



CITY OF BEAUFORT, SOUTH CAROLINA

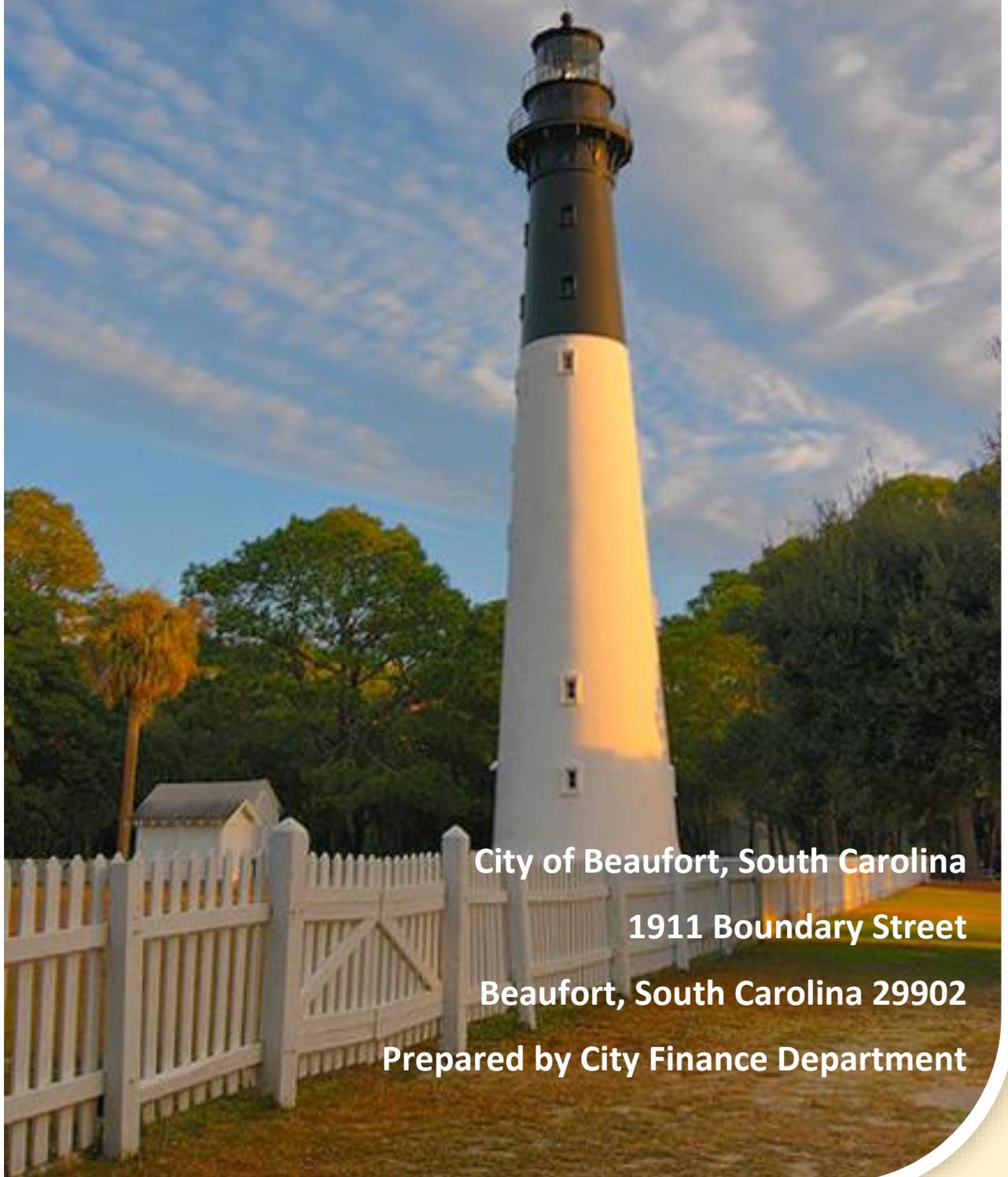
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2017



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**Comprehensive Annual Financial Report
City of Beaufort, South Carolina
For the Year Ended June 30, 2017**



**City of Beaufort, South Carolina
1911 Boundary Street
Beaufort, South Carolina 29902
Prepared by City Finance Department**



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**CITY OF BEAUFORT, SOUTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2017**

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	A - 1
Organizational Chart	A - 5
List of Principal Officials	A - 6
GFOA Certificate of Achievement	A - 7
 FINANCIAL SECTION	
Independent Auditors' Report	B - 1
Management's Discussion and Analysis	C - 1
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	D - 1
Statement of Activities	D - 2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	D - 3
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	D - 4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	D - 5
Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	D - 6
Statement of Fiduciary Net Position - Agency Funds	D - 7
Notes to the Financial Statements	D - 8
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	E - 1
Budgetary Comparison Schedule - Tax Increment Financing District II - Special Revenue Fund	E - 3
Schedule of Contributions	E - 4
Notes to Required Supplementary Information	E - 6
Combining and Individual Fund Statements and Schedules:	
Other Governmental and Agency Funds Descriptions	F - 1
Combining Balance Sheet - Other Governmental Funds	F - 2
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Other Governmental Funds	F - 3
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual:	
Redevelopment Commission - Special Revenue Fund	F - 4
State Accommodations Tax - Special Revenue Fund	F - 5
Statement of Changes in Assets and Liabilities - Agency Funds	F - 6
Schedule of Municipal Fines, Assessments and Surcharges - State Mandated Schedule	F - 7

CITY OF BEAUFORT, SOUTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2017

	<u>Page</u>
STATISTICAL SECTION	
Statistical section description	G - 1
Net Position by Component - Last Ten Fiscal Years	G - 2
Changes in Net Position - Last Ten Fiscal Years	G - 3
Fund Balances - Governmental Funds - Last Ten Fiscal Years	G - 5
Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years	G - 6
Schedule of Tax Revenues, Franchise and Utility Fees - Last Ten Fiscal Years	G - 8
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Calendar Years	G - 9
Direct and Overlapping Property Tax Rates - Last Ten Calendar Years	G - 11
Principal Property Taxpayers - Current Year and Nine Years Ago	G - 12
Property Tax Levies and Collections - Last Ten Calendar Years	G - 13
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	G - 14
Direct and Overlapping Governmental Activities Debt	G - 15
Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years	G - 16
Legal Debt Margin Information - Last Ten Fiscal Years	G - 17
Demographic and Economic Statistics - Last Ten Fiscal Years	G - 19
Principal Employers - Current Calendar Year and Nine Years Ago	G - 20
Full-time Equivalent City Employees by Function - Last Ten Fiscal Years	G - 21
Operating Indicators by Function - Last Ten Fiscal Years	G - 22
Capital Asset Statistics by Function - Last Ten Fiscal Years	G - 23
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	H - 1
Schedule of Findings and Questioned Costs	H - 3



INTRODUCTORY SECTION



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December 8, 2017

To the Honorable Mayor, Members of City Council, and Citizens of the City of Beaufort:

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Beaufort for the fiscal year ended June 30, 2017.

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

The City of Beaufort's financial statements have been audited by Mauldin & Jenkins, LLC a firm of licensed Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Beaufort for the fiscal year ended June 30, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Beaufort's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with U.S. GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

U.S. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Beaufort's MD&A can be found immediately following the report of the independent auditors.



Profile of the Government

The City, founded in 1711 and incorporated in 1913, is located on the eastern coast of Beaufort County, South Carolina, 70 miles south of Charleston, South Carolina and 45 miles north of Savannah, Georgia and encompasses approximately 18 square miles. The 2014 population of the City according to the U.S. Census update by the Lowcountry Council of Governments was 13,130.

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring both the City Manager and the City Attorney. The City's manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City and for appointing the heads of the various departments. The council is elected on a non-partisan basis. The mayor and council are elected at large and serve four-year staggered terms.

The City provides a full range of services, including: police and fire protection, sanitation and recycling services, zoning, redevelopment, economic development and building, fire and code enforcement services, street and storm water maintenance and up keep of City parks and open space.

The annual budget serves as the foundation for the City's financial planning and control. All agencies and departments of the City are required to submit requests for appropriation to the City Manager each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review. The council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and the tax increment financing district II fund this comparison is presented as part of the required supplementary information as listed in the table of contents.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy

The City currently enjoys a stable economic environment despite an unemployment rate of 5.2%, which is below Beaufort County and the State average of 4%. and a median household income of \$42,630 which is about \$10,000 below the median income for the county. Nineteen percent (19%) of the City's population lives below the poverty level. This is slightly higher than the state average of 18.3%. However, future job growth over the next ten years is predicted to be more than 41% which should have a dramatic effect on the poverty level and increase the population's median household income. The City has a very strong tourist trade reputation. Renowned for its scenic location and for maintaining a historic character



by preservation of its antebellum architecture as well as its military establishments at Parris Island, Marine Corps Air Station, and the Naval Hospital, the City has seen a strong increase in its tourism industry. Most recently, the City has been featured in the New York Times, named “Best Small Southern Town” by Southern Living magazine, a “Top 25 Small City Arts Destination” by American Style, and a “Top 50 Adventure Town” by National Geographic Adventure.

Revenues from building permits, new business licenses and Hospitality and Accommodations tax revenues continue to show steady growth. Several annexations this past year coupled with commercial and residential development have enabled the tax base to increase slightly that will poise the City for steady growth over the next several years.

Long-term financial planning

The City has developed a Capital Improvement Plan that is tied with the City’s Comprehensive Plan and Strategic Civic Master Plan. Each year of the plan is funded through the budget appropriation process with subsequent years estimated based on current year costs. The Comprehensive Plan and Civic Master Plan form to public and private investment in the City. This effort allows Council, businesses and citizens to plan more strategically those investments and neighborhood groups to better plan improvements as well. Using a long range planning process allows the City to plan for future needs as well as up or down-turns in the economy.

City initiatives

The Boundary Street redevelopment plan, a major City project that was started last year, is progressing on budget and ahead of schedule. The project will be completed in early 2018 and will create development along the Boundary Street corridor and continue to attract private investment in the district and beyond. This \$33M project is projected to attract a 5 to 1 ratio on investment when finish that will net approximately \$400 million in private investment in the City.

During fiscal year 2017, the City Council adopted five major goals: encourage sustainable economic growth, create and maintain a comprehensive communication plan, attract through tourism those that may relocate their office or businesses to the City, enhance infill development, and create and coordinate affordable housing opportunities. These goals will be woven into the budget process to better match the long term strategic goals to the services the City provides. A sound financial plan with good controls and steady growth to generate new taxes and improve our revenues will insure the sustainability that is needed for the long-term health of the City.

Economic development was established as the number one goal. During the year the City established a high-tech center with 10 offices for high tech startup companies, and attracted two companies to build new facilities in the City’s industrial park. In addition, the City recently joined with the Beaufort County in creating an affiliation with the Southern Alliance, a regional development group located in Jasper County for creating new jobs and bring new businesses to the area.

The second goal is to create and maintain a comprehensive proactive communications plan. The City has established a strong social media program that has increased its followers by over 25% in the last six



months. In addition, a strong media program was developed for the Boundary Street redevelopment project and for sending out information during the hurricanes that have affected our area over the last year. A strong communications program is critical to achieving success with the overall strategic plan.

Our third goal is through tourism - to attract those who wish to relocate their offices and businesses here to live, work, and play in our City. This goal is a long-term goal and requires coordination with various organizations throughout the City to help tell "our story" of why they should consider the City of Beaufort as the place they want to be.

The fourth goal is to initiate a plan to accommodate significant growth through infill development within the Northwest Quadrant and parts of the Old Commons sections of the City. A street by street program was developed, starting with Duke Street and is now in the process of moving to Washington Street. We have seen renovations and new home building taking place but most importantly we have seen community pride significantly improve. This program will continue through 2018 and we expect it to continue to expand to other streets and sections of the City over the next 3-5 years.

The fifth and final goal is to create and coordinate opportunities for affordable housing to be constructed within the City. The City decided to aggressively support this program by donating two properties; one to the Beaufort Housing Authority and the other to Habitat for Humanity. Together, these organizations have committed to build twelve units of affordable housing and have a significant impact on the number of units available to those in need.

In addition to the major goals, the City managed to work through two hurricanes in the last thirteen (13) months, begin developing programs to control stormwater, flooding, and the effects of sea level rise in various parts of the City. Furthermore, the City is addressing the needed maintenance and preservation of several City owned historic buildings.

Relevant financial policies

The City understands the significance of adopting financial policies to guide both short and long term planning to provide adequate resources to fund operations. The City adopted the following financial policies: Accounting to address the methods used and the manner in which revenues are collected/recognized and expenditures are disbursed/incurred; Budget to address the process used to formulate, review and adopt the operating budget, capital improvements program and five year financial plan; Fund Balance and Net Position to guide the City in maintaining a financial operation with sound financial management principles; Investment and Deposits to serve as a guideline for managing all public funds entrusted to the City for safekeeping, and Revenue to ensure strong fiscal management practices using proper controls and general oversight.

Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beaufort for its comprehensive annual financial report (CAFR) for the past ten years, ending June 30, 2016. The certificate is a prestigious national award recognizing conformance with the highest standards for preparation of



state and local government financial reports. In order to be awarded a Certificate of Achievement, the City publishes an easily readable and efficiently organized CAFR. This report satisfied both U.S. GAAP and applicable legal requirements.

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

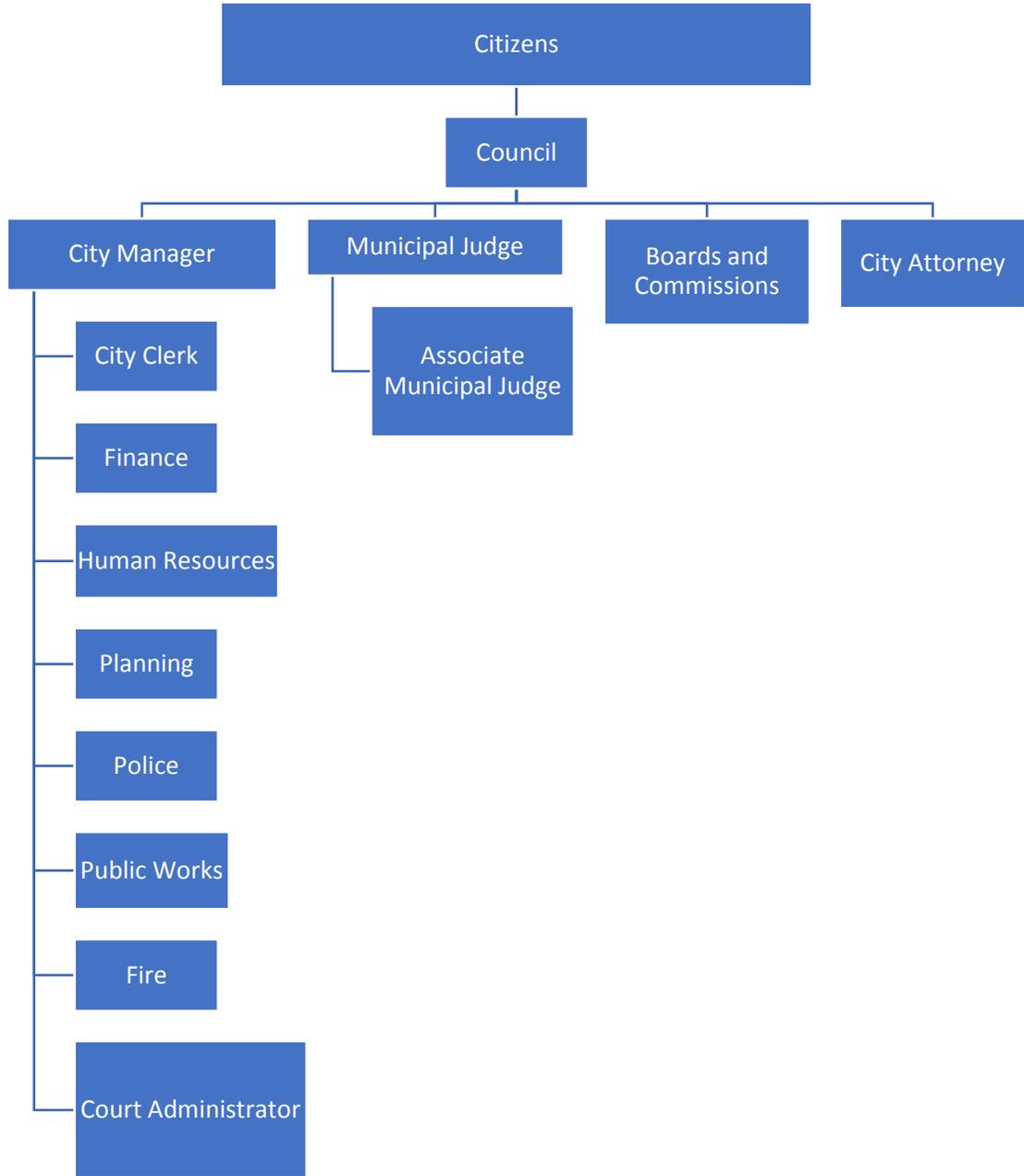
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City Manager's office and the Finance Department. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and City Council for their continued support for maintaining the highest standards of professionalism in the management of the City of Beaufort.

Respectfully submitted,

William A Prokop
City Manager

Kathy M. Todd, CPA
Finance Director

City of Beaufort, South Carolina Organization Chart



**CITY OF BEAUFORT, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2017**

CITY COUNCIL

Billy Keyserling
Michael McFee
Philip Cromer

Nan B. Sutton
Stephen Murray

Mayor
Mayor, Pro Tem
Councilman, At Large

Councilwoman, At Large
Councilman, At Large

ADMINISTRATION

William A. Prokop
Kathy M. Todd, CPA
Ivette Burgess

Alan Eisenman, CPA CGFO
Gerald Eller

City Manager
Finance Director
Human Resources
Director/City Clerk
Senior Accountant
Accounting Clerk





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Beaufort
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and Members
of the City Council
Beaufort, South Carolina**

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Beaufort, South Carolina** (the "City"), as of and for the year ended June 30, 2017, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Beaufort, South Carolina, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages C-1 through C-9), the budgetary comparison information (on pages E-1 through E-3), the pension information for the City of Beaufort Retirement Plan (on pages E-4 and E-5), and the notes to the required supplementary information (on page E-6) 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 introductory section; combining and individual nonmajor fund financial statements and schedules; schedules of revenues, expenditures and changes in fund balance - budget to actual; schedule of municipal fines, assessments and surcharges; and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017, on our consideration of the City of Beaufort's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Beaufort's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 8, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of the City of Beaufort, SC, we offer readers of the City of Beaufort's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. Management encourages readers to consider the information presented within this discussion and analysis in conjunction with additional information presented as part of this report. Readers are directed to the transmittal letter, financial statements, notes to the financial statements and statistical information to enhance their understanding of the City's financial performance.

The basic financial statements contain three components:

- 1) Government-wide financial statements including the Statement of Net Position and the Statement of Activities which provide a broad, long-term overview of the City's finances.
- 2) Fund financial statements, including the balance sheets, that provide a greater level of detail of revenues and expenditures and focus on how well the City has performed in the short term in the most significant funds, and
- 3) Notes to the financial statements.

This report presents the financial highlights for the fiscal year ending June 30, 2017 and contains other supplementary information.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$40,436,962 (net position). Unrestricted net position is reported as (\$4,413,027) due to the effects of reporting net pension liability in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is not an accurate representation of the City's financial position to meet the government's ongoing obligations to citizens and creditors. Excluding net pension liability (\$15,153,547) from net position, results in \$10,740,520 of unrestricted net position available to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased \$1,808,763. The net increase is primarily attributed additions to TIF II revenues received and unexpended during the year and the receipt of capital lease proceeds that were unexpended at year end adding \$3.2M to net position and increases to capital assets primarily related to the construction projects.
- The City's total cash position at June 30, 2017, was \$23,337,169 compared to \$21,981,719 at June 30, 2016, an increase primarily due to unspent capital lease proceeds of \$1.8M reported as restricted cash.
- The City's Government-wide total accounts payables, accrued expenses and refundable deposits at June 30, 2017 were \$1,196,678, a decrease of \$339,053 from June 30, 2016. The decrease is primarily due to reduced interest expense from favorable debt refunding interest rates, and favorable cash management practices to reduce the City payables to vendors and employees.
- As of June 30, 2017, the City's long-term indebtedness, including the liability for accrued vacation and net pension liability, had increased a net of \$3,718,038 from June 30, 2016. Net pension liability contributed to a significant component of the net increase by \$2,315,227 along with the issuance of a capital lease for the energy savings utility project. During the fiscal year the City expended \$446,028

for interest associated with its long-term indebtedness which was \$263,627 less than the interest paid during fiscal year 2016.

- The City's bond rating from Standard & Poor's is AA and an Aa2 rating from Moody's Investors Services for general obligation debt.
- Property taxes support 34.6% of the governmental services to citizens and the community in fiscal year 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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 a private sector business. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole, presenting both an aggregate and long-term view of the finances. These statements include all assets and liabilities using the accrual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. 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 City's net position changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both statements attempt to distinguish functions of the City that are principally supported by taxes and intergovernmental revenues.

The governmental activities reported in the statements include General Government, Law enforcement, Fire and Emergency Services, Public Works, Culture and Recreation, Streets, Community and Economic Development and Interest on Long-Term Debt.

The government-wide financial statements can be found on pages D-1 through D-2 listed in the table of contents of this report.

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. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City government can be divided into two categories: governmental funds and fiduciary funds.

The City has adopted Governmental Accounting Standard Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, that establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

Governmental funds - Governmental funds, presented on pages D-3 and D-5, essentially account for the same functions as those reported under the government-wide statement of net position and statement of activities. However, this set of financial statements focuses on events that produce near-term inflows and outflows of

spendable resources as well as on the balances of spendable resources available at the end of the fiscal year and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating the City's near-term financing requirements and available resources.

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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages D-4 and D-6.

The City's fund financial statements provide detailed information about the most significant funds – not the City as a whole. The majority of the City's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's operations and the services it provides.

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 statement because the resources of those funds are not available to support the City of Beaufort's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements for the Agency fund can be found on pages D-7.

Notes to the Financial Statements - The notes provide additional information that are essential to a full understanding of the data provided in both government-wide and fund financial statements. Notes are presented beginning on page D-8.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process. The City adopts an annual budget for its general fund and certain special revenue funds. A budgetary comparison schedule has been provided for the General Fund and major Special Revenue fund as required supplementary information. This required supplementary information begins on page E-1.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position totaled \$40,436,962 at June 30, 2017.

The following table presents a summary of the City's Net Position at June 30, 2017.

	2017	2016	Change	% Change
Assets:				
Current and other assets	\$ 25,375,103	\$ 23,620,810	\$ 1,754,293	7.43%
Capital assets	47,016,894	45,329,588	1,687,306	3.72%
Total assets	72,391,997	68,950,398	3,441,599	4.99%
Deferred outflows of resources:				
Deferred loss on debt refunding	537,365	600,833	(63,468)	100.00%
Deferred pension charges	3,130,925	1,333,315	1,797,610	134.82%
Total deferred outflows of resources	3,668,290	1,934,148	1,734,142	89.66%
Liabilities:				
Long-term liabilities	32,394,194	28,335,791	4,058,403	14.32%
Other liabilities	3,137,264	3,842,587	(705,323)	-18.36%
Total liabilities	35,531,458	32,178,378	3,353,080	10.42%
Deferred inflows of resources:				
Deferred pension credits	91,867	77,969	13,898	17.83%
Net position:				
Net investment in capital assets	29,160,304	29,112,934	47,370	0.16%
Restricted	15,820,888	13,175,311	2,645,577	20.08%
Unrestricted	(4,544,230)	(3,660,046)	(884,184)	24.16%
Total net position	\$ 40,436,962	\$ 38,628,199	\$ 1,808,763	4.68%

The largest portion of the City's total net position (72.11%) reflect its net investment in capital assets such as land, buildings and equipment, less any related debt used to acquire those assets, that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (39.12%) represents resources that are subject to external restrictions on how they may be used and the remaining balance (a negative 11.23%) is reported as unrestricted net position.

At the end of the current fiscal year, the City reports a positive balance in net investment in capital assets and restricted net position. Unrestricted net position, was impacted by the required reporting of net pension liability under the City's participation in the State of South Carolina Employee Benefit Administrations retirement plans: the South Carolina Retirement Plan and the South Carolina Police Officers Retirement Plan. Even though the City ended the fiscal year with an increase in net position of \$1,808,763, the impact of pension liability on net position had a negative impact on unrestricted net position.

Within the City's Governmental-wide financial statements, restricted net position increased \$2,645,577 or 20.08% which is almost entirely attributed to unspent TIF II revenues and unspent capital lease proceeds received in fiscal year 2017. These funds are restricted for the Boundary Street project that is underway, future

TIF II redevelopment projects and the completion of the energy savings project.

Net position presented in the Governmental-wide financial statements increased by a net \$1,808,763 during the current fiscal year.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City of Beaufort's net position by \$1,808,763 accounting for 4.68% percent of the total growth in the net position of the City.

	2017	2016	Change	% Change
Revenues:				
Program Revenues				
Charges for services	\$ 10,166,250	\$ 9,807,911	\$ 358,339	3.65%
Operating grants and contributions	454,443	91,013	363,430	399.32%
Capital grants and contributions	743,405	337,963	405,442	119.97%
General Revenues				
Taxes	11,535,590	11,321,774	213,816	1.89%
Other	301,886	753,545	(451,659)	-59.94%
Total Revenues	23,201,574	22,312,206	889,368	3.99%
Expenses:				
General Government	4,180,995	3,745,242	435,753	11.63%
Law Enforcement	5,463,466	4,725,173	738,293	15.62%
Fire and emergency	4,760,053	3,840,799	919,254	23.93%
Public works	2,380,597	2,357,264	23,333	0.99%
Culture and recreation	1,516,041	1,390,498	125,543	9.03%
Streets	1,278,386	1,131,505	146,881	12.98%
Community development	1,367,245	877,959	489,286	55.73%
Interest	446,028	709,655	(263,627)	-37.15%
Total Expenses	21,392,811	18,778,095	2,614,716	13.92%
Change in net position	1,808,763	3,534,111	(1,725,348)	-48.82%
Net position - beginning of year	38,628,199	35,094,088	3,534,111	10.07%
Net position - end of year	<u>\$ 40,436,962</u>	<u>\$ 38,628,199</u>	<u>\$ 1,808,763</u>	<u>4.68%</u>

Key elements of significant changes in governmental activity revenues are as follows:

- Operating Grants increased by \$363,430, or 399.32%. This increase was primarily due to receipt of economic development grants of \$245K related to the Beaufort Digital Corridor initiative, a police body camera grant of \$37K and reimbursement from FEMA related to Hurricane Matthew recovery of \$82K.
- Capital Grants increased by \$405,442 or 119.97% from fiscal year 2016. This increase is due to the completion of the Battery Creek Headway Stormwater project that was funded through a federal grant in partnership with Beaufort County.

Significant changes in expenses within governmental activities are as follows:

- All functions of the City experienced a net growth of 13.83%. Significant increases were seen in the following areas:
 - Pension expense increased \$435K or a 453% increase over fiscal year 2016 as the State Retirement System increased contribution rates.

- Salary and benefit costs increased \$968,749 or 11% over the prior fiscal year. Of that amount \$498,858 related to emergency service costs associated with Hurricane Matthew. The balance was associated with approved budget increases relating to additional positions, a 1.5% cost of living increase for all employees and merit increases for sixteen personnel who assumed increased responsibilities or performance beyond what was expected.
- Increased project costs of \$769K associated with the increased operating and capital grants received during the fiscal year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds:

Governmental funds provide information on near-term inflows, outflows and balances of available resources. The governmental funds include the General Fund, Redevelopment Fund, Accommodation Tax Fund, Tax Increment Financing District II Fund (TIF II), Capital Projects Fund, Drug Control and Prevention Fund and Cemetery Fund. The General Fund, TIF II Fund and Capital Projects Fund are reported as the City's major funds. The remaining governmental funds of the City are aggregated and presented as Other Governmental Funds. As of June 30, 2017, the City governmental funds reported combined fund balances of \$23,904,155, a net increase of \$2,012,049 from the prior year's balances.

Increases in fund balance were reported in the General Fund, of \$1,257,259 and the TIF II Fund of \$1,515,706. A decrease of \$713,156 was reported in the Capital Project Fund and represents the use of prior years' funding that was applied to the current year activity on active capital projects. The increase in fund balance for the TIF II fund is a result of TIF II property tax funds collected during the fiscal year but being held in fund balance as part of the overall support for the Boundary Street road project.

67.9% (\$16,242,797) of the total Governmental Fund balance at June 30, 2017, is nonspendable or restricted in its use. \$16,079,321 of that amount is restricted by external parties through bond covenant (such as unspent bond proceeds) or state law governing the use of Tax Increment Financing District revenues. In addition, 7.78% of the total Governmental Fund Balances is committed for a variety of purposes that are internally constrained by formal action of the City Council, such as for subsequent land acquisitions, replacement of rolling stock, redevelopment initiatives, future capital project initiatives and law enforcement purposes. Assigned fund balance represents amounts that are constrained by the City's intent to be used for specific purposes. The total amount of Governmental Fund Balance assigned totals \$101,421 or 0.42%. This amount represents planned use of fund balance in the subsequent year as approved by the Budget. The remainder of the total Governmental Fund Balance of \$5,699,890 or 23.84% is unrestricted and unassigned and therefore available for spending at the City's discretion.

GENERAL, TAX INCREMENT FINANCING BOND II, AND CAPITAL PROJECT FUNDS

General Fund

At June 30, 2017 the General Fund had a fund balance of \$10,032,464 representing 42% of the total Governmental ending fund balance. Of the General Fund's June 30, 2017 fund balance, 71% is *unrestricted* and of that amount 57% is *unrestricted and unassigned*. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted/unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance represents 27.44% of the General Fund's expenditures, while total fund balance of the General Fund represents 48.29% of that same amount.

General fund revenues increased a net \$1,319,538 or 7.31% from the prior year. There were slight increases (below 3%) in Charges for Services (\$46,432), Franchise fees (\$455), and Miscellaneous (\$7,347) and slight decreases in Investment Income (\$5,346), and fines & Forfeitures (\$12,772); however other revenue sources experienced more significant increases. The increases are primarily attributed to the following:

- Property Taxes reported a 9.74% increase totaling \$518,862. This increase is primarily related to transferring the base tax collected under the TIF II Fund back into the General Fund and leaving the increment in the TIF II Fund, in accordance with legislative mandates.
- Hospitality and accommodations taxes, as reported in Other Tax revenues reported an increase of \$141,273 or 5.46% increase from fiscal year 2016. The City continues to see growth in this area as its presence as a tourist destination continues to grow.
- Increases of \$213,930 or 5.64% were realized in license and permits revenues between fiscal years. Increases were realized in Business License (\$136,218) and Building Permits & Fees (\$77,787) over fiscal year 2016 as the City begins to see growth in business development.
- Intergovernmental revenues increased \$409,358 or 32.65% over the prior fiscal year. \$217,724 of that increase is related to the Fire Assistance Grant that the City received as well as federal grant reimbursements under the FEMA Public Assistance program related to Hurricane Matthew.

The General Fund expenditures increased a net of \$2,801,526 or 15.59 % over fiscal year ended June 30, 2016.

Significant increases were a result of the following:

- Community Development increased \$155,335, or 26% over fiscal year 2016. \$117,353 of those costs related to contractual services for plan reviews and building inspections. The City realized increased building activity within the city limits during the fiscal year that generated increased permits and fees revenues. These costs are directly related to that increased activity.
- Fire and Emergency services saw a \$678,747 increase over the prior year. \$239,953 of that amount was attributed to an Assistance to Firefighters Grant from the US Department of Homeland Security for protective clothing, and \$158,671 of personnel costs associated with emergency services during Hurricane Matthew. The remaining increases were due to planned uses approved during the budget process for uniform replacement, maintenance costs associated with the facilities and acquisition of vehicles for command staff.
- Law Enforcement services reported a \$624,361 increase over the prior year. Of that amount, \$437,881 was associated with personnel costs of which \$290K related to Hurricane Matthew emergency services and the balance related to increased personnel approved in the budget process. An additional \$90K was expended toward the replacement of police vehicles and the remaining increases were due to planned operational uses that have been deferred in prior years.
- Public Works increased \$1,342,472 or 60%. Most of this increase is related to the costs expended for the implementation of the energy services performance contract project aimed at enhancing the City's utility equipment for long term energy savings.
- Streets realized a \$256,519 increase representing 37.25% over fiscal year 2016. Significant components of this increase related to capital equipment acquisitions totaling \$138,088 and an increase to contractual service of \$78,909 related to sidewalk repairs, tree trimming and mast arm conversions that were deferred activities in prior years.

Tax Increment Financing District II Fund (TIF II)

Total revenues in this fund amounted to \$2,110,821 consisting of property tax on the incremental value of property located within the district and related investment income. The City realized a \$451,959 decrease

(17.75%) in the property taxes within the district as the base property tax within the TIF District was reallocated to the General Fund leaving only the incremental tax collected within the TIF II fund. Other than the debt service payment on the TIF II bonds, resources in this fund are being reserved for the Boundary Street Project as that project (2-year project) continues to advance.

Capital Projects Fund

The Capital Project Fund expended \$2,027,166 or \$889,533 less than fiscal year 2016. \$1,569,849 of the amount expended was a result of five projects: the Emergency Repairs to the H Dock at the City's Marina totaling \$258,000; the Marina's Transient Dock project totaling \$280,670; the completion of the Battery Creek Headwaters Stormwater project totaling \$641,640; the Southside Boulevard project totaling \$274,585 and the Boundary Street project of \$114,955. Several other Stormwater projects were also conducted totaling \$171,913. As of June 30, 2017, the City had fifteen (15) active capital projects that are underway and at various stages of completion.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: The Statement of Net Position presents capital assets in two groups: those assets subject to depreciation, such as equipment or operational facilities and those assets not subject to depreciation such as land and construction-in-progress. At June 30, 2017, the City's net capital assets totaled \$47,016,894, a net increase of \$1,687,306 from fiscal year 2016. Capital assets include assets purchased and donated, land, buildings, system improvements and machinery and equipment.

Major capital asset additions during the year included the following:

- Increase in Land and Construction in Progress resulting from the four major projects noted above under the Capital Projects Fund and other projects at various stages of progress totaling \$3,310,159.
- The closing of \$2,002,223 of prior year's construction in project costs of the Southside Boulevard project, the Marina Transient Dock project, the Marina H Dock project and the Fire Station project and the Duke Street Streetscape projects were put into operations.
- Purchased additional Police patrol cars & equipment of \$154,064; the acquisition of heavy equipment and vehicles of \$177,935 for the Public Works department and \$88,748 for the Fire Department exhaust system and hose rack system.

Additional information on the City's capital assets can be found in Note 3.A to the Financial Statements beginning on page D-17.

Long-term debt: The long-term liabilities, including compensated absences and net pension liability, at June 30, 2017 totaled \$34,149,818.

The City's total indebtedness increased a net \$3,718,038 from the previous year. Scheduled debt payments totaling \$1,856,687 plus the addition of the capital lease for the Energy performance project of \$3,093,290 contributed to an overall net increase in debt related instruments of \$1,236,603. Debt related to compensated absences realized an increase of \$166,208 and the Net Pension Liability saw an increase of \$2,315,227.

The City maintains an AA rating from Standard & Poor's and an Aa2 rating from Moody's Investors Services for general obligation debt.

South Carolina Statutes prohibit a municipality from issuing general obligation debt which in the aggregate principal amount exceeds 8% of the assessed value of taxable property in the municipality. However, general obligation debt approved by voter referendum is not charged against the 8% limit. The City's general obligation debt was approved by referendum and therefore exempt from the 8% debt limit. The current debt limitation for the City is \$8,032,698 of which only \$1,000,000 is subject to that limitation or 12.45% of the 8% limit.

Additional information on the City's debt can be found in Note 3.C. in the notes to financial statements on page D-19.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule of the General Fund is provided as Required Supplementary Information beginning on page E-1. Additional budgetary comparison schedules of the special revenue funds can be found within other supplementary information beginning on page F-1. Budget columns are provided for both the original budget adopted for fiscal year 2017 as well as the final budget. A column for actual resources (revenues), appropriations (expenditures) and a column for any variances between final budget and actual are also provided. Resources and appropriations are discussed excluding transfers in or out.

During the year there was a net increase of in the General Fund appropriations between the original and final amended budget to adjust for the various contractual obligations, capital acquisitions, and issuance of the capital lease.

The total actual revenues including other financing sources of which capital lease activity of \$3.1M is reported for the General Fund of \$22,524,199, was less than the final budgeted revenues of \$22,762,131 by \$237,932 due to decreases in property tax actual revenues falling below expectations stemming for a adjustments to the taxable assessed value based upon appeals.

The total actual expenditures including other financing uses of the General Fund were \$21,266,940. This amount was \$284,939 less than the final budgeted amount due to fiscally responsible spending in the departments.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET

The City continues to face limited abilities for growth, both in population and jobs. This in turn results in anticipated future revenue shortfalls that will not keep up with anticipated increases in expenditures. Though there is an increase in tourism, the City's services are primarily supported by the 13,130 residents, yet serves over 65,000 persons each day. Mandates from the federal and state governments continue to place a strain on the limited resources of the City.

The City adopted a general fund budget for fiscal year ended June 30, 2018 in the amount of \$21,199,598.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for the governmental operations of the City of Beaufort. It is designed for anyone with an interest in our government's finances and management. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the City of Beaufort, Finance Director, 1911 Boundary Street, Beaufort, South Carolina 29902.

BASIC FINANCIAL STATEMENTS



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CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2017

	Total Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 21,047,328
Receivables	2,012,908
Inventories and other assets	25,026
Restricted assets	
Restricted cash and cash equivalents	2,289,841
Capital Assets:	
Land, improvements and construction in progress	10,204,883
Other capital assets, net of depreciation	36,812,011
Total assets	72,391,997
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	537,365
Pension related deferred outflows	3,130,925
Total deferred outflows of resources	3,668,290
 LIABILITIES	
Accounts payable	763,201
Accrued liabilities	277,219
Accrued interest	184,962
Deposits and escrow	156,258
Long-term liabilities:	
Due within one year	1,755,624
Due in more than one year	
Debt and compensated absences	17,240,647
Net pension liability	15,153,547
Total liabilities	35,531,458
 DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	91,867
Total deferred inflows of resources	91,867
 NET POSITION	
Net Investment in capital assets	29,160,304
Restricted for:	
Perpetual care	
Nonexpendable	163,476
Capital projects	1,832,349
Redevelopment	10,841,831
Other purposes	2,983,232
Unrestricted	(4,544,230)
Total net position	\$ 40,436,962

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Primary government					Total
Governmental Activities					
General government	\$ 4,180,995	\$ 6,295,603	\$ -	\$ -	\$ 2,114,608
Law enforcement	5,463,466	405,435	126,560	-	(4,931,471)
Fire and emergency	4,760,053	874,858	-	-	(3,885,195)
Public works	2,380,597	1,655,384	-	-	(725,213)
Culture and recreation	1,516,041	256,369	82,883	-	(1,176,789)
Streets	1,278,386	-	-	743,405	(534,981)
Community and economic development	1,367,245	678,601	245,000	-	(443,644)
Interest on long-term debt	446,028	-	-	-	(446,028)
Total	<u>\$21,392,811</u>	<u>\$ 10,166,250</u>	<u>\$ 454,443</u>	<u>\$ 743,405</u>	<u>(10,028,713)</u>

General revenues:

Taxes:	
Property taxes, levied for general purposes	4,481,274
Property taxes, levied for debt service	1,447,951
Property taxes, levied for special purposes	2,094,570
Other taxes	3,511,795
Unrestricted investment earnings	28,747
Miscellaneous	273,139
Total general revenues	<u>11,837,476</u>
Change in net position	1,808,763
Net position - beginning	38,628,199
Net position - ending	<u>\$ 40,436,962</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General Fund</u>	<u>TIF II Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 8,332,385	\$ 10,839,551	\$ 1,676,290	\$ 199,104	\$ 21,047,330
Taxes receivable, net	401,270	11,727	-	-	412,997
Other receivables	704,540	-	535,999	359,372	1,599,911
Due from other funds	54,279	-	-	-	54,279
Inventories and other assets	25,026	-	-	-	25,026
Restricted cash and cash equivalents	1,816,111	-	421,909	51,822	2,289,842
Total assets	<u>11,333,611</u>	<u>10,851,278</u>	<u>2,634,198</u>	<u>610,298</u>	<u>25,429,385</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	641,000	-	96,070	26,132	763,202
Due to other funds	-	-	-	54,279	54,279
Accrued liabilities	270,703	-	-	6,517	277,220
Deposits and escrow	124,621	-	-	31,638	156,259
Total liabilities	<u>1,036,324</u>	<u>-</u>	<u>96,070</u>	<u>118,566</u>	<u>1,250,960</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	264,823	9,447	-	-	274,270
Total deferred inflows of resources	<u>264,823</u>	<u>9,447</u>	<u>-</u>	<u>-</u>	<u>274,270</u>
Fund balances:					
Nonspendable:					
Inventories	25,027	-	-	-	25,027
Redevelopment	-	-	-	131,203	131,203
Cemetery	-	-	-	7,246	7,246
Restricted	2,844,003	10,841,831	2,254,258	139,229	16,079,321
Committed for:					
Land Acquisition	280,734	-	-	-	280,734
Vehicle and equipment replacement	618,509	-	-	-	618,509
Redevelopment	362,880	-	-	194,182	557,062
Capital Projects	100,000	-	283,870	-	383,870
Law enforcement	-	-	-	19,872	19,872
Assigned for:					
Subsequent year's budget	101,421	-	-	-	101,421
Unassigned	5,699,890	-	-	-	5,699,890
Total fund balances	<u>10,032,464</u>	<u>10,841,831</u>	<u>2,538,128</u>	<u>491,732</u>	<u>23,904,155</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,333,611</u>	<u>\$ 10,851,278</u>	<u>\$ 2,634,198</u>	<u>\$ 610,298</u>	<u>\$ 25,429,385</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017**

Total fund balance, governmental funds	\$	23,904,155
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Amounts reported for governmental activities in the Statement of Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund financial statement, but are reported in the governmental activities of the Statement of Net Position (net of accumulated depreciation of \$20,449,623).		47,016,894
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Certain property tax collections are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.		274,270
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Long-term and related liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

Interest Payable	\$	(184,962)	
Due within one year		(1,755,624)	
Due in more than one year		(17,240,647)	(19,181,233)

Net pension liability is not due and payable in the current period and therefore is not reported in governmental funds.		(15,153,547)
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Deferred outflows are not current financial resources and therefore not reported in the governmental fund financial statements, but are reported in the Statement of Net Position.		3,668,290
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Deferred inflows are not due and payable in the current period and therefore not reported in governmental funds balance sheet.		(91,867)
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Net Position of Governmental Activities in the Statement of Net Position	\$	40,436,962
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CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>TIF II Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$ 5,847,926	\$ 2,094,570	\$ -	\$ -	\$ 7,942,496
Other taxes	2,729,335	-	-	499,374	3,228,709
Franchise fees	2,135,337	-	-	-	2,135,337
Fines and forfeitures	316,080	-	-	-	316,080
Licenses and permits	4,005,648	-	-	-	4,005,648
Intergovernmental	1,663,061	-	743,405	-	2,406,466
Charges for services	2,477,564	-	-	282,964	2,760,528
Investment earnings	11,631	16,251	827	38	28,747
Miscellaneous	195,608	-	77,531	245,000	518,139
Total revenues	<u>19,382,190</u>	<u>2,110,821</u>	<u>821,763</u>	<u>1,027,376</u>	<u>23,342,150</u>
EXPENDITURES					
Current:					
General government	3,257,996	-	2,285	554,020	3,814,301
Law enforcement	5,231,082	-	-	3,484	5,234,566
Fire and emergency	4,276,013	-	-	-	4,276,013
Public works	3,595,732	29,900	-	-	3,625,632
Culture and recreation	1,015,595	-	-	-	1,015,595
Streets	945,215	-	-	-	945,215
Community and economic development	753,123	-	-	468,913	1,222,036
Debt Service:					
Principal	1,209,676	542,213	-	-	1,751,889
Interest and other charges	490,261	23,002	-	-	513,263
Capital Outlay	-	-	2,024,881	-	2,024,881
Total expenditures	<u>20,774,693</u>	<u>595,115</u>	<u>2,027,166</u>	<u>1,026,417</u>	<u>24,423,391</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,392,503)</u>	<u>1,515,706</u>	<u>(1,205,403)</u>	<u>959</u>	<u>(1,081,241)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease	3,093,290	-	-	-	3,093,290
Transfers in	48,719	-	492,247	-	540,966
Transfers out	(492,247)	-	-	(48,719)	(540,966)
Total other financing sources and uses	<u>2,649,762</u>	<u>-</u>	<u>492,247</u>	<u>(48,719)</u>	<u>3,093,290</u>
Net change in fund balances	1,257,259	1,515,706	(713,156)	(47,760)	2,012,049
Fund balances - beginning	8,775,205	9,326,125	3,251,284	539,492	21,892,106
Fund balances - ending	<u>\$ 10,032,464</u>	<u>\$ 10,841,831</u>	<u>\$ 2,538,128</u>	<u>\$ 491,732</u>	<u>\$ 23,904,155</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
RECONCILIATION OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds: \$ 2,012,049

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Expenditures of capital assets	\$	3,650,404	
Less: current year depreciation		<u>(1,963,098)</u>	1,687,306

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

81,297

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.

Repayment of debt	\$	1,751,889	
Amortization of deferred loss on refunding		(63,468)	
Amortization of premium on general obligation bonds		104,798	
Capital lease proceeds		<u>(3,093,290)</u>	(1,300,071)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Compensated absences	(166,208)
Accrued interest not reflected on Governmental funds	25,905
Change in pension expense	<u>(531,515)</u>

Change in net position of governmental activities	<u>\$ 1,808,763</u>
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**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2017**

Assets

Cash and cash equivalents	\$	125,413
Total assets	<u>\$</u>	<u>125,413</u>

Liabilities

Due to others	\$	125,413
Total liabilities	<u>\$</u>	<u>125,413</u>



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CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with U.S. generally accepted accounting principles (GAAP). U.S. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The City is a political subdivision of the State of South Carolina and operates under a Council-Manager form of government. The Council is composed of five members, including the Mayor, who are elected at-large to four-year staggered terms.

The financial reporting entity consists of (a) primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The City's financial reporting entity comprises the following:

Primary Government: City of Beaufort

The City has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. All funds, organizations, institutions, agencies, departments and officers that are not legally separate of the primary government, for financial reporting purposes, are part of the primary government and are included in the financial statements of the City.

1. Blended Component Units

Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. The City has no blended component units.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

2. Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

B. Government-wide and Fund Financial Statements

Financial information of the City is presented as follows:

- *Government-wide financial statements* consist of a statement of net position and a statement of activities.
- *Fund financial statements* consist of a series of statements focusing on information about the City's major governmental funds. Separate financial statements are presented for the governmental and fiduciary funds.

These statements report all of the non-fiduciary activities of the primary government and its component units. Governmental activities are normally supported by taxes and intergovernmental revenues. The fiduciary fund of the primary government is not included in the government-wide financial statements; however separate financial statements are presented.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. 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 program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements, except Agency funds that have no measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty (60) days after year-end. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as, expenditures related to compensated absences and claims and judgments, are reported only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Property taxes, sales tax, grants from other governments, and interest on investments are susceptible to accrual. Revenues from fines, forfeits and penalties, and franchise fees become measurable and available when cash is received by the City and are recognized as revenue at that time.

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 government, except those required to be accounted for in another fund.
- The *Tax Increment Financing District II Fund (TIF II)*, a special revenue fund, is used to account for property tax proceeds generated in the TIF II district. These funds are restricted for expenditures and capital improvement projects that benefit the TIF district.
- The *Capital Projects Fund* accounts for the activity related to capital projects of the City.

Additionally, the City reports the following fund types:

Governmental Funds:

- The *Special Revenue Funds*, are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.
- The *Permanent Fund* is used to account for the perpetual care endowment of the municipal cemeteries, for which only the interest earnings may be used to defray maintenance expenses.

Fiduciary Fund:

- *Fiduciary Funds (Agency)* are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. Therefore, the fiduciary financial statements are excluded from the government-wide financial statements. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has five agency funds. The Firefighters fund accounts for the receipt of a 1% charge on fire insurance companies writing policies within the City limits for the welfare, training and recreational activities of firefighters. The Beaufort 300 fund accounts for donations from citizens toward activities commemorating the City's 300th anniversary and a monument. The Bond Court fund accounts for bond fees collected on behalf of Municipal Courts of municipal governments within Beaufort County. The Beaufort History Museum fund accounts for the proceeds received from the Olsen Trust and the Beaufort Historical Foundation to be used for the support of the Museum's collections and its ongoing operations and maintenance. The Beaufort Pride of Place fund accounts for donations from citizens and visitors towards improving and beautifying the City.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are charges for sales and purchases of goods and services between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The City has defined cash and cash equivalents to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City's cash and investment objectives are preservation of capital, liquidity and yield. To assist in achieving these objectives, the City maintains a cash pool that is available for use by the other funds. Investment earnings are allocated to each fund based on their average cash balances.

State statutes authorize the City to invest in obligations of or obligations guaranteed by the U.S. Government and agencies or corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers acceptances; repurchase agreements; and the Local Government Investment Pool ("Pool") of the State of South Carolina. Investments are reported at fair value.

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's policy is to require banks with which the City maintains deposits to collateralize funds in excess of FDIC coverage.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The City has no investment policy that would further limit its investment choices from those authorized by state statute as described above.

Concentration of credit risk is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer.

2. Receivables and Payables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants and other similar intergovernmental revenues and local hospitality taxes since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting. Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No allowance for doubtful accounts has been recorded for accounts receivable because the City expects all current receivables to be collected. The current taxes receivable is reported net of estimated uncollectible taxes and property tax appeals.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Property taxes are levied each fall on the assessed valuation of property located in the City as of the preceding January 1. The books are open to collection on September 1. The first penalty, calculated at 15 percent, is applicable to payments made after the original January 15th property tax due date. Property taxes attach as an enforceable lien on January 1st and are considered delinquent if not paid by March 15th.

The City's operating tax rate is currently 52.79 mills and the City's debt service tax rate of 20.78 mills for a total of 73.57 mills. The County of Beaufort bills and collects the City's property taxes.

During fiscal year 2009 the City entered into long-term agreements with eligible homeowners whereby the City received funds through the Community Redevelopment & Revitalization Program to make improvement to properties within the Northwest Quadrant of the City that were identified as very low and lower income households. The terms of the agreements covered a period of 10 to 15 years and totaled \$1,136,664. The loans are amortized over the life of the loan period as forgivable loans provided that the homeowner adheres to the restrictive covenants. As the collectability of the loans is remote, the City does not report the current balance within the basic financial statements. However, the unamortized balances of the forgivable loans at June 30, 2017 are \$193,640.

3. Inventories

Inventories, which consist of fuel for vehicles and equipment, are valued using a weighted average method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

Capital assets are assets, which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are valued at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are valued at their acquisition value as of the date donated. Public domain ("infrastructure") capital assets acquired prior to July 1, 2002, consisting of roads, bridges, curbs, gutters, streets, and sidewalks, drainage systems, and lighting systems that were acquired or that received substantial improvements subsequent to July 1, 1980, are reported at estimated historical cost using deflated replacement cost. The City maintains a capitalization threshold of five thousand dollars (\$5,000). Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure	15 - 40 years
Building and Improvements	20 - 40 years
Machinery and Equipment	3 - 10 years
Vehicles	5 years

5. Compensated Absences

The City accrues accumulated vacation and sick leave and associated employee-related costs for employees by a prescribed formula based on length of service. Vacation pay, which may be accumulated up to 400 hours, is payable upon separation of employment based on their hourly rate of pay earned at the time of termination or retirement.

Sick leave accrues at a rate of 96 to 127 hours annually, depending upon employee classification (regular, fire, police) with an 800-hour limit on the maximum number of hours accumulated. Upon death or retirement due to disability, age or service, one-fifth of the unused accumulated sick leave balance, up to a maximum of 800 hours, will be paid to the employee or their estate, up to an amount equal to the regular salary for two (2) calendar months. No payment will be made for accumulated sick leave for voluntary or involuntary separation other than retirement or death.

The entire compensated absences liability and expense is reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

6. Long-term Obligations

In the government-wide financial statements financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while premiums on debt issuances are reported as other financing sources.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. As of June 30, 2017, there are no amounts for arbitrage rebates.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

7. Deferred Outflows/Inflows of Resources

As defined by GASB Concept Statement No. 4, "Elements of Financial Statements", deferred outflows/inflows of resources are the consumption/acquisition of net assets/position by the government that are applicable to a future reporting period.

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two types of deferred outflows of resources: (1) The City reports *deferred refunding charges* in its Statement of Net Position. Deferred refunding charges is the difference between the reacquisition price and the net carrying amount of the defeased debt, are amortize over the life of the refunding bonds, which has the same maturity as the bonds that were refunded. Amortization of deferred refunding charges is included in interest expense. (2) The City also reports *deferred pension charges* in its Statement of Net Position in connection with the City Pension Plan and their participation in the South Carolina Retirement System and the South Carolina Public Safety Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports *unavailable revenue* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (revenue) in the period the amounts become available. (2) The City also reports *deferred pension credits* in its Statement of Net Position in connection with the City Pension Plan and their participation in the South Carolina Retirement System and the South Carolina Public Safety Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

8. Equity Classifications

Equity is classified as net position and displayed in three components in the government-wide financial statements.

- *Net investment in capital assets* consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- *Restricted net position* consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

- *Unrestricted net position* consists of all other net positions that do not meet the definition of “restricted” or “net investment in capital assets”.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned.

- *Nonspendable* includes amounts that cannot be spent because they are not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.
- *Restricted* represents constraints placed on the use of these resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or imposed by law (through constitutional provisions or enabling legislation).
- *Committed* represents amounts that can only be used for specific purposes as determined through formal action through adoption of a resolution of the City Council, the City’s highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless City Council removes the constraints by taking the same formal action to modify or rescind the commitment. Committed fund balances include non-liquidated encumbrances for capital projects at year-end that are carried forward to the next fiscal year. Committed fund balances differ from restricted fund balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned* represents fund balances that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City Council adopted the Fund Balance Policy by Resolution that delegates the authority to the City Manager to allocate, assign, modify, or rescind amounts to specific functions based on the intent expressed by the City Council. Therefore, through resolution, the City Council has authorized the City Manager to assign fund balance.

The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

Unassigned is the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted fund balances first, then unrestricted amounts – committed, assigned and unassigned – as appropriate opportunities arise, but reserve the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

The City Council has set a minimum fund balance target of 25% of expenditures and recurring transfers. No other fund balance policies exist.

9. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that may affect the

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

amounts reported in the financial statements and the related notes. Accordingly, actual results could differ from these estimates.

10. Tax Abatement Agreements

During the year ended June 30, 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures. This statement requires the City to disclose information for any tax abatement agreements either entered into by the City, or agreements entered into by other governments that reduce the City's tax revenues. As of June 30, 2017, the City did not have any such agreements, either entered into by the City or by other governments that exceeded the quantitative threshold for disclosure.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

An annual budget is adopted on a basis consistent with U.S generally accepted accounting principles for the General Fund and the Tax Increment Financing District II fund, a major special revenue fund.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Manager. The legal level of budgetary control (i.e. the level at which expenditures may not exceed appropriations) is the fund level.

The following funds have adopted budgets, although not legally required:

Special revenue funds – Redevelopment Fund and State Accommodations Tax Fund

All annual appropriations lapse at fiscal year-end.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 – DETAILED NOTES ON FUNDS AND ACTIVITIES

A. Capital Assets

Capital asset activity for the year ended June 30, 2017 is as follows:

	Beginning Balance				Ending Balance June 30, 2017
	June 30, 2016	Additions	Deletions	Transfers	
Non-depreciable assets:					
Land	\$ 7,135,510	\$ 50,000	\$ -	\$ -	\$ 7,185,510
Construction in progress	1,761,437	3,260,159	-	(2,002,223)	3,019,373
	<u>8,896,947</u>	<u>3,310,159</u>	<u>-</u>	<u>(2,002,223)</u>	<u>10,204,883</u>
Depreciable assets:					
Infrastructure	21,384,958	-	-	1,921,720	23,306,678
Buildings and improvements	26,612,155	-	-	-	26,612,155
Machinery, Furniture and equipment	7,775,746	340,245	(853,693)	80,503	7,342,801
	<u>55,772,859</u>	<u>340,245</u>	<u>(853,693)</u>	<u>2,002,223</u>	<u>57,261,634</u>
Subtotal assets	<u>64,669,806</u>	<u>3,650,404</u>	<u>(853,693)</u>	<u>-</u>	<u>67,466,517</u>
Accumulated depreciation:					
Infrastructure	(7,494,759)	(840,990)	-	-	(8,335,749)
Buildings and improvements	(6,057,078)	(763,194)	-	-	(6,820,272)
Machinery, Furniture and equipment	(5,788,381)	(358,914)	853,693	-	(5,293,602)
	<u>(19,340,218)</u>	<u>(1,963,098)</u>	<u>853,693</u>	<u>-</u>	<u>(20,449,623)</u>
Total Governmental Activities	<u>\$ 45,329,588</u>	<u>\$ 1,687,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,016,894</u>

Depreciation expense was charged to governmental activities as follows:

Function	
General Government	\$ 564,856
Law Enforcement	108,782
Fire and Emergency	248,282
Culture and Recreation	484,296
Public Works	73,934
Streets	467,388
Community and Economic Development	15,560
	<u>\$ 1,963,098</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

B. Interfund Transactions and Balances

A summary of interfund transfers by fund type is as follows:

	Transfers In	Transfers out
General	\$ 48,719	\$ 492,247
Capital Projects	492,247	-
Other governmental	-	48,719
Total Transfers	\$ 540,966	\$ 540,966

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. The General Fund transferred funds that were reserved in prior years for capital projects to the Capital Projects Fund as those projects were completed during the current fiscal year. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group.

A summary of interfund due to and due from by fund type is as follows:

	Due from	Due to
General	\$ 54,279	\$ -
Other governmental	-	54,279
Total Due to and Due From Other Funds	\$ 54,279	\$ 54,279

Interfund receivables and payables in the fund financial statements and internal balances in the government-wide financial statements arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

C. Long-term Debt

Changes in the City's long-term debt for its governmental activities are as follows:

	Beginning Balance			Ending Balance		Due with One Year
	June 30, 2016	Additions	Deletions	June 30, 2017		
Tax increment bond	\$ 542,213	\$ -	\$ (542,213)	\$ -	\$ -	
General obligation bonds	12,405,000	-	(925,000)	11,480,000	960,000	
Premium on general obligation bonds	1,027,436	-	(104,798)	922,638	-	
Revenue bonds	2,746,215	-	(206,389)	2,539,826	214,108	
Lease finance agreement	321,032	-	(78,287)	242,745	79,586	
Capital lease	-	3,093,290	-	3,093,290	145,547	
Compensated absences	551,564	578,447	(412,239)	717,772	356,383	
Net pension liability	12,838,320	3,303,144	(987,917)	15,153,547	-	
	<u>\$ 30,431,780</u>	<u>\$ 6,974,881</u>	<u>\$ (3,256,843)</u>	<u>\$ 34,149,818</u>	<u>\$ 1,755,624</u>	

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

Tax Increment Bonds

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. Tax Increment Bonds ("TIF") are considered a special obligation of the City payable solely from ad valorem taxes generated by improvements to real property within the redevelopment project area. The full faith, credit, and taxing powers of the City are not pledged for the payment of the TIF Bonds nor the interest thereon. Tax Increment Bonds matured and were fully paid in fiscal year 2017.

General Obligation Bonds

On June 11, 2008, the City issued \$15 million of general obligation bonds at interest rates ranging from 3.5% to 5.0% maturing on February 1, 2028. Semi-annual interest payments are due on February 1 and August 1. The proceeds of these bonds are restricted for the construction of the Municipal Complex and addition to the Central Fire Station. In April 2009, the City deferred expending proceeds from these bonds for any additional renovation to the Central Fire Station pending a further needs assessment. A new Fire Station was placed in service in January 2016. The balance at June 30, 2017 was \$735,000.

On May 29, 2012, the City issued \$1,850,000 of general obligation bonds, series 2012, at an interest rate of 2.11% maturing on June 1, 2022. Semi-annual interest payments are due on December 1 and June 1. The proceeds of these bonds were used to defray the cost of capital improvements within the City. The balance at June 30, 2017 was \$1,000,000.

On April 6, 2016, the City issued \$9,785,000 of general obligation refunding and improvement bonds series 2016 at interest rates ranging from 2.0% to 5.0% maturing on February 1, 2031. Semi-annual interest payments are due on February 1 and August 1. The proceeds of these bonds were used to advance refund \$9,250,000 outstanding general obligation bonds series 2008 maturing on February 1, 2019 through February 1, 2028 and \$886,000 for closing costs and funding for improvements to sidewalks, streets, parks, City marina and City municipal court and

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

fire station facilities. The bonds were sold at a premium of \$1,027,436 and were issued to take advantage of lower interest rates. The proceeds of the refunding bonds were deposited in an irrevocable trust with an escrow agent to provide for the optional redemption on and after February 1, 2026. The City decreased its aggregated debt service payments by \$778,444 over the next 15 years and obtained an economic gain (the difference between the present value of the old and new debt service payments) of \$695,581. The balance at June 30, 2017 was \$9,745,000.

Annual debt service requirement to maturity for the general obligation bond is as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 960,000	\$ 396,050	\$ 1,356,050
2019	1,005,000	354,597	1,359,597
2020	1,040,000	326,138	1,366,138
2021	1,065,000	305,118	1,370,118
2022	1,100,000	275,038	1,375,038
2023 - 2027	4,965,000	837,500	5,802,500
2028 - 2032	1,345,000	52,950	1,397,950
	<u>\$ 11,480,000</u>	<u>\$ 2,547,391</u>	<u>\$ 14,027,391</u>

Revenue Bonds

On July 27, 2011, the City issued \$3,500,000 of hospitality and accommodations fee revenue bond, series 2011, at an interest rate of 3.74% maturing on July 27, 2026. The proceeds of the bonds were used to refund the lease purchase obligations of the City dated May 18, 2005 and July 25, 2007 totaling \$2,330,881 and \$1,114,429, respectively, which were entered into for the purpose of designing and constructing improvements to the City's waterfront park and paying the cost of issuance. Annual interest payments of the Series 2011 bonds are due on July 27. The balance of the Series 2011 bonds at June 30, 2017 was \$2,539,826.

Annual debt service requirements to maturity for the revenue bond are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 214,108	\$ 94,989	\$ 309,097
2019	222,116	86,982	309,098
2020	230,423	78,675	309,098
2021	239,041	70,057	309,098
2022	247,981	61,116	309,097
2023 - 2027	1,386,157	159,331	1,545,488
	<u>\$ 2,539,826</u>	<u>\$ 551,150</u>	<u>\$ 3,090,976</u>

Lease Finance Agreement

A capital lease was entered on November 5, 2014 for a fire truck. The cost of the fire truck was capitalized at \$774,917 and \$398,041 of the total cost of the fire truck was financed through the capital lease. The lease is for a period of 60 months and yearly payments of \$83,616 are required. Payments are due on November 5th. The balance at June 30, 2017 was \$242,745.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

The following is a schedule of future lease payments at June 30, 2017.

Year Ended June 30,	Principal	Interest	Total
2018	\$ 79,586	\$ 4,030	\$ 83,616
2019	80,908	2,708	83,616
2020	82,251	1,365	83,616
	<u>\$ 242,745</u>	<u>\$ 8,103</u>	<u>\$ 250,848</u>

Capital Lease

A capital lease was entered on April 27, 2017, as part of an energy service performance contract, to upgrade equipment in an effort to increase energy efficiency in City-owned buildings. The carrying value of assets acquired under the capital lease is \$1,277,179 and recorded in construction in progress at June 30, 2017. The capital lease is for \$3,093,290 at an interest rate of 2.611% maturing on July 1, 2032. Payments are due on July 1st and will be paid by the City's future energy savings. The balance at June 30, 2017 was \$3,093,290. The following is a schedule of future lease payments at June 30, 2017.

Year Ended June 30,	Principal	Interest	Total
2018	\$ 145,547	\$ 95,124	\$ 240,671
2019	165,067	76,965	242,032
2020	173,298	72,656	245,954
2021	179,383	68,131	247,514
2022	173,737	63,447	237,184
2023 - 2027	1,037,820	241,459	1,279,279
2028 - 2032	1,218,438	98,576	1,317,014
	<u>\$ 3,093,290</u>	<u>\$ 716,358</u>	<u>\$ 3,809,648</u>

D. Restricted Net Position

Net position restricted by external groups such as creditors, grantors, contributors or laws and regulations of other governments as June 30, 2017 consisted of \$10,841,831 for redevelopment projects from the Tax Increment Financing District (TIF II), \$421,909 of unspent bond funds, \$1,382,106 for active capital projects involving TIF II and grant funded projects and \$450,243 of unspent stormwater funds toward future stormwater projects. In addition, restricted net position for other purposes as of June 30, 2017 consisted of various restrictions through enabling legislation or by external groups such as creditors, grantors, contributors or laws and regulations of other governments as follows:

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

	Restricted Net Position - Other Purposes		
	Through Enabling Legislation	By External Groups	Total
Tourism & Development Advisory Committee	119,045	\$ -	\$ 119,045
Stormwater Utility	200,382	-	200,382
Drug Prevention	20,184	-	20,184
Energy Services Contract	-	1,816,112	1,816,112
Utility Franchise Agreement	-	518,411	518,411
Debt Service Reserve	-	309,098	309,098
	<u>\$ 339,611</u>	<u>\$ 2,643,621</u>	<u>\$ 2,983,232</u>

E. Restricted Fund Balance

Restricted fund balance at June 30, 2017 consists of:

- \$518,411 for utilities under a franchise agreement, \$200,382 of unspent stormwater utility funds, \$1,816,112 for unspent capital lease proceeds and \$309,098 for debt service reserve requirements in the General Fund.
- \$10,841,831 for the purpose of redevelopment within the TIF II District.
- \$421,909 represents unspent bond funds for capital improvements, \$1,382,106 for the purpose of redevelopment in the TIF II district and \$450,243 of unspent stormwater Utility funds for active stormwater utility projects reported within the Capital Projects fund.
- The other governmental funds restricted fund balance consists of \$119,045 for Tourism and Development and \$20,184 for drug prevention and education.

NOTE 4 – OTHER INFORMATION

A. Employee Pension and Other Benefit Plans

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net pension of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as that are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- **South Carolina Retirement System** - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees, teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- **South Carolina Police Officers Retirement System** - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

- **South Carolina Retirement System (SCRS)** - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- **South Carolina Police Officers Retirement System (PORS)** - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty-year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

increase is not limited to one- half of one percent per year.

- Required employee contribution rates¹ for fiscal year 2016-2017 are as follows:

	Fiscal Year 2017	Fiscal Year 2016
South Carolina Retirement System		
Employee Class Two	8.66%	8.16%
Employee Class Three	8.66%	8.16%
South Carolina Police Officers Retirement System		
Employee Class Two	9.24%	8.74%
Employee Class Three	9.24%	8.74%

- Required employer contribution rates¹ for fiscal year 2016-2017 are as follows:

South Carolina Retirement System		
Employee Class Two	11.41%	10.91%
Employee Class Three	11.41%	10.91%
Employer Incidental Death Benefit	0.15%	0.15%
South Carolina Police Officers Retirement System		
Employee Class Two	13.84%	13.34%
Employee Class Three	13.84%	13.34%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2016, the net pension liability for the South Carolina Retirement System, the South Carolina Police Officers Retirement System and the City's portion of the net pension liability of each plan is as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	City's Portion of Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 45,356,214,752	\$23,996,362,354	\$ 21,359,852,398	\$ 5,140,889	52.9%
PORS	6,412,510,458	3,876,035,732	2,536,474,726	10,012,658	60.4%

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015 actuarial valuations was based upon the 30-year capital market outlook at the end of the third quarter 2015, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rates of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

As of June 30, 2016, the change in net pension liability for the SCRS and the PORS plans is calculated as follows:

Change in the Net Pension Liability	SCRS	PORS
Total Pension liability		
Service Cost	\$ 183,723	\$ 617,974
Interest	777,775	1,790,964
Difference between actual and expected experience	11,243	45,720
Benefit Payments	(669,749)	(1,423,690)
Net Change in Total Pension Liability	302,992	1,030,968
Total Pension Liability - Beginning 6/30/2015	10,613,341	24,282,341
Total Pension Liability - Ending 6/30/2016 (a)	<u>\$ 10,916,333</u>	<u>\$ 25,313,309</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 258,168	\$ 691,692
Contributions - Member	181,509	454,705
Refunds of contributions to members	(22,550)	(75,703)
Retirement benefits	(642,227)	(1,333,971)
Death benefits	(4,972)	(14,016)
Net investment income	(39,807)	(97,251)
Administrative Expense	(3,165)	(8,110)
Net transfers to affiliated systems	(240)	4,526
Net Change in Plan Fiduciary Net Position	(273,284)	(378,128)
Plan Fiduciary Net Position - Beginning 6/30/2015	6,048,728	15,678,779
Plan Fiduciary Net Position - Ending 6/30/2016 (b)	<u>\$ 5,775,444</u>	<u>\$ 15,300,651</u>
Net Pension Liability 6/30/2016 (a) - (b)	<u>\$ 5,140,889</u>	<u>\$ 10,012,658</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended June 30, 2017, the City recognized pension expense of \$423,288 for the South Carolina Retirement System plan and \$1,166,090 for the South Carolina Police Officers Retirement System plan.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the South Carolina Retirement System and South Carolina Police Officers Retirement System plans, respectively, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
South Carolina Retirement System		
Difference between expected and actual experience	\$ 53,291	\$ 5,583
Net difference between projected and actual earnings on pension plan investments	432,514	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	86,284
Employer contributions subsequent to the measurement date	293,149	-
Total	\$ 778,954	\$ 91,867
South Carolina Police Officers Retirement System		
Difference between expected and actual experience	\$ 148,569	\$ -
Net difference between projected and actual earnings on pension plan investments	1,135,347	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	305,110	-
Employer contributions subsequent to the measurement date	762,945	-
Total	\$ 2,351,971	\$ -

City contributions subsequent to the measurement date were \$293,149 for the South Carolina Retirement System plan and \$762,945 for the South Carolina Police Officers Retirements System plan are deferred outflows of resources and will be recognized as a reduction of the net pension

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	SCRS	PORS	
Year ended June 30:			
2018	\$ 84,793	\$ 373,578	
2019	56,937	366,047	
2020	156,387	537,671	
2021	95,821	311,730	

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return ¹	7.50%	7.50%
Projected salary increases	3.5% to 12.5% (varies by service) ¹	4.0% to 10.0% (varies by service) ¹
Includes inflation of	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

¹ Includes inflation of 2.75%

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustments) multiplied by 110%	RP-2000 Females (with White Collar adjustments) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustments) multiplied by 115%	RP-2000 Females (with Blue Collar adjustments) multiplied by 115%

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Domestic Fixed Income	15.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Global Public Equity	34.0%	6.52%	2.22%
Global Tactical Asset Allocation	10.0%	3.90%	0.39%
Alternatives	34.0%		
Hedge Funds (Low Beta)	10.0%	3.87%	0.39%
Private Debt	7.0%	4.47%	0.31%
Private Equity	9.0%	9.30%	0.84%
Real Estate (Broad Market)	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Total Expected Real Return	100.0%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Normal Return			7.85%

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be 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.

The following table presents the sensitivity of the net pension liability to changes in the discount rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 6,413,119	\$ 5,140,889	\$ 4,081,806
PORS	13,122,545	10,012,658	7,217,985

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers' compensation for which the City carries the following insurance coverage. There were no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded coverage in any of the past three fiscal years.

SC Insurance Reserve Fund

The City of Beaufort purchases all liability coverage other than employee bonds from the State of South Carolina Insurance Reserve Fund (SCRIF). The City is required to pay all premiums, applicable deductibles and assessments billed by SCRIF, as well as following loss reduction and prevention procedures and recommendations established by SCRIF. The Insurance Reserve Fund functions as a governmental insurance operation with a mission to provide insurance designed to meet the needs of governmental entities. It is regulated by State statutes. SCRIF uses consulting actuaries in determining rates and adequacy of loss reserves. Premiums collected by SCRIF are held on deposit with the Office of the State Treasurer where the funds are maintained as the Insurance Reserve Fund Trust Account. By statutory requirement, these funds are used to pay claims and operating expenses of the SCRIF.

Workers' Compensation

Workers' Compensation coverage is maintained through the South Carolina Municipal Insurance Trust (SCMIT) fund, a public entity risk pool operating as a common risk management and insurance program for workers' compensation. The Municipal Association of South Carolina administers the program in conformance with standard industry practices. The program is regulated by the SC Workers' Compensation Commission. The City pays an annual premium to SCMIT. The City carries a \$15,000 deductible under the plan. Claims below the deductible are managed by the City. If the City's losses exceed the annual premium, it is assessed an additional

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

amount to fully reimburse the insurer for the losses. If the premium exceeds the losses, the City receives a refund.

Self Insurance

The City pays unemployment claims to the state department of labor on a reimbursement basis. Liabilities for such claims are immaterial and are not accrued.

C. Commitments and Contingencies

The City receives a number of grants that are subject to program compliance audits by the grantors. Noncompliance with the terms and provisions of these grant agreements could result in contingent liabilities to the grantor agencies.

On September 2, 2010, the City entered into an agreement with the Burton Fire District extending fire suppression and emergency response services through December 31, 2017. The services are to be paid for annually with the amount based upon the Fire District's total millage rate times the assessed value of the City's annexed properties within the District times 19%. For the year ended June 30, 2017, the City paid the Burton Fire District \$198,140.

The Lady's Island/St. Helena Fire District has agreed to provide fire protection to certain areas that had been annexed into the City. For the year ended June 30, 2017, the City paid the Fire District \$128,229 for compensated services.

In addition, the City is involved in several pending litigations, the nature of which varies. While these cases may have future financial effect, management, based on advice of legal counsel, believes that all but one outcome will not be material to the basic financial statements. A total of \$92,000 is believed by management and its legal counsel to be probable and is recorded as a claims and judgment payable within the basic financial statements as of June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Required Supplementary Information (RSI) is presented in accordance with GASB Statement No. 34. It contains the budget and actual comparison schedule for the City's General Fund and Major Special Revenue Fund – Tax Increment Financing II Fund. It also contains the schedule of contributions for South Carolina Retirement System and South Carolina Police Officers Retirement System. The notes to the required supplementary information discloses relevant budgetary information.



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**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes.....	\$ 5,739,275	\$ 6,075,974	5,847,926	\$ (228,048)
Other taxes.....	2,905,000	2,905,000	2,729,335	(175,665)
Licenses and permits.....	3,871,200	3,989,656	4,005,648	15,992
Franchise fees.....	2,230,243	2,230,243	2,135,337	(94,906)
Intergovernmental revenues.....	1,199,272	1,392,336	1,663,061	270,725
Charges for services.....	2,341,604	2,481,566	2,477,564	(4,002)
Fines and forfeitures.....	259,500	259,500	316,080	56,580
Investment income.....	7,800	7,800	11,631	3,831
Miscellaneous revenue.....	200,496	278,683	195,608	(83,075)
Total revenues	<u>18,754,390</u>	<u>19,620,758</u>	<u>19,382,190</u>	<u>(238,568)</u>
Expenditures:				
Current:				
General government				
City council.....	172,509	157,124	157,124	-
City manager.....	463,213	497,734	497,734	-
Finance.....	667,979	703,916	703,916	-
Human resources.....	164,571	153,464	153,464	-
Information technology.....	489,060	474,026	474,026	-
Court and legal.....	442,324	446,139	446,139	-
Non-departmental.....	784,361	825,593	825,593	-
	<u>3,184,017</u>	<u>3,257,996</u>	<u>3,257,996</u>	<u>-</u>
Law enforcement				
Police.....	4,532,290	4,819,791	4,819,791	-
School resource officers.....	277,186	311,989	311,989	-
Crossing guards.....	42,880	26,967	26,967	-
Victims rights.....	77,268	72,335	72,335	-
	<u>4,929,624</u>	<u>5,231,082</u>	<u>5,231,082</u>	<u>-</u>
Fire and emergency				
City of Beaufort fire.....	4,200,850	4,276,012	4,276,013	(1)
	<u>4,200,850</u>	<u>4,276,012</u>	<u>4,276,013</u>	<u>(1)</u>
Public works				
Administration.....	483,199	482,389	482,389	-
Maintenance.....	781,130	1,981,468	1,948,898	32,570
Stormwater.....	572,562	581,913	447,748	134,165
Solid waste.....	733,861	726,697	716,697	10,000
	<u>2,570,752</u>	<u>3,772,467</u>	<u>3,595,732</u>	<u>176,735</u>
Streets				
Streets.....	727,080	768,945	768,945	-
Traffic control/building maintenance.....	197,042	176,270	176,270	-
	<u>924,122</u>	<u>945,215</u>	<u>945,215</u>	<u>-</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Culture and recreation				
Parks.....	1,057,694	1,179,583	1,015,595	163,988
	<u>1,057,694</u>	<u>1,179,583</u>	<u>1,015,595</u>	<u>163,988</u>
Community and economic development				
Planning.....	668,993	753,123	753,123	-
	<u>668,993</u>	<u>753,123</u>	<u>753,123</u>	<u>-</u>
Total current	<u>17,536,052</u>	<u>19,415,478</u>	<u>19,074,756</u>	<u>340,722</u>
Debt service:				
Principal.....	1,131,389	1,215,006	1,209,676	5,330
Interest.....	477,398	484,931	490,261	(5,330)
Total debt service	<u>1,608,787</u>	<u>1,699,937</u>	<u>1,699,937</u>	<u>-</u>
Total expenditures	<u>19,144,839</u>	<u>21,115,415</u>	<u>20,774,693</u>	<u>340,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(390,449)</u>	<u>(1,494,657)</u>	<u>(1,392,503)</u>	<u>102,154</u>
Other financing sources (uses):				
Proceeds from capital lease.....	-	3,093,290	3,093,290	-
Transfers in.....	48,083	48,083	48,719	636
Transfers out.....	(243,120)	(436,464)	(492,247)	55,783
Total financing sources (uses)	<u>(195,037)</u>	<u>2,704,909</u>	<u>2,649,762</u>	<u>56,419</u>
Net change in fund balance	(585,486)	1,210,252	1,257,259	47,007
Fund balance, beginning of year	8,775,205	8,775,205	8,775,205	-
Fund balance, end of year	<u>\$ 8,189,719</u>	<u>\$ 9,985,457</u>	<u>10,032,464</u>	<u>\$ 47,007</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING DISTRICT II – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes.....	\$ 2,528,692	\$ 2,528,692	\$ 2,094,570	\$ (434,122)
Investment income.....	14,000	14,000	16,251	2,251
Total revenues	<u>2,542,692</u>	<u>2,542,692</u>	<u>2,110,821</u>	<u>(431,871)</u>
Expenditures:				
Current:				
Public works.....	-	-	29,900	(29,900)
Total current	<u>-</u>	<u>-</u>	<u>29,900</u>	<u>(29,900)</u>
Debt service:				
Principal.....	542,213	542,213	542,213	-
Interest.....	24,022	24,022	23,002	1,020
Total debt service	<u>566,235</u>	<u>566,235</u>	<u>565,215</u>	<u>1,020</u>
Total expenditures	<u>566,235</u>	<u>566,235</u>	<u>595,115</u>	<u>(28,880)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,976,457</u>	<u>1,976,457</u>	<u>1,515,706</u>	<u>(402,991)</u>
Net change in fund balance.....	1,976,457	1,976,457	1,515,706	460,751
Fund balance, beginning of year	9,326,125	9,326,125	9,326,125	-
Fund balance, end of year	<u>\$ 11,302,582</u>	<u>\$ 11,302,582</u>	<u>\$ 10,841,831</u>	<u>\$ 460,751</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30**

South Carolina Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's portion of the net pension liability	0.024068%	0.024341%	0.024845%
City's portionate share of the net pension liability	\$ 5,140,889	\$ 4,616,388	\$ 4,277,485
City's covered-employee payroll	\$ 2,428,511	\$ 2,089,001	\$ 2,282,245
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	211.69%	220.99%	187.42%
Plan fiduciary net position as a percentage of the total pension liability	52.91%	56.99%	59.90%

South Carolina Police Officers Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's portion of the net pension liability	0.39475%	0.37724%	0.37597%
City's portionate share of the net pension liability	\$ 10,012,658	\$ 8,221,932	\$ 7,197,673
City's covered-employee payroll	\$ 5,331,851	\$ 4,645,640	\$ 4,668,346
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	187.79%	176.98%	154.18%
Plan fiduciary net position as a percentage of the total pension liability	60.4%	64.57%	67.50%

Notes:

- 1 The assumptions used in the preparation of the above scheduled are disclosed in Note 4.a. to the financial statements.
- 2 The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**CITY OF BEAUFORT, SOUTH CAROLINA
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30**

South Carolina Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 257,776	\$ 248,765	\$ 239,090
Contributions in relation to the actuarially determined contribution	<u>257,776</u>	<u>248,765</u>	<u>239,090</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,428,511	\$ 2,089,001	\$ 2,282,245
Contributions as a percentage of covered-employee payroll	10.61%	11.91%	10.48%

South Carolina Police Officers Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 691,465	\$ 620,025	\$ 580,619
Contributions in relation to the actuarially determined contribution	<u>691,465</u>	<u>620,025</u>	<u>580,619</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,331,851	\$ 4,645,640	\$ 4,668,346
Contributions as a percentage of covered-employee payroll	12.97%	13.35%	12.44%

Notes:

- ³ The assumptions used in the preparation of the above scheduled are disclosed in Note 4.a. to the financial statements.
- ⁴ The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

BUDGETARY INFORMATION

I. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with U.S. Generally Accepted Accounting Principles. The level of budgetary control (the level at which expenditures may not exceed appropriations) is at the fund level.

II. Budget Amendments were approved during the year amending the original budget. The following schedule presents the original adopted budget, supplemental increases, supplemental decreases, and the final approved budget.

<u>Fund</u>	<u>Original Budget</u>	<u>Supplemental Increases</u>	<u>Supplemental Decreases</u>	<u>Final Budget</u>
General Fund	\$ 19,387,959	\$ 2,163,920	\$ -	\$ 21,551,879
Tax Increment Financing II	566,235	-	-	566,235

SUPPLEMENTARY INFORMATION



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OTHER GOVERNMENTAL AND AGENCY FUNDS DESCRIPTIONS

SPECIAL REVENUE FUNDS:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Redevelopment Fund – This fund was established to account for the activity of redevelopment initiatives of the City.

State Accommodations Tax Fund – This fund was established to account for the 2% State Accommodations sales tax from transient room rentals. The expenditures are restricted to tourist related activities as stipulated by State Law.

The Drug Control and Prevention Fund – This fund was established to account for monies seized during drug related arrests and provided by Federal and State Courts to be used for drug prevention and education. In addition, this fund accounts for contributions from citizens and business organizations that are restricted to support the Police Movie Club and other law enforcement activities of the Police Department.

PERMANENT FUND:

The Cemetery Fund – This fund is used to account for the interest earned on contributions from individuals used to help defray the cost of maintenance at the City owned Cemeteries.

FIDUCIARY FUNDS - AGENCY FUNDS:

The Trustee Fire Fund – This fund was established to account for receipts received from the State administration plan to provide recreational activities for firefighters. Monies are generated by a 1% charge against fire insurance companies writing policies within the City limits.

The Beaufort 300 Fund – This fund was established to account for the donations from individuals and businesses to pay for a memorial monument commemorating the City's first 300 years.

The Municipal Bond Court Fund – This fund was established to account for the Municipal Court Bond fees collected on behalf of all local governments in the County and distributed based upon legal jurisdiction.

The Beaufort History Museum – This fund was established to account for the proceeds from the Olsen Trust Fund and the former operator of the Museum – the Historic Beaufort Foundation, for the benefit of the Museum's collections and the operations and maintenance of the Museum.

The Beaufort Pride of Place – This fund was established to account for the donations from citizens and visitors towards improving and beautifying the City.



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**CITY OF BEAUFORT, SOUTH CAROLINA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue Fund			Permanent Fund	Total-Other Governmental Funds
	Redevelopment Fund	State		Cemetery Fund	
		Accommodations Tax Fund	Drug Control and Prevention Fund		
ASSETS					
Cash and cash equivalents	\$ 171,922	\$ -	\$ 19,936	\$ 7,246	\$ 199,104
Other receivables	166,871	192,501	-	-	359,372
Restricted cash and cash equivalents	-	-	51,822	-	51,822
Total assets	338,793	192,501	71,758	7,246	610,298
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	11,539	14,529	64	-	26,132
Due to other funds	-	54,279	-	-	54,279
Other accrued expenses	1,869	4,648	-	-	6,517
Deposits and escrow	-	-	31,638	-	31,638
Total liabilities	13,408	73,456	31,702	-	118,566
Fund balances:					
Nonspendable:					
Redevelopment	131,203	-	-	-	131,203
Cemetery	-	-	-	7,246	7,246
Restricted	-	119,045	20,184	-	139,229
Committed for:					
Law enforcement	-	-	19,872	-	19,872
Redevelopment	194,182	-	-	-	194,182
Total fund balances	325,385	119,045	40,056	7,246	491,732
Total liabilities and fund balances	\$ 338,793	\$ 192,501	\$ 71,758	\$ 7,246	\$ 610,298

CITY OF BEAUFORT, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds			Permanent Fund	Total-Other Governmental Funds
	Redevelopment Fund	State		Cemetery Fund	
		Accommodations Tax Fund	Drug Control and Prevention Fund		
REVENUES					
Other taxes	\$ -	\$ 499,374	\$ -	\$ -	\$ 499,374
Charges for services	282,964	-	-	-	282,964
Investment earnings	-	-	38	-	38
Miscellaneous	245,000	-	-	-	245,000
Total revenues	<u>527,964</u>	<u>499,374</u>	<u>38</u>	<u>-</u>	<u>1,027,376</u>
EXPENDITURES					
Current:					
General government	-	554,020	-	-	554,020
Law enforcement	-	-	3,484	-	3,484
Community and economic development	468,913	-	-	-	468,913
Total expenditures	<u>468,913</u>	<u>554,020</u>	<u>3,484</u>	<u>-</u>	<u>1,026,417</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,051</u>	<u>(54,646)</u>	<u>(3,446)</u>	<u>-</u>	<u>959</u>
OTHER FINANCING USES					
Transfers out	-	(48,719)	-	-	(48,719)
Total other financing uses	<u>-</u>	<u>(48,719)</u>	<u>-</u>	<u>-</u>	<u>(48,719)</u>
Net change in fund balances	59,051	(103,365)	(3,446)	-	(47,760)
Fund balances - beginning	266,334	222,410	43,502	7,246	539,492
Fund balances - ending	<u>\$ 325,385</u>	<u>\$ 119,045</u>	<u>\$ 40,056</u>	<u>\$ 7,246</u>	<u>\$ 491,732</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
REDEVELOPMENT SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services.....	\$ 191,935	\$ 191,935	\$ 282,964	\$ 91,029
Miscellaneous revenue.....	-	175,000	245,000	70,000
Total revenues	<u>191,935</u>	<u>366,935</u>	<u>527,964</u>	<u>161,029</u>
Expenditures:				
Current:				
Community and economic development.....	164,000	344,208	468,913	(124,705)
Total total expenditures	<u>164,000</u>	<u>344,208</u>	<u>468,913</u>	<u>(124,705)</u>
Excess of revenues over expenditures	<u>27,935</u>	<u>22,727</u>	<u>59,051</u>	<u>36,324</u>
Net change in fund balance.....	27,935	22,727	59,051	36,324
Fund balance, beginning of year.....	266,334	266,334	266,334	-
Fund balance, end of year	<u>\$ 294,269</u>	<u>\$ 289,061</u>	<u>\$ 325,385</u>	<u>\$ 36,324</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATE ACCOMMODATIONS TAX SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other taxes.....	\$ 486,667	\$ 486,667	\$ 499,374	\$ 12,707
Total revenues	<u>486,667</u>	<u>486,667</u>	<u>499,374</u>	<u>12,707</u>
Expenditures:				
Current:				
General government.....	438,584	457,746	554,020	(96,274)
Total expenditures	<u>438,584</u>	<u>457,746</u>	<u>554,020</u>	<u>(96,274)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,083</u>	<u>28,921</u>	<u>(54,646)</u>	<u>(83,567)</u>
Other financing uses:				
Transfers out.....	(48,083)	(48,083)	(48,719)	636
Total other financing uses	<u>(48,083)</u>	<u>(48,083)</u>	<u>(48,719)</u>	<u>636</u>
Net change in fund balance.....	-	(19,162)	(103,365)	(84,203)
Fund balance, beginning of year.....	222,410	222,410	222,410	-
Fund balance, end of year	<u>\$ 222,410</u>	<u>\$ 203,248</u>	<u>\$ 119,045</u>	<u>\$ (84,203)</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Beginning Fund Balance at June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Fund Balance at June 30, 2017</u>
<u>Trustee Fire Fund</u>				
Assets				
Cash	\$ -	\$ 74,123	\$ 74,123	\$ -
Liabilities				
Due to others	\$ -	\$ 74,123	\$ 74,123	\$ -
<u>Beaufort 300 Fund</u>				
Assets				
Cash	\$ 11,463	\$ -	\$ -	\$ 11,463
Liabilities				
Due to others	\$ 11,463	\$ -	\$ -	\$ 11,463
<u>Municipal Bond Court Fund</u>				
Assets				
Cash	\$ 5,942	\$ 364,083	\$ 365,408	\$ 4,617
Liabilities				
Due to others	\$ 5,942	\$ 365,408	\$ 364,083	\$ 4,617
<u>Beaufort History Museum</u>				
Assets				
Cash	\$ 105,600	\$ -	\$ -	\$ 105,600
Liabilities				
Due to others	\$ 105,600	\$ -	\$ -	\$ 105,600
<u>Beaufort Pride of Place</u>				
Assets				
Cash	\$ 2,614	\$ 1,825	\$ 706	\$ 3,733
Liabilities				
Due to others	\$ 2,614	\$ 706	\$ 1,825	\$ 3,733
<u>Total Agency Funds</u>				
Assets				
Cash	\$ 125,619	\$ 440,031	\$ 440,237	\$ 125,413
Liabilities				
Due to others	\$ 125,619	\$ 440,237	\$ 440,031	\$ 125,413



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STATE MANDATED SCHEDULE

CITY OF BEAUFORT, SOUTH CAROLINA
SCHEDULE OF MUNICIPAL FINES, ASSESSMENTS AND SURCHARGES
STATE MANDATED SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Collected by Municipal Court	Retained by City	Remitted to State Treasurer	Allocated to Victim Services
Fines	\$ 289,269	\$ 274,400	\$ 14,869	\$ -
Assessments	289,976	-	257,661	32,315
Surcharges	118,389	-	107,575	10,814
	<u>\$ 697,634</u>	<u>\$ 274,400</u>	<u>\$ 380,105</u>	<u>\$ 43,129</u>

Expenditures:

Personnel	70,394
Operating	1,941
Total Expenditures	<u>\$ 72,335</u>

Beginning Balance Forward (deficit)	\$ (181,377)
Total Revenues	43,129
Total Expenditures	(72,335)
Balance (deficit) Carried Forward to 2018	<u>\$ (210,583)</u>



STATISTICAL SECTION



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STATISTICAL SECTION

DESCRIPTION

This part of the City of Beaufort's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Contents Page

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Source: unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.



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CITY OF BEAUFORT, SOUTH CAROLINA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2017	2016	2015	2014	2013
Governmental Activities					
Net Investment in capital assets	\$ 29,160,304	\$ 29,112,934	\$ 28,179,673	\$ 26,411,278	\$ 24,959,681
Restricted	15,820,888	13,175,311	10,487,290	10,890,417	8,978,528
Unrestricted	(4,544,230)	(3,660,046)	(3,572,875)	6,314,601	7,100,677
Total Governmental Activities	<u>\$ 40,436,962</u>	<u>\$ 38,628,199</u>	<u>\$ 35,094,088</u>	<u>\$ 43,616,296</u>	<u>\$ 41,038,886</u>
Business-type Activities					
Net Investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	-	-
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary Government					
Net Investment in capital assets	\$ 29,160,304	\$ 29,112,934	\$ 28,179,673	\$ 26,411,278	\$ 24,959,681
Restricted	15,820,888	13,175,311	10,487,290	10,890,417	8,978,528
Unrestricted	(4,544,230)	(3,660,046)	(3,572,875)	6,314,601	7,100,677
Total Primary Government	<u>\$ 40,436,962</u>	<u>\$ 38,628,199</u>	<u>\$ 35,094,088</u>	<u>\$ 43,616,296</u>	<u>\$ 41,038,886</u>

	Fiscal Year Ending June 30,				
	2012	2011	2010	2009	2008
Governmental Activities					
Net Investment in capital assets	\$ 23,444,154	\$ 22,933,705	\$ 20,549,022	\$ 18,394,352	\$ 17,798,882
Restricted	7,956,684	7,020,594	177,855	173,063	564,836
Unrestricted	6,829,462	6,172,876	13,696,647	12,985,715	11,517,247
Total Governmental Activities	<u>\$ 38,230,300</u>	<u>\$ 36,127,175</u>	<u>\$ 34,423,524</u>	<u>\$ 31,553,130</u>	<u>\$ 29,880,965</u>
Business-type Activities					
Net Investment in capital assets	\$ -	\$ -	\$ 115,983	\$ 120,738	\$ 207,894
Unrestricted	-	-	(87,321)	(29,981)	(40,157)
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,662</u>	<u>\$ 90,757</u>	<u>\$ 167,737</u>
Primary Government					
Net Investment in capital assets	\$ 23,444,154	\$ 22,933,705	\$ 20,665,005	\$ 18,515,090	\$ 18,006,776
Restricted	7,956,684	7,020,594	177,855	173,063	564,836
Unrestricted	6,829,462	6,172,876	13,609,326	12,955,734	11,477,090
Total Primary Government	<u>\$ 38,230,300</u>	<u>\$ 36,127,175</u>	<u>\$ 34,452,186</u>	<u>\$ 31,643,887</u>	<u>\$ 30,048,702</u>

Notes:

The City of Beaufort did not have any business-type activities prior to fiscal year ended June 30, 2005 and closed its business-type activities in early fiscal year 2011.

The City of Beaufort implemented GASB Statement No. 68, Financial Accounting and Reporting for Pensions, in fiscal year 2015.

CITY OF BEAUFORT, SOUTH CAROLINA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Fiscal Year Ending 2014</u>
Expenses				
Governmental activities				
General government	\$ 5,548,240	\$ 4,623,201	\$ 4,598,349	\$ 4,764,777
Public safety	10,223,519	8,565,972	8,171,466	7,831,204
Public services	5,175,024	4,879,267	4,700,664	4,105,738
Interest on long-term debt	446,028	709,655	718,125	757,289
Total governmental activities	<u>21,392,811</u>	<u>18,778,095</u>	<u>18,188,604</u>	<u>17,459,008</u>
Business-type activities				
Solid waste	-	-	-	-
Total Primary Government Expenses	<u>\$ 21,392,811</u>	<u>\$ 18,778,095</u>	<u>\$ 18,188,604</u>	<u>\$ 17,459,008</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 6,974,204	\$ 6,576,756	\$ 6,223,870	\$ 6,033,965
Public safety	1,280,293	1,229,528	1,143,215	1,103,511
Public services	1,911,753	2,001,627	2,070,558	2,080,772
Operating grants and contributions	454,443	91,013	79,673	18,470
Capital grants and contributions	743,405	337,963	588,062	278,243
Total governmental activities	<u>11,364,098</u>	<u>10,236,887</u>	<u>10,105,378</u>	<u>9,514,961</u>
Business-type activities				
Charges for services	-	-	-	-
Total business-type activities	-	-	-	-
Total Primary Government Revenues	<u>\$ 11,364,098</u>	<u>\$ 10,236,887</u>	<u>\$ 10,105,378</u>	<u>\$ 9,514,961</u>
Net (Expense)/Revenue				
Governmental activities	\$ (10,028,713)	\$ (8,541,208)	\$ (8,083,226)	\$ (7,944,047)
Business-type activities	-	-	-	-
Total Primary Government Net Expense	<u>\$ (10,028,713)</u>	<u>\$ (8,541,208)</u>	<u>\$ (8,083,226)</u>	<u>\$ (7,944,047)</u>
General Revenues and Other				
Changes in Net Position				
Governmental activities				
Taxes	\$ 11,535,590	\$ 11,321,774	\$ 10,508,203	\$ 9,928,502
Grants and contributions not restricted to specific programs	-	-	270,576	-
Gain (loss) on sale of capital assets	-	504,685	-	-
Interest income	28,747	20,645	24,419	14,185
Miscellaneous	273,139	228,215	188,173	578,770
Transfers	-	-	-	-
Total governmental activities	<u>\$ 11,837,476</u>	<u>\$ 12,075,319</u>	<u>\$ 10,991,371</u>	<u>\$ 10,521,457</u>
Business-type activities				
Interest income	-	-	-	-
Transfers	-	-	-	-
Total business-type activities	-	-	-	-
Total Primary Government	<u>\$ 11,837,476</u>	<u>\$ 12,075,319</u>	<u>\$ 10,991,371</u>	<u>\$ 10,521,457</u>
Change in Net Position				
Governmental activities	\$ 1,808,763	\$ 3,534,111	\$ 2,908,145	\$ 2,577,410
Business-type activities	-	-	-	-
Total Primary Government	<u>\$ 1,808,763</u>	<u>\$ 3,534,111</u>	<u>\$ 2,908,145</u>	<u>\$ 2,577,410</u>

June 30,

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 4,733,483	\$ 4,162,370	\$ 4,290,473	\$ 4,934,814	\$ 3,872,550	\$ 3,663,029
7,385,887	7,042,865	6,649,981	5,878,690	6,838,457	7,534,013
4,300,723	5,418,025	5,626,937	2,154,779	2,751,483	3,783,759
809,889	876,413	900,702	945,058	986,027	537,830
<u>17,229,982</u>	<u>17,499,673</u>	<u>17,468,093</u>	<u>13,913,341</u>	<u>14,448,517</u>	<u>15,518,631</u>
-	-	137	468,760	907,248	1,034,216
<u>\$ 17,229,982</u>	<u>\$ 17,499,673</u>	<u>\$ 17,468,230</u>	<u>\$ 14,382,101</u>	<u>\$ 15,355,765</u>	<u>\$ 16,552,847</u>
\$ 6,271,365	\$ 6,001,517	\$ 5,794,265	\$ 5,639,476	\$ 5,414,561	\$ 5,848,191
1,101,076	979,521	1,116,577	1,173,266	1,340,610	1,613,016
1,865,327	2,006,883	1,940,644	1,059,183	1,213,863	1,263,085
80,580	151,155	151,714	19,375	630,554	1,315,290
975,950	455,778	99,507	113,461	47,509	200,000
<u>10,294,298</u>	<u>9,594,854</u>	<u>9,102,707</u>	<u>8,004,761</u>	<u>8,647,097</u>	<u>10,239,582</u>
-	-	-	406,530	828,366	863,442
-	-	-	406,530	828,366	863,442
<u>\$ 10,294,298</u>	<u>\$ 9,594,854</u>	<u>\$ 9,102,707</u>	<u>\$ 8,411,291</u>	<u>\$ 9,475,463</u>	<u>\$ 11,103,024</u>
\$ (6,935,684)	\$ (7,904,819)	(8,365,386)	(5,908,580)	(5,801,420)	(5,279,049)
-	-	(137)	(62,230)	(78,882)	(170,774)
<u>\$ (6,935,684)</u>	<u>\$ (7,904,819)</u>	<u>\$ (8,365,523)</u>	<u>\$ (5,970,810)</u>	<u>\$ (5,880,302)</u>	<u>\$ (5,449,823)</u>
\$ 9,530,096	\$ 9,692,651	\$ 9,226,181	\$ 8,302,788	\$ 6,549,669	\$ 5,561,557
-	-	350,621	356,371	-	-
-	-	-	-	-	-
11,052	18,055	59,760	72,833	388,183	494,489
294,494	297,238	197,019	46,982	535,733	188,436
-	-	115,983	-	-	(88,748)
<u>\$ 9,835,642</u>	<u>\$ 10,007,944</u>	<u>9,949,564</u>	<u>8,778,974</u>	<u>7,473,585</u>	<u>6,155,734</u>
-	-	-	134	1,902	1,052
-	-	(115,983)	-	-	88,748
-	-	(115,983)	134	1,902	89,800
<u>\$ 9,835,642</u>	<u>\$ 10,007,944</u>	<u>\$ 9,833,581</u>	<u>\$ 8,779,108</u>	<u>\$ 7,475,487</u>	<u>\$ 6,245,534</u>
\$ 2,899,958	\$ 2,103,125	\$ 1,584,178	\$ 2,870,394	\$ 1,672,165	\$ 876,685
-	-	(116,120)	(62,096)	(76,980)	(80,974)
<u>\$ 2,899,958</u>	<u>\$ 2,103,125</u>	<u>\$ 1,468,058</u>	<u>\$ 2,808,298</u>	<u>\$ 1,595,185</u>	<u>\$ 795,711</u>



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CITY OF BEAUFORT, SOUTH CAROLINA
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,				
	2017	2016	2015	2014	2013
General Fund					
Nonspendable	\$ 25,027	\$ 15,294	\$ 10,898	\$ 18,060	\$ 32,353
Restricted	2,844,003	1,004,485	734,779	831,983	851,451
Unrestricted:					
Committed	1,362,123	1,999,845	2,258,084	2,351,081	2,656,417
Assigned	101,421	326,952	491,562	1,046,562	1,288,240
Unassigned	5,699,890	5,428,629	4,642,101	4,492,297	4,922,304
Total General Fund	<u>\$ 10,032,464</u>	<u>\$ 8,775,205</u>	<u>\$ 8,137,424</u>	<u>\$ 8,739,983</u>	<u>\$ 9,750,765</u>
All Other Governmental Funds					
Nonspendable	\$ 138,449	\$ 7,246	\$ 7,246	\$ 7,246	\$ 7,246
Restricted	13,235,318	12,148,286	11,270,823	10,033,128	8,119,831
Unrestricted:					
Committed	497,924	961,369	1,254,287	253,322	235,424
Assigned	-	-	-	1,150,087	1,025,840
Total All Other Governmental Funds	<u>\$ 13,871,691</u>	<u>\$ 13,116,901</u>	<u>\$ 12,532,356</u>	<u>\$ 11,443,783</u>	<u>\$ 9,388,341</u>

	Fiscal Year Ending June 30,				
	2012	2011 ²	2010	2009	2008
General Fund					
Nonspendable	\$ 24,084	\$ 29,371	\$ -	\$ -	\$ -
Restricted	802,609	401,702	-	-	-
Unrestricted:					
Committed	2,308,806	2,241,790	-	-	-
Assigned	2,111,886	1,920,101	-	-	-
Unassigned	4,372,100	4,305,595	-	-	-
Reserved	-	-	4,701,267	3,616,302	2,805,417
Unreserved	-	-	5,584,949	4,389,144	5,956,711
Total General Fund	<u>\$ 9,619,485</u>	<u>\$ 8,898,559</u>	<u>\$ 10,286,216</u>	<u>\$ 8,005,446</u>	<u>\$ 8,762,128</u>
All Other Governmental Funds					
Nonspendable	\$ 7,246	\$ 7,246	\$ -	\$ -	\$ -
Restricted	7,146,829	6,611,646	-	-	-
Unrestricted:					
Committed	132,519	39,352	-	-	-
Assigned	755,123	-	-	-	-
Reserved ¹	-	-	5,776,593	8,788,940	7,427,873
Unreserved - reported in:					
Special revenue funds	-	-	17,137	1,962,148	2,070,737
Debt service funds	-	-	434,731	-	-
Capital project funds	-	-	-	1,013,365	9,560,422
Total All Other Governmental Funds	<u>\$ 8,041,717</u>	<u>\$ 6,658,244</u>	<u>\$ 6,228,461</u>	<u>\$ 11,764,453</u>	<u>\$ 19,059,032</u>

Note:

¹ The permanent fund is considered 100% reserved.

² The City implemented GASB 54 during the 2011 fiscal year, reporting prospectively

CITY OF BEAUFORT, SOUTH CAROLINA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending			
	2017	2016	2015	2014
Revenues				
Taxes	\$ 11,171,205	\$ 10,914,651	\$ 10,528,206	\$ 9,704,332
Licenses and permits	4,005,648	3,791,718	3,689,739	3,472,518
Fines and forfeitures	316,080	331,234	272,105	284,414
Franchise fees	2,135,337	2,134,882	2,095,821	2,029,367
Intergovernmental	2,406,466	1,586,691	1,795,770	1,386,698
Charges for services	2,760,528	2,662,939	2,522,518	2,610,188
Interest	28,747	20,644	24,420	14,185
Miscellaneous	518,139	205,929	206,372	578,770
	<u>23,342,150</u>	<u>21,648,688</u>	<u>21,134,951</u>	<u>20,080,472</u>
Expenditures				
Current				
General government	5,036,337	4,751,391	3,934,440	4,142,365
Public safety	9,510,579	8,212,557	8,811,868	7,674,772
Public services	5,586,442	3,903,168	3,817,730	3,566,643
	<u>20,133,358</u>	<u>16,867,116</u>	<u>16,564,038</u>	<u>15,383,780</u>
Debt service				
Principal	1,751,889	1,650,181	1,518,996	1,461,024
Interest	513,263	673,649	722,904	776,582
	<u>2,265,152</u>	<u>2,323,830</u>	<u>2,241,900</u>	<u>2,237,606</u>
Capital outlay				
	<u>2,024,881</u>	<u>2,915,195</u>	<u>2,241,040</u>	<u>1,414,426</u>
	<u>24,423,391</u>	<u>22,106,141</u>	<u>21,046,978</u>	<u>19,035,812</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	<u>(1,081,241)</u>	<u>(457,453)</u>	<u>87,973</u>	<u>1,044,660</u>
Other Financing Sources (Uses)				
Debt issued	3,093,290	10,812,436	398,041	-
Debt repaid	-	(9,850,831)	-	-
Transfers in	540,966	262,478	3,020,814	1,991,916
Transfers out	(540,966)	(262,478)	(3,020,814)	(1,991,916)
Sale of capital asset	-	718,174	-	-
	<u>3,093,290</u>	<u>1,679,779</u>	<u>398,041</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 2,012,049</u>	<u>\$ 1,222,326</u>	<u>\$ 486,014</u>	<u>\$ 1,044,660</u>
Debt Service as a Percentage of Noncapital Expenditures	10.90%	12.60%	12.53%	13.08%

June 30,					
2013	2012	2011	2010	2009	2008
\$ 9,205,523	\$ 9,673,157	\$ 9,232,509	\$ 8,027,329	\$ 7,000,262	\$ 7,935,021
3,819,964	4,095,313	3,757,187	3,656,820	3,756,425	4,221,588
299,015	274,429	250,352	348,144	385,123	741,467
1,957,691	1,807,068	1,920,867	1,705,625	1,626,607	-
2,136,964	1,528,859	1,393,943	466,832	944,439	1,758,475
2,347,354	2,115,210	2,130,979	2,198,566	1,547,779	1,362,025
11,052	18,055	59,760	35,601	389,000	-
294,494	273,210	197,019	69,357	495,479	579,483
<u>20,072,057</u>	<u>19,785,301</u>	<u>18,942,616</u>	<u>16,508,274</u>	<u>16,145,114</u>	<u>16,598,059</u>
4,096,401	5,376,872	3,624,368	3,029,450	3,767,168	3,561,903
7,183,694	6,909,072	7,364,784	6,369,766	6,579,706	7,342,514
3,525,624	4,567,254	4,827,503	2,567,787	2,152,374	3,108,721
<u>14,805,719</u>	<u>16,853,198</u>	<u>15,816,655</u>	<u>11,967,003</u>	<u>12,499,248</u>	<u>14,013,138</u>
1,409,204	1,274,558	1,540,772	1,474,109	1,190,013	1,262,002
828,521	756,444	915,803	974,288	767,228	607,639
<u>2,237,725</u>	<u>2,031,002</u>	<u>2,456,575</u>	<u>2,448,397</u>	<u>1,957,241</u>	<u>1,869,641</u>
1,550,709	701,392	1,746,732	5,347,980	9,741,886	5,323,092
<u>18,594,153</u>	<u>19,585,592</u>	<u>20,019,962</u>	<u>19,763,380</u>	<u>24,198,375</u>	<u>21,205,871</u>
1,477,904	199,709	(1,077,346)	(3,255,106)	(8,053,261)	(4,607,812)
-	5,350,000	-	-	-	16,697,087
-	(3,445,310)	-	-	-	-
988,073	645,032	2,803,893	32,615	934,832	112,252
(988,073)	(645,032)	(2,803,893)	(32,615)	(934,832)	(112,252)
-	-	-	-	-	-
-	1,904,690	-	-	-	16,697,087
<u>\$ 1,477,904</u>	<u>\$ 2,104,399</u>	<u>\$ (1,077,346)</u>	<u>\$ (3,255,106)</u>	<u>\$ (8,053,261)</u>	<u>\$ 12,089,275</u>
13.29%	12.05%	14.23%	16.98%	13.54%	11.77%



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CITY OF BEAUFORT, SOUTH CAROLINA
SCHEDULE OF TAX REVENUES, FRANCHISE AND UTILITY FEES
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

Fiscal Year Ending June 30	Property Tax	Accommodations and Hospitality Taxes	Franchise Fees	Utility Fee	Total
2017	\$ 7,942,496	\$ 3,228,709	\$ 2,135,337	\$ 841,600	\$ 14,148,142
2016	7,875,593	3,039,058	2,134,882	873,156	13,922,689
2015	7,733,254	2,794,952	2,095,821	838,743	13,462,770
2014	7,094,461	2,609,871	2,029,367	834,110	12,567,809
2013	6,726,986	2,478,537	1,957,691	812,001	11,975,215
2012	7,234,394	2,438,763	1,807,068	489,438	11,969,663
2011	7,028,243	2,204,266	1,920,867	492,783	11,646,159
2010	6,480,714	2,006,439	1,705,625	329,063	10,521,841
2009	5,229,710	1,770,552	1,626,607	324,556	8,951,425
2008	4,452,306	1,582,273	1,591,321	309,121	7,935,021

Notes:

Schedule includes governmental funds

Source:

City records

**CITY OF BEAUFORT, SOUTH CAROLINA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN CALENDAR YEARS**

Tax Year	Real Property		Personal Property		Motor Vehicles	
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value
2016	\$ 85,258,330	\$ 1,885,138,973	\$ 9,736,180	\$ 94,616,310	\$ 5,414,210	\$ 6,116,900
2015	83,901,990	1,865,267,573	9,573,500	92,564,700	6,449,130	101,101,920
2014	82,703,400	1,845,332,873	9,152,060	88,410,360	5,750,780	91,439,120
2013	82,506,450	1,847,349,573	7,092,170	68,374,850	5,305,280	84,049,400
2012	83,949,050	2,210,221,600	7,872,140	77,954,460	5,072,160	78,995,310
2011	83,048,790	2,199,598,304	6,346,940	64,695,720	3,573,379	59,283,380
2010	79,048,200	2,210,411,620	7,598,310	77,111,460	4,576,754	67,199,907
2009	80,652,264	2,214,679,490	7,516,630	77,111,460	4,576,754	67,199,607
2008	58,944,688	1,392,239,126	7,476,211	26,102,574	- ¹	- ¹
2007	54,349,473	1,303,327,682	7,295,018	14,447,232	4,673,420	- ¹

Note:

¹ Information is not available

Source:

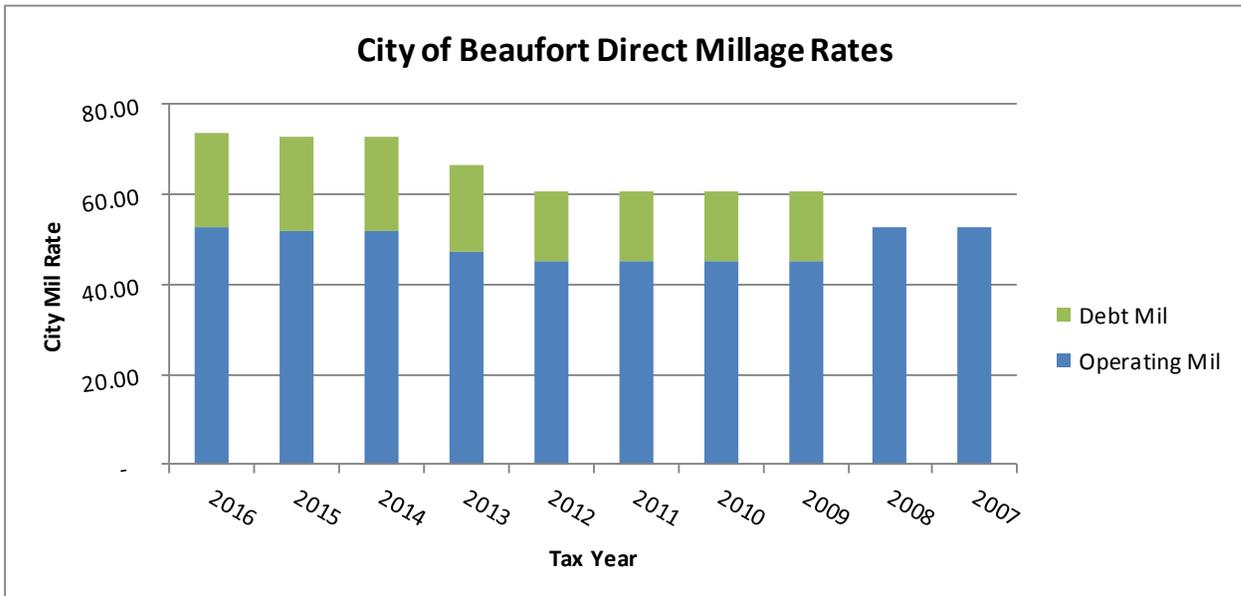
Beaufort County Tax Assessor

	<u>Total</u>		
<u>Assessed</u>	<u>Estimated</u>	<u>Ratio of Total</u>	<u>Total</u>
<u>Value</u>	<u>Market Value</u>	<u>Assessed to Total</u>	<u>Direct</u>
		<u>Estimated Value</u>	<u>Rate</u>
\$ 100,408,720	\$ 1,985,872,183	5.06%	73.57
99,924,620	2,058,934,193	4.85%	72.61
97,606,240	2,025,182,353	4.82%	72.62
94,903,900	1,999,773,823	4.75%	66.61
96,893,350	2,367,171,370	4.09%	60.62
92,969,109	2,323,577,404	4.00%	60.62
91,223,264	2,354,722,987	3.87%	60.62
92,745,648	2,358,990,557	3.93%	60.62
66,420,899	1,418,341,700	4.68%	52.80
66,317,911	1,317,774,914	5.03%	52.80

**CITY OF BEAUFORT, SOUTH CAROLINA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN CALENDAR YEARS**

Tax Year	Direct	Overlapping		Total Direct and Overlapping Rates
	City	School District	County	
2016	73.57	143.21	61.27	278.05
2015	72.61	135.21	59.15	266.97
2014	72.62	135.21	56.86	264.69
2013	66.61	129.15	56.30	252.06
2012	60.62	119.26	48.52	228.40
2011	60.62	118.26	47.54	226.42
2010	60.62	116.59	47.54	224.75
2009	60.62	114.69	45.96	221.27
2008	52.80	130.60	51.90	235.30
2007	52.80	122.80	47.40	223.00

Tax Year	Total Direct - City		Total Direct
	Operating Mil	Debt Mil	
2016	52.79	20.78	73.57
2015	51.83	20.78	72.61
2014	51.84	20.78	72.62
2013	47.44	19.17	66.61
2012	45.00	15.62	60.62
2011	45.00	15.62	60.62
2010	45.00	15.62	60.62
2009	45.00	15.62	60.62
2008	52.80	-	52.80
2007	52.80	-	52.80



Source:
City staff

**CITY OF BEAUFORT, SOUTH CAROLINA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer ²	2017			2008		
	Taxable Assessed Value ²	Rank	% of Total City Net Assessed Value	Taxable Assessed Value	Rank	% of Total City Net Assessed Value
USPG Portfolio Eight, LLC	\$ 1,165,500	1	1.37%			
Wal-Mart Real Estate Business Trust	1,125,560	2	1.32%			
303 Associates, LLC	932,210	3	1.09%			
Ribaut Holdings, LLC	875,350	4	1.03%			
Lowes Home Center, Inc.	621,880	5	0.73%			
Hotel Beaufort LP	617,050	6	0.72%			
HMV Hotels LLC	583,730	7	0.68%			
Cross Creek Apartments Holdings, LLC	536,070	8	0.63%			
Beaufort Dealership Properties LLC	473,250	9	0.56%			
Public Supermarkets, Inc.	465,400	10	0.55%			
				\$ -	1	0.00% ¹
				-	2	0.00% ¹
				-	3	0.00% ¹
				-	4	0.00% ¹
				-	5	0.00% ¹
				-	6	0.00% ¹
				-	7	0.00% ¹
				-	8	0.00% ¹
				-	9	0.00% ¹
				-	10	0.00% ¹
	<u>\$ 7,396,000</u>		<u>8.7%</u>	<u>\$ -</u>		<u>0.00%</u>

Note:

¹ Information is not available

Source:

² Information obtained from the Beaufort County Tax Assessor

**CITY OF BEAUFORT, SOUTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN CALENDAR YEARS**

Tax Year ¹	Collected Within the Calendar Year of Levy			Collections for Subsequent Years	Total Collections to Date	
	Total Tax Levy ²	Amount	Percentage of Levy		Amount	Percentage of Levy
2016	\$ 7,637,527	\$ 7,456,153	97.63%	-	\$ 7,456,153	97.63%
2015	7,387,716	7,178,528	97.17%	-	7,178,528	97.17%
2014	7,274,526	7,068,424	97.17%	-	7,068,424	97.17%
2013	6,962,217	6,649,940	95.51%	-	6,649,940	95.51%
2012	6,264,528	5,967,309	95.26%	- ³	5,967,309	95.26%
2011	6,582,620	6,350,695	96.48%	- ³	6,350,695	96.48%
2010	7,454,125	7,114,512	95.44%	- ³	7,114,512	95.44%
2009	5,684,836	5,278,031	92.84%	- ³	5,278,031	92.84%
2008	- ³	- ³	0.00%	- ³	- ³	0.00%
2007	- ³	- ³	0.00%	- ³	- ³	0.00%

Notes:

¹ Taxes are assessed for the calendar year beginning January 1.

² The total tax levy includes real property, personal property and vehicles. The total tax levy is the original county levy after adjustments for cancelations, releases, errors and additions.

³ Information is not available

**CITY OF BEAUFORT, SOUTH CAROLINA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year Ending June 30,	Governmental Activities					Business-type Activities		Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	Tax Increment Bonds	General Obligation Bonds	Premiums on General Obligation Bonds	Revenue Bonds	Capital Leases	Capital Leases	Capital Leases			
2017	\$ -	\$ 11,480,000	\$ 922,638	\$ 2,539,826	\$ 3,336,035	\$ -	\$ 18,278,499	5.46%	\$ 1,360	
2016	542,213	12,405,000	1,027,436	2,746,215	321,032	-	17,041,896	4.86%	1,281	
2015	1,061,437	12,725,000	-	2,945,164	398,041	-	17,129,642	4.71%	1,305	
2014	1,558,657	13,555,000	-	3,136,940	-	-	18,250,597	5.06%	1,407	
2013	2,034,819	14,355,000	-	3,321,802	-	-	19,711,621	5.29%	1,541	
2012	2,490,825	15,130,000	-	3,500,000	-	-	21,120,825	5.76%	1,685	
2011	3,170,383	13,875,000	-	-	3,445,310	-	20,490,693	6.03%	1,658	
2010	3,758,649	14,450,000	-	-	3,822,816	-	22,031,465	7.16%	1,818	
2009	4,443,419	15,000,000	-	-	4,626,306	177,527	24,247,252	5.87%	1,798	
2008	5,039,694	15,000,000	-	-	5,170,612	207,757	25,418,063	7.96%	¹ 2,101	

Notes:

¹ Subsequent information needed to calculate is not available.

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

Sources:

^a See the schedule of Demographic and Economic Statistics for personal income and population data.

**CITY OF BEAUFORT, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt Repaid with Property Taxes			
Beaufort County, South Carolina			
General obligation bonded debt	\$ 263,450,823	7.34%	\$ 19,339,971
Mortgage	4,000,000	7.34%	293,641
Premiums	16,050,632	7.34%	1,178,280
Beaufort County School District			
General obligation bonded debt	279,030,621	25.34%	70,706,359
Capital lease	3,500,000	25.34%	886,900
Installment purchase revenue bond	27,240,000	25.34%	<u>6,902,616</u>
Subtotal - Overlapping Debt			<u>99,307,767</u>
City of Beaufort Direct Debt			<u>18,278,499</u>
Total Direct and Overlapping Debt			<u><u>\$ 117,586,266</u></u>

Note:

¹ *Percentage of overlapping debt of the County was estimated by comparing the City's population to the total County estimated population from the U.S. Census Bureau. The percentage for overlapping debt of the School District was estimated by comparing the student population of schools residing within the City limits to the total school population for the 2011-2012 academic year.*

Sources:

Beaufort County Finance Department
Beaufort County School District

**CITY OF BEAUFORT, SOUTH CAROLINA
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt Outstanding	Percentage of Estimated Actual Taxable Value of Property ^a	Per Capita ^b
2017	\$ 12,402,638	\$ -	\$ 12,402,638	12.35%	\$ 922
2016	12,405,000	-	12,405,000	12.41%	932
2015	12,725,000	-	12,725,000	13.04%	969
2014	13,555,000	-	13,555,000	14.28%	1,045
2013	14,355,000	-	14,355,000	14.82%	1,123
2012	15,130,000	-	15,130,000	16.27%	1,207
2011	13,875,000	-	13,875,000	15.21%	1,122
2010	14,450,000	-	14,450,000	15.58%	1,192
2009	15,000,000	-	15,000,000	0.00%	1,112 ¹
2008	15,000,000	-	15,000,000	0.00%	1,240 ¹

Notes:

¹ Subsequent information needed to calculate is not available.

² Details regarding the City's debt can be found in the notes to the financial statements.

Sources:

^a See the schedule of Assessed Value and Estimated Actual Value of Taxable Property for property tax data.

^b See the schedule of Demographic and Economic Statistics for per capita data.

**CITY OF BEAUFORT, SOUTH CAROLINA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	Fiscal Year Ending			
	2017	2016	2015	2014
Total Assessed Value of Taxable property	\$ 100,408,720	\$ 99,924,620	\$ 97,606,240	\$ 94,903,900
Less Exemptions for Bond Purposes	-	-	-	-
Net Assessed Value for Bond Purposes	<u>\$ 100,408,720</u>	<u>\$ 99,924,620</u>	<u>\$ 97,606,240</u>	<u>\$ 94,903,900</u>
Debt Limit Percentage	8%	8%	8%	8%
Debt Limit	\$ 8,032,698	\$ 7,993,970	\$ 7,808,499	\$ 7,592,312
Total Net Debt Applicable to Limit General obligation bonds (net of set aside)	<u>1,000,000</u>	<u>1,180,000</u>	<u>1,355,000</u>	<u>1,690,000</u>
Legal Debt Margin	<u>\$ 6,852,698</u>	<u>\$ 6,638,970</u>	<u>\$ 6,118,499</u>	<u>\$ 5,742,312</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.45%	14.76%	17.35%	22.26%

Source:
Beaufort County Tax Assessor

June 30,					
2013	2012	2011	2010	2009	2008
\$ 96,893,350	\$ 92,969,109	\$ 91,223,264	\$ 92,745,648	\$ 66,420,899	\$ 66,317,911
-	-	-	-	-	-
<u>\$ 96,893,350</u>	<u>\$ 92,969,109</u>	<u>\$ 91,223,264</u>	<u>\$ 92,745,648</u>	<u>\$ 66,420,899</u>	<u>\$ 66,317,911</u>
8%	8%	8%	8%	8%	8%
\$ 7,751,468	\$ 7,437,529	\$ 7,297,861	\$ 7,419,652	\$ 5,313,672	\$ 5,305,433
1,850,000	-	-	-	-	-
<u>\$ 5,901,468</u>	<u>\$ 7,437,529</u>	<u>\$ 7,297,861</u>	<u>\$ 7,419,652</u>	<u>\$ 5,313,672</u>	<u>\$ 5,305,433</u>
23.87%	0.00%	0.00%	0.00%	0.00%	0.00%

**CITY OF BEAUFORT, SOUTH CAROLINA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population^a	Personal Income^b	Per Capita Personal Income^a	Unemployment Rate^a
2017	13,445	\$ 334,941,840	\$ 24,912	3.90%
2016	13,306	350,613,100	26,350	4.50%
2015	13,130	363,950,470	27,719	6.00%
2014	12,967	360,352,930	27,790	6.90%
2013	12,788	372,667,896	29,142	7.90%
2012	12,534	366,707,238	29,257	8.80%
2011	12,361	339,606,114	27,474	8.80%
2010	12,120	307,872,240	25,402 ^c	6.20%
2009	13,487	413,255,167	30,641	9.10%
2008	12,098	319,375,102	26,399	5.10%

Sources:

a *Obtained from U.S. Census Bureau, Quick Facts*

b *Personal income is calculated by multiplying population by per capita personal income*

c *Obtained from City of Beaufort Comprehensive Plan*

**CITY OF BEAUFORT, SOUTH CAROLINA
PRINCIPAL EMPLOYERS
CURRENT CALENDAR YEAR AND NINE YEARS AGO**

Employers	December 31, 2012			December 31, 2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Department of Defense	7,352	1	12.33%	-		-
Beaufort County School District	3,159	2	5.30%	3,400	1	20.31%
Beaufort Memorial Hospital	1,404	3	2.36%	1,164	3	6.95%
Beaufort County	1,128	4	1.89%	1,750	2	10.45%
Marine Corps Community Services	789	5	1.32%	-		-
Hilton Head Health System, LP	700	6	1.17%	600	6	3.58%
Care Core National, LLC	419	7	0.70%	-		-
Wal-Mart Associates, Inc.	400	8	0.67%	520	7	3.11%
Hargray Communications Group, Inc.	361	9	0.61%	-		-
Technical College of the Low Country	318	10	0.53%	-		-
Marine Corps Recruit Depot (Civilian Personnel)	-		-	882	4	5.27%
Marine Corps Air Station (Civilian Personnel)	-		-	700	5	4.18%
Hilton Head Marriott Golf and Beach Resort	-		-	520	8	3.11%
The Westin Resort	-		-	450	9	2.69%
Crowne Plaza Resort	-		-	430	10	2.57%
	<u>16,030</u>		<u>26.88%</u>	<u>10,416</u>		<u>62.22%</u>

Source:

Beaufort Regional Chamber of Commerce

Note:

No new data for December 31, 2016 and December 31, 2007 was available at the time of issuance.

**CITY OF BEAUFORT, SOUTH CAROLINA
 FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS**

Function	Full-time and Part-time City Employees as of June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government	27	28	28	23	24	22	20	21	21	37
Public safety	98	93	90	97	98	91	92	84	90	99
Public services	22	22	18	28	25	22	18	19	25	29
	<u>147</u>	<u>143</u>	<u>136</u>	<u>148</u>	<u>147</u>	<u>135</u>	<u>130</u>	<u>124</u>	<u>136</u>	<u>165</u>

Source:
 City personnel records

**CITY OF BEAUFORT, SOUTH CAROLINA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety										
Police										
Arrests	1,026	1,107	816	963	1,233	1,215	1,016	1,071	1,207	1,291
Fire										
Number of emergency calls	2,852	2,576	2,211	2,327	2,582	1,886	2,351	1,711	1,747	1,747
Inspections	705	533	605	242	181	92	127	165	531	426
Public Services										
Parks										
Number of parks	24	24	24	24	24	24	24	28	28	28
Solid Waste¹										
Garbage removed (tons)	-	-	-	-	-	-	-	-	5,615	5,431
Recycling removed (tons)	-	-	-	-	-	-	-	-	420	526
Complaints										
Missed garbage	442	113	67	40	25	16	40	116	N/A	N/A
Missed recycling	210	72	26	21	20	40	43	91	N/A	N/A
Missed yard waste	131	23	24	31	22	13	35	49	N/A	N/A
Planning										
Building permits issued	1,426	1,332	1,278	1,315	1,248	1,147	N/A	N/A	N/A	N/A
Building permit fees	\$ 376,254	\$ 244,837	\$ 254,637	\$ 245,906	\$ 246,214	\$ 276,966	N/A	N/A	N/A	N/A
Certificate of occupancy	42	22	35	34	37	45	N/A	N/A	N/A	N/A
Certificate of completion	54	60	33	44	37	39	N/A	N/A	N/A	N/A

Source:

City records

Note:

¹ During FY 2010, the solid waste service was outsourced, therefore the operating indicators from FY 2010 forward are based on how well service is being performed.

N/A - data is not available.

**CITY OF BEAUFORT, SOUTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

	Fiscal Year Ending June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Fire stations	3	3	2	2	2	2	2	2	2	2
Public Services										
Parks	24	24	24	24	24	24	24	28	28	28

Source:
City records



COMPLIANCE SECTION



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

**To the Honorable Mayor and Members
of the City Council
Beaufort, South Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Beaufort, South Carolina (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Beaufort, South Carolina's basic financial statements, and have issued our report thereon dated December 8, 2017.

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) to determine the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Macon, Georgia
December 8, 2017

CITY OF BEAUFORT, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards

There was no audit of major federal award programs as of June 30, 2017 due to the total amount of federal expenditures being less than \$750,000 during the fiscal year 2017.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.



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