\$ 58,173,317</u>	<u>\$ 56,404,814</u>	<u>\$ 303,361,503</u>	<u>\$ 295,735,543</u>

The largest portion of the City's net position, \$171,484,147, reflects its investment in capital assets, *e.g.*, land, buildings, improvements other than buildings, machinery and equipment, and infrastructure, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be utilized to liquidate these liabilities. An additional portion of the City's net position, \$31,539,572, represents resources that are subject to restrictions as to how they may be used, and remaining is an unrestricted net deficit of \$55,401,159. This deficit is primarily caused by the net pension liability of \$84,387,155.

As a result of 2020 operations, the City's net position increased \$10,286,668 from the prior year. The reasons for the overall increase are discussed in the following sections for the governmental activities and business-type activities.

City of Conway, Arkansas

Management's Discussion and Analysis

December 31, 2020

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
<i>Program revenues</i>						
Charges for services	\$ 3,466,597	\$ 4,329,231	\$ 11,122,494	\$ 11,084,470	\$ 14,589,091	\$ 15,413,701
Operating grants and contributions	3,837,274	1,381,681	69,000	-	3,906,274	1,381,681
Capital grants and contributions	6,854,589	6,537,520	1,217,963	588,799	8,072,552	7,126,319
<i>General revenues</i>						
Property, sales and use tax	43,739,083	42,025,310	-	-	43,739,083	42,025,310
Franchise fees	4,003,801	4,090,047	-	-	4,003,801	4,090,047
General state revenue turnback	977,777	931,552	-	-	977,777	931,552
Investment income	455,423	697,914	212,608	354,746	668,031	1,052,660
Other	1,119,698	771,967	-	-	1,119,698	771,967
Total Revenues	64,454,242	60,765,222	12,622,065	12,028,015	77,076,307	72,793,237
Expenses						
General government	9,883,790	9,271,880	-	-	9,883,790	9,271,880
Police	15,185,290	16,599,730	-	-	15,185,290	16,599,730
Fire	13,315,350	11,932,178	-	-	13,315,350	11,932,178
Public works	10,639,315	9,251,608	-	-	10,639,315	9,251,608
Parks and recreation	5,289,643	5,735,511	-	-	5,289,643	5,735,511
Interest expense on long-term debt	1,381,674	1,730,752	-	-	1,381,674	1,730,752
Sanitation	-	-	8,877,694	9,287,805	8,877,694	9,287,805
Airport	-	-	2,216,883	2,482,955	2,216,883	2,482,955
Total Expenses	55,695,062	54,521,659	11,094,577	11,770,760	66,789,639	66,292,419
Increase in net position before transfers	8,759,180	6,243,563	1,527,488	257,255	10,286,668	6,500,818
Transfers, net	423,000	423,000	(423,000)	(423,000)	-	-
Change in Net Position	9,182,180	6,666,563	1,104,488	(165,745)	10,286,668	6,500,818
Net Position – Beginning of Year	105,604,819	98,938,256	31,731,073	31,896,818	137,335,892	130,835,074
Net Position – End of Year	\$ 114,786,999	\$ 105,604,819	\$ 32,835,561	\$ 31,731,073	\$ 147,622,560	\$ 137,335,892

Governmental Activities. Governmental activities increased the City's net position by \$9,182,180 from the prior year for an ending balance of \$114,786,999. The increase was the result of revenues exceeding expenses by \$8,759,180 in 2020 and net transfers of \$423,000. This is primarily due to an increase of \$1,713,773 in property, sales and use taxes and an increase of \$2,455,593 in operating grants and contributions.

Business-Type Activities. Business-type activities increased the City's net position by \$1,104,488 to an ending net position of \$32,835,561. The increase is primarily due to the Airport's increase in operating grants and capital grants and contributions of \$698,164.

Financial Analysis of the Government's Funds

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

City of Conway, Arkansas

Management's Discussion and Analysis

December 31, 2020

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 year.

As of December 31, 2020, the City's governmental funds reported combined ending fund balances of \$44,721,016, an increase of \$11,918,288 during the year. \$32,018,526 is reported as *restricted fund balance* for capital projects and debt service; and \$12,702,490 constitutes *unassigned fund balance* and is available for spending at the government's discretion.

The *General Fund* is the chief operating fund of the City. At the end of the year, unassigned fund balance of the general fund was \$12,764,286, a decrease of \$3,548,287 from prior year. Unassigned fund balance represents 38.9% of total general fund expenditures.

The *Street Fund*, a major fund, had an increase of \$1,065,299 to an overall Street Fund balance of \$6,307,446 at the end of the year, which is restricted for street maintenance and construction.

The *2018 Street Sales & Use Tax Fund*, a major fund, had an increase of \$3,120,930 to an overall 2018 Street Sales & Use Tax Fund balance of \$10,919,666 at the end of the year, which is restricted for street improvements. The City intends to use these funds for certain projects to be completed with the Arkansas Department of Transportation.

Proprietary Funds. The City's proprietary funds provide the same information found in the government-wide financial statements, but with more detail.

Net position at the end of the year amounted to \$1,669,653 for sanitation operations, an increase of \$1,044,913 from the prior year. Net position at the end of the year amounted to \$31,165,908 for airport operations, an increase of \$59,575.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget. The final amended General Fund budget had total appropriations of \$2,671,632 (7.5%) more than the original budget of \$35,617,359. The primary purpose of the amendments was to increase budgeted expenditures for the Main Street building renovations. The final amended General Fund budget had total revenues of \$1,389,923 (3.5%) more than the original budget of \$35,479,950.

Final Budget Compared to Actual Results. Actual General Fund expenditures for the year were \$5,491,309 (14.3%) less than final budgeted expenditures the actual expenditures for the Main Street building renovations being less than budgeted and the police expenditures being less than budgeted. In addition, actual General Fund revenues were less than final budgeted revenues by \$1,169,153 (3.2%) due to the general property taxes being less than the final budget.

City of Conway, Arkansas

Management's Discussion and Analysis

December 31, 2020

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for governmental and business-type activities as of December 31, 2020, amounts to \$210,858,719 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure. The total decrease in the City's investment in capital assets for 2020 was -0.1%.

City of Conway, Arkansas Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 19,279,085	\$ 18,844,138	\$ 2,268,805	\$ 2,268,805	\$ 21,547,890	\$ 21,112,943
Buildings and improvements	48,695,863	47,289,769	4,902,207	5,227,480	53,598,070	52,517,249
Equipment	5,668,122	6,176,709	3,868,390	4,563,493	9,536,512	10,740,202
Infrastructure	94,362,147	95,413,154	24,681,230	23,856,381	119,043,377	119,269,535
Construction in progress	6,842,461	6,738,057	290,409	594,889	7,132,870	7,332,946
Total	<u>\$ 174,847,678</u>	<u>\$ 174,461,827</u>	<u>\$ 36,011,041</u>	<u>\$ 36,511,048</u>	<u>\$ 210,858,719</u>	<u>\$ 210,972,875</u>

Major capital asset events during 2020 included the following:

- Renovations to the Main Street building totaled \$1,170,901.
- Infrastructure and street improvements totaled approximately \$7,000,000.
- Sanitation equipment was purchased during the year for a total of \$801,300.
- Depreciation expense totaled \$9,947,113 for governmental activities and \$2,919,091 for business-type activities.

Long-Term Debt. At December 31, 2020, the City's primary government had \$39,393,215 of long-term debt outstanding, including bonds payable of \$37,433,638, secured solely by specified revenue sources, *i.e.*, revenue bonds.

	Governmental Activities	
	2020	2019
Bonds payable	\$ 37,433,638	\$ 39,548,337
Notes payable	1,738,727	2,810,282
Leases payable	220,850	303,261
Total	<u>\$ 39,393,215</u>	<u>\$ 42,661,880</u>

Total long-term debt at December 31, 2020, decreased \$3,268,665, or 7.7%. The net decrease is primarily the result of payment of principal on outstanding debt.

The City is within all of its legal debt limitations. Under the Arkansas Constitution, the City is allowed to issue, with voter approval, general obligation debt up to 20% of total assessed valuation.

City of Conway, Arkansas
Management's Discussion and Analysis
December 31, 2020

The City had no outstanding general obligation bonds at December 31, 2020. The City is allowed to issue short-term financings (maturities of less than five years) up to 5% of total assessed valuation. Outstanding short-term financings at December 31, 2020, of approximately \$2.0 million are well below the statutory limit of \$57,060,849. Voter approval is not required for short-term financing.

Economic Factors and Next Year's Budgets and Rates

Sales tax revenue in 2020 increased slightly compared to the previous year. Management has taken an ultra-conservative approach for budgeting sales tax the past several years and will continue this practice and project no growth for 2021 over 2020 actual collections. This is because sales tax represents such a large portion of the City's budget, and any economic downturns have the potential to greatly impact operations for that year. There have only been two years in the history of the City's sales tax, 2002 and 2009, in which collections were less than the prior year. City management feels like it can safely budget flat sales tax revenue without encountering much risk, but to budget for sales tax revenue increases and then have actual collections fall below that mark can cause major problems in the City's ability to stay within its budgetary expenditure limits.

The City's budget for 2021 is balanced with total resources greater than or equal to total expense appropriation within each fund, as well as in the aggregate. Total estimated revenues amount to \$68,636,450 and total expenditures amount to \$67,511,540. This leaves a \$1,124,910 surplus to be used for appropriating Special Revenue Fund revenue for projects within the scope of the uses of those Funds.

Request for Information

This financial report is designed to provide a general overview of the City'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 Department, 1111 Main Street, Conway, Arkansas 72032.

City of Conway, Arkansas

Statement of Net Position

December 31, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Conway Corporation	A & P Commission
Assets					
Current Assets					
Cash and cash equivalents	\$ 36,876,482	\$ 12,939,722	\$ 49,816,204	\$ 32,117,439	\$ 1,994,605
Certificates of deposit	-	-	-	22,299,307	-
Restricted cash and cash equivalents – current	2,415,750	-	2,415,750	-	-
Accounts receivable, net of allowance	13,251,447	26,214	13,277,661	8,238,427	380,191
Grants receivable	225,645	-	225,645	-	-
Due from fiduciary funds	110,747	-	110,747	-	-
Due from component units	822,881	878,787	1,701,668	-	-
Internal balances	231,200	(231,200)	-	-	-
Other current assets	8,830	2,122	10,952	12,220,033	-
Prepaid items	-	-	-	1,980,240	-
Total current assets	<u>53,942,982</u>	<u>13,615,645</u>	<u>67,558,627</u>	<u>76,855,446</u>	<u>2,374,796</u>
Noncurrent Assets					
Restricted assets					
Cash and cash equivalents	-	6,055,673	6,055,673	14,667,117	-
Investments	-	-	-	511,465	-
Total restricted assets	<u>-</u>	<u>6,055,673</u>	<u>6,055,673</u>	<u>15,178,582</u>	<u>-</u>
Capital assets – nondepreciable	26,121,546	2,559,214	28,680,760	35,505,390	-
Capital assets – depreciable, net	<u>148,726,132</u>	<u>33,451,827</u>	<u>182,177,959</u>	<u>340,459,632</u>	<u>-</u>
	<u>174,847,678</u>	<u>36,011,041</u>	<u>210,858,719</u>	<u>375,965,022</u>	<u>-</u>
Other assets					
Land held for resale	-	-	-	410,296	-
Long-term portion of note receivable from related organization	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,565,847</u>	<u>-</u>
Total other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,976,143</u>	<u>-</u>
Total noncurrent assets	<u>174,847,678</u>	<u>42,066,714</u>	<u>216,914,392</u>	<u>394,119,747</u>	<u>-</u>
Total assets	<u>228,790,660</u>	<u>55,682,359</u>	<u>284,473,019</u>	<u>470,975,193</u>	<u>2,374,796</u>
Deferred Outflows of Resources					
Loss on refunding	-	-	-	1,200,282	-
Deferred amounts for other postemployment benefits	1,323,659	296,685	1,620,344	400,711	-
Deferred amounts for pension items	10,736,636	2,194,273	12,930,909	4,987,462	-
Deferred outflow – pension contributions	<u>4,337,231</u>	<u>-</u>	<u>4,337,231</u>	<u>116,723</u>	<u>-</u>
Total deferred outflows of resources	<u>16,397,526</u>	<u>2,490,958</u>	<u>18,888,484</u>	<u>6,705,178</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 245,188,186</u>	<u>\$ 58,173,317</u>	<u>\$ 303,361,503</u>	<u>\$ 477,680,371</u>	<u>\$ 2,374,796</u>

See Notes to Financial Statements

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Conway Corporation	A & P Commission
Liabilities and Net Position					
Current liabilities					
Accounts payable	\$ 1,727,412	\$ 236,960	\$ 1,964,372	\$ 5,602,134	\$ 19,563
Accrued expenses and other liabilities	779,289	127,159	906,448	1,970,904	-
Due to primary government	-	-	-	1,152,259	549,409
Customer deposits	-	-	-	3,195,564	-
Unearned revenue	-	-	-	279,119	-
Accrued interest payable	225,389	-	225,389	764,472	-
Developer deposits	-	-	-	153,563	-
Notes and leases payable – current portion	1,221,943	-	1,221,943	47,728	-
Compensated absences – current portion	972,844	99,661	1,072,505	-	-
Bonds payable – current portion	2,335,000	-	2,335,000	8,097,433	-
Total current liabilities	7,261,877	463,780	7,725,657	21,263,176	568,972
Noncurrent Liabilities					
Notes payable	604,409	-	604,409	1,759,756	-
Leases payable	133,225	-	133,225	-	-
Bonds payable, net	35,098,638	-	35,098,638	122,598,912	-
Unearned revenue	855,817	-	855,817	-	-
Compensated absences	2,958,458	153,523	3,111,981	-	-
Net pension liability	70,405,804	13,981,351	84,387,155	10,915,200	-
Total other postemployment benefits liability	4,672,784	1,047,358	5,720,142	3,131,179	-
Estimated liability for landfill closure and postclosure care costs	-	8,362,165	8,362,165	-	-
Total noncurrent liabilities	114,729,135	23,544,397	138,273,532	138,405,047	-
Total liabilities	121,991,012	24,008,177	145,999,189	159,668,223	568,972
Deferred Inflows of Resources					
Deferred amounts for pension items	7,824,899	1,198,395	9,023,294	4,630,253	-
Deferred amounts for other postemployment benefits	585,276	131,184	716,460	781,565	-
Total deferred inflows of resources	8,410,175	1,329,579	9,739,754	5,411,818	-
Net Position					
Net investment in capital assets	135,473,106	36,011,041	171,484,147	248,200,048	-
Restricted – expendable					
Debt service	3,096,704	-	3,096,704	3,914,206	-
Capital improvements	9,430,280	-	9,430,280	-	-
Public works	17,227,112	-	17,227,112	-	-
Parks and recreation	113,881	-	113,881	-	-
Animal welfare	161,684	-	161,684	-	-
Court automation	485,133	-	485,133	-	-
Public safety	1,018,265	-	1,018,265	-	-
Other purposes	6,513	-	6,513	-	-
Advertising and promotion	-	-	-	-	1,805,824
Total restricted – expendable	31,539,572	-	31,539,572	3,914,206	1,805,824
Unrestricted (deficit)	(52,225,679)	(3,175,480)	(55,401,159)	60,486,076	-
Total net position	114,786,999	32,835,561	147,622,560	312,600,330	1,805,824
Total liabilities, deferred inflows of resources and net position	\$ 245,188,186	\$ 58,173,317	\$ 303,361,503	\$ 477,680,371	\$ 2,374,796

City of Conway, Arkansas

Statement of Activities

Year Ended December 31, 2020

					Net (Expense) Revenue and Changes in Net Position				
Functions/Programs		Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Conway Corporation	A & P Commission
Primary Government	Expenses								
Governmental Activities									
General government	\$ 9,883,790	\$ 1,133,788	\$ -	\$ 961,239	\$ (7,788,763)	\$ -	\$ (7,788,763)		
Police	15,185,290	137,957	1,985,692	55,888	(13,005,753)	-	(13,005,753)		
Fire	13,315,350	141,898	1,851,582	-	(11,321,870)	-	(11,321,870)		
Public works	10,639,315	626,501	-	3,730,093	(6,282,721)	-	(6,282,721)		
Parks and recreation	5,289,643	1,426,453	-	2,107,369	(1,755,821)	-	(1,755,821)		
Interest expense on long-term debt	1,381,674	-	-	-	(1,381,674)	-	(1,381,674)		
Total governmental activities	55,695,062	3,466,597	3,837,274	6,854,589	(41,536,602)	-	(41,536,602)		
Business-Type Activities									
Sanitation	8,877,694	10,132,999	-	-	-	1,255,305	1,255,305		
Airport	2,216,883	989,495	69,000	1,217,963	-	59,575	59,575		
Total business-type activities	11,094,577	11,122,494	69,000	1,217,963	-	1,314,880	1,314,880		
Total primary government	\$ 66,789,639	\$ 14,589,091	\$ 3,906,274	\$ 8,072,552	(41,536,602)	1,314,880	(40,221,722)		
Component Units									
Conway Corporation	\$ 102,417,986	\$ 111,739,691	\$ -	\$ 3,463,287				\$ 12,784,992	\$ -
A & P Commission	934,972	-	-	12,678				-	(922,294)
Total component units	\$ 103,352,958	\$ 111,739,691	\$ -	\$ 3,475,965				12,784,992	(922,294)
General Revenues									
General property taxes					5,964,897	-	5,964,897	-	-
Sales and use taxes					37,774,186	-	37,774,186	-	728,903
Franchise fees					4,003,801	-	4,003,801	-	-
General state revenue turnback					977,777	-	977,777	-	-
Investment income					455,423	212,608	668,031	899,951	19,940
Other					1,119,698	-	1,119,698	63,158	523
Transfers					423,000	(423,000)	-	-	-
Total general revenues and transfers					50,718,782	(210,392)	50,508,390	963,109	749,366
Change in Net Position					9,182,180	1,104,488	10,286,668	13,748,101	(172,928)
Net Position, Beginning of Year					105,604,819	31,731,073	137,335,892	298,852,229	1,978,752
Net Position, End of Year					\$ 114,786,999	\$ 32,835,561	\$ 147,622,560	\$ 312,600,330	\$ 1,805,824

City of Conway, Arkansas
Balance Sheet
Governmental Funds
December 31, 2020

	General Fund	Street Fund	2018 Street Sales & Use Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 10,697,142	\$ 6,363,244	\$ 9,215,569	\$ 13,016,277	\$ 39,292,232
Accounts receivable, net of allowance	8,828,850	2,067,392	1,194,138	1,161,067	13,251,447
Grants receivable	-	-	-	225,645	225,645
Inventory	8,830	-	-	-	8,830
Due from other funds	502,045	28,030	890,054	463,609	1,883,738
Due from component units	219,902	-	-	602,979	822,881
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 20,256,769</u>	<u>\$ 8,458,666</u>	<u>\$ 11,299,761</u>	<u>\$ 15,469,577</u>	<u>\$ 55,484,773</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 600,640	\$ 294,361	\$ 380,095	\$ 452,316	\$ 1,727,412
Accrued wages payable and related liabilities	723,501	53,649	-	2,139	779,289
Unearned revenue	1,000,000	-	-	-	1,000,000
Due to other funds	1,046,355	285,392	-	210,044	1,541,791
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,370,496</u>	<u>633,402</u>	<u>380,095</u>	<u>664,499</u>	<u>5,048,492</u>
Deferred Inflows of Resources					
Unavailable revenues	<u>4,121,987</u>	<u>1,517,818</u>	<u>-</u>	<u>75,460</u>	<u>5,715,265</u>
Total deferred inflows of resources	<u>4,121,987</u>	<u>1,517,818</u>	<u>-</u>	<u>75,460</u>	<u>5,715,265</u>
Fund Balances					
Restricted	-	6,307,446	10,919,666	14,791,414	32,018,526
Unassigned (deficit)	<u>12,764,286</u>	<u>-</u>	<u>-</u>	<u>(61,796)</u>	<u>12,702,490</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>12,764,286</u>	<u>6,307,446</u>	<u>10,919,666</u>	<u>14,729,618</u>	<u>44,721,016</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,256,769</u>	<u>\$ 8,458,666</u>	<u>\$ 11,299,761</u>	<u>\$ 15,469,577</u>	<u>\$ 55,484,773</u>

City of Conway, Arkansas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2020

Total Fund Balances – Total Governmental Funds \$ 44,721,016

Amounts Reported for the Governmental Activities in the Statement of Net Position Are Different Because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds. 174,847,678

Property tax, grants receivable and other receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 5,715,265

Difference in the amount of unearned revenue reported in the funds related to the capital lease agreement. 144,183

Long-term liabilities and related deferred inflows/outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities are as follows:

Accrued interest payable on long-term debt	(225,389)
Accrued compensated absences	(3,931,302)
Total OPEB liability	(4,672,784)
Net pension liability	(70,405,804)
Bonds payable, net	(37,433,638)
Notes payable and obligations under capital lease	(1,959,577)
Deferred inflows/outflows of resources related to OPEB	738,383
Deferred inflows/outflows of resources related to pensions	7,248,968
	7,248,968

Total Net Position – Governmental Activities \$ 114,786,999

City of Conway, Arkansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2020

	General Fund	Street Fund	2018 Street Sales & Use Tax Fund	Other Governmental Funds	Total
Revenues					
General property taxes	\$ 4,261,516	\$ 1,499,982	\$ -	\$ 42,672	\$ 5,804,170
Sales and use taxes	22,118,819	304,507	6,010,001	9,340,859	37,774,186
Licenses and permits	566,826	480	-	-	567,306
Charges for services	1,394,158	18,100	-	798,661	2,210,919
Fines and forfeitures	960,884	-	-	106,581	1,067,465
Franchise fees	3,395,160	-	-	608,641	4,003,801
Intergovernmental	2,347,138	4,396,735	125,000	5,436,522	12,305,395
Investment income	140,249	79,279	117,865	118,030	455,423
Miscellaneous	515,970	56,850	-	539,560	1,112,380
Total revenues	35,700,720	6,355,933	6,252,866	16,991,526	65,301,045
Expenditures					
Current					
General government	5,145,297	-	-	695,223	5,840,520
Police	11,559,647	-	-	1,873,813	13,433,460
Fire	10,066,810	-	-	655,661	10,722,471
Public works	-	3,812,159	-	-	3,812,159
Parks and recreation	3,391,157	-	-	154	3,391,311
Information technology	1,096,329	-	-	-	1,096,329
Capital outlay					
General government	1,344,083	850,110	-	15,887	2,210,080
Police	39,898	-	-	444,632	484,530
Fire	57,271	-	-	243,497	300,768
Public works	-	628,365	3,131,936	3,491,869	7,252,170
Parks and recreation	-	-	-	617,011	617,011
Debt service					
Principal	82,411	-	-	3,136,555	3,218,966
Interest	14,779	-	-	1,431,670	1,446,449
Agent fees	-	-	-	10,870	10,870
Total expenditures	32,797,682	5,290,634	3,131,936	12,616,842	53,837,094
Excess of Revenues over Expenditures	2,903,038	1,065,299	3,120,930	4,374,684	11,463,951
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	31,337	-	-	-	31,337
Transfers in	613,912	-	-	-	613,912
Transfers out	-	-	-	(190,912)	(190,912)
Total other financing sources	645,249	-	-	(190,912)	454,337
Net Change in Fund Balances	3,548,287	1,065,299	3,120,930	4,183,772	11,918,288
Fund Balances, Beginning of Year	9,215,999	5,242,147	7,798,736	10,545,846	32,802,728
Fund Balances, End of Year	\$ 12,764,286	\$ 6,307,446	\$ 10,919,666	\$ 14,729,618	\$ 44,721,016

City of Conway, Arkansas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended December 31, 2020

Net Change in Fund Balances – Total Governmental Funds	\$ 11,918,288
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	
Capital asset purchases	10,331,283
Depreciation expense	(9,947,113)
The net effect of various miscellaneous transactions involving capital assets (<i>i.e.</i> , sales and loss on disposal) is to change net position	1,681
Net change in property tax and other receivables that do not provide current financial resources are not reported as revenues in the funds.	(854,121)
Difference in the amount of unearned revenue due to the disposal of the related capital assets under the capital lease agreement.	(2,884)
The repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	3,218,966
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. This is the net change in these items this year.	
Accrued interest	25,946
Accrued compensated absences	(112,789)
Amortization of bond discount/premium	49,699
Total OPEB liability and related deferred outflows and inflows	(265,331)
Net pension liability and related deferred outflows and inflows	(5,181,445)
Change in Net Position of Governmental Activities	<u><u>\$ 9,182,180</u></u>

City of Conway, Arkansas
Statement of Net Position
Proprietary Funds
December 31, 2020

	Business-Type Activities		
	Sanitation	Airport	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 10,967,699	\$ 1,972,023	\$ 12,939,722
Accounts receivable	14,474	11,740	26,214
Due from component unit	878,787	-	878,787
Due from other funds	193,433	-	193,433
Inventory	2,122	-	2,122
Total current assets	12,056,515	1,983,763	14,040,278
Noncurrent assets			
Restricted cash	6,055,673	-	6,055,673
Capital assets			
Land and buildings	1,014,332	1,254,473	2,268,805
Construction in progress	290,409	-	290,409
Equipment	20,116,227	6,446,920	26,563,147
Infrastructure	1,623,347	28,883,018	30,506,365
Less accumulated depreciation	(16,289,756)	(7,327,929)	(23,617,685)
Capital assets, net	6,754,559	29,256,482	36,011,041
Total noncurrent assets	12,810,232	29,256,482	42,066,714
Total assets	24,866,747	31,240,245	56,106,992
Deferred Outflows of Resources			
Deferred amounts for pension items	2,194,273	-	2,194,273
Deferred amounts for other postemployment benefits	285,019	11,666	296,685
Total deferred outflows of resources	2,479,292	11,666	2,490,958
Total assets and deferred outflows of resources	\$ 27,346,039	\$ 31,251,911	\$ 58,597,950
Liabilities			
Current liabilities			
Accounts payable	\$ 218,164	\$ 18,796	\$ 236,960
Accrued wages payable and related liabilities	119,924	7,235	127,159
Due to other funds	416,132	8,501	424,633
Current portion of compensated absences	94,534	5,127	99,661
Total current liabilities	848,754	39,659	888,413
Noncurrent liabilities			
Compensated absences	153,523	-	153,523
Landfill closure and postclosure care costs	8,362,165	-	8,362,165
Net pension liability	13,981,351	-	13,981,351
OPEB liability	1,006,173	41,185	1,047,358
Total noncurrent liabilities	23,503,212	41,185	23,544,397
Total Liabilities	24,351,966	80,844	24,432,810
Deferred Inflows of Resources			
Deferred amounts for pension items	1,198,395	-	1,198,395
Deferred amounts for other postemployment benefits	126,025	5,159	131,184
Total deferred inflows of resources	1,324,420	5,159	1,329,579
Net Position			
Net investment in capital assets	6,754,559	29,256,482	36,011,041
Unrestricted (deficit)	(5,084,906)	1,909,426	(3,175,480)
Total net position	1,669,653	31,165,908	32,835,561
Total liabilities, deferred inflows of resources and net position	\$ 27,346,039	\$ 31,251,911	\$ 58,597,950

City of Conway, Arkansas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2020

	Business-Type Activities		
	Sanitation	Airport	Total
Operating Revenues			
Charges for services	\$ 9,906,487	\$ 989,495	\$ 10,895,982
Gain on landfill obligation	226,512	-	226,512
Total operating revenues	10,132,999	989,495	11,122,494
Operating Expenses			
Personnel services	5,831,081	270,102	6,101,183
Materials and supplies	1,313,356	88,202	1,401,558
Utilities	85,847	41,138	126,985
Fuel for resale	-	417,226	417,226
Contracted services	110,825	-	110,825
Other services and charges	115,664	28,580	144,244
Depreciation	1,547,456	1,371,635	2,919,091
Total operating expenses	9,004,229	2,216,883	11,221,112
Operating Income (Loss)	1,128,770	(1,227,388)	(98,618)
Nonoperating Revenues			
Investment income	212,608	-	212,608
CARES Act grant revenue	-	69,000	69,000
Gain on sale of assets	126,535	-	126,535
Net nonoperating revenues	339,143	69,000	408,143
Income (Loss) Before Transfers and Capital Contributions	1,467,913	(1,158,388)	309,525
Transfers Out	(423,000)	-	(423,000)
Total transfers	(423,000)	-	(423,000)
Capital Grants	-	1,217,963	1,217,963
Change in Net Position	1,044,913	59,575	1,104,488
Net Position, Beginning of Year	624,740	31,106,333	31,731,073
Net Position, End of Year	\$ 1,669,653	\$ 31,165,908	\$ 32,835,561

City of Conway, Arkansas
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2020

	Business-Type Activities		
	Sanitation	Airport	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 9,959,303	\$ 979,057	\$ 10,938,360
Payments to employees	(4,875,750)	(275,182)	(5,150,932)
Payments to suppliers	(1,710,739)	(577,153)	(2,287,892)
Other operating payments	(59,027)	-	(59,027)
Net cash provided by operating activities	3,313,787	126,722	3,440,509
Cash Flows from Noncapital Financing Activities			
CARES Act grant received	-	69,000	69,000
Transfers to other funds	(423,000)	-	(423,000)
Net cash provided by (used in) noncapital financing activities	(423,000)	69,000	(354,000)
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(1,212,218)	(1,517,362)	(2,729,580)
Proceeds from the sale of capital assets	126,535	-	126,535
Receipts of federal and state grants	-	1,694,570	1,694,570
Net cash provided by (used in) capital and related financing activities	(1,085,683)	177,208	(908,475)
Cash Flows from Investing Activities			
Interest income	212,608	-	212,608
Net cash provided by investing activities	212,608	-	212,608
Increase in Cash and Cash Equivalents	2,017,712	372,930	2,390,642
Cash and Cash Equivalents, Beginning of Year	15,005,660	1,599,093	16,604,753
Cash and Cash Equivalents, End of Year	<u>\$ 17,023,372</u>	<u>\$ 1,972,023</u>	<u>\$ 18,995,395</u>

See Notes to Financial Statements

	Business-Type Activities		
	Sanitation	Airport	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities			
Operating income (loss)	\$ 1,128,770	\$ (1,227,388)	\$ (98,618)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation expense	1,547,456	1,371,635	2,919,091
Changes in:			
Receivables, net	52,816	(8,878)	43,938
Deferred inflows/outflows of resources, net pension liability	(704,410)	-	(704,410)
Deferred inflows/outflows of resources, OPEB	(266,895)	(12,590)	(279,485)
Due to/due from other funds, net	171,301	(1,560)	169,741
Net pension liability	1,436,967	-	1,436,967
Total OPEB liability	400,165	7,017	407,182
Accounts payable	(85,046)	(2,007)	(87,053)
Accrued expenses	(367,337)	493	(366,844)
Net cash provided by operating activities	<u>\$ 3,313,787</u>	<u>\$ 126,722</u>	<u>\$ 3,440,509</u>

City of Conway, Arkansas
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	Nonuniformed Employees' Pension Plan	Custodial Fund
Assets		
Cash and cash equivalents	\$ 547,234	\$ 96,943
Investments		
Corporate bonds	1,924,289	-
Municipal bonds	100,000	-
Equities and mutual funds	12,291,649	-
Receivables		
Taxes receivable from general fund	439,915	-
Due from other funds	69,025	252
Interest and dividends	16,682	-
	<hr/>	<hr/>
Total assets	15,388,794	97,195
	<hr/>	<hr/>
Liabilities		
Accounts payable	17,395	-
Due to other funds	180,024	-
	<hr/>	<hr/>
Total liabilities	197,419	-
	<hr/>	<hr/>
Net Position		
Restricted for:		
Pensions	\$ 15,191,375	\$ -
Individuals	-	97,195
	<hr/>	<hr/>
	\$ 15,191,375	\$ 97,195
	<hr/> <hr/>	<hr/> <hr/>

City of Conway, Arkansas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended December 31, 2020

	Nonuniformed Employees' Pension Plan	Custodial Fund
Additions		
Contributions		
Employer	\$ 1,046,454	\$ -
Plan members	748,893	-
Property taxes contributed from general fund	428,448	-
	<u>2,223,795</u>	<u>-</u>
Total contributions	<u>2,223,795</u>	<u>-</u>
Seized cash and other financial assets	<u>-</u>	<u>84,024</u>
Investment income		
Net increase in fair value of investments	2,058,257	-
Interest	58,575	-
Dividends	165,291	-
Total investment income	<u>2,282,123</u>	<u>-</u>
Less investment expense	<u>69,155</u>	<u>-</u>
Net investment income	<u>2,212,968</u>	<u>-</u>
Total additions	<u>4,436,763</u>	<u>84,024</u>
Deductions		
Benefits paid directly to participants	2,043,653	-
Return of seized cash and other financial assets	-	88,304
Refunds of contributions	198,543	-
Administrative expense	27,169	-
	<u>2,269,365</u>	<u>88,304</u>
Total deductions	<u>2,269,365</u>	<u>88,304</u>
Change in Net Position	2,167,398	(4,280)
Net Position, Beginning of Year (as restated)	<u>13,023,977</u>	<u>101,475</u>
Net Position, End of Year	<u><u>\$ 15,191,375</u></u>	<u><u>\$ 97,195</u></u>

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

The City of Conway, Arkansas (the City), is a municipal corporation operating under the authority of Arkansas state statute. The City operates under an elected mayor-council form of government. Eight elected council members and the Mayor set policy for the City. The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for state and local governments as defined by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting and reporting policies of the City.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and eight-member governing council (the Council). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Accountability is defined as the City's substantive appointment of the majority of the component unit's governing board. Furthermore, to be financially accountable, the City must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to or impose specific financial burdens on the City. These component units are further distinguished between Blended Component Units, presented as part of the primary government, Discretely Presented Component Units, presented separately, or Fiduciary Component Units presented as funds in the fiduciary funds statements.

The City's Nonuniformed Employees' Defined Benefit Pension Plan is reported as a fiduciary component unit as a fiduciary fund in the fiduciary funds statements. The other benefit plans are maintained by the Arkansas Local Police and Fire Retirement System (LOPFI) and are properly excluded from the financial statements.

The City's primary government consists of those funds or organizations that make up the legal entity for which it is financially responsible. Under these criteria, the following are included in the primary government reporting entity:

Discretely Presented Component Units

Conway Corporation (the Corporation) – The Corporation provides electric, water, wastewater treatment, cable, internet and telephone services to industrial, residential, commercial and institutional customers in the City of Conway, Arkansas. Appointments to the Corporation's Board of Directors, issues of additional indebtedness, rate changes and changes in services are subject to approval of the City Council. Complete financial statements of the Corporation can be obtained from its administrative offices at 1307 Prairie Street, Conway, Arkansas 72034.

The City of Conway Advertising and Promotion Commission (A & P Commission) – The governing body of A & P Commission is appointed by the Mayor of Conway subject to City Council approval. The City has the power to impose its will on A & P Commission. A & P Commission acts autonomously and serves as the sales and advertising office for the City's convention and tourism industry. Complete financial statements of A & P Commission can be obtained from the City of Conway Finance Department, 1111 Main Street, Conway, Arkansas 72032.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements as follows:

Government-Wide Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Fiduciary activities are excluded from the government-wide statements because they cannot be used to support the City's own programs. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly associated with a specific function or identifiable activity. Expenses that cannot be specifically identified to a particular function are charged to funds based on time spent for that function and are included in the functional categories. 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 identifiable activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or identifiable activity.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund type—governmental, proprietary and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and major enterprise funds, each displayed in a separate column. All other governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits and charges for services.

The *street fund* accounts for gasoline and road taxes received from the state and county levies. Revenues are expended for maintenance and repair of streets and sidewalks.

The *2018 street sales & use tax fund* accounts for taxes received from a three-eighths of 1 percent (0.375%) general citywide sales and use tax. Revenues are expended for the purpose of making improvements to streets within the City. The tax shall no longer be levied as of March 31, 2023.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

The City reports two major enterprise funds. They account for the City's Sanitation Department operations and the City's Airport operations, which are primarily supported by user charges.

Additionally, the City reports the following fund types:

The *pension trust fund* accounts for assets held in trust for the Nonuniformed Employees' Defined Benefit Pension Plan. The pension trust fund is accounted for in essentially the same manner as proprietary funds.

The *custodial fund* accounts for monies collected and held by the City until they are disbursed to various governmental agencies.

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary and Fiduciary Funds

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

In proprietary funds, operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. All revenues and expenses not meeting this definition are reported as nonoperating items.

Nonexchange transactions, in which the City receives (or gives) value without directly giving (or receiving) equal value in exchange, include taxes; fines and forfeitures; grants, entitlements and similar items; and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Franchise taxes, other taxes, and fines and forfeitures are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted. Grants, entitlements and donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as unearned revenues. Grants and similar aid to other organizations are recognized as expenses as soon as recipients have met all eligibility requirements. Amounts paid before all eligibility requirements have been met are reported as prepaid items.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in available spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of general long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

The City considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, federal funds, local funds and investment earnings. Other revenues are considered to be measurable and available only when cash is received by the City. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences and obligations for workers' compensation, which are recognized as expenditures when payment is due. Pension expenditures are recognized when amounts are due to a plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The City considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Investments and Investment Income

All investments in the City's pension funds are carried at fair value. Fair value is determined using quoted market prices for all investments with the exception of municipal bonds for which fair value is determined using the present value of future cash flows model.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is assigned to funds with which the related investment asset is associated.

Prepaid Items

Prepaid items in governmental funds are accounted for under the consumption method.

Capital Assets

Capital assets, which include infrastructure, are reported in the government-wide financial statements and the fund financial statements for proprietary funds. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Capital assets are defined as assets with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than one year. Exceptions are for infrastructure assets, which are defined as having a constructed cost greater than \$250,000.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

Capital assets are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 50 years for infrastructure; 10 to 50 years for buildings and improvements; and 3 to 20 years for furniture, vehicles and equipment.

Depreciation expense is charged directly to the department/function based on the department that utilizes the related asset.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the columns for governmental activities, business-type activities and component units. These amounts are also reported as liabilities in the fund financial statements for proprietary funds. Debt premiums, discounts and deferred losses on refundings are generally deferred and amortized using the effective interest rate method. Long-term debt is reported net of the applicable debt premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums, as well as debt issuance costs, during the current period. The face amount of the debt issued and premiums received are reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

Compensated Absences

City employees earn sick pay and vacation leave benefits on the basis of length of service time. Subject to certain restrictions, City employees are compensated (historically from the fund which the employee is assigned) for unused sick and vacation time upon leaving the City's employment. All sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. In governmental funds, a liability for these amounts is reported only as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. For governmental activities, the liability for compensated absences is generally liquidated from the general fund.

Unearned Revenue

Revenue from property leased to the Corporation is recognized by the general fund over the periods to which the lease relates. The City entered into a 52-year lease agreement in 2018 with the Corporation for \$1,050,000. The amount of unearned revenue as of December 31, 2020, related to this transaction is \$1,000,000.

Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's defined benefit pension plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

Postemployment Benefits Other than Pensions (OPEB)

For the purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources and expense associated with the City's OPEB plan, information has been determined on the same basis as they are reported by the OPEB plan. For this purpose, the City recognizes benefit payments when due and payable with the benefit terms.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future reporting period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. Two items are related to pensions, with one being the amount of contributions made to the pension plans after the measurement date, and the other includes differences between expected and actual experience and difference related to change in assumptions. Deferred outflows related to contributions made after the measurement date will be used in the next year to reduce the net pension liability. The remaining amounts will be amortized to pension expense over the following years as shown within *Note 11*. The final item is related to the OPEB plan and consists of the difference in assumption changes and the difference between expected and actual experience. The remaining amounts are amortized over future periods to OPEB expense as shown in *Note 13*.

Deferred inflows of resources represent an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City's deferred inflows include unavailable property tax revenues and grant revenues in the governmental funds and deferred pension and OPEB inflows in the government-wide statement of net position and proprietary funds statement of net position. Unavailable revenue arises under the modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, this item is only reported in the governmental funds balance sheet. Governmental funds report unavailable revenue from property taxes and grants receivable. Another item, deferred pension inflows, consists of the difference in investment experience between actual earnings and projected earnings on pension plan investments, difference between the expected and actual experience related to the pension plans as well as the difference in assumption changes and changes in proportionate share. Deferred pension inflows are amortized to pension expense over future periods as shown within *Note 11*. The final item is related to the OPEB plan and consists of the difference between the expected and actual experience as well as the difference in assumption changes. The amounts are amortized over future periods to OPEB expense as shown in *Note 13*.

Fund Balances – Governmental Funds

The fund balances for the City's governmental funds are displayed in two components:

Restricted – Restricted fund balances may be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available.

Net Position

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted.

When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and street funds. All annual appropriations lapse at year-end and are re-established in the succeeding year.

Adoption of GASB Statement No. 84 (GASB 84), Fiduciary Activities and GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 (GASB 97)

Effective January 1, 2020, the City implemented GASB 84 and GASB 97. These statements establish criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Adoption of GASB 84 and 97 resulted in activities meeting the criteria being presented in the City's statement of fiduciary net position and statement of changes in fiduciary net positions. The adoption of GASB 84 and GASB 97 had no impact on the City's government-wide, governmental fund or proprietary fund financial statements. Adoption of GASB 84 had no effect on the City's fiduciary funds statements other than reporting the seized assets fund as a custodial fund rather than an agency fund which resulted in reporting a beginning net position of \$101,475 not previously reported.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

Adoption of GASB Statement No. 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (GASB 88)

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Future Adoption of Accounting GASB Pronouncements

GASB has issued the following potentially significant statements which the City has not yet adopted and which require adoption subsequent to December 31, 2020:

Statement No.		Adoption Required in Fiscal Year
87	<i>Leases</i>	2022
91	<i>Conduit Debt Obligations</i>	2022
93	<i>Replacement of Interbank Offered Rates</i>	2021/2022
94	<i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i>	2023
96	<i>Subscription-Based Information Technology Arrangements</i>	2023

The City has not yet determined the potential impact, if any, that these statements could have on its financial statements.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

State law requires that deposits in financial institutions be collateralized with federal depository insurance and other acceptable collateral in specific amounts. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

At December 31, 2020, the City's deposits were fully collateralized and, therefore, were not exposed to custodial credit risk. At December 31, 2020, none of City's component units' bank balances were uninsured or uncollateralized.

Investments

Arkansas statutes authorize the City to invest in direct obligations of the U.S. government; obligations on which the principal and interest are fully guaranteed, or are fully secured, insured or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the *Investment Company Act of 1940*, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; and bank certificates of deposit.

Arkansas statutes also authorize the City to invest no more than 20% of its capital base in corporate debt obligations; revenue bond issues of any U.S. state, municipality or political subdivision; industrial development bonds for corporate obligors issued through any U.S. state or political subdivision; securities or interest in an open-end or closed-end management type investment company or trust registered under the *Investment Company Act of 1940* with certain limitations; securities or interests issued, assumed, or guaranteed by certain international banks; and uninsured demand, savings or time deposits or accounts or any depository institution chartered by the United States, any U.S. state, or the District of Columbia.

The pension funds are authorized to invest in U.S. government and agency securities, bank certificates of deposit, common stocks, investment grade corporate bonds and other appropriate securities.

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Investments at December 31, 2020, consisted of the following:

Type	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Corporate bonds	\$ 1,924,289	\$ 99,397	\$ 1,111,468	\$ 713,424	\$ -
Municipal bonds	100,000	100,000	-	-	-
Money market mutual funds	2,412,607	2,412,607	-	-	-
	4,436,896	<u>\$ 2,612,004</u>	<u>\$ 1,111,468</u>	<u>\$ 713,424</u>	<u>\$ -</u>
Equities and fixed income mutual funds	<u>12,291,649</u>				
	<u>\$ 16,728,545</u>				

Interest Rate Risk – The City’s investment policy does not specifically address interest rate risk. The pension fund investment policy does not specifically address interest rate risk.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The pension fund investment policy limits its investments to U.S. Treasury and Agency securities, “AAA” mortgage-backed investments, and corporate bond issues rated at “A” by either Moody’s or Standard & Poor’s at the time of purchase.

Investment Type	Rating Agency	Rating
Corporate bonds	S&P/Moody’s	BBB-/Baa3 to AA-/A1
Money market mutual funds	S&P/Moody’s	AAA/Aaa

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. While the City’s investment policy does not directly address custodial credit risk, all investments held by the City or by an agent of the City in the City’s name are insured or collateralized or limited to Treasury Fund Money Markets.

Concentration of Credit Risk – The City defines the following ranges as suitable for portfolio asset allocation:

	Minimum	Maximum
Stocks	60%	80%
Fixed income	20%	40%
Cash equivalents	0%	10%

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the financial statements as follows:

	Primary Government
Carrying value	
Deposits	\$ 56,519,197
Investments	<u>16,728,545</u>
	<u>\$ 73,247,742</u>
Included in the following statement of net position captions	
Cash and cash equivalents	\$ 49,816,204
Restricted cash and cash equivalents – current	2,415,750
Restricted cash and cash equivalents – noncurrent	6,055,673
Included in the following fiduciary net position captions	
Cash and cash equivalents	644,177
Investments	<u>14,315,938</u>
	<u>\$ 73,247,742</u>

Note 3: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Investments by Fair Value Level				
Corporate bonds	\$ 1,924,289	\$ 777,131	\$ 1,147,158	\$ -
Municipal bonds	100,000	-	100,000	-
Money market mutual funds	2,412,607	2,412,607	-	-
Equities	6,249,506	6,249,506	-	-
Fixed income mutual funds	6,042,143	6,042,143	-	-
	<u>\$ 16,728,545</u>	<u>\$ 15,481,387</u>	<u>\$ 1,247,158</u>	<u>\$ -</u>
Total investments by fair value level	<u>\$ 16,728,545</u>	<u>\$ 15,481,387</u>	<u>\$ 1,247,158</u>	<u>\$ -</u>

Note 4: Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, street, 2018 street sales and use tax fund and the nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts:

	General Fund	Street Fund	2018 Street Sales & Use Tax Fund	Other Governmental Funds	Total Governmental Funds
Property taxes	\$ 4,533,757	\$ 1,687,055	\$ -	\$ 30,789	\$ 6,251,601
Sales taxes	4,046,802	56,703	1,119,138	1,119,138	6,341,781
State insurance turnback	114,908	397,593	-	-	512,501
Other receivables	304,566	5,926	75,000	11,140	396,632
	<u>9,000,033</u>	<u>2,147,277</u>	<u>1,194,138</u>	<u>1,161,067</u>	<u>13,502,515</u>
Gross receivable	9,000,033	2,147,277	1,194,138	1,161,067	13,502,515
Allowance	(171,183)	(79,885)	-	-	(251,068)
	<u>\$ 8,828,850</u>	<u>\$ 2,067,392</u>	<u>\$ 1,194,138</u>	<u>\$ 1,161,067</u>	<u>\$ 13,251,447</u>
Net receivable	<u>\$ 8,828,850</u>	<u>\$ 2,067,392</u>	<u>\$ 1,194,138</u>	<u>\$ 1,161,067</u>	<u>\$ 13,251,447</u>

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

Note 5: Capital Assets

A summary of changes in capital assets for the year ended December 31, 2020, is presented below:

Governmental Activities	Balance January 1, 2020	Additions	Retirements	Transfers	Balance December 31, 2020
Capital assets, nondepreciable					
Land	\$ 18,844,138	\$ 434,947	\$ -	\$ -	\$ 19,279,085
Construction in progress	6,738,057	8,133,117	11,169	(8,017,544)	6,842,461
Total capital assets, nondepreciable	25,582,195	8,568,064	11,169	(8,017,544)	26,121,546
Capital assets, depreciable					
Buildings and improvements	64,420,098	158,184	-	3,329,976	67,908,258
Equipment	33,559,106	1,383,997	20,237	128,582	35,051,448
Infrastructure	173,638,693	221,038	-	4,601,818	178,461,549
Total capital assets, depreciable	271,617,897	1,763,219	20,237	8,060,376	281,421,255
Less accumulated depreciation					
Buildings and improvements	17,130,329	2,082,066	-	-	19,212,395
Equipment	27,382,397	1,991,184	20,237	29,982	29,383,326
Infrastructure	78,225,539	5,873,863	-	-	84,099,402
Total accumulated depreciation	122,738,265	9,947,113	20,237	29,982	132,695,123
Total governmental activities, net	\$ 174,461,827	\$ 384,170	\$ 11,169	\$ 12,850	\$ 174,847,678

Business-Type Activities	Balance January 1, 2020	Additions	Retirements	Transfers	Balance December 31, 2020
Capital assets, nondepreciable					
Land	\$ 2,268,805	\$ -	\$ -	\$ -	\$ 2,268,805
Construction in progress	594,889	1,476,215	-	(1,780,695)	290,409
Total capital assets, nondepreciable	2,863,694	1,476,215	-	(1,780,695)	2,559,214
Capital assets, depreciable					
Buildings and improvements	8,813,313	-	-	-	8,813,313
Equipment	17,144,827	955,719	286,111	(64,486)	17,749,949
Infrastructure	28,704,016	-	-	1,802,349	30,506,365
Total capital assets, depreciable	54,662,156	955,719	286,111	1,737,863	57,069,627
Less accumulated depreciation					
Buildings and improvements	3,585,833	325,273	-	-	3,911,106
Equipment	12,581,334	1,616,318	286,111	(29,982)	13,881,559
Infrastructure	4,847,635	977,500	-	-	5,825,135
Total accumulated depreciation	21,014,802	2,919,091	286,111	(29,982)	23,617,800
Total business-type activities, net	\$ 36,511,048	\$ (487,157)	\$ -	\$ (12,850)	\$ 36,011,041

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Component Unit – Conway Corporation	Balance January 1, 2020	Additions and Transfers, Net	Retirements and Transfers, Net	Balance December 31, 2020
Capital assets, nondepreciable				
Land and land rights	\$ 19,124,764	\$ 1,395,419	\$ -	\$ 20,520,183
Construction in progress	<u>24,425,783</u>	<u>11,470,068</u>	<u>20,910,644</u>	<u>14,985,207</u>
Total capital assets, nondepreciable	<u>43,550,547</u>	<u>12,865,487</u>	<u>20,910,644</u>	<u>35,505,390</u>
Capital assets, depreciable				
Building and improvements	380,858,537	837,079	-	381,695,616
Equipment	188,378,173	32,615,246	3,199,373	217,794,046
Undivided interest in coal-fired generating plants	<u>50,408,276</u>	<u>1,858,100</u>	<u>-</u>	<u>52,266,376</u>
Total capital assets, depreciable	<u>619,644,986</u>	<u>35,310,425</u>	<u>3,199,373</u>	<u>651,756,038</u>
Less accumulated depreciation	<u>292,856,004</u>	<u>21,517,745</u>	<u>3,077,343</u>	<u>311,296,406</u>
Total component unit, net	<u>\$ 370,339,529</u>	<u>\$ 26,658,167</u>	<u>\$ 21,032,674</u>	<u>\$ 375,965,022</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General administration	\$ 178,411
Fire	889,005
Highways and streets	6,583,402
Parks and recreation	1,404,033
Law enforcement	845,949
Information technology	<u>46,313</u>
Total depreciation expense	<u>9,947,113</u>
Business-type activities	
Sanitation	1,547,456
Airport	<u>1,371,635</u>
Total depreciation expense	<u>2,919,091</u>
Total depreciation expense, primary government	<u>\$ 12,866,204</u>

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Note 6: Long-Term Liabilities

Changes in long-term liabilities for the year ended December 31, 2020, were as follows:

Governmental Activities	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020	Amounts Due in One Year
Bonds payable	\$ 38,825,000	\$ -	\$ 2,065,000	\$ 36,760,000	\$ 2,335,000
Unamortized discount/premium	723,337	-	49,699	673,638	-
Notes payable (direct borrowings)	2,810,282	-	1,071,555	1,738,727	1,134,318
Leases payable	303,261	-	82,411	220,850	87,625
Compensated absences	3,818,513	1,085,633	972,844	3,931,302	972,844
Net pension liability	73,573,671	-	3,167,867	70,405,804	-
Other postemployment benefits	3,114,520	1,558,264	-	4,672,784	-
Total governmental activities long-term liabilities	<u>\$ 123,168,584</u>	<u>\$ 2,643,897</u>	<u>\$ 7,409,376</u>	<u>\$ 118,403,105</u>	<u>\$ 4,529,787</u>
Business-Type Activities	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020	Amounts Due in One Year
Compensated absences	\$ 195,005	\$ 157,840	\$ 99,661	\$ 253,184	\$ 99,661
Net pension liability	12,544,384	1,436,967	-	13,981,351	-
Estimated liability for landfill closure and postclosure care costs	8,819,006	-	456,841	8,362,165	-
Other postemployment benefits	640,176	407,182	-	1,047,358	-
Total business-type activities long-term liabilities	<u>\$ 22,198,571</u>	<u>\$ 2,001,989</u>	<u>\$ 556,502</u>	<u>\$ 23,644,058</u>	<u>\$ 99,661</u>
Component Unit – Conway Corporation	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020	Amounts Due in One Year
Bonds payable	\$ 72,615,000	\$ -	\$ 11,555,697	\$ 61,059,303	\$ 4,865,000
Bonds payable (direct placement)	63,392,308	6,396,653	2,514,545	67,274,416	3,232,433
Unamortized discount/premium	2,857,798	-	495,172	2,362,626	-
Notes payable (direct borrowings)	547,570	1,342,920	83,006	1,807,484	47,728
Net pension liability	15,952,182	-	5,036,982	10,915,200	-
Other postemployment benefits	3,580,074	-	448,895	3,131,179	-
Total component unit long-term liabilities	<u>\$ 158,944,932</u>	<u>\$ 7,739,573</u>	<u>\$ 20,134,297</u>	<u>\$ 146,550,208</u>	<u>\$ 8,145,161</u>

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Bonds outstanding at December 31, 2020, were as follows:

	Interest Rates	Final Maturity	Original Issue	Total Outstanding
<i>Governmental Activities</i>				
Franchise Fee Revenue Bonds, Series 2012	1–3.75%	2030	\$ 4,440,000	\$ 2,675,000
Sales and Use Tax Bonds, Series 2015	2–4%	2044	26,970,000	23,330,000
Franchise Fee Revenue Bonds, Series 2015	2–3.85%	2035	3,340,000	3,140,000
Restaurant Tax Bonds, Series 2017	2–2.5%	2028	9,115,000	7,615,000
				<u>\$ 36,760,000</u>
<i>Component Unit – Conway Corporation</i>				
Electric Revenue Improvement Bonds, Series 2015	3–5%	2027	\$ 25,000,000	\$ 16,135,000
Water Revenue Refunding Bonds, Series 2015	3–4%	2023	10,185,000	4,055,000
Wastewater Revenue Improvement Bonds, Series 2015B	1.5%	2037	10,000,000	8,494,234
Wastewater Revenue Refunding Bonds, Series 2016	2–5%	2040	12,415,000	11,660,000
Wastewater Revenue Refunding Bonds, Series 2017	1.5%	2037	58,832,965	52,383,529
Wastewater Revenue Improvement Bonds, Series 2019A	2.25–5%	2039	9,370,000	9,155,000
Wastewater Revenue Refunding Bonds, Series 2019B	2.11–3.17%	2037	21,000,000	20,055,000
Wastewater Revenue Refunding Bonds, Series 2020	1.69%	2029	6,395,956	6,395,956
				<u>\$ 128,333,719</u>

Governmental Activities

Franchise Fee Revenue Bonds, Series 2012 – Bonds in the amount of \$4,440,000 were issued with varying interest rates from 1.00% to 3.75% to refund the outstanding Franchise Fee Revenue Improvement Bonds, Series 2006, which had interest rates ranging from 4.00% to 4.375%. Principal payments are due annually on December 1. Interest payments are due semiannually on June 1 and December 1. The bonds are special obligations of the City secured by, and payable solely from, receipts of the franchise fees. Principal and interest paid for the current year and total franchise fee revenues were approximately \$320,000 and \$4,100,000, respectively. These bonds are subject to redemption in part by sinking fund installments beginning December 1, 2030. These bonds are also subject to redemption at direction of the City beginning June 1, 2017.

Sales and Use Tax Bonds, Series 2015 – Bonds in the amount of \$26,970,000 were issued by the City in April 2015 for the purpose of financing the costs of constructing, extending and improving certain City streets and refunding of the City’s outstanding Sales and Use Tax Capital Improvement Bonds, Series 2012. The bonds are special obligations of the City secured by, and payable solely from, receipts of the special sales and use tax and the general sales and use tax.

The interest rates on the bonds range from 2.00% to 4.00%. Principal payments are due annually on May 1. Interest payments are due semiannually on May 1 and November 1. Principal and interest paid for the current year and total restaurant gross receipts tax revenues were approximately \$1,850,000 and \$3,600,000, respectively. These bonds are subject to mandatory redemption from surplus tax receipts beginning May 1, 2016. These bonds are also subject to redemption at direction of the City beginning May 1, 2016.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

Franchise Fee Revenue Bonds, Series 2015 – Bonds in the amount of \$3,340,000 were issued with varying interest rates from 2.00% to 3.85% to finance the costs of acquiring and installing a mobile radio communications system and related improvements. Principal payments are due annually on December 1. Interest payments are due semiannually on June 1 and December 1. The bonds are special obligations of the City secured by, and payable solely from, receipts of the franchise fees. Principal and interest paid for the current year and total franchise fee revenues were approximately \$143,000 and \$4,100,000, respectively. These bonds are subject to redemption in part by sinking fund installments beginning December 1, 2025. These bonds are also subject to redemption at direction of the City beginning December 1, 2025.

Restaurant Gross Receipts Tax Capital Improvement Bonds, Series 2017 – Bonds in the amount of \$9,115,000 were issued with varying interest rates from 2.00% to 2.50% to refund the outstanding Restaurant Gross Receipts Tax Capital Improvement Bonds, Series 2007, which had interest rates ranging from 4.00% to 5.00%. Principal and interest paid for the current year and total franchise fee revenues were approximately \$825,000 and \$3,600,000, respectively. These bonds are special obligations of the City secured by, and payable solely from, restaurant gross receipts tax. The tax shall continue until sufficient monies are accumulated to retire the bonds. Interest payments are due annually on December 1. These bonds are subject to redemption at direction of the City as of December 1, 2020.

Component Unit – Conway Corporation

Electric Revenue Improvement Bonds, Series 2015 – Bonds in the amount of \$25,000,000 were issued with varying interest rates from 3.00% to 5.00% to finance the costs of betterments and improvements to the City's electric utility system. Principal and interest are payable semiannually and are due on December 1, 2027.

Water Revenue Refunding Bonds, Series 2015 – Bonds in the amount of \$10,185,000 were issued with varying interest rates from 3.00% to 4.00% to accomplish a refunding of the 2010 Series Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$501,099. This amount is shown as a deferred loss on refunding of bonds payable and is amortized over the life of the new debt through 2023. This refunding transaction was undertaken to reduce the Water Department's total debt service payments by approximately \$746,000 over nine years and resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$627,000. Principal and interest are payable semiannually and are due on December 1, 2023.

Wastewater Revenue Refunding Bonds, Series 2014 – Bonds in the amount of \$9,980,000 were issued with varying interest rates from 1.00% to 3.25% to accomplish a current refunding of the 2009 Series Bonds. Principal and interest are payable semiannually and are due on October 1, 2029.

Wastewater Revenue Improvement Bonds, Series 2015B – Bonds in the amount of \$10,000,000 were issued with an interest rate of 1.50% for the purpose of financing improvements to the wastewater collection and treatment facilities and to refund previously issued debt and revenue improvement bonds. Principal and interest are payable semiannually and are due on April 15, 2037.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

Wastewater Revenue Refunding Bonds, Series 2016 – Bonds in the amount of \$12,415,000 were issued with varying interest rates from 2.00% to 5.00% to accomplish a current refunding of the 2010 Series Bonds. Principal and interest are payable semiannually and are due on October 1, 2040.

Wastewater Revenue Refunding Bonds, Series 2017 – Bonds in the amount of \$58,832,965 were issued with an interest rate of 1.50% to accomplish a current refunding of the outstanding Wastewater Revenue Improvement Bonds, 2015 Series, which was initially issued for the purpose of financing improvements to the wastewater collection and treatment facilities and to refund previously issued debt and revenue improvement bonds. Principal and interest are payable semiannually and are due on October 15, 2037.

Wastewater Revenue Improvement Bonds, Series 2019A – Bonds in the amount of \$9,370,000 were issued with varying interest rates from 2.25% to 5.0% for the purpose of financing improvements to the wastewater collection and treatment facilities. Principal is payable annually beginning October 1, 2020, and interest is payable semiannually through maturity on October 1, 2039.

Wastewater Revenue Refunding Bonds, Series 2019B – Bonds in the amount of \$21,000,000 were issued with varying interest rates from 2.11% to 3.17% to refund the outstanding balance of \$25,000,000 Wastewater Revenue Improvement Bonds, Series 2012A (the 2012A Series Bonds). The net proceeds along with other resources were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the 2012A Series Bonds. As a result, the remaining principal balance of the 2012A Series Bonds is considered defeased, and the Corporation has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$21,310,000 at December 31, 2019, and will be fully redeemed on April 1, 2022. The reacquisition price exceeded the net carrying amount of the old debt by \$1,035,858. This amount is shown as deferred loss on refunding of bonds payable and amortized over the life of the new debt through 2037. This refunding transaction was undertaken to reduce the Corporation's total debt service payments by approximately \$1,419,000 over 18 years and resulted in an economic gain (difference between present value of debt service payments on the old and new debt) of approximately \$1,415,000.

Notes Payable

Notes payable at December 31, 2020, were as follows:

Governmental Activities

- A \$2,600,000 promissory note was issued by the City in May 2016 to finance street improvements; interest due in annual installments and the entire principal balance due on May 12, 2021; interest rate 2.14%. The balance outstanding is \$557,402 at December 31, 2020.
- A \$2,800,000 promissory note was issued by the City in April 2017 to finance Expo Center improvements; due in annual installments of approximately \$613,390 through April 5, 2022; interest rate 3.07%. The outstanding balance is \$1,18,325 at December 31, 2020.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

Component Unit – Conway Corporation

- A \$723,417 promissory note to Mid-Arkansas Water Alliance for water storage rights; due in annual installments of approximately \$41,000 through June 5, 2039; interest rate 4.125%. The outstanding balance is \$530,093 at December 31, 2020.
- A \$1,342,920 promissory note to Mid-Arkansas Water Alliance; due in annual installments of approximately \$66,000 annually through June 5, 2049; interest rate 2.875%. The outstanding balance is \$1,277,391 at December 31, 2020.

Leases Payable – Governmental Activities

Leases payable at December 31, 2020, were as follows:

- An \$847,463 lease-purchase agreement effective November 2008 was made to acquire energy efficiency improvements to city facilities; quarterly payments of \$18,685 to \$25,675 through July 1, 2023. The related improvements under the lease-purchase agreement have a net book value of approximately \$500,000 as of December 31, 2020. The outstanding balance is \$303,261 at December 31, 2020.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on revenue bonds, leases payable and notes payable outstanding at December 31, 2020:

Governmental Activities

Fiscal Year	Bonds		Notes from Direct Borrowings		Capital Leases		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ 2,335,000	\$ 1,277,207	\$ 1,134,318	\$ 83,846	\$ 87,625	\$ 15,869	\$ 4,933,865
2022	1,952,197	1,180,985	604,409	75,954	94,963	11,372	3,919,880
2023	2,016,681	1,180,783	-	-	38,262	7,920	3,243,646
2024	2,085,000	1,129,084	-	-	-	-	3,214,084
2025	2,135,000	1,068,472	-	-	-	-	3,203,472
2026–2030	9,610,000	4,314,052	-	-	-	-	13,924,052
2031–2035	6,380,000	2,801,912	-	-	-	-	9,181,912
2036–2040	6,330,000	1,486,938	-	-	-	-	7,816,938
2041–2044	3,916,122	288,094	-	-	-	-	4,204,216
	<u>\$ 36,760,000</u>	<u>\$ 14,727,527</u>	<u>\$ 1,738,727</u>	<u>\$ 159,800</u>	<u>\$ 220,850</u>	<u>\$ 35,161</u>	<u>\$ 53,642,065</u>

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Component Unit – Conway Corporation

Fiscal Year	Publicly Traded Bonds		Bonds from Direct Placement		Notes from Direct Borrowings		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ 4,865,000	\$ 2,516,626	\$ 3,232,433	\$ 1,348,732	\$ 47,728	\$ 58,591	\$ 12,069,110
2022	5,055,000	2,281,057	3,317,490	1,307,605	49,336	56,983	12,067,471
2023	5,265,000	2,044,924	3,399,499	1,260,760	51,001	55,318	12,076,502
2024	4,010,000	1,799,405	3,476,632	1,212,290	52,724	53,595	10,604,646
2025	4,175,000	1,602,970	3,558,887	1,166,313	54,506	51,812	10,609,488
2026–2030	14,820,000	5,459,234	19,126,562	4,986,470	301,534	230,059	44,923,859
2031–2035	11,400,000	2,698,683	21,768,448	3,253,216	356,466	175,128	39,651,941
2036–2040	11,469,303	292,907	9,394,465	1,128,020	380,992	109,812	22,775,499
2041–2045	-	-	-	-	268,893	58,749	327,642
2046–2049	-	-	-	-	244,304	17,808	262,112
	<u>\$ 61,059,303</u>	<u>\$ 18,695,806</u>	<u>\$ 67,274,416</u>	<u>\$ 15,663,406</u>	<u>\$ 1,807,484</u>	<u>\$ 867,855</u>	<u>\$ 165,368,270</u>

Notes Payable from Direct Borrowings and Bonds from Direct Placement

Governmental Activities

The City's outstanding notes payable from direct borrowings of \$1,738,727 contain a provision that in the event of default, the lender may make all or part of the note immediately due. The City has pledged assets as collateral for their notes payable.

Component Unit – Conway Corporation

The Corporation's outstanding notes payable from direct borrowings of \$1,807,484 contain a provision that in the event of default, the lender may file suit to enforce the terms of the note payable.

The Corporation's outstanding bonds from direct placement of \$67,274,416 is compiled of the Series 2015B, 2017 and the 2020 bonds. The Series 2015B and 2017 bonds contain a provision that, in the event of default, the lender may apply to the courts to appoint a person to administer the Wastewater System on behalf of the bondholders with the power to charge and collect rates sufficient to provide the payment of the System's operations and the principal and interest on all indebtedness secured by revenues. The Series 2020 bond contains a provision that, in the event of default, the lenders may proceed file suit to enforce the terms of the bond agreement.

All long-term debt of the Corporation is secured by pledged revenues generated by the respective departments. The Series 2019A, Wastewater Revenue Improvement Bonds and the Series 2020, 2019B, and 2016 Wastewater Revenue Refunding Bonds are additionally secured by surplus revenues of the Electric Department.

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Note 7: Construction Commitments

At December 31, 2020, the City had the following commitments:

	Project Authorization	Expended Through December 31, 2020	Remaining Commitment
Donaghey Avenue Phase I	\$ 5,499,894	\$ 1,705,143	\$ 3,794,751
Materials Recovery Facility Addition	215,000	180,574	34,426
Total	<u>\$ 5,714,894</u>	<u>\$ 1,885,717</u>	<u>\$ 3,829,177</u>

Note 8: Interfund Balances and Transfers

Interfund receivables and payables as of December 31, 2020, are as follows:

	Interfund Receivables	Interfund Payables
General fund	\$ 502,045	\$ 1,046,355
Street fund	28,030	285,392
2018 Sales & Use Tax	890,054	-
Other governmental funds	463,609	210,044
Sanitation fund	193,433	416,132
Airport fund	-	8,501
Fiduciary funds	69,277	180,024
	<u>\$ 2,146,448</u>	<u>\$ 2,146,448</u>

The outstanding balances between funds result mainly from the time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Interfund transfers in and transfers out for the year ended December 31, 2020, are as follows:

Transfers In	Transfers Out		
	Governmental Funds	Proprietary Funds	Total
	Other Funds	Sanitation Fund	
Governmental funds			
General fund	\$ 190,912	\$ 423,000	\$ 613,912
	<u>\$ 190,912</u>	<u>\$ 423,000</u>	<u>\$ 613,912</u>

During the year, a transfer was used to move sanitation fees to the general fund in the amount of \$423,000 and to transfer \$190,912 from a capital project fund to the general fund for Expo Center operations.

Note 9: Fund Balances

The City classified governmental fund balances as follows:

	General Fund	Street Fund	2018 Street Sales & Use Tax Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances					
Restricted					
Debt service	\$ -	\$ -	\$ -	\$ 3,322,093	\$ 3,322,093
Street maintenance	-	6,307,446	-	-	6,307,446
Street capital projects	-	-	10,919,666	5,954,658	16,874,324
Parks and recreation capital projects	-	-	-	3,535,729	3,535,729
Special projects	-	-	-	1,978,934	1,978,934
Unassigned (deficit)	<u>12,764,286</u>	<u>-</u>	<u>-</u>	<u>(61,796)</u>	<u>12,702,490</u>
Total Fund Balances	<u>\$ 12,764,286</u>	<u>\$ 6,307,446</u>	<u>\$ 10,919,666</u>	<u>\$ 14,729,618</u>	<u>\$ 44,721,016</u>

Note 10: Related Party Transactions

The City has entered into lease and franchise agreements with the Corporation to operate City-owned utilities as follows:

Water Department and Wastewater Department – The Corporation operates the Water and Wastewater Departments for the City pursuant to an exclusive franchise agreement requiring the Corporation to assess each customer a 4.25% franchise fee on certain revenues. The Water and Wastewater Departments remitted approximately \$1,165,000 in franchise fees to the City for the year ended December 31, 2020. At December 31, 2020, the Water and Wastewater Departments were indebted to the City in the amount of approximately \$90,000, which is recorded as due from component units.

City of Conway, Arkansas
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Cable Television Department – The Corporation operates the Cable Television Department for the City under a lease agreement, which expires December 31, 2025. The agreement requires the Cable Television Department to pay rent of \$25,000 per month to the City reduced by 1/12 of the increase in total cable franchise fees paid for the preceding year. The agreement also requires the Cable Television Department to pay the City a franchise fee of 5% of gross revenues. The Cable Television Department paid the City approximately \$702,000 during the year ended December 31, 2020. At December 31, 2020, the Cable Television Department was indebted to the City in the amount of approximately \$76,000, which is recorded as due from component units.

Electric Department – The Corporation operates the Electric Department for the City pursuant to an exclusive franchise agreement requiring the Electric Department to assess each customer a 2.5% franchise fee on certain revenues. The Electric Department remitted approximately \$1,312,000 in franchise fees. At December 31, 2020, the Electric Department was indebted to the City in the amount of approximately \$103,000, which is recorded as due from component units. The Electric Department also pays the City \$120,000 in annual rent.

Sanitation Department – The City has entered into an agreement with the Corporation for collection of sanitation fees. The Corporation retains approximately 0.7% of the fees as compensation for the collection and billing services. The Corporation retained approximately \$65,000 for billing and collection services and remitted approximately \$9,259,000 to the City in gross receipts during the year ended December 31, 2020. At December 31, 2020, the Corporation was indebted to the Sanitation Department in the amount of approximately \$878,000, which is recorded as due from component units.

The City paid the Corporation approximately \$760,000 during 2020 for utility services provided to the City.

On August 16, 2005, Ordinance No. O-05-97 levied a 1% tax on prepared food for the benefit of the City (75%) and the Commission (25%). On the same date, Ordinance No. O-05-98 levied another 1% tax on prepared food for the benefit of the City. These taxes are collected by the Commission and remitted to the City. The Commission remitted approximately \$3,330,000 to the City during the year ended December 31, 2020. At December 31, 2020, the Commission was indebted to the City in the amount of \$549,405, which is recorded as due from component units.

During 2018, the Corporation entered into a 52-year agreement to lease a building from the City. The Corporation paid the entire lease balance (\$1,050,000) at inception. The City will record lease revenue over the life of the lease by reducing the unearned revenue it recorded during 2018.

As of December 31, 2019, the Corporation has an outstanding note receivable from a related organization of \$2,630,000. The note bears interest at 7%. Annual principal and interest payments of \$248,253 are required through February 1, 2040, beginning February 1, 2021. Accrued interest receivable and interest income were approximately \$169,000 and \$184,000 for the year ended December 31, 2020, respectively.

City of Conway, Arkansas

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Note 11: Pension Plans

The City participates in four defined benefit pension plans, which are comprised of two agent multiple-employer defined benefit pension plans, one cost-sharing multiple-employer defined benefit pension plan, and one single employer defined benefit plan, each of which is described and illustrated in detail below. Aggregate amounts for the four pension plans are as follows:

	Governmental Activities					Business-Type Activities	
	LOPFI	FRPF	PRPF	Nonuniformed	Total	Nonuniformed	Total
Net Pension Liability	\$ (27,606,309)	\$ (3,678,499)	\$ (3,207,091)	\$ (35,913,905)	\$ (70,405,804)	\$ (13,981,351)	\$ (84,387,155)
Deferred Outflows – Pension	5,100,205	-	-	5,636,431	10,736,636	2,194,273	12,930,909
Deferred Outflows – Contributions	2,960,106	665,217	711,908	-	4,337,231	-	4,337,231
Pension Expense (Income)	6,288,606	471,520	(181,976)	3,733,711	10,311,861	1,453,541	11,765,402
Deferred Inflows – Pension	(4,247,645)	(244,318)	(254,617)	(3,078,319)	(7,824,899)	(1,198,395)	(9,023,294)

Pensions items listed above for the Nonuniformed Plan have been allocated between governmental activities and business-type activities (also proprietary funds) on the basis of covered payroll.

Policemen's Relief and Pension Fund (PRPF)

Plan Description. The Policemen's Relief and Pension Fund (PRPF) is an agent multiple-employer defined benefit pension plan for employees of the police department who were hired prior to January 1, 1983. The plan was established in accordance with Arkansas statutes and was closed, by state law, to new employees effective January 1, 1983. On June 25, 2013, the City entered into an agreement with LOPFI, whereby LOPFI assumed responsibility for administration and a portion of the obligation of the plan pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas.

Per the agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the plan's net pension obligation over a 30-year closed amortization period. The plan's benefit structure remains unchanged under the administration of LOPFI. The plan issues separate stand-alone financial statements and can be obtained from the Arkansas Local Police and Fire Retirement System, 620 West 3rd Street, Little Rock, Arkansas 72201.

Benefits. The PRPF provides retirement benefits for policemen who have completed 20 years of service. Disability benefits are available to policemen who become permanently disabled, unless the disability is the direct result of gainful employment performed outside the police department. The PRPF also provides benefits for surviving spouses and dependent children of deceased police officers. No participants' benefits vest until normal retirement age. At normal retirement, participants may elect to continue working and enter the Deferred Retirement Option Plan (DROP) for up to five years. All police officers hired after January 1, 1983, participate in the LOPFI Retirement System created by Act 364 of 1981 and described later in the footnote. Therefore, the PRPF is effectively closed to new members.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

At the December 31, 2019, valuation and measurement date, the following were covered by the benefit terms:

	<u>Policemen's Relief and Pension Plan</u>
Inactive plan members or beneficiaries receiving benefits	<u>32</u>

Contributions. Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year (if any) and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. Contributions by the City to the Plan for the year ended December 31, 2020, were \$711,908.

Net Pension Liability

The City's net pension liability of \$3,207,091 as of December 31, 2020, was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2019.

Actuarial Assumptions

	<u>Local Police & Fire</u>
Actuarial valuation date	12/31/2019
Actuarial cost method	Entry age normal
Amortization method	Closed amortization period based on projected future payroll
Remaining amortization period	8 years
Asset valuation method	5-year smoothed market
Investment rate of return	7.00%
Projected salary increases	3.25%
Includes inflation at	2.50%
Cost-of-living adjustments	None

City of Conway, Arkansas

Notes to Financial Statements

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Mortality rates for retirees and beneficiaries were based on RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016.

Actuarial assumptions used in the December 31, 2019, valuation were based on the results of actuarial experience studies. The experience study in the PRPF was for the period January 1, 2012 through December 31, 2016, first used in the December 31, 2017, valuation. Assumptions are reviewed annually.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments is 7.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the LOPFI Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of the Plan.

The long-term expected rate of return on pension plan investment was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation are developed for each major asset class). These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	30%	1.30%
Domestic equities	42%	5.40%
International equities	18%	7.80%
Alternative investments	10%	6.70%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired members. 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.

City of Conway, Arkansas
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Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
January 1, 2020	\$ 9,816,081	\$ 5,119,967	\$ 4,696,114
Changes for the year:			
Interest	656,020	-	656,020
Difference between expected and actual experience	(518,945)	-	(518,945)
Contributions – employer	-	697,983	(697,983)
Net investment income	-	936,350	(936,350)
Benefit payments, including refunds of employee contributions	(888,746)	(888,746)	-
Administrative expenses	-	(8,235)	8,235
Net changes	(751,671)	737,352	(1,489,023)
December 31, 2020	<u>\$ 9,064,410</u>	<u>\$ 5,857,319</u>	<u>\$ 3,207,091</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability for the City using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

Sensitivity of the Net Position Liability to the Single Discount Rate Assumption			
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City's net pension liability	\$ 4,056,590	\$ 3,207,091	\$ 2,480,367

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report, which can be found at <http://lopfi-prb.com/lopfi/reports/>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2020, the City recognized pension income of \$181,976 related to this plan.

City of Conway, Arkansas
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At December 31, 2020, the City reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 254,617
Contributions subsequent to the measurement date	<u>711,908</u>	<u>-</u>
Total	<u><u>\$ 711,908</u></u>	<u><u>\$ 254,617</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$711,908 will be recognized as a reduction of the net pension liability for the year ending December 31, 2021.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2021	\$ (54,719)
2022	(72,635)
2023	(10,278)
2024	<u>(116,985)</u>
Total	<u><u>\$ (254,617)</u></u>

Firemen's Relief and Pension Fund (FRPF)

Plan Description. The Firemen's Relief and Pension Fund (FRPF) is an agent multiple-employer defined benefit pension plan for employees of the fire department who were hired prior to January 1, 1983. The plan was established in accordance with Arkansas statutes and was closed, by state law, to new employees effective January 1, 1983. On June 25, 2013, the City entered into an agreement with the LOPFI retirement system, whereby LOPFI assumed responsibility for administration and a portion of the obligation of the plan pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the plan's net pension obligation over a 30-year closed amortization period.

City of Conway, Arkansas

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The plan's benefit structure remains unchanged under the administration of LOPFI. The plan issues separate stand-alone financial statements and can be obtained from the Arkansas Local Police and Fire Retirement System, 620 West 3rd Street, Little Rock, Arkansas 72201.

Benefits. The FRPF provides retirement benefits for firemen who have completed 20 years of service. Disability benefits are available to firefighters who become permanently disabled, unless the disability is the direct result of gainful employment performed outside the fire department. The FRPF also provides benefits for surviving spouses and dependent children of deceased firefighters. No participants' benefits vest until normal retirement age. At normal retirement, participants may elect to continue working and enter the DROP for up to five years. All firefighters hired after January 1, 1983, participate in the LOPFI Retirement System created by Act 364 of 1981. Therefore, the FRPF is effectively closed to new members.

At the December 31, 2019, valuation and measurement date, the following were covered by the benefit terms:

Firemen's Relief and Pension Plan

Inactive plan members or beneficiaries
receiving benefits

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Contributions. Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. Contributions by the City to the Plan for the year ended December 31, 2020, were \$665,217.

Net Pension Liability

The City's net pension liability of \$3,678,499 as of December 31, 2020, was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated December 31, 2019.

City of Conway, Arkansas

Notes to Financial Statements

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Actuarial Assumptions

	<u>Local Police & Fire</u>
Actuarial valuation date	12/31/2019
Actuarial cost method	Entry age normal
Amortization method	Closed amortization period based on projected future payroll
Remaining amortization period	8 years
Asset valuation method	5-year smoothed market
Investment rate of return	7.00%
Projected salary increases	3.25%
Includes inflation at	2.50%
Cost-of-living adjustments	None

Mortality rates for retirees, beneficiaries and DROP members were based on RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016.

Actuarial assumptions used in the December 31, 2019, valuation were based on the results of actuarial experience studies. The experience study in FRPF was for the period January 1, 2012 through December 31, 2016, first used in the December 31, 2017, valuation. Assumptions are reviewed annually.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments is 7.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the LOPFI Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of the plan.

City of Conway, Arkansas

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The long-term expected rate of return on pension plan investment was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation are developed for each major asset class). These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	30%	1.30%
Domestic equities	42%	5.40%
International equities	18%	7.80%
Alternative investments	10%	6.70%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of retired and DROP members. 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.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
January 1, 2020	<u>\$ 9,308,921</u>	<u>\$ 4,859,923</u>	<u>\$ 4,448,998</u>
Changes for the year:			
Interest	624,166	-	624,166
Difference between expected and actual experience	160,965	-	160,965
Changes of assumptions	-	-	-
Contributions – employer	-	668,635	(668,635)
Net investment income	-	894,865	(894,865)
Benefit payments, including refunds of employee contributions	(784,530)	(784,530)	-
Administrative expenses	-	(7,870)	7,870
	<u>601</u>	<u>771,100</u>	<u>(770,499)</u>
Net changes			
December 31, 2020	<u><u>\$ 9,309,522</u></u>	<u><u>\$ 5,631,023</u></u>	<u><u>\$ 3,678,499</u></u>

City of Conway, Arkansas

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability for the City using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

	Sensitivity of the Net Position Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City’s net pension liability	\$ 4,489,770	\$ 3,678,499	\$ 2,987,422

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report, which can be found at <http://lopfi-prb.com/lopfi/reports/>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

For the year ended December 31, 2020, the City recognized pension expense of \$471,520 related to this plan.

At December 31, 2020, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 244,318
Contributions subsequent to the measurement date	665,217	-
Total	<u>\$ 665,217</u>	<u>\$ 244,318</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$665,217 will be recognized as a reduction of the net pension liability for the year ending December 31, 2021.

City of Conway, Arkansas

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Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2021	\$ (52,732)
2022	(68,859)
2023	(10,925)
2024	<u>(111,802)</u>
Total	<u>\$ (244,318)</u>

Local Police and Fire Retirement System (LOPFI)

Plan Description. LOPFI is a statewide cost-sharing multiple-employer defined benefit plan administered by the LOPFI Board of Trustees. LOPFI provides retirement, disability and survivor benefits to police and fire employees of political subdivisions of the State of Arkansas. LOPFI was created by Act 364 of the 1981 General Assembly. Employees hired after January 1, 1983, whose political subdivision had a retirement system in effect at July 1, 1981, are eligible to participate in the plan. On January 1, 2008, only firefighters of the City participated in the plan. Effective July 1, 2008, police officers of the City began participating in the plan. LOPFI issues a publicly available report, which may be obtained by writing to LOPFI, P.O. Drawer 34164, Little Rock, Arkansas 72203, or by calling 501.682.1745.

Benefits provided. LOPFI provides for a retirement benefit paid to the member on a monthly basis. The monthly benefit is based on a formula provided by law for the member's lifetime. The member has several options in calculating the benefit, which is normally the result of these factors: age at retirement, retirement multiplier, amount of credit services (years and months), and final average pay (FAP). Each option available to the member provides for a different calculation based on these factors.

Contributions. Contributions to LOPFI are made by both the member and employers. Member contribution rates are established by the LOPFI Board of Trustees. The employer contributions are actuarially determined on an annual basis. The current employee contribution rate is 8.5% of covered payroll for police officers and firefighters. The City contributed 23.50% of covered employees' salaries to the plan for police officers and firefighters for the year ended December 31, 2020. Contributions by the City to the plan for the year ended December 31, 2020, were \$2,960,106.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, the City reported a liability of \$27,606,309 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, 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 the ratio of the City's actual contributions to the plan during the measurement period to the total employer contributions to the plan of the group for the measurement period. At December 31, 2019, the City's proportion was 3.5725%, which was a decrease of 0.1205% from the December 31, 2018, proportion of 3.6930%.

For the year ended December 31, 2020, the City recognized pension expense of \$6,288,606 related to this plan. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,716,285	\$ -
Change of assumptions	2,383,920	-
Change in proportion	-	913,605
Net difference between projected and actual earnings on pension plan investments	-	3,334,040
Contributions subsequent to the measurement date	<u>2,960,106</u>	<u>-</u>
Total	<u><u>\$ 8,060,311</u></u>	<u><u>\$ 4,247,645</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,960,106 will be recognized as a reduction of the net pension liability for the year ending December 31, 2021.

City of Conway, Arkansas
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2021	\$ 1,914,637
2022	487,808
2023	156,412
2024	<u>(1,706,297)</u>
Total	<u>\$ 852,560</u>

Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>LOPFI</u>
Actuarial valuation date	12/31/2019
Investment rate of return	7.00%, net of pension plan investment expense
Projected salary increases	3.75% to 18.25%, including inflation
Wage inflation	3.25%
Price inflation	2.50%

Mortality rates were based on RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2012 to December 31, 2016. As a result of the actuarial experience study, the expectation of life after disability was adjusted in the December 31, 2019, actuarial evaluation to more closely reflect actual experience. Assumptions are reviewed annually with no changes in the current year.

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Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return. The rates were built on a target allocation for all pension funds; the target for an individual fund will vary within the guidelines of Arkansas law and regulation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	30%	1.30%
Domestic equities	42%	5.40%
International equities	18%	7.80%
Alternative investments	10%	6.70%

Discount Rate

In the December 31, 2019, actuarial valuation, a single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was available to make all projected future benefit payments of current plan members. 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.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	Sensitivity of the Net Position Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City’s proportional share of the net pension liability	\$ 43,987,566	\$ 27,606,309	\$ 14,396,311

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Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued LOPFI financial report, which can be found at <http://lopfi-prb.com/lopfi/reports/>.

Nonuniformed Employees' Defined Benefit Pension Plan (Nonuniformed Plan)

Plan Description. The Nonuniformed Employees' Defined Benefit Pension Plan (Nonuniformed Plan) is a single-employer, defined benefit pension plan that covers the City of Conway's employees except those covered by LOPFI, elected officials and the court clerk. The Nonuniformed Plan, administered by the City, provides retirement, disability and survivor benefits. Benefit and contributions are established by the Nonuniformed Employees' Pension Plan Board. The plan does not issue a stand-alone financial report but is included in the City's financial report. Effective May 1, 2018, there were significant changes to the terms and conditions of the Nonuniformed Plan. The grandfathered employees are participants who were employed by the City before May 1, 2018. All other employees will be nongrandfathered.

Benefits. The Nonuniformed Plan provides retirement, disability and death benefits.

Retirement benefits for grandfathered plan members are calculated as 50% of the member's final average salary compensation. Grandfathered plan members with 10 years of continuous service are eligible to retire at age 60 or may retire at any age after 20 years of service. For grandfathered plan members, the death benefit equals \$50 per month to the surviving spouse for their lifetime, ending upon remarriage and dependent children, until the child reaches 16. A grandfathered plan member who terminates employment for any reason other than death or disability and the participant does not have at least 10 years of service under the plan, the member shall be entitled to only the member contributions.

Retirement benefits for nongrandfathered plan members are calculated as 2% of the member's final average salary compensation multiplied by the member's years of service. Nongrandfathered plan members are eligible to retire at the age of 65 and completion of at least six years of service, at the age of 62 and completion of at least 20 years of service or completion of at least 28 years of service. For nongrandfathered plan members the death benefit equals to the actuarial equivalent of 50% of the benefit that would have been payable to the member had the member survived to the member's normal retirement age. A nongrandfathered plan member who terminates employment for any reason other than death or disability and the participant does not have at least six years of service under the plan, the member shall be entitled to only the member contributions.

All plan members are eligible for disability benefits after five years of service. Disability retirement benefits are determined in the same manner as retirement benefits for grandfathered plan members but are payable immediately.

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At the January 1, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

	Nonuniformed Employees' Defined Benefit Pension Plan
Inactive plan members or beneficiaries receiving benefits	119
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	<u>257</u>
Total	<u><u>389</u></u>

Contributions. The City contributes the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% (grandfathered) or 10% (nongrandfathered) of their gross salary. The City's required contributions for the 2020 fiscal year were \$2,917,205; however, the City made contributions of \$1,479,652, or 14.14%, of covered payroll.

Actuarial Assumptions

	Nonuniformed Employees' Defined Benefit Pension Plan
Actuarial valuation date	1/1/2020
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	Market value
Investment rate of return	6.5%
Projected salary increases	3.5%
Includes inflation at	2.75%
Cost-of-living adjustments	None

The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

For the Nonuniformed Plan, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table multiplied by 135% for males and 125% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Method Used to Determine Fair Value of Investments

The fair value of investments is determined using quoted market prices.

Net Pension Liability

The components of the net pension liability of the City at December 31, 2020, and the total pension liability used to calculate the net pension liability were determined by an actuarial valuation as of January 1, 2020, and were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
January 1, 2020	\$ 56,667,052	\$ 13,023,977	\$ 43,643,075
Changes for the year:			
Service cost	3,330,863	-	3,330,863
Interest	2,042,444	-	2,042,444
Difference between expected and actual experience	-	-	-
Assumption changes	5,288,468	-	5,288,468
Contributions – employer	-	1,479,652	(1,479,652)
Contributions – employees	-	748,893	(748,893)
Net investment income (loss)	-	2,208,218	(2,208,218)
Benefit payments, including refunds of employee contributions	(2,242,196)	(2,242,196)	-
Administrative expenses	-	(27,169)	27,169
Net changes	8,419,579	2,167,398	6,252,181
December 31, 2020	\$ 65,086,631	\$ 15,191,375	\$ 49,895,256
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		23.34%	

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the Nonuniformed Plan's asset allocation as of December 31, 2020, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	6%	-0.70%
Corporate bonds	13%	0.00%
Equities	81%	5.50%

Discount Rate

A single discount rate of 2.98% was used to measure the total pension liability as of December 31, 2020. The single discount rate of 2.98% is based on the expected rate of return on pension plan investments of 6.50% and a municipal bond rate based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index of 2.00%. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members until 2041. Therefore, a single discount rate of 2.98% was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2020. A single discount rate of 3.57% was used to measure the total pension liability as of December 31, 2019. The change in the single discount rate is presented as an assumption change in the changes to the net pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the City using the current rate as compared to what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage higher than the current rate:

Sensitivity of the Net Position Liability to the Single Discount Rate Assumption				
	1% Decrease	Current Single Rate Assumption		1% Increase
	1.98%	2.98%		3.98%
City's net pension liability	\$ 60,682,099	\$ 49,895,256	\$	41,319,846

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Money-Weighted Rate of Return

The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, adjusted for the changing amounts actually invested. The money-weighted rate of return is shown in the table below:

	<u>Year</u>	<u>Annual Return</u>
Annual money-weighted rate of return, net of investment expense	2020	17.80%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the City recognized pension expense of \$5,187,252 related to this plan.

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 99,340	\$ 996,310
Change of assumptions	7,731,364	1,874,404
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>1,406,000</u>
Total	<u><u>\$ 7,830,704</u></u>	<u><u>\$ 4,276,714</u></u>

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2021	\$ 699,349
2022	1,031,427
2023	1,245,090
2024	<u>578,124</u>
Total	<u>\$ 3,553,990</u>

Note 12: Component Unit Retirement Plans

Defined Benefit Pension Plan

Plan Description: The retirement plan of the Corporation (the Plan) is a noncontributory, single-employer defined benefit pension plan administered by the Corporation with the Corporation's chief executive officer serving as the Plan's trustee. The Plan provides retirement benefits to eligible employees in the form of monthly pension payments over the life of the participant. The Corporation's board of directors has been assigned the authority to establish and amend benefit provisions of the Plan. An actuarial valuation is prepared by an independent actuary as of the beginning of each plan year, which occurs on August 1.

Copies of this report may be obtained by contacting the Corporation. The Corporation does not issue a stand-alone financial report for the Plan.

Benefits Provided. The Plan provides retirement benefits for full-time employees of the Corporation with at least one year of service and are at least 21 years of age. Retirement benefits are calculated as 1.5% of the employee's final five-year average salary times the employee's years of service. All employees may retire on the latter of an employee's 65th birthday or the fifth anniversary of the first day of the plan year in which participation in the Plan commenced. An employee who retires after the age of 62, but before age 65, and has completed at least 10 years of service may withdraw their vested accrued benefit, subject to a 0.250% per month actuarial reduction (if hired on or after January 1, 1990) or 0.167% actual reduction (if hired before January 1, 1990) for early commencement.

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

At August 1, 2020, the following employees of the Corporation were covered by the benefit terms:

	Component Unit Nonuniformed Employees' Defined Benefit Pension Plan
Inactive plan members or beneficiaries receiving benefits	75
Inactive plan members entitled to but not yet receiving benefits	47
Active plan members	232
	<hr/>
Total	354
	<hr/> <hr/>

Contributions. The Corporation's policy is to contribute at least 100% of the actuarially determined contribution, subject to approval by the Corporation's Board of Directors. The Corporation's contribution rate and required contributions for the year ended December 31, 2020, were 13.10% and \$2,510,257, respectively. Actual contributions for all departments totaled \$2,200,000, or 87.64%, of required contributions.

Net Pension Liability

The Corporation's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 1, 2020, and then projected forward to the measurement date. There have been no significant changes between the valuation date and the measurement date.

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Total pension liability in the August 1, 2020, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

	Component Unit Nonuniformed
Actuarial valuation date	8/1/2020
Investment rate of return	7%
Projected salary increases	4%
Inflation	3.5%

Mortality rates were based on the Pub-G 2010 Healthy Mortality Table, projected generationally with Scale MP 2019.

The best-estimate range for the long-term expected rate of return on pension plan investments was determined by adding expected inflation to expected long-term real returns. The target allocations and the expected real returns were developed based on consultation with the Plan's investment advisor. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of August 1, 2020, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Stock	75%	6.00%
Fixed income	20%	2.00%
Cash equivalents	5%	0.00%

Discount Rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will total the actuarially determined contribution. Based on these assumptions, the pension plan'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.

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Changes in Net Pension Liability

Changes in the Corporation's net pension liability for the year ended December 31, 2020, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
January 1, 2020	\$ 51,955,356	\$ 36,003,174	\$ 15,952,182
Changes for the year:			
Service cost	1,002,305	-	1,002,305
Interest	3,616,015	-	3,616,015
Effect of economic/demographic gains or losses	(1,263,550)	-	(1,263,550)
Employer contributions	-	2,200,000	(2,200,000)
Net investment income	-	6,191,752	(6,191,752)
Benefit payments	(1,598,300)	(1,598,300)	-
Net changes	1,756,470	6,793,452	(5,036,982)
December 31, 2020	<u>\$ 53,711,826</u>	<u>\$ 42,796,626</u>	<u>\$ 10,915,200</u>

The schedule of changes in the component unit's net pension liability and related ratios, presented on Page 84 as required supplementary information following the notes to the financial statements, presents information about the changes in the net pension liability of the Plan, differences between the actuarially determined contributions and employer contributions and related ratios.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Corporation, calculated using the discount rate of 7.00%, as well as what the Corporation's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	Sensitivity of the Net Position Liability to the Single Discount Rate Assumption		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
Corporation's net pension liability	\$ 16,430,194	\$ 10,915,200	\$ 5,400,210

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the Corporation recognized pension expense of \$2,022,789. At December 31, 2020, the Corporation reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,668,155	\$ 1,132,102
Net difference between projected and actual earnings on pension plan investments	-	3,498,151
Changes of assumptions	1,319,307	-
Contributions subsequent to the measurement date	<u>116,723</u>	<u>-</u>
Total	<u><u>\$ 5,104,185</u></u>	<u><u>\$ 4,630,253</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$116,721 will be recognized as a reduction of the net pension liability for the year ending December 31, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2021	\$ (114,763)
2022	230,465
2023	(759,650)
2024	(65,502)
2025	633,700
Thereafter	<u>432,959</u>
Total	<u><u>\$ 357,209</u></u>

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Section 457 Deferred Compensation Plan

The Conway Corporation 457 Supplemental Retirement Plan was formed, effective January 1, 2000, as a supplemental defined contribution retirement program for employees. Employee participation in this plan is optional. The Corporation makes matching contributions for eligible employees who elect to participate up to 25% of the first 3% of each participant's gross pay. Matching contributions for all Corporation employees for the year ended December 31, 2020, totaled \$116,100.

Note 13: Other Postemployment Benefits (OPEB)

Governmental and Business-Type Activities

Plan Description: The City sponsors and administers an informal single-employer defined benefit health care plan. Arkansas statute provides that any municipal city official or employee vested in any of the City's retirement plans with 20 years of service and attains 55 years of age may continue to participate in the City's health care plan after retirement. The State of Arkansas has the authority to establish and amend the requirements of this statute. The City does not issue stand-alone financial statements of the plan, but all required information is presented in this report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy: The benefit payment requirements of plan members are established by the City and may be amended as needed. Plan members pay the entire cost of monthly insurance premiums at the same rate charged to active employees and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plan.

As of December 31, 2020, the following employees were covered by benefit terms:

Retirees or beneficiaries currently receiving benefit payments	25
Active members	<u>411</u>
Total	<u><u>436</u></u>

Total OPEB Liability – The City's total OPEB liability of \$5,702,142 was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2020.

City of Conway, Arkansas

Notes to Financial Statements

December 31, 2020

Actuarial Methods and Assumptions – The total OPEB liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	2.00% based on the 20-year municipal GO AA bond rate from Fidelity.
Inflation rate	2.50%
Health care cost trend rates	7.00% declining to an ultimate rate of 4.25% after 13 years.
Cost method	Individual Entry-Age Normal
Mortality	For healthy retirees, the RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 135% and female rates multiplied by 125%. The rates were adjusted for mortality improvements using projection scale MP-2017 from 2006.

Several of the actuarial assumptions changed for the December 31, 2020 actuarial valuation. For the December 31, 2019 valuation, the following assumptions were used:

- Discount rate was 3.26% based on the 20-year municipal bond rate.
- Inflation rate was 3.0%.
- Mortality table was RP-2014 Morality Table and it changed to the RP-2014 Healthy Annuitant Mortality Tables with male rates multiplied by 135% and female rates multiplied by 125%, and the rates were adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Healthcare cost trend rate was 8% for 2019 decreasing annually to an ultimate rate of 5% for 2025.

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Changes in Total OPEB Liability

Total OPEB liability – January 1, 2020	<u>\$ 3,754,696</u>
Service cost	249,876
Interest	124,179
Difference between expected and actual experience	1,005,030
Changes of assumptions or other inputs (discount rate)	727,288
Benefit payments	<u>(140,927)</u>
Net change in total OPEB liability	<u>1,965,446</u>
Total OPEB liability – December 31, 2020	<u><u>\$ 5,720,142</u></u>

Sensitivity of the Total OPEB Liability to the Discount Rate – The following represents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current discount rate:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate			
	1% Decrease 1.00%	Discount Rate 2.00%	1% Increase 3.00%
Total OPEB liability	<u>\$ 6,391,065</u>	<u>\$ 5,720,142</u>	<u>\$ 5,133,042</u>

Sensitivity of the Total OPEB Liability to the Health Care Cost Trend Rates – The following represents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it was calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health care cost trend rates:

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates			
	1% Decrease (6.00% decreasing to 3.25%)	Health Care Cost Trend Rates (7.00% decreasing to 4.25%)	1% Increase (8.00% decreasing to 5.25%)
Total OPEB liability	<u>\$ 5,040,887</u>	<u>\$ 5,720,142</u>	<u>\$ 6,527,182</u>

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2020, the City recognized OPEB expense of \$533,955. At December 31, 2020, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 880,437	\$ 594,958
Changes of assumptions	<u>739,907</u>	<u>121,502</u>
Total	<u><u>\$ 1,620,344</u></u>	<u><u>\$ 716,460</u></u>

The balances as of December 31, 2020, of the deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in the future fiscal years as follows:

Fiscal Year Ending December 31,	
2021	\$ 159,900
2022	159,900
2023	159,900
2024	159,900
2025	159,900
Thereafter	<u>104,384</u>
	<u><u>\$ 903,884</u></u>

Component Unit

Plan Description: The Corporation offers retiree medical benefits and life insurance to employees who retire from active employment under the OPEB plan, administered by the Corporation. The Corporation's board of directors has been assigned the authority to establish and amend benefits of the OPEB plan. An actuarial valuation was prepared by an independent actuary as of December 31, 2019. There were no assets of the OPEB plan that were accumulated in a trust during the year ended December 31, 2020.

Benefits Provided: The OPEB plan provides medical and life insurance benefits for retirees and their surviving spouses. An employee is eligible to elect medical coverage upon meeting the eligibility requirements of the Plan if the employee pays 100% of the retiree premium. The OPEB plan also provides retirees with life insurance coverage of one times their basic annual earnings immediately prior to retirement, up to a maximum of \$200,000. This amount is reduced by 50% at age 65.

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

At January 1, 2020, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefit payments	46
Active members	<u>222</u>
Total	<u><u>268</u></u>

During the year ended December 31, 2020, the Corporation paid, as they came due, \$76,613 of benefit payments for OPEB.

Total OPEB Liability – The Corporation’s total OPEB liability of \$3,131,179 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions – The total OPEB liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	1.93% based on the S&P Municipal Bond 20-Year High Grade Index
Inflation rate	3.00%
Annual salary increases	4.00%
Health care cost trend rates	4.0% for 2020, increased/decreased each year, to an ultimate rate of 5.0% for 2026 and after
Cost method	Entry age normal
Mortality	Pub-G 2010 Healthy Mortality Table, projected generationally with Scale MP 2019

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Changes in Total OPEB Liability

Total OPEB liability – January 1, 2020	<u>\$ 3,580,074</u>
Service cost	209,947
Interest	118,883
Differences between expected and actual experience	(859,723)
Changes of assumptions or other inputs	158,611
Benefit payments	<u>(76,613)</u>
Net change in total OPEB liability	<u>(448,895)</u>
Total OPEB liability – December 31, 2020	<u><u>\$ 3,131,179</u></u>

Sensitivity of the Total OPEB Liability to the Discount Rate – The following represents the total OPEB liability of the Corporation, as well as what the Corporation’s total OPEB liability would be if it was calculated using a discount rate that is 1-percentage-point lower (0.93%) or 1-percentage-point higher (2.93%) than the current discount rate:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate			
	1% Decrease	Discount Rate	1% Increase
	0.93%	1.93%	2.93%
Total OPEB liability	<u>\$ 3,271,594</u>	<u>\$ 3,131,179</u>	<u>\$ 2,837,426</u>

Sensitivity of the Total OPEB Liability to the Health Care Cost Trend Rates – The following represents the total OPEB liability of the Corporation, as well as what the Corporation’s total OPEB liability would be if it was calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health care cost trend rates:

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates			
	1% Decrease	Health Care Cost	1% Increase
	(3.0% increasing to 4.0%)	Trend Rates	(5.0% increasing to 6.0%)
	(4.0%)	(4.0% increasing to 5.0%)	(5.0%)
Total OPEB liability	<u>\$ 2,951,599</u>	<u>\$ 3,131,179</u>	<u>\$ 3,773,118</u>

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended December 31, 2020, the Corporation recognized OPEB expense of \$221,702. At December 31, 2020, the Corporation reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 250,400	\$ 781,565
Changes of assumptions	150,311	-
Total	<u>\$ 400,711</u>	<u>\$ 781,565</u>

The balances as of December 31, 2020, of the deferred outflows of resources will be recognized in OPEB expense in the future fiscal years as follows:

Fiscal Year Ending	
December 31,	Annual OPEB Cost
2021	\$ (30,515)
2022	(30,515)
2023	(30,515)
2024	(30,515)
2025	(30,515)
Thereafter	<u>(228,279)</u>
	<u>\$ (380,854)</u>

Note 14: Risk Management

The City has various insurance policies to cover its potential liability risk areas, *e.g.*, automobile, personal property, contents and outside structures and workers' compensation. Coverage is provided both commercially and through the Arkansas Municipal League (AML), which is an association of local governments. The AML provides the City with automobile and legal defense coverage. Fixed premiums are set annually by the AML based on such factors as claims experience, employee class multipliers and population. For risks covered by the AML, the City pays no deductible; however, the City pays a \$2,000 fee to the AML for each legal matter it handles. There have been no significant reductions in coverage from 2019 to 2020; nor have settlement amounts exceeded insurance coverage for the current year or the three prior years.

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Note 15: Contingencies

The City is a member of the Arkansas Municipal Legal Defense Program (the Program), which provides extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government. The Program only pays judgments for actual damages (not punitive damages) imposed on municipal governments and their officials and employees; which will not exceed 25% of the Program's available funds at the time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less.

The City, its agencies and its employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the City for property damage and personal injury, other alleged torts and alleged violations of state and federal laws. It is not possible to predict with certainty or exactitude the ultimate outcome of all lawsuits pending or threatened against the City. Based on the current status of all of the legal proceedings, except for matter discussed below, it is the opinion of the City Attorney and management that the ultimate outcome will not have a material adverse impact on the City's financial position. However, events could occur in the near term that would cause these estimates to change materially.

Note 16: Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require that the City place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at the landfill site for two years after certified closure at one landfill site and 30 years after certified closure at the current landfill site. Although closure and postclosure care costs will be paid only near or after the date that the current landfill stops accepting waste, the City recognizes a portion of these closure and postclosure care costs as an operating expense in each year based on landfill capacity used as of each statement of net position date.

The estimated liability for landfill closure and postclosure care costs was \$8,362,165 as of December 31, 2020, which is based on the amount of the landfill site currently being used.

The City will recognize additional cost of closure and postclosure care as the remaining estimated capacity is filled. The City expects to close the landfills in the year 2028. Actual costs are subject to change due to inflation, deflation, changes in technology or changes in applicable laws or regulations.

The City is required by state and federal laws and regulations to establish financial assurance for the cost of closure and postclosure care. The City Council approved the establishment of a trust fund in which annual contributions would be made, commencing in 2003. At December 31, 2020, the trust held funds of approximately \$6,055,000. The financial assurance is funded by a capital improvement sanitation surcharge that also funds sanitation capital improvements.

City of Conway, Arkansas
Notes to Financial Statements
December 31, 2020

Note 17: Conduit Debt Obligations

From time to time, the City has issued economic development and other revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial, commercial, health care facilities and other deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the City, the state nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

As of December 31, 2020, the aggregate principal amount payable on these bonds was approximately \$329,000,000.

Required Supplementary Information

City of Conway, Arkansas
Agent Multiple-Employer Plan
Schedule of Changes in the City's Net Pension Liability
and Related Ratios – PRPF
Year Ended December 31, 2020

Fiscal Year Ended December 31,	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Interest	\$ 656,020	\$ 674,225	\$ 693,297	\$ 724,823	\$ 764,021	\$ 762,953
Difference between actual and expected experience	(518,945)	(42,791)	211,692	(261,942)	(276,923)	112,870
Assumption changes	-	-	669,113	-	167,104	-
Benefit payments	(888,746)	(894,267)	(881,909)	(857,419)	(846,418)	(878,531)
Net Change in Total Pension Liability	(751,671)	(262,833)	692,193	(394,538)	(192,216)	(2,708)
Total Pension Liability – Beginning	9,816,081	10,078,914	9,386,721	9,781,259	9,973,475	9,976,183
Total Pension Liability – Ending (a)	\$ 9,064,410	\$ 9,816,081	\$ 10,078,914	\$ 9,386,721	\$ 9,781,259	\$ 9,973,475
Plan Fiduciary Net Position						
Contributions – employer	\$ 697,983	\$ 622,034	\$ 662,423	\$ 706,602	\$ 667,367	\$ 714,536
Local plan administrative mergers	-	-	-	2,625	-	-
Net investment income	936,350	(154,431)	697,256	288,502	9,168	351,703
Benefit payments	(888,746)	(894,267)	(881,909)	(857,419)	(846,418)	(878,531)
Administrative expense	(8,235)	(10,238)	(8,939)	(9,686)	(11,907)	(8,357)
Net Change in Plan Fiduciary Net Position	737,352	(436,902)	468,831	130,624	(181,790)	179,351
Plan Fiduciary Net Position – Beginning	5,119,967	5,556,869	5,088,038	4,957,414	5,139,204	4,959,853
Plan Fiduciary Net Position – Ending (b)	\$ 5,857,319	\$ 5,119,967	\$ 5,556,869	\$ 5,088,038	\$ 4,957,414	\$ 5,139,204
City's Net Pension Liability (a) – (b)	\$ 3,207,091	\$ 4,696,114	\$ 4,522,045	\$ 4,298,683	\$ 4,823,845	\$ 4,834,271
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.62%	52.16%	55.13%	54.20%	50.68%	51.53%
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

Note: Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

Change in Assumptions:

(1) In 2018, the investment rate of return changed from 7.75% in 2017 to 7.00% in 2018.

(2) In 2016, the inflation rate decreased from 3.00% in 2015 to 2.75% in 2016; the investment rate of return decreased from 8.00% in 2015 to 7.75% in 2016; and the projected salary increases decreased from 4.00% in 2015 to 3.75% in 2016.

City of Conway, Arkansas
Agent Multiple-Employer Plan
Schedule of Contributions – PRPF
Year Ended December 31, 2020

Fiscal Year Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 714,536	\$ 714,536	\$ -	\$ -	N/A
2015	\$ 667,367	\$ 667,367	\$ -	\$ -	N/A
2016	\$ 706,602	\$ 706,602	\$ -	\$ -	N/A
2017	\$ 662,873	\$ 662,873	\$ -	\$ -	N/A
2018	\$ 643,774	\$ 643,774	\$ -	\$ -	N/A
2019	\$ 698,429	\$ 698,429	\$ -	\$ -	N/A
2020	\$ 711,908	\$ 711,908	\$ -	\$ -	N/A

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization	9 years beginning January 1, 2018
Asset Valuation	5-Year smoothed market; 20% corridor (for funding purposes)
Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2017 valuation pursuant to an experience study of the period 2012–2016.
Mortality	RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016.

Note: Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Conway, Arkansas
Agent Multiple-Employer Plan
Schedule of Changes in the City's Net Pension Liability
and Related Ratios – FRPF
Year Ended December 31, 2020

Fiscal Year Ended December 31,	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Interest	\$ 624,166	\$ 643,980	\$ 662,921	\$ 645,070	\$ 669,923	\$ 699,332
Difference between actual and expected experience	160,965	(146,987)	206,064	258,794	(197,714)	754
Assumption changes	-	-	500,772	-	162,206	-
Benefit payments	(784,530)	(775,564)	(672,156)	(674,923)	(695,006)	(1,440,380)
Net Change in Total Pension Liability	601	(278,571)	697,601	228,941	(60,591)	(740,294)
Total Pension Liability – Beginning	9,308,921	9,587,492	8,889,891	8,660,950	8,721,541	9,461,835
Total Pension Liability – Ending (a)	\$ 9,309,522	\$ 9,308,921	\$ 9,587,492	\$ 8,889,891	\$ 8,660,950	\$ 8,721,541
Plan Fiduciary Net Position						
Contributions – employer	\$ 668,635	\$ 557,661	\$ 582,066	\$ 759,393	\$ 801,590	\$ 729,371
Net investment income	894,865	(145,992)	648,789	259,280	7,802	309,822
Benefit payments	(784,530)	(775,564)	(672,156)	(674,923)	(695,006)	(1,440,380)
Administrative expense	(7,870)	(9,679)	(8,318)	(8,767)	(10,200)	(7,362)
Net Change in Plan Fiduciary Net Position	771,100	(373,574)	550,381	334,983	104,186	(408,549)
Plan Fiduciary Net Position – Beginning	4,859,923	5,233,497	4,683,116	4,348,133	4,243,947	4,652,496
Plan Fiduciary Net Position – Ending (b)	\$ 5,631,023	\$ 4,859,923	\$ 5,233,497	\$ 4,683,116	\$ 4,348,133	\$ 4,243,947
City's Net Pension Liability (a) – (b)	\$ 3,678,499	\$ 4,448,998	\$ 4,353,995	\$ 4,206,775	\$ 4,312,817	\$ 4,477,594
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.49%	52.21%	54.59%	52.68%	50.20%	48.66%
Covered Payroll	\$ -	\$ 26,754	\$ -	\$ -	\$ -	\$ -
City's Net Pension Liability as a Percentage of Covered Payroll	N/A	16629.28%	N/A	N/A	N/A	N/A

Note: Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

Change in Assumptions:

(1) In 2018, the investment rate of return changed from 7.75% in 2017 to 7.00% in 2018.

(2) In 2016, the inflation rate decreased from 3.00% in 2015 to 2.75% in 2016; the investment rate of return decreased from 8.00% in 2015 to 7.75% in 2016; and the projected salary increases decreased from 4.00% in 2015 to 3.75% in 2016.

City of Conway, Arkansas
Agent Multiple-Employer Plan
Schedule of Contributions – FRPF
Year Ended December 31, 2020

Fiscal Year Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 729,371	\$ 729,371	\$ -	\$ -	N/A
2015	\$ 801,590	\$ 801,590	\$ -	\$ -	N/A
2016	\$ 759,393	\$ 759,393	\$ -	\$ -	N/A
2017	\$ 590,164	\$ 590,164	\$ -	\$ -	N/A
2018	\$ 557,460	\$ 557,460	\$ -	\$ -	N/A
2019	\$ 669,081	\$ 669,081	\$ -	\$ -	N/A
2020	\$ 665,217	\$ 665,217	\$ -	\$ -	N/A

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Closed Amortization Period based on projected future payroll
Remaining Amortization	8 years beginning January 1, 2019
Asset Valuation	5-Year smoothed market; 20% corridor (for funding purposes)
Inflation	2.50%
Salary Increases	3.25%, which is the portion of the individual pay increase assumptions attributable to wage inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2017 valuation pursuant to an experience study of the period 2012–2016.
Mortality	RP-2014 Healthy Annuitant, Disabled Retiree and Employee mortality tables for males and females. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2016.

Note: Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Conway, Arkansas
Cost-Sharing Plan
Schedule of the City's Proportionate Share of the Net Pension Liability – LOPFI
Year Ended December 31, 2020

Fiscal Year Ended December 31,	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	3.5725%	3.6930%	3.7416%	3.8261%	3.9910%	4.0634%
City's proportionate share of the net pension liability	\$ 27,606,309	\$ 33,325,120	\$ 26,588,042	\$ 21,829,154	\$ 20,943,166	\$ 14,710,048
City's covered payroll	\$ 12,686,515	\$ 12,450,855	\$ 11,704,504	\$ 11,477,083	\$ 9,375,666	\$ 10,662,985
City's proportionate share of the net pension liability as a percentage of its covered payroll	217.60%	267.65%	227.16%	190.20%	223.38%	137.95%
Plan fiduciary net position as a percentage of the total pension liability	77.68%	73.03%	65.84%	71.17%	72.46%	72.41%

Note: Information in this schedule has been determined as of the measurement date (December 31 of the year prior to the most recent fiscal year-end) of the City's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Conway, Arkansas
Cost-Sharing Plan
Schedule of Contributions – LOPFI
Year Ended December 31, 2020

Fiscal Year Ended December 31,	2020	2019	2018	2017	2016	2015
Actuarially required contribution	\$ 2,960,106	\$ 2,981,331	\$ 2,883,619	\$ 2,676,599	\$ 2,527,860	\$ 3,250,175
Contributions in relation to the actuarially required contribution	(2,960,106)	(2,981,331)	(2,883,619)	(2,676,599)	(2,527,860)	(3,250,175)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 12,596,196	\$ 12,686,515	\$ 12,450,855	\$ 11,704,504	\$ 11,477,083	\$ 9,375,666
Contributions as a percentage of covered payroll	23.50%	23.50%	23.16%	22.87%	22.03%	34.67%

Note: Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Conway, Arkansas
Single Employer Plan
Schedule of Changes in the City's Net Pension Liability
and Related Ratios – Nonuniformed Plan
Year Ended December 31, 2020

Fiscal Year Ended December 31,	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 3,330,863	\$ 3,148,928	\$ 3,298,661	\$ 3,032,617	\$ 3,010,273	\$ 2,967,258	\$ 2,313,305
Interest	2,042,444	2,057,073	1,814,774	1,851,930	1,698,455	1,696,589	1,744,947
Difference between actual and expected experience	-	171,116	-	(4,321,636)	-	(2,678,338)	-
Assumption changes	5,288,468	4,234,678	(4,318,217)	5,717,042	(1,060,169)	349,465	5,707,257
Benefit payments	(2,043,653)	(1,834,286)	(1,673,539)	(1,614,983)	(1,499,010)	(1,345,879)	(1,224,717)
Refunds	(198,543)	(281,769)	(229,219)	(136,657)	(211,124)	(185,640)	(53,856)
Net Change in Total Pension Liability	8,419,579	7,495,740	(1,107,540)	4,528,313	1,938,425	803,455	8,486,936
Total Pension Liability – Beginning	56,667,052	49,171,312	50,278,852	45,750,539	43,812,114	43,008,659	34,521,723
Total Pension Liability – Ending (a)	\$ 65,086,631	\$ 56,667,052	\$ 49,171,312	\$ 50,278,852	\$ 45,750,539	\$ 43,812,114	\$ 43,008,659
Plan Fiduciary Net Position							
Contributions – employer	\$ 1,479,652	\$ 1,464,014	\$ 1,111,470	\$ 1,029,340	\$ 938,264	\$ 940,301	\$ 929,460
Contributions – employee	748,893	693,403	588,992	554,240	531,381	543,809	529,837
Net investment income	2,208,218	2,202,707	(1,131,389)	1,576,156	505,146	(185,133)	514,083
Benefit payments	(2,043,653)	(1,834,286)	(1,673,539)	(1,614,983)	(1,499,010)	(1,345,879)	(1,224,717)
Refunds	(198,543)	(281,769)	(229,219)	(136,657)	(211,124)	(185,640)	(53,856)
Administrative expense	(27,169)	(7,191)	(24,688)	(21,472)	(45,306)	(19,674)	(3,079)
Net Change in Plan Fiduciary Net Position	2,167,398	2,236,878	(1,358,373)	1,386,624	219,351	(252,216)	691,728
Plan Fiduciary Net Position – Beginning	13,023,977	10,787,099	12,145,472	10,758,848	10,539,497	10,791,713	10,099,985
Plan Fiduciary Net Position – Ending (b)	\$ 15,191,375	\$ 13,023,977	\$ 10,787,099	\$ 12,145,472	\$ 10,758,848	\$ 10,539,497	\$ 10,791,713
City's Net Pension Liability (a)–(b)	\$ 49,895,256	\$ 43,643,075	\$ 38,384,213	\$ 38,133,380	\$ 34,991,691	\$ 33,272,617	\$ 32,216,946
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	23.34%	22.98%	21.94%	24.16%	23.52%	24.06%	25.09%
Covered Payroll	\$ 10,464,540	\$ 10,314,210	\$ 9,514,453	\$ 9,237,333	\$ 8,856,350	\$ 8,443,332	\$ 8,638,180
City's Net Pension Liability as a Percentage of Covered Payroll	476.80%	423.14%	403.43%	412.82%	395.10%	394.07%	372.96%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

Change in Assumptions:

(1) In 2017, the mortality table changed from the RP-2000 Combined Healthy mortality table projected to 2020 using Projection Scale BB, set forward 2 years for males and set forward 1 year for females. The disabled rates of mortality are set forward 10 years and are otherwise the same as the healthy rates.

Year	Discount Rate
2020	2.98%
2019	3.57%
2018	4.14%
2017	3.56%
2016	3.99%
2015	3.82%
2014	4.97%

City of Conway, Arkansas
Single Employer Plan
Schedule of City Contributions – Nonuniformed Plan
Year Ended December 31, 2020

Fiscal Year Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 2,526,083	\$ 929,460	\$ (1,596,623)	\$ 8,638,180	10.76%
2015	\$ 2,681,954	\$ 940,301	\$ (1,741,653)	\$ 8,443,332	11.14%
2016	\$ 2,762,413	\$ 938,264	\$ (1,824,149)	\$ 8,856,350	10.59%
2017	\$ 2,845,285	\$ 1,029,340	\$ (1,815,945)	\$ 9,237,333	11.14%
2018	\$ 2,716,162	\$ 1,111,470	\$ (1,604,692)	\$ 9,514,453	11.68%
2019	\$ 9,797,647	\$ 1,464,014	\$ (8,333,633)	\$ 10,314,210	14.19%
2020	\$ 2,917,205	\$ 1,479,652	\$ (1,437,553)	\$ 10,464,540	14.14%

Key Assumptions for ADC:

Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization	20 years
Asset Valuation	Market Value
Inflation	2.75%
Salary Increases	3.50%
Investment Rate of Return	6.50%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2012 pursuant to an experience study of the period 2008–2011.
Mortality	RP-2014 Healthy Annuitant Mortality Table multiplied by 135% for males and 125% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. For disabled retirees, RP-2014 Disabled Annuitant Mortality Table multiplied by 135% for males and 125% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Note: Information in this schedule has been determined as of the City's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Conway, Arkansas
Single Employer Plan
Schedule of Investment Returns – Nonuniformed Plan
Year Ended December 31, 2020

Fiscal Year Ended December 31,	Annual Return
2014	5.60%
2015	-1.74%
2016	5.50%
2017	15.80%
2018	-10.00%
2019	21.60%
2020	17.80%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the City will only present available information.

City of Conway, Arkansas
Single Employer Plan
Schedule of Changes in the Component Unit's Net Pension Liability and
Related Ratios – Conway Corporation Plan
Year Ended December 31, 2020

Fiscal Year Ended December 31,	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 1,002,305	\$ 929,828	\$ 863,738	\$ 836,923	\$ 708,579	\$ 677,103
Interest	3,616,015	3,049,700	2,858,010	2,662,858	2,504,323	2,337,528
Difference between actual and expected experience	(1,263,550)	3,848,145	810,058	434,692	(121,199)	152,673
Changes of assumptions	-	1,759,075	-	-	-	-
Benefit payments	(1,598,300)	(1,467,229)	(1,299,894)	(1,051,119)	(862,586)	(770,966)
Net Change in Total Pension Liability	1,756,470	8,119,519	3,231,912	2,883,354	2,229,117	2,396,338
Total Pension Liability – Beginning	51,955,356	43,835,837	40,603,925	37,720,571	35,491,454	33,095,116
Total Pension Liability – Ending (a)	\$ 53,711,826	\$ 51,955,356	\$ 43,835,837	\$ 40,603,925	\$ 37,720,571	\$ 35,491,454
Plan Fiduciary Net Position						
Contributions – employer	\$ 2,200,000	\$ 2,092,000	\$ 1,980,000	\$ 1,931,179	\$ 1,852,707	\$ 2,024,664
Net investment income (loss)	6,191,752	5,728,748	(2,629,350)	3,652,273	1,275,030	(168,046)
Benefit payments	(1,598,300)	(1,467,229)	(1,299,894)	(1,051,119)	(862,586)	(770,966)
Administrative expense	-	-	(11,212)	(11,215)	(11,239)	(11,110)
Net Change in Plan Fiduciary Net Position	6,793,452	6,353,519	(1,960,456)	4,521,118	2,253,912	1,074,542
Plan Fiduciary Net Position – Beginning	36,003,174	29,649,655	31,610,111	27,088,993	24,835,081	23,760,539
Plan Fiduciary Net Position – Ending (b)	\$ 42,796,626	\$ 36,003,174	\$ 29,649,655	\$ 31,610,111	\$ 27,088,993	\$ 24,835,081
Corporation's Net Pension Liability (a)–(b)	\$ 10,915,200	\$ 15,952,182	\$ 14,186,182	\$ 8,993,814	\$ 10,631,578	\$ 10,656,373
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.68%	69.30%	67.64%	77.85%	71.81%	69.97%
Covered Payroll	\$ 16,799,942	\$ 16,216,377	\$ 15,147,188	\$ 14,721,678	\$ 13,824,271	\$ 13,111,553
Corporation's Net Pension Liability as a Percentage of Covered Payroll	64.97%	98.37%	93.66%	61.09%	76.91%	81.27%

Note: Information in this schedule has been determined as of the measurement date (August 1 of the most recent fiscal year-end) of the Corporation's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the Corporation will only present available information.

Change in Assumptions:

(1) In 2019, the inflation rate increased from 2.50% in 2018 to 3.50% in 2019.

City of Conway, Arkansas
Single Employer Plan
Schedule of Component Unit Contributions – Conway Corporation Plan
Year Ended December 31, 2020

Fiscal Year Ended December 31,	Actuarially Determined Contribution (ADC)	Actual Contribution	Contribution Excess (Deficiency)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 1,737,774	\$ 2,024,664	\$ 286,890	\$ 13,111,553	15.44%
2016	\$ 1,779,575	\$ 1,852,707	\$ 73,132	\$ 13,824,271	13.40%
2017	\$ 1,974,247	\$ 1,931,179	\$ (43,068)	\$ 14,721,678	13.12%
2018	\$ 1,971,278	\$ 1,980,000	\$ 8,722	\$ 15,147,188	13.07%
2019	\$ 2,090,124	\$ 2,092,000	\$ 1,876	\$ 16,216,377	12.90%
2020	\$ 2,510,257	\$ 2,200,000	\$ (310,257)	\$ 16,799,942	13.10%

Note: Information in this schedule has been determined as of the Corporation's most recent fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the Corporation will only present available information.

City of Conway, Arkansas
Defined Benefit Other Postemployment Benefit Plan
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Retired Healthcare Plan
Year Ended December 31, 2020

Total OPEB Liability	2020	2019	2018
Total OPEB liability – January 1	\$ 3,754,696	\$ 3,562,285	\$ 4,369,035
Service cost	249,876	143,236	160,416
Interest	124,179	131,144	138,063
Difference between expected and actual experience	1,005,030	-	(757,219)
Changes of assumptions or other inputs	727,288	123,337	(154,639)
Benefit payments	(140,927)	(205,306)	(193,370)
Net change in total OPEB liability	1,965,446	192,411	(806,749)
Total OPEB liability – December 31	\$ 5,720,142	\$ 3,754,696	\$ 3,562,286
Covered-employee payroll	\$ 23,834,726	\$ 22,669,043	\$ 23,116,665
Total OPEB liability as a percentage of covered-employee payroll	24.00%	16.56%	15.41%

Notes to Schedule: No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB 75.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 75, the City will only present available information.

Change in Assumptions:

(1) In 2020, due to changes in actuarial firms, all assumption and method changes other than the discount rate were included in the difference between expected and actual experience. These changes included: a change in inflation rate from 3.0% in 2019 to 2.5% in 2020; the mortality table used in 2019 was the RP-2014 Mortality Table and it changed to the RP-2014 Healthy Annuitant Mortality Tables with male rates multiplied by 135% and female rates multiplied by 125%, and the rates were adjusted for mortality improvements using projection scale MP-2017 from 2006; the healthcare trend rate in 2019 was 8% for 2019 decreasing annually to an ultimate rate of 5% for 2025, and the healthcare trend rate in 2020 was an initial rate of 7% declining to an ultimate rate of 4.25% after 13 years.

Year	Discount Rate
2020	2.00%
2019	3.26%
2018	3.64%

City of Conway, Arkansas
Defined Benefit Other Postemployment Benefit Plan
Schedule of Changes in the Conway Corporation's Total OPEB Liability
and Related Ratios
Retired Healthcare and Life Insurance Plan
Year Ended December 31, 2020

Total OPEB Liability	2020	2019	2018
Total OPEB liability – January 1	\$ 3,580,074	\$ 3,298,795	\$ 2,950,791
Service cost	209,947	111,144	96,694
Interest	118,883	113,900	114,015
Difference between expected and actual experience	(859,723)	135,424	-
Changes of assumptions or other inputs	158,611	7,479	200,295
Benefit payments	(76,613)	(86,668)	(63,000)
Net change in total OPEB liability	(448,895)	281,279	348,004
Total OPEB liability – December 31	\$ 3,131,179	\$ 3,580,074	\$ 3,298,795
Covered-employee payroll	\$ 16,799,942	\$ 16,216,377	\$ 17,426,201
Total OPEB liability as a percentage of covered-employee payroll	18.64%	22.08%	18.93%

Notes to Schedule: No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB No. 75.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 75, the Corporation will only present available information.

Change in Assumptions:

(1) In 2019, the annual salary increases increased from 3.00% in 2018 to 4.00% in 2019. Additionally, healthcare trends increased from 3.40% increasing to 3.90% from 2018 to 2019 to 4.00% increasing to 5.00% in 2025.

Year	Discount Rate
2020	1.93%
2019	3.26%
2018	3.44%

City of Conway, Arkansas
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General property taxes	\$ 5,421,000	\$ 5,421,000	\$ 4,261,516	\$ (1,159,484)
Sales and use taxes	20,980,000	20,980,000	22,118,819	1,138,819
Licenses and permits	506,000	506,000	566,826	60,826
Charges for services	1,125,000	1,289,709	1,394,158	104,449
Fines and forfeitures	1,284,050	1,284,050	960,884	(323,166)
Franchise fees	3,528,000	3,528,000	3,395,160	(132,840)
Intergovernmental	2,230,000	2,230,000	2,347,138	117,138
Investment income	185,000	185,000	140,249	(44,751)
Miscellaneous	220,900	1,446,114	515,970	(930,144)
Total revenues	35,479,950	36,869,873	35,700,720	(1,169,153)
Expenditures				
General government	6,183,439	8,025,214	4,508,093	(3,517,121)
Finance	450,125	452,456	448,498	(3,958)
Planning	493,319	516,441	366,771	(149,670)
Physical plant	506,397	551,130	441,642	(109,488)
Police	12,404,707	12,911,237	11,599,545	(1,311,692)
Fire	10,403,236	10,558,379	10,124,081	(434,298)
Parks and recreation	3,213,590	3,248,967	3,391,157	142,190
Info tech	1,063,534	1,113,455	1,096,329	(17,126)
District court	899,012	911,712	821,566	(90,146)
Total expenditures	35,617,359	38,288,991	32,797,682	(5,491,309)
Deficiency of Revenues Under Expenditures	(137,409)	(1,419,118)	2,903,038	4,322,156
Other Financing Sources				
Proceeds from sale of capital assets	-	-	31,337	31,337
Transfers in	723,000	723,000	613,912	(109,088)
Total other financing sources	723,000	723,000	645,249	(77,751)
Net Change in Fund Balances	585,591	(696,118)	3,548,287	4,244,405
Fund Balances, Beginning of Year	9,215,999	9,215,999	9,215,999	-
Fund Balances, End of Year	\$ 9,801,590	\$ 8,519,881	\$ 12,764,286	\$ 4,244,405

City of Conway, Arkansas
Budgetary Comparison Schedule
Street Fund
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
General property taxes	\$ 1,406,000	\$ 1,406,000	\$ 1,499,982	\$ 93,982
Sales and use taxes	420,000	420,000	304,507	(115,493)
Licenses and permits	-	-	480	480
Charges for services	17,000	17,000	18,100	1,100
Intergovernmental	4,100,000	4,100,000	4,396,735	296,735
Investment income	120,000	120,000	79,279	(40,721)
Miscellaneous	-	28,370	56,850	28,480
Total revenues	<u>6,063,000</u>	<u>6,091,370</u>	<u>6,355,933</u>	<u>264,563</u>
Expenditures				
Current				
Public works	4,853,077	4,549,576	3,812,159	(737,417)
Capital outlay	<u>1,209,200</u>	<u>2,449,635</u>	<u>1,478,475</u>	<u>(971,160)</u>
Total expenditures	<u>6,062,277</u>	<u>6,999,211</u>	<u>5,290,634</u>	<u>(1,708,577)</u>
Deficiency of Revenues Under Expenditures	<u>723</u>	<u>(907,841)</u>	<u>1,065,299</u>	<u>(1,444,014)</u>
Net Change in Fund Balances	723	(907,841)	1,065,299	(1,444,014)
Fund Balances, Beginning of Year	<u>5,242,147</u>	<u>5,242,147</u>	<u>5,242,147</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 5,242,870</u>	<u>\$ 4,334,306</u>	<u>\$ 6,307,446</u>	<u>\$ (1,444,014)</u>

City of Conway, Arkansas
Note to Required Supplementary Information
Year Ended December 31, 2020

Note 1: Budgets and Budgetary Accounting

Budgeted revenues and expenditures represent the formal operating budget adopted by the Council, as amended by the Council during the year. Budgetary control is maintained at the departmental level. Budgeted amounts not spent by year-end lapse in personnel services and operating accounts. Amounts for capital projects that are underway but not finished may be rolled forward to the following year if requested by the department head. Expenditures greater than budgeted amounts must be approved by Council voting to amend the budget. Department heads have the authority to submit a budget adjustment request to the finance department for approval if the adjustment is within a budget category and is within their approved total for the category. The chief financial officer may present the request to the mayor if the request seems unusual or noteworthy. The mayor may choose to take any request to the Council if it is one that may be unusual or highly visible. All budget transfers are documented by the budget analyst and tracked in the City's computerized financial system. 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 employed as an extension of formal budgetary integration in the funds. All annual appropriations lapse at year-end.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The *Budgetary Comparison Schedules* for the General and Street funds present the original and revised budget amounts in comparison to the actual amounts of revenues and expenditures for the current year.

Other Required Report

Independent Accountant's Report on Compliance with Certain State Acts

The Mayor and City Council
City of Conway, Arkansas

We have examined management's assertion that the City of Conway, Arkansas (the City), complied with the requirements of Arkansas Act 15 of 1985 and the following Arkansas statutes during the year ended December 31, 2020.

- (1) Arkansas Municipal Accounting Law of 1973, § 14-59-101 et seq.;
- (2) Arkansas District Courts and City Courts Accounting Law, § 16-10-201 et seq.;
- (3) Improvement contracts, §§ 22-9-202 – 22-9-204;
- (4) Budgets, purchases, and payments of claims, etc., § 14-58-201 et seq. and § 14-58-301 et seq.;
- (5) Investment of public funds, § 19-1-501 et seq.; and
- (6) Deposit of public funds, §§ 19-8-101 – 19-8-107.

Management is responsible for its compliance with the aforementioned Act and State Statutes. Our responsibility is to express an opinion on management's assertion about the City's compliance with the aforementioned requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion that the City complied with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion on compliance is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the City's compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide legal determination on the City's compliance with specified requirements.

In our opinion, management's assertion that the City of Conway, Arkansas, complied with the aforementioned requirements during the year ended December 31, 2020, is fairly stated, in all material respects.

This report is intended solely for the information and use of the governing body, management and the State of Arkansas, and is not intended to be, and should not be, used by anyone other than these specified parties.

BKD, LLP

Little Rock, Arkansas
August 5, 2021

Single Audit Section

**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***

Independent Auditor's Report

The Mayor and City Council
City of Conway, Arkansas

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, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Conway, Arkansas (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 5, 2021, which contained an emphasis of matter paragraph regarding a change in accounting principles. Other auditors audited the financial statements of Conway Corporation and the City of Conway Advertising and Promotion Commission, discretely presented component units, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 financial statements. 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*.

Management's Response to Findings

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Little Rock, Arkansas
August 5, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance

Independent Auditor's Report

The Mayor and City Council
City of Conway, Arkansas

Report on Compliance for Each Major Federal Program

We have audited City of Conway, Arkansas' (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

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

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

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

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

BKD, LLP

Little Rock, Arkansas
August 5, 2021

City of Conway, Arkansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
CDBG – Entitlement Grants Cluster				
U.S. Department of Housing and Urban Development/Community Development Block Grant/Entitlement Grants	14.218		\$ -	\$ 464,924
U.S. Department of Housing and Urban Development/Community Development Block Grant/Entitlement Grants – CARES Act	14.218		-	160,000
Total CDBG – Entitlement Grants Cluster			-	624,924
Highway Planning and Construction Cluster				
U.S. Department of Transportation/ Arkansas State Highway Department/ Highway Planning and Construction	20.205	80522	-	1,294,152
U.S. Department of Transportation/ Recreational Trails Program	20.219		-	20,391
Total Highway Planning and Construction Cluster			-	1,314,543
U.S. Department of the Interior/Arkansas Historic Preservation Program/Historic Preservation Fund Grants-In-Aid	15.904		-	25,000
U.S. Department of Justice/Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	1,453
Airport Improvement Program				
U.S. Department of Transportation/ Airport Improvement Program	20.106		-	1,040,145
U.S. Department of Transportation/ Airport Improvement Program – COVID-19	20.106		-	69,000
Total Airport Improvement Program			-	1,109,145
U.S. Department of Treasury/State of Arkansas/ COVID-19 Coronavirus Relief Fund	21.019		-	2,529,474
U.S. Environmental Protection Agency/ Nonpoint Source Implementation Grants	66.460		-	22,000
U.S. Department of Homeland Security/ Arkansas Department of Emergency Management/Hazard Mitigation Grant	97.039	FEMA-4318-DR- AR, Project #12	-	120,358
U.S. Department of Homeland Security/ Homeland Security Grant Program	97.067		-	132,657
Total Expenditures of Federal Awards			\$ -	\$ 5,879,554

City of Conway, Arkansas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Conway, Arkansas, under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Conway, Arkansas, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Conway, Arkansas.
2. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Conway, Arkansas, has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

City of Conway, Arkansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? ☒ Yes ☐ None reported

Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:

Significant deficiency(ies)? ☐ Yes ☒ None reported

Material weakness(es)? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award program was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

☐ Yes ☒ No

City of Conway, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2020

7. The City's major programs were:

Cluster/Program	CFDA Number
Airport Improvement Program – including COVID-19	20.106
COVID-19 – Coronavirus Relief Fund	21.019

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The City qualified as a low-risk auditee?

☒ Yes ☐ No

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
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No matters are reportable.

City of Conway, Arkansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2020

Finding Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2020-001	<p>Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition: The City's internal control over financial reporting did not include accurate reconciliations for certain accounts or documented review of certain journal entries and account reconciliations. An audit adjusting entry to cash was required to properly present the financial statements in accordance with the accounting principles generally accepted in the United States of America.</p> <p>Effect: Significant misstatements in the financial statements could occur and not be prevented or detected in a timely manner.</p> <p>Cause: The accounting policies and procedures that are in place related to review of account reconciliations, journal entries and internal financial statements were not followed at all times.</p> <p>Recommendation: We recommend the City strengthen controls and processes related to the preparation and review of account reconciliations, journal entries and internal financial statements.</p> <p>Views of Responsible Officials and Planned Corrective Actions: Management concurs with the finding and recommendation. Management will work to ensure proper policies and procedures are followed.</p>

City of Conway, Arkansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2020

Reference Number	Summary of Finding	Status
No prior year findings.		