

Annual Comprehensive Financial Report



For the Fiscal Year Ended June 30, 2021

**City of Beaufort,
South Carolina**



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Annual Comprehensive Financial Report

For the Fiscal Year
Ended June 30, 2021

City of Beaufort, South Carolina

1911 Boundary Street

Beaufort, South Carolina 29902

Prepared by City Finance Department



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Introductory Section



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December 10, 2021

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, 2021.

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 the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Beaufort follows 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 are 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, 2021 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, 2021, 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 2020 population of the City according to the U.S. Census update by the Lowcountry Council of Governments was 13,436.

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's current economic environment following Covid-19 is stable, with an unemployment rate of 3.6%, which is below Beaufort County and the State average of 4.2%. and a median household income of \$47,452 which continues to be about \$9,000 below the median income for the county. Nineteen percent (19.3%) 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 and economic diversification of our industry over the next ten years is predicted to be more than 40% which should have a dramatic effect on the poverty level and increase the population's median household income. The City continues to have 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, and the growth of the National Reconstruction history, the city has seen a return in its tourism industry since the pandemic. The hospitality industry saw a 6% growth over pre-pandemic levels of 2019 and the accommodations industry has returned to its pre-pandemic levels. The hotel industry is currently making major investments in new properties and over 400 new rooms will be added to inventory. The city has been featured in Southern Living magazine, named “Best Small Southern Town in South Carolina”, a “Top 17 Small Towns to Visit in the USA”, by Trip Advisor, “The Prettiest Small Town in South Carolina”, by Architectural Digest and just recently named “America’s Happiest Seaside Town”, by Coastal Living, to name a few.

Revenues from building permits, and business licenses show steady growth of 28% and 16%, respectively, since pre-pandemic levels. As noted above Hospitality and Accommodations tax revenues continue to show signs of recovery, returning to and in the case of Hospitality Tax revenue, exceeding pre-pandemic levels. Several annexations and several new industrial type businesses moving to Beaufort this past year coupled with commercial and residential development have enabled the tax base to increase 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

During fiscal year 2019 the City Council adopted seven major goals which have been carried forward into fiscal year 2021: encourage sustainable economic growth, create a long-range plan and identify available revenue streams to address the City’s infrastructure, maintain a comprehensive communication plan, attract through tourism those that may relocate their office or businesses to the City, enhance infill development, create and coordinate affordable housing opportunities, create and coordinate an environmental sustainability task force, and coordinate and collaborate with community stakeholders to identify the overall educational needs within the City. These goals were 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 ensure 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 Beaufort Digital Corridor attracted new start-up companies, the Low County Cyber Security initiative was started with University of South Carolina Beaufort and Technical College of the Lowcountry and we have one new



company building a new facility in the City's industrial park and another building a 64,000 sq. ft. "Spec" building. In addition, the City has worked closely with the Beaufort County Economic Development Corporation in creating new jobs and utilizing vacant buildings in the region.

The second goal was to create a long-term plan to identify available revenue streams to address the City's infrastructure needs. This plan was started last year with the establishment of a reserve fund, the award of a \$1 million dollar grant, and securing long-term bonding for some of our short-term stormwater needs.

The third goal is to create and coordinate programs and opportunities for the development of housing that is affordable to the mixed workforce that we have in the city.

Our fourth 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 fifth goal is 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 and Greene Street. We continue to see renovations and new home building taking place but most importantly we have seen community pride significantly improve. This program will continue through 2021 and we expect it to continue to expand to other streets and sections of the City over the next 3-5 years.

The sixth goal is to address and mitigate the effects of stormwater, flooding, rising sea levels, and natural disasters. This program is being started with a flood vulnerability assessment that was conducted in conjunction with the South Carolina Sea Grant Consortium, the College of Charleston, and the University of South Carolina NOAA Team.

The seventh goal is to coordinate and collaborate with community stakeholders to identify the overall educational needs within the City, resulting in a sound educational and workforce development plan.

In addition to the major goals, the City has established an emergency management plan, and the City is addressing the needed maintenance and preservation sidewalks and 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 annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020. This was the fourteenth (14th) consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

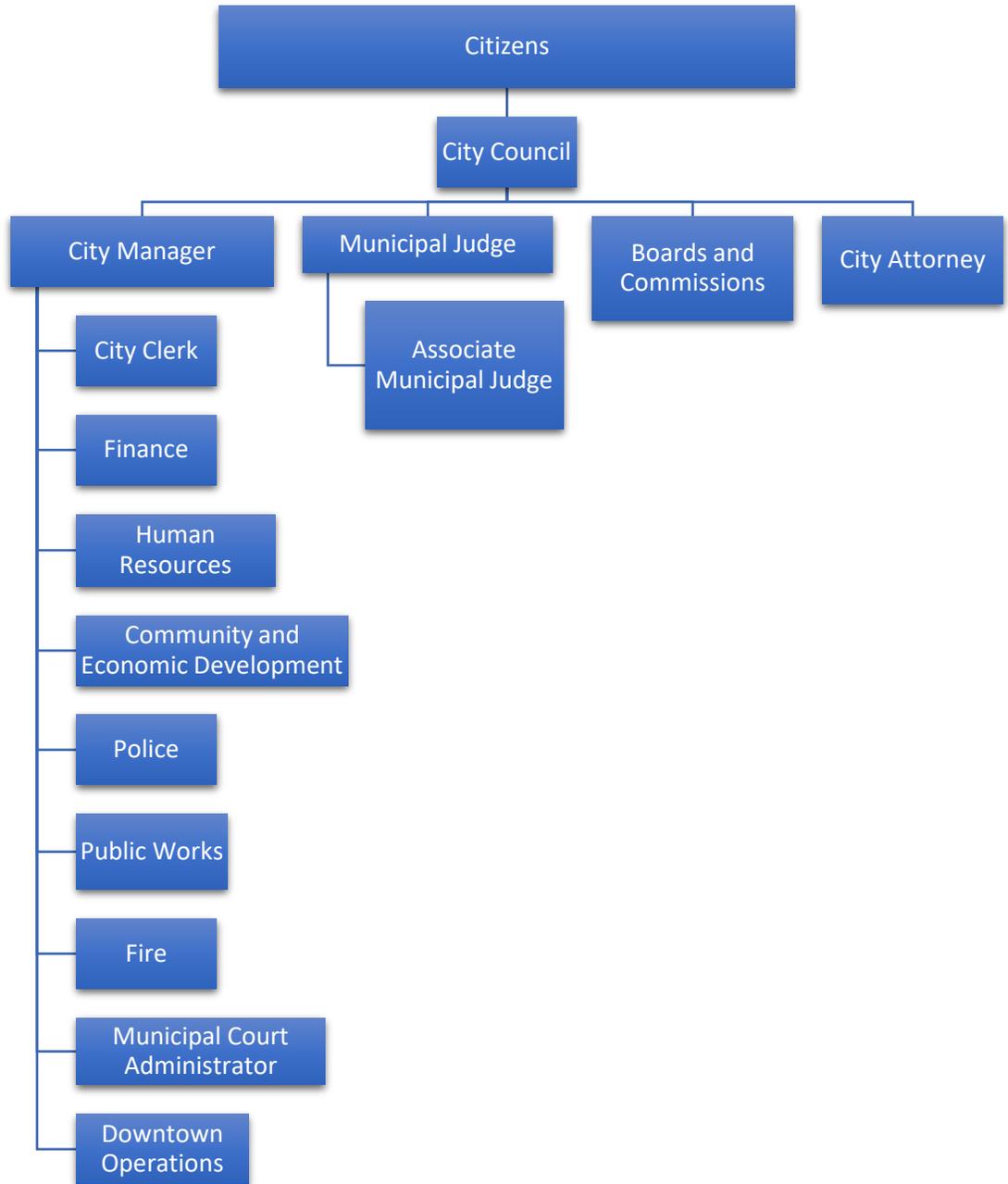
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City Manager's office and the Finance Department. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation 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 in both good and bad times.

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, 2021**

CITY COUNCIL

Stephen Murray
Michael McFee
Philip Cromer
Mitch Mitchell
Neil Lipsitz

Mayor
Mayor, Pro Tem
Councilman, At Large
Councilman, At Large
Councilman, At Large

ADMINISTRATION

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

Traci Guldner
Alan Eisenman, CPA CGFO
Jay Phillips

Gerald Eller
Kay McIntyre

City Manager
Finance Director
Deputy City Manager
Human Resources
Director
City Clerk
Senior Accountant
Financial Systems
Analyst
Accounting Clerk
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, 2020

Christopher P. Morrill

Executive Director/CEO



Financial Section





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INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and Members
of the City Council
City of Beaufort, South Carolina
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, 2021, 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, 2021, 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.

Emphasis of Matters

As discussed in Note 5, the City implemented Governmental Accounting Standards Board (“GASB”) Statement No. 84, Fiduciary Activities, as of July 1, 2020. This standard significantly changed the accounting for the Fiduciary Funds. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis (on pages C-1 through C-9), the budgetary comparison information (on pages E-1 through E-5), the pension information for the City of Beaufort Retirement Plan (on pages E-6 and E-7), and the notes to the required supplementary information (on page E-8) 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; and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), and is also 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; the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96), and the Schedule of Expenditures of Federal Awards 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; the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96), and the Schedule of Expenditures of Federal Awards 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 10, 2021, on our consideration of the City of Beaufort, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Beaufort, South Carolina's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Savannah, Georgia
December 10, 2021

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, 2021. 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, 2021 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 \$43,664,489 (net position). Unrestricted net position is reported as (\$9,247,197) 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 (\$20,463,439) from net position, results in \$11,216,242 unrestricted net position available to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased \$2,696,458. The net increase demonstrates the City's fiscal conservatory approach during the COVID 19 pandemic as expenditures remained mostly flat while increased revenues signal an improved economic forecast.
- The City's total cash position at June 30, 2021, was \$17,806,545 compared to \$19,619,119 at June 30, 2020, a decrease primarily due to the use of general obligation bond proceeds and other restricted resources for capital projects.
- As of June 30, 2021, the City's long-term indebtedness, including the liability for accrued vacation and net pension liability, had increased a net of \$2,527,408 from June 30, 2020. Net pension liability contributed to an increase by \$1,853,087 and an increase in debt of \$674,321 comprised from new issuance of improvement and refunding limited obligation bonds contributed to the overall net increase. During the fiscal year, the City expended \$789,596 for interest associated with its long-term indebtedness which was \$198,221 more than the interest paid during fiscal year 2020 due to bond issuance costs at closing.

- 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 32.6% of the governmental services to citizens and the community in fiscal year 2021.

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 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 custodial funds can be found on pages D-7 and D-8.

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-9.

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 \$43,664,489 at June 30, 2021.

The following table presents a summary of the City's Net Position at June 30, 2021.

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current and other assets	\$ 20,302,877	\$ 21,500,981	\$ (1,198,104)	-5.57%
Capital assets	<u>62,808,148</u>	<u>56,777,233</u>	<u>6,030,915</u>	<u>10.62%</u>
Total assets	<u>83,111,025</u>	<u>78,278,214</u>	<u>4,832,811</u>	<u>6.17%</u>
Deferred outflows of resources:				
Deferred loss on debt refunding	334,265	385,040	(50,775)	-13.19%
Deferred pension charges	<u>4,495,346</u>	<u>3,486,262</u>	<u>1,009,084</u>	<u>28.94%</u>
Total deferred outflows of resources	<u>4,829,611</u>	<u>3,871,302</u>	<u>958,309</u>	<u>24.75%</u>
Liabilities:				
Long-term liabilities	39,031,784	36,622,957	2,408,827	6.58%
Other liabilities	<u>4,652,351</u>	<u>4,420,909</u>	<u>231,442</u>	<u>5.24%</u>
Total liabilities	<u>43,684,135</u>	<u>41,043,866</u>	<u>2,640,269</u>	<u>6.43%</u>
Deferred inflows of resources:				
Deferred pension credits	<u>592,012</u>	<u>137,619</u>	<u>454,393</u>	<u>330.18%</u>
Net position:				
Net investment in capital assets	45,440,050	43,040,371	2,399,679	5.58%
Restricted	7,471,636	7,220,054	251,582	3.48%
Unrestricted	<u>(9,247,197)</u>	<u>(9,292,394)</u>	<u>45,197</u>	<u>0.49%</u>
Total net position	<u>\$ 43,664,489</u>	<u>\$ 40,968,031</u>	<u>\$ 2,696,458</u>	<u>6.58%</u>

The largest portion of the City's total net position (104.0%) 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 (17.1%) represents resources that are subject to external restrictions on how they may be used, and the remaining balance (a negative 21.1%) 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. The impact of pension liability on net position had a negative impact on unrestricted net position.

Net position presented in the Governmental-wide financial statements increased by a net \$2,696,458 during the current fiscal year.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City of Beaufort's net position by \$2,696,458 accounting for a significant 26,619% increase to the overall net position of the City.

	2021	2020	Change	% Change
Revenues:				
Program Revenues				
Charges for services	\$ 12,157,960	\$ 11,258,801	\$ 899,159	7.99%
Operating grants and contributions	509,273	988,942	(479,669)	-48.50%
Capital grants and contributions	2,506,849	719,770	1,787,079	248.28%
General Revenues				
Taxes	11,926,124	10,869,475	1,056,649	9.72%
Other	197,019	920,722	(723,703)	-78.60%
Total Revenues	27,297,225	24,757,710	2,539,515	10.26%
Expenses:				
General Government	4,049,072	4,476,711	(427,639)	-9.55%
Law Enforcement	5,954,583	6,023,509	(68,926)	-1.14%
Fire and emergency	6,236,152	6,127,033	109,119	1.78%
Public works	2,714,364	2,730,724	(16,360)	-0.60%
Culture and recreation	1,569,991	1,639,684	(69,693)	-4.25%
Streets	1,713,641	1,765,635	(51,994)	-2.94%
Community development	1,573,368	1,413,207	160,161	11.33%
Interest	789,596	591,375	198,221	33.52%
Total Expenses	24,600,767	24,767,878	(167,111)	-0.67%
Change in net position	2,696,458	(10,168)	2,706,626	26619.06%
Net position - beginning of year	40,968,031	40,978,199	(10,168)	-0.02%
Net position - end of year	\$ 43,664,489	\$ 40,968,031	\$ 2,696,458	6.58%

Overall revenues increased \$2,539,515, or 10.26% over the preceding year. Key elements of significant changes in governmental activity revenues are as follows:

- Operating grants and contributions decreased a net \$479,669 or 48.50% which is due to prior year's receipt of \$515,469 of federal and state disaster funding related to Hurricane Matthew following the successful appeal to the Federal Emergency Management Agency and the reduction in federal operating grant funding under the SAFER program as the grant term ended during the fiscal year.
- Capital grants and contributions increased by net \$1,787,079 or 248.28% primarily as result of capital grants for infrastructure related to Mossy Oaks Basin 1 and 2 stormwater projects that were completed.
- Taxes increased a net \$1,056,649 or 9.72%. Property taxes increased \$641,869 from growth in assessed property values and accommodations and hospitality taxes increased a net \$486,622 as tourism activity improved as COVID 19 restrictions lessened.
- Other General Revenues decreased a net \$723,703. The City realized declining interest rates impacting interest revenue resulting in decreased interest earnings of \$212,891 along with the donation of land valued at \$390,000 that was recognized in the prior year.

Overall expenses decreased \$167,111 or a modest 0.67% over the preceding year. Significant changes in expenses within governmental activities are as follows:

- General Government expenses decreased \$427,639 or 9.55% primarily because of a smaller strategic land purchase and a reduction of legal fees that occurred in the prior year.
- Community and economic development expenses increased \$160,161 or 11.33% primarily as a result of professional services to support City's review boards.
- Interest expenses increased by \$198,221 or 33.52% over the preceding year as the City recognized debt issuance costs associated with the closing of new Stormwater obligation bonds.

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, Parks & Tourism Fund, Stormwater Fund, Redevelopment Fund, State Accommodation Tax Fund, Tax Increment Financing District II Fund (TIF II), Capital Projects Fund, Drug Control and Prevention Fund, Fire Impact Fees Fund and Cemetery Fund. The General Fund, TIF II Fund, Parks & Tourism Fund, Stormwater 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, 2021, the City governmental funds reported combined fund balances of \$18,372,783, a net decrease of \$1,249,687 from the prior year's balances.

Decreases in fund balance were reported in the TIF II Fund of \$280,657, the Capital Projects Fund of \$213,421 and the Stormwater Fund of \$2,770,780. Increases were noted in the General Fund of \$1,439,590, the Parks and Tourism Fund of \$475,930 and Other Governmental Funds of \$99,651. The net increase in the General Fund is primarily a result of higher than anticipated licenses and permits as businesses and the construction industry continues to rebound from the impact of COVID 19. The increase in the Parks and Tourism Fund is attributed to improved tourism activity for restaurants and hotels as COVID 19 restrictions were removed. Decreases in the TIF II Fund, the Capital Projects Fund and the Stormwater Fund are the result of planned uses for capital project activities related to City Hall and Municipal Court complex energy upgrades, Waterfront Park improvements project, and the Mossy Oaks Stormwater projects.

40.7% (\$7,471,636) of the total Governmental Fund balance at June 30, 2021, is nonspendable or restricted in its use. \$7,443,237 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, 30.5% (\$5,598,105) 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. The remainder of the total Governmental Fund Balance of \$5,303,042 or 28.9% is unrestricted and unassigned and therefore available for spending at the City's discretion.

GENERAL, TAX INCREMENT FINANCING DISTRICT II, CAPITAL PROJECTS, PARKS AND TOURISM, AND STORMWATER FUNDS

General Fund

At June 30, 2021 the General Fund had a fund balance of \$9,543,826 representing 51.9% of the total Governmental ending fund balance. Of the General Fund's June 30, 2021 fund balance, 89.3% is *unrestricted* and of that amount 62% 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 29% of the General Fund's expenditures, while total fund balance of the General Fund represents 52.6% of that same amount.

General fund revenues increased \$954,690 or 5.11% from the prior year. The significant changes are primarily attributed to the following:

- Property Taxes reported an 8.69% increase totaling \$641,869. This increase is primarily related to growth in the assessed values from the reassessment of real property and an increase in the millage rate based on growth and CPI.
- Licenses and permits increased \$461,029 or 9.67% as new commercial and residential construction growth continued for a third year causing increased temporary licenses to contractors and new permits issued.
- Miscellaneous revenue decreased \$110,429 or 42.65% as the City was not involved with any significant property sales throughout the year.
- Decrease of \$52,537 in interest income as interest rates fall due to effect of COVID 19.

The General Fund expenditures increased a modest \$39,250 or 0.22% over fiscal year ended June 30, 2021.

Minor changes in expenditure activity between the current fiscal year and the prior fiscal year were realized in Streets, Public Works and in Fire and emergency. Streets decreased a net \$18,763; Public Works increased a net \$34,613; Fire and emergency increased \$49,377 and Debt Service decrease of \$75,715. More significant changes in the General Fund expenditures were a result of the following:

- General Government decreased \$309,751 over the prior year. Majority of the decrease is a result of a \$211,434 decrease attributed to acquisition of land on Boundary Street and \$86,448 decrease in legal fees.
- Law enforcement saw a \$174,704 net increase over the prior year. Net increases in personnel and benefits attributed to \$142,307 of the overall increase and a \$91,531 increase in leasing of vehicles as the Police Department continues to update their fleet with newer vehicles.
- Community and Economic Development increased \$184,785 or 20.78%. Most of that increase is due to using professional services to support the City's review boards.

Tax Increment Financing District II Fund (TIF II)

Significant expenditures of \$235,630 are associated with other financing uses – transfers out to the capital projects fund to cover energy efficient upgrades to City Hall and Municipal Court Complex.

Capital Projects Fund

The Capital Project Fund expended \$8,243,825 or \$3,738,602 more than fiscal year 2020. Most of the amount expended was a result of three projects: upgrades to Waterfront Park and playground project of \$292k, the energy upgrades to City Hall and Municipal Court Complex of \$237k, and costs associated with Stormwater in the Mossy Oaks Basin 1 and 2 and surrounding areas of the City totaling \$7.45M. During fiscal year 2021, the City had ten (10) active capital projects that were underway and at various stages of completion.

Parks and Tourism Fund

The Parks & Tourism fund expended \$3,022,378 in the current year which is \$281,255 less than the prior year and revenues of \$3,498,308 were \$368,092 more than FY 2020. The increase in revenue is due to improved tourism activity within the City as COVID 19 restrictions were lessened. Cut back measures were taken in the first half of the fiscal year by delaying planned activities until the tourism activity resumed back to normal.

Stormwater Fund

Stormwater operating revenue of \$1,122,089 which is \$47,636 less than fiscal year 2020 primarily due to lower interest rates on investments. The other financing sources of \$7,400,000 issuance of limited obligation bonds along with \$631,119 of bond premiums will allow more of an impact on major stormwater projects to reduce the impact of flooding. Stormwater operating and capital expenditures were \$1,484,052 and included debt service payments associated with the limited obligation bond and purchase of heavy mower equipment. \$739,626 represents the principal and interest associated with the new debt. The other financing uses comprises of \$5,124,790 transfers out to the capital projects fund for the recently completed Mossy Oaks drainage project and \$5,315,146 payment to bond escrow agent to pay off outstanding general obligation debt and taking advantage of lower interest rates.

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, 2021, the City's net capital assets totaled \$62,808,148 a net increase of \$6,030,915 from fiscal year 2020. 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 Construction in Progress resulting from capital projects noted above under the Capital Projects Fund and other projects at various stages of progress totaling \$6,817,730.
- Net increase in land of \$245,077 through strategic land acquisitions to promote growth.
- The closing of \$1,558,838 of current year and prior year's construction in project costs mostly related to \$738,114 of improvements to the Arsenal building and \$550,673 of Phase II energy efficient equipment upgrades to City Hall and Municipal Court Complex.
- The City purchased the acquisition of heavy equipment of \$191,369 for the Stormwater department and sold a fire truck and multiple police vehicles that had greatly surpassed their useful capital lives with an original purchase price of \$400,141.

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, 2021 totaled \$41,598,594.

The City's total indebtedness increased a net \$2,527,408 from the previous year. The increase is primarily from the issuance of limited obligation bond Series 2020 for \$7,400,000 with a premium of \$631,119 along with paying off the remaining outstanding balance of \$5,270,000 general obligation bond Series 2018. Debt related to compensated absences realized a decrease of \$13,493 and the Net Pension Liability saw an increase of \$1,853,087.

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 \$7,809,671 of which \$770,454 is subject to that limitation or 9.87% 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-18.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule of the General Fund, Tax Increment Financing District II Fund, Parks & Tourism Fund and the Stormwater Fund are 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 2021 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 were net increases in the General Fund appropriations between the original and final amended budget to adjust for the release of committed fund balances for capital projects and various contractual obligations and capital acquisitions.

The total actual revenues including other financing sources reported for the General Fund of \$19,749,002, was more than the final budgeted revenues of \$18,014,416 by \$1,734,586.

The total actual expenditures including other financing uses of the General Fund were \$18,309,412. This amount was \$231,354 more than the final budgeted amount due mostly to a land purchase opportunity in non-departmental expenditures that arose during the fiscal year that was funded through committed for land acquisition fund balance.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET

The City continues to face limited abilities for growth, both in population and jobs. The fiscal impacts of COVID 19 are starting to show signs of recovery as the tourism, business and construction industries have started to return to pre-pandemic level of activities. The steady growth from building permits and business licenses help point to economic improvement in the future.

The City adopted a general fund budget for fiscal year ended June 30, 2022 in the amount of \$18,733,544.

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.



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BASIC FINANCIAL STATEMENTS

CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2021

	Total Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 11,932,341
Receivables	2,475,179
Inventories and other assets	21,153
Restricted assets	
Restricted cash and cash equivalents	5,874,204
Capital Assets:	
Land, improvements and construction in progress	17,732,798
Other capital assets, net of depreciation	45,075,350
Total assets	83,111,025
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	334,265
Pension related deferred outflows	4,495,346
Total deferred outflows of resources	4,829,611
 LIABILITIES	
Accounts payable	1,047,767
Accrued liabilities	537,773
Accrued interest	188,998
Deposits and escrow	253,664
Due to other governments	57,339
Long-term liabilities:	
Due within one year	2,566,810
Due in more than one year	
Debt and compensated absences	18,568,345
Net pension liability	20,463,439
Total liabilities	43,684,135
 DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	592,012
Total deferred inflows of resources	592,012
 NET POSITION	
Net Investment in capital assets	45,440,050
Restricted for:	
Perpetual care	
Nonexpendable	28,399
Capital projects	1,373,056
Redevelopment	3,667,375
Other purposes	2,402,806
Unrestricted	(9,247,197)
Total net position	\$ 43,664,489

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Total</u>
Primary government					
Governmental Activities					
General government	\$ 4,049,072	\$ 7,021,483	\$ 98,845	\$ -	\$ 3,071,256
Law enforcement	5,954,583	94,687	-	-	(5,859,896)
Fire and emergency	6,236,152	2,024,272	408,746	-	(3,803,134)
Public works	2,714,364	1,965,559	-	-	(748,805)
Culture and recreation	1,569,991	169,057	-	529,000	(871,934)
Streets	1,713,641	-	-	1,977,849	264,208
Community and economic development	1,573,368	882,902	1,682	-	(688,784)
Interest on long-term debt	789,596	-	-	-	(789,596)
Total	<u>\$24,600,767</u>	<u>\$ 12,157,960</u>	<u>\$ 509,273</u>	<u>\$ 2,506,849</u>	<u>(9,426,685)</u>

General revenues:

Taxes:	
Property taxes, levied for general purposes	6,084,410
Property taxes, levied for debt service	1,849,034
Accommodations taxes	1,433,117
Hospitality taxes	2,191,724
Other taxes	367,839
Unrestricted investment earnings	35,078
Miscellaneous	161,941
Total general revenues	<u>12,123,143</u>
Change in net position	<u>2,696,458</u>
Net position - beginning	<u>40,968,031</u>
Net position - ending	<u>\$ 43,664,489</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>	<u>TIF II Fund</u>	<u>Capital Projects Fund</u>	<u>Parks and Tourism Fund</u>	<u>Stormwater Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	9,074,549	\$ 165,311	\$ 1,430,552	\$ 1,077,362	100,981	\$ 83,586	\$ 11,932,341
Taxes receivable, net	563,660	-	-	-	71,481	-	635,141
Other receivables	1,400,223	-	75,721	77,008	17,037	270,049	1,840,038
Inventories and other assets	21,153	-	-	-	-	-	21,153
Restricted cash and cash equivalents	-	3,506,462	-	-	2,337,293	30,449	5,874,204
Total assets	<u>11,059,585</u>	<u>3,671,773</u>	<u>1,506,273</u>	<u>1,154,370</u>	<u>2,526,792</u>	<u>384,084</u>	<u>20,302,877</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	749,492	4,398	133,217	83,706	20,951	56,003	1,047,767
Due to other governments	57,339	-	-	-	-	-	57,339
Accrued liabilities	484,195	-	-	35,013	15,508	3,057	537,773
Deposits and escrow	222,451	-	-	5,250	-	25,963	253,664
Total liabilities	<u>1,513,477</u>	<u>4,398</u>	<u>133,217</u>	<u>123,969</u>	<u>36,459</u>	<u>85,023</u>	<u>1,896,543</u>
Deferred Inflows of Resources:							
Unavailable revenue - property taxes	2,282	-	-	-	31,269	-	33,551
Total deferred inflows of resources	<u>2,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,269</u>	<u>-</u>	<u>33,551</u>
Fund balances:							
Nonspendable:							
Inventories	21,153	-	-	-	-	-	21,153
Cemetery	-	-	-	-	-	7,246	7,246
Restricted	1,002,254	3,667,375	1,373,056	1,030,401	121,771	248,380	7,443,237
Committed for:							
Land Acquisition	652,100	-	-	-	-	-	652,100
Vehicle and equipment replacement	873,842	-	-	-	-	-	873,842
Redevelopment	657,302	-	-	-	-	24,456	681,758
Capital Projects	1,034,133	-	-	-	2,337,293	-	3,371,426
Law enforcement	-	-	-	-	-	18,979	18,979
Assigned for:							
Subsequent year's budget	35,315	-	-	-	-	-	35,315
Unassigned	5,267,727	-	-	-	-	-	5,267,727
Total fund balances	<u>9,543,826</u>	<u>3,667,375</u>	<u>1,373,056</u>	<u>1,030,401</u>	<u>2,459,064</u>	<u>299,061</u>	<u>18,372,783</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,059,585</u>	<u>\$ 3,671,773</u>	<u>\$ 1,506,273</u>	<u>\$ 1,154,370</u>	<u>\$ 2,526,792</u>	<u>\$ 384,084</u>	<u>\$ 20,302,877</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total governmental fund balances: \$ 18,372,783

Amounts reported for governmental activities in the Statement of Net 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 \$29,834,920). 62,808,148

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. 33,551

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	\$	(188,998)	
Due within one year		(2,566,810)	
Due in more than one year		(18,568,345)	(21,324,153)

Net pension liability is not due and payable in the current period and therefore is not reported in governmental funds. (20,463,439)

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. 4,829,611

Deferred inflows are not due and payable in the current period and therefore not reported in governmental funds balance sheet. (592,012)

Net position of governmental activities \$ 43,664,489

CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	TIF II Fund	Capital Projects Fund	Parks and Tourism Fund	Stormwater Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 8,031,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,031,522
Other taxes	-	-	-	3,097,695	-	596,295	3,693,990
Franchise fees	1,977,222	-	-	-	-	-	1,977,222
Fines and forfeitures	89,699	-	-	-	-	-	89,699
Licenses and permits	5,227,274	-	-	-	-	8,992	5,236,266
Intergovernmental	2,835,209	-	2,506,849	1,682	-	-	5,343,740
Charges for services	1,317,317	-	-	393,931	1,114,110	12,998	2,838,356
Investment earnings	18,730	3,545	3,891	-	7,979	932	35,077
Miscellaneous	148,464	-	-	5,000	-	13,726	167,190
Total revenues	<u>19,645,437</u>	<u>3,545</u>	<u>2,510,740</u>	<u>3,498,308</u>	<u>1,122,089</u>	<u>632,943</u>	<u>27,413,062</u>
EXPENDITURES							
Current:							
General government	3,229,431	-	-	-	-	381,155	3,610,586
Law enforcement	4,178,991	-	-	1,157,456	-	48,572	5,385,019
Fire and emergency	5,474,539	-	-	-	-	-	5,474,539
Public works	1,655,331	48,572	-	-	553,056	-	2,256,959
Culture and recreation	-	-	-	1,110,982	-	-	1,110,982
Streets	782,896	-	-	-	-	-	782,896
Community and economic development	1,073,923	-	-	429,952	-	-	1,503,875
Debt Service:							
Principal	1,369,499	-	-	239,041	295,000	-	1,903,540
Interest and other charges	385,558	-	-	70,057	444,626	-	900,241
Capital Outlay	-	-	8,243,825	14,890	191,370	-	8,450,085
Total expenditures	<u>18,150,168</u>	<u>48,572</u>	<u>8,243,825</u>	<u>3,022,378</u>	<u>1,484,052</u>	<u>429,727</u>	<u>31,378,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,495,269</u>	<u>(45,027)</u>	<u>(5,733,085)</u>	<u>475,930</u>	<u>(361,963)</u>	<u>203,216</u>	<u>(3,965,660)</u>
OTHER FINANCING SOURCES (USES)							
Issuance of limited obligation bonds	-	-	-	-	7,400,000	-	7,400,000
Premium on issuance of debt	-	-	-	-	631,119	-	631,119
Payment to refunded bond escrow agent	-	-	-	-	(5,315,146)	-	(5,315,146)
Transfers in	103,565	-	5,519,664	-	-	-	5,623,229
Transfers out	(159,244)	(235,630)	-	-	(5,124,790)	(103,565)	(5,623,229)
Total other financing sources (uses)	<u>(55,679)</u>	<u>(235,630)</u>	<u>5,519,664</u>	<u>-</u>	<u>(2,408,817)</u>	<u>(103,565)</u>	<u>2,715,973</u>
Net change in fund balances	1,439,590	(280,657)	(213,421)	475,930	(2,770,780)	99,651	(1,249,687)
Fund balances - beginning	8,104,236	3,948,032	1,586,477	554,471	5,229,844	199,410	19,622,470
Fund balances - ending	<u>\$ 9,543,826</u>	<u>\$ 3,667,375</u>	<u>\$ 1,373,056</u>	<u>\$ 1,030,401</u>	<u>\$ 2,459,064</u>	<u>\$ 299,061</u>	<u>\$ 18,372,783</u>

CITY OF BEAUFORT, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds: \$ (1,249,687)

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	\$	8,869,148	
Less: current year depreciation		<u>(2,823,233)</u>	6,045,915

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the loss on the sale of the asset. Thus, the change in net assets differs from the change in fund balances by the cost of the asset sold. (15,000)

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. (98,078)

Governmental funds report bond and lease 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 and lease 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	\$	1,903,540	
Repayment on refunded debt		5,270,000	
Amortization of deferred loss on refunding		(50,776)	
Amortization of premiums		169,766	
Premium on the issuance of debt		(631,119)	
Issuance of revenue bonds		<u>(7,400,000)</u>	(738,589)

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		13,493	
Accrued interest not reflected on Governmental funds		36,800	
Change in pension expense		<u>(1,298,396)</u>	

Change in net position of governmental activities	\$	<u>2,696,458</u>	
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**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 103,438
Total assets	<u>103,438</u>
 Net Position	
Restricted:	
Individual, organizations, and other governments	<u>103,438</u>
Total net position	<u>\$ 103,438</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Custodial Funds
ADDITIONS	
Other taxes	\$ 91,249
Miscellaneous	37,141
Total additions	128,390
 DEDUCTIONS	
Other custodial disbursements	110,636
Total deductions	110,636
Change in fiduciary net position	17,754
Net position - beginning, restated	85,684
Net position - ending	\$ 103,438

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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 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 Custodial 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, 2021

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.
- The *Parks and Tourism Fund*, a special revenue fund, accounts for the activity related to tourism, tourism development and the facilities that support those activities.
- The *Stormwater Fund*, a special revenue fund, accounts for the activity related to Stormwater management 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 Funds:

- *Fiduciary Funds (Custodial)* are used to account for the collection and disbursements of monies by the City on behalf of other governments and individuals. Therefore, the fiduciary financial statements are excluded from the government-wide financial statements. The City has four custodial 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 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, 2021

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, 2021

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 56.30 mills, debt service tax rate is 20.00 mills, reserve tax rate is 2.00 mills and emergency tax rate is 1.00 mills for a total of 79.30 mills. Beaufort County bills and collects the City's property taxes on behalf of the City.

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, 2021 are \$53,334.

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, 2021**

<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, up to a maximum of 160 hours, will be paid to the employee or their estate. 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, 2021, there are no amounts for arbitrage rebates.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

- *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 along with a 3% reserve for stabilization bringing the total fund balance target to 28% of next year’s General Fund expenditure budget. No other fund balance policies exist.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

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 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, 2021, 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 General Fund, Tax Increment Financing District II fund, Parks and Tourism Fund, and Stormwater 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, State Accommodations Tax Fund, and Fire Impact Fees Fund

All annual appropriations lapse at fiscal year-end.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – DETAILED NOTES ON FUNDS AND ACTIVITIES

A. Capital Assets

Capital asset activity for the year ended June 30, 2021 is as follows:

	Beginning Balance June 30, 2020	Additions	Deletions	Transfers	Ending Balance June 30, 2021
Non-depreciable assets:					
Land	\$ 7,978,306	\$ 260,077	\$ (15,000)	\$ -	\$ 8,223,383
Construction in progress	2,691,685	8,376,568	-	(1,558,838)	9,509,415
	<u>10,669,991</u>	<u>8,636,645</u>	<u>(15,000)</u>	<u>(1,558,838)</u>	<u>17,732,798</u>
Depreciable assets:					
Infrastructure	33,757,624	-	-	149,930	33,907,554
Buildings and improvements	27,872,918	41,134	-	789,776	28,703,828
Machinery, furniture and equipment	11,888,528	191,369	(400,141)	619,132	12,298,888
	<u>73,519,070</u>	<u>232,503</u>	<u>(400,141)</u>	<u>1,558,838</u>	<u>74,910,270</u>
Subtotal assets	<u>84,189,061</u>	<u>8,869,148</u>	<u>(415,141)</u>	<u>-</u>	<u>92,643,068</u>
Accumulated depreciation:					
Infrastructure	(11,749,431)	(1,189,076)	-	-	(12,938,507)
Buildings and improvements	(9,117,404)	(768,720)	-	-	(9,886,124)
Machinery, furniture and equipment	(6,544,993)	(865,437)	400,141	-	(7,010,289)
	<u>(27,411,828)</u>	<u>(2,823,233)</u>	<u>400,141</u>	<u>-</u>	<u>(29,834,920)</u>
Total Governmental Activities	<u>\$ 56,777,233</u>	<u>\$ 6,045,915</u>	<u>\$ (15,000)</u>	<u>\$ -</u>	<u>\$ 62,808,148</u>

Depreciation expense was charged to governmental activities as follows:

Function	
General Government	\$ 591,633
Law Enforcement	122,365
Fire and Emergency	342,956
Culture and Recreation	418,408
Public Works	425,492
Streets	914,398
Community and Economic Development	7,981
	<u>\$ 2,823,233</u>

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B. Interfund Transactions and Balances

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

	<u>Transfers In</u>	<u>Transfers out</u>
General	\$ 103,565	\$ 159,244
TIF II	-	235,630
Capital Projects	5,519,664	-
Stormwater	-	5,124,790
Other Governmental	-	103,565
Total Transfers	\$ 5,623,229	\$ 5,623,229

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.

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.

C. Long-term Debt

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

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within</u>
	<u>June 30, 2020</u>		<u>June 30, 2021</u>		<u>One Year</u>		
General obligation bonds	\$ 13,745,000	\$ -	\$ (6,335,000)	\$ 7,410,000	\$ 1,100,000		
General obligation bonds premiums	549,701	-	(111,724)	437,977	-		
Limited obligation bonds	-	7,400,000	(295,000)	7,105,000	305,000		
Limited obligation bonds premiums	-	631,119	(58,042)	573,077	-		
Revenue bonds	1,873,179	-	(239,041)	1,634,138	247,981		
Capital leases	3,183,962	-	(304,498)	2,879,464	313,128		
Compensated absences	1,108,992	759,039	(772,532)	1,095,499	600,701		
Net pension liability	18,610,352	4,758,380	(2,905,293)	20,463,439	-		
	\$ 39,071,186	\$13,548,538	\$(11,021,130)	\$ 41,598,594	\$ 2,566,810		

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

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General Obligation Bonds

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, 2021 was \$215,000.

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 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 balance at June 30, 2021 was \$7,195,000.

On December 10, 2018, the City issued \$6,000,000 of general obligation bonds, series 2018, at an interest rate of 3.38% maturing on June 1, 2033. Semi-annual interest payments are due on June 1 and December 1. The proceeds of these bonds were used to for Stormwater capital improvements within the City. The bonds were fully paid with proceeds from the issuance of series 2020 refunding and improvement limited obligation bonds in fiscal year 2021.

Annual debt service requirement to maturity for the general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 1,100,000	\$ 275,038	\$ 1,375,038
2023	910,000	243,950	1,153,950
2024	940,000	221,200	1,161,200
2025	985,000	174,200	1,159,200
2026	1,035,000	124,950	1,159,950
2027 - 2031	2,440,000	126,150	2,566,150
	<u>\$ 7,410,000</u>	<u>\$ 1,165,488</u>	<u>\$ 8,575,488</u>

General obligation bonds are secured by a pledge of the full faith, credit, and taxing power of the City. No unusual events of default or termination exist for these debt issuances.

Limited Obligation Bonds

On September 2, 2020, the City issued \$7,400,000 of improvement and refunding limited obligation bonds, series 2020, at interest rates ranging from 2.0% to 4.0% maturing on July 1, 2040. Semi-annual interest payments are due on January 1 and July 1. The proceeds of these bonds were used to advance refund \$5,270,000 outstanding general obligation bonds series 2018 and an additional \$2,450,000 for Stormwater capital improvements within the City. The bonds were sold at a premium of \$631,119 and were issued to take advantage of lower interest rates. The debt issuance resulted in net present value benefit of \$568,822 and total cashflow savings of \$621,565 for the City. The balance at June 30, 2021 was \$7,105,000.

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Annual debt service requirements to maturity for the limited obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 305,000	\$ 206,600	\$ 511,600
2023	315,000	194,400	509,400
2024	330,000	181,800	511,800
2025	345,000	168,600	513,600
2026	355,000	154,800	509,800
2027 - 2031	2,005,000	548,800	2,553,800
2032 - 2036	1,960,000	260,700	2,220,700
2037 - 2040	1,490,000	75,300	1,565,300
	<u>\$ 7,105,000</u>	<u>\$ 1,791,000</u>	<u>\$ 8,896,000</u>

Revenue Bonds

On July 27, 2011, the City issued \$3,500,000 of hospitality and accommodations fee revenue bonds, 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, 2021 was \$1,634,138.

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

Year Ended June 30,	Principal	Interest	Total
2022	\$ 247,981	\$ 61,117	\$ 309,098
2023	257,255	51,843	309,098
2024	266,877	42,221	309,098
2025	276,858	32,240	309,098
2026	287,212	21,885	309,097
2027	297,955	11,143	309,098
	<u>\$ 1,634,138</u>	<u>\$ 220,449</u>	<u>\$ 1,854,587</u>

Revenue bonds are secured by a pledge of the City's local hospitality and accommodations fee revenues. The revenue bonds contain an event of default that changes the timing of repayment of amounts to become immediately due if the City is unable to make payment.

Capital Leases

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 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, 2021 was \$2,609,378.

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A capital lease was entered on August 14, 2017 to upgrade various City vehicles and equipment. The capital lease is for \$656,244 at an interest rate of 1.94% maturing on August 14, 2022. Payments are due annually on August 14th and the balance at June 30, 2021 was \$270,086.

The assets acquired through outstanding capital leases as of June 30, 2021 are as follows:

	Governmental Activities
Assets:	
Vehicles and equipment	3,827,926
Less: Accumulated depreciation	<u>(859,545)</u>
	<u><u>\$ 2,968,381</u></u>

The following is a schedule of future lease payments at June 30, 2021.

Year Ended June 30,	Principal	Interest	Total
2022	\$ 313,128	\$ 73,370	\$ 386,498
2023	310,077	66,092	376,169
2024	194,496	58,911	253,407
2025	203,915	53,833	257,748
2026	211,230	48,508	259,738
2027 - 2031	1,123,234	158,098	1,281,332
2032 - 2033	523,384	20,685	544,069
	<u>\$ 2,879,464</u>	<u>\$ 479,497</u>	<u>\$ 3,358,961</u>

Legal Debt Margin

The City's general obligation debt is limited by State Law to 8% of the total assessed value of all taxable real and personal properties within City limits. The City's total assessed value as of June 30, 2021 was \$97,620,893. The computation of legal debt limit as of June 30, 2021 is as follows:

General obligation debt limit (\$97,620,893 X 8%)	\$ 7,809,671
General obligation debt applicable to debt limit	<u>(770,454)</u>
Legal debt margin	<u><u>\$ 7,039,217</u></u>

D. Net Investment in Capital Assets

A significant portion of the net position reported in the government-wide statement of net position is attributable to the City's investment in capital assets. The amount is calculated as follows:

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Net capital assets	\$ 62,808,148
Less:	
Outstanding long-term debt	(19,028,602)
Bond premium	(1,011,054)
Add:	
Deferred loss on refunding	334,265
Unspent bond proceeds	2,337,293
Net investment in capital assets	<u>\$ 45,440,050</u>

E. Restricted Net Position

Net position restricted by external groups such as creditors, grantors, contributors or laws and regulations of other governments as June 30, 2021 consisted of \$3,667,375 for redevelopment projects from the Tax Increment Financing District (TIF II) and \$1,373,056 for active capital projects. In addition, restricted net position for other purposes as of June 30, 2021 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:

	Restricted Net Position - Other Purposes		
	Through Enabling Legislation	By External Groups	Total
Utility Franchise Agreement	\$ -	\$ 468,825	\$ 468,825
Capital Reserve	533,429	-	533,429
Parks and Tourism	1,030,401	-	1,030,401
Stormwater Utility	121,771	-	121,771
Tourism & Development Advisory Committee	234,902	-	234,902
Fire Impact Fees	8,992	-	8,992
Drug Prevention	4,486	-	4,486
	\$ 1,933,981	\$ 468,825	\$ 2,402,806

F. Restricted Fund Balance

Restricted fund balance at June 30, 2021 consists of:

- \$468,825 for utilities under a franchise agreement and \$533,429 for capital reserve in the General Fund.
- \$3,667,375 for the purpose of redevelopment within the TIF II District.
- \$1,373,056 for active projects reported within the Capital Projects fund.
- \$309,098 for debt service requirements and \$721,303 for operations in the Parks and Tourism Fund.
- \$121,771 for operations in the Stormwater Fund.
- The other governmental funds restricted fund balance consists of \$234,902 for Tourism and Development, \$8,992 for fire impact fees and \$4,486 for drug prevention and education.

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NOTE 4 – OTHER INFORMATION

A. Employee Pension and Other Benefit Plans

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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 Systems' Pension Trust Funds. The CAFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. 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 Descriptions

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

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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; be a coroner in a full-time permanent position; or be 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.

- **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

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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

Actual valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates to increase by a minimum of one percentage point per year through July 1, 2022. If the scheduled contribution rates are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 1st, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

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- Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
South Carolina Retirement System		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
South Carolina Police Officers Retirement System		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

- Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
South Carolina Retirement System		
Employee Class Two	15.41%	15.41%
Employee Class Three	15.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
South Carolina Police Officers Retirement System		
Employee Class Two	17.84%	17.84%
Employee Class Three	17.84%	17.84%
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 (TPL) determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2020, for SCRS and PORS are presented below.

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>City's Portion of Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 51,844,187,763	\$26,292,418,682	\$ 25,551,769,081	\$ 7,303,611	50.7%
PORS	8,046,386,629	4,730,174,642	3,316,211,987	13,159,828	58.8%

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The TPL is calculated by the Systems' actuary, and each plan's fiduciary position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB No. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted at the beginning of 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Global Equity	51.0%		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	15.0%		
High Yield Bonds/ Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Real Return	100.0%		5.80%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			8.05%

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As of June 30, 2020, the change in net pension liability for the SCRS and the PORS plans is calculated as follows:

<u>Change in the Net Pension Liability</u>	<u>SCRS</u>	<u>PORS</u>
Total Pension liability		
Service Cost	\$ 278,707	\$ 788,688
Interest	1,015,171	2,176,446
Difference between actual and expected experience	112,144	198,106
Assumption Changes	-	-
Benefit Payments	(899,869)	(1,716,236)
Net Change in Total Pension Liability	506,153	1,447,004
Total Pension Liability - Beginning 6/30/2019	14,312,884	30,483,718
Total Pension Liability - Ending 6/30/2020 (a)	<u>\$ 14,819,037</u>	<u>\$ 31,930,722</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 470,995	\$ 1,044,205
Contributions - Nonemployer	25,356	49,486
Contributions - Member	263,699	602,533
Refunds of contributions to members	(33,689)	(89,257)
Retirement benefits	(859,677)	(1,610,310)
Death benefits	(6,503)	(16,669)
Net investment income	(126,221)	(313,920)
Administrative Expense	(4,064)	(9,796)
Net transfers to affiliated systems	(442)	3,904
Net Change in Plan Fiduciary Net Position	(270,546)	(339,824)
Plan Fiduciary Net Position - Beginning 6/30/2019	7,785,972	19,110,718
Plan Fiduciary Net Position - Ending 6/30/2020 (b)	<u>\$ 7,515,426</u>	<u>\$ 18,770,894</u>
Net Pension Liability 6/30/2020 (a) - (b)	<u>\$ 7,303,611</u>	<u>\$ 13,159,828</u>

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

At June 30, 2021, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
South Carolina Retirement System		
Difference between expected and actual experience	\$ 84,274	\$ 27,618
Assumption changes	8,948	-
Net difference between projected and actual earnings on pension plan investments	537,241	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	307,575	40,348
Employer contributions subsequent to the measurement date	472,417	-
Total	<u>\$ 1,410,455</u>	<u>\$ 67,966</u>
South Carolina Police Officers Retirement System		
Difference between expected and actual experience	\$ 279,673	\$ 57,927
Assumption changes	160,593	-
Net difference between projected and actual earnings on pension plan investments	1,347,537	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	255,390	466,119
Employer contributions subsequent to the measurement date	1,041,698	-
Total	<u>\$ 3,084,891</u>	<u>\$ 524,046</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

City contributions subsequent to the measurement date were \$472,417 for the South Carolina Retirement System plan and \$1,041,698 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 liability in the year ended June 30, 2022. 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:		
2022	\$ 289,368	\$ 502,192
2023	267,244	385,969
2024	176,368	308,765
2025	137,092	322,221

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan 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 regarding the net pension liability 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 for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year ended June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020.

	SCRS	PORS
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

¹ Includes inflation of 2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

Assumptions used in the determination of the June 30, 2020, TPL are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Discount Rate

The discount rate used to measure the TPL was 7.25 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 TPL.

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent as well as what the employers’ NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 9,052,062	\$ 7,303,611	\$ 5,843,829
PORS	17,421,391	13,159,828	9,738,059

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems’ audited financial statements for the fiscal year ended June 30, 2020, and the accounting valuation report as of June 30, 2020. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems’ ACFR.

Pension Expense

For the year ended June 30, 2021, the City recognized its proportionate share of collective pension expense of \$817,200 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$225,788 for a total of \$1,042,988 for the SCRS plan. Additionally, for the year ended June 30, 2021, the City recognized its proportionate share of collective pension expense of \$1,895,635 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

employer contributions of \$46,349 for a total of \$1,941,984 for the PORS plan.

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 (SCIRF). The City is required to pay all premiums, applicable deductibles and assessments billed by SCIRF, as well as following loss reduction and prevention procedures and recommendations established by SCIRF. 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. SCIRF uses consulting actuaries in determining rates and adequacy of loss reserves. Premiums collected by SCIRF 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 SCIRF.

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 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.

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, 2021, the City paid the Fire District \$281,382 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.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 – RESTATEMENT OF PRIOR YEAR NET POSITION

In fiscal year 2021, the City adopted GASB Statement No. 84, Fiduciary Activities. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on: 1) whether a government is controlling the assets of the fiduciary activity, and 2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary net position and a statement of changes in fiduciary net position. The City restated beginning net position for the Fiduciary Funds for the cumulative effect of this accounting change. These changes are in accordance with generally accepted accounting principles.

	Fiduciary Funds
Net Position, Fiduciary Funds, as previously reported	\$ -
Prior Period Adjustment - Implementation of GASB No. 84	85,684
Net Position, Fiduciary Funds, as restated	\$ 85,684

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 Funds – Tax Increment Financing II Fund, Parks and Tourism Fund, and Stormwater Fund. It also contains the schedule of proportionate share of the net pension liability and 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.

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 7,754,528	\$ 7,754,528	\$ 8,031,522	\$ 276,994
Franchise fees	2,041,468	2,041,468	1,977,222	(64,246)
Fines and forfeitures	152,000	152,000	89,699	(62,301)
Licenses and permits	4,046,500	4,046,500	5,227,274	1,180,774
Intergovernmental	2,495,899	2,495,899	2,835,209	339,310
Charges for services	1,415,271	1,415,271	1,317,317	(97,954)
Investment earnings	40,000	40,000	18,730	(21,270)
Miscellaneous	20,000	20,000	148,464	128,464
Total revenues	<u>17,965,666</u>	<u>17,965,666</u>	<u>19,645,437</u>	<u>1,679,771</u>
Expenditures:				
Current:				
General government				
City council	119,115	119,115	179,942	(60,827)
City manager	469,329	469,329	516,303	(46,974)
Finance	887,308	887,308	828,779	58,529
Human resources	258,558	258,558	268,445	(9,887)
Information technology	441,777	448,690	420,179	28,511
Court and legal	493,764	493,764	440,384	53,380
Non-departmental	183,610	183,610	575,399	(391,789)
	<u>2,853,461</u>	<u>2,860,374</u>	<u>3,229,431</u>	<u>(369,057)</u>
Law enforcement				
Police	4,022,608	4,026,508	3,733,659	292,849
School resource officers	357,097	357,097	338,717	18,380
Crossing guards	30,926	30,926	17,841	13,085
Victims rights	94,346	94,346	88,774	5,572
	<u>4,504,977</u>	<u>4,508,877</u>	<u>4,178,991</u>	<u>329,886</u>
Fire and emergency				
City of Beaufort fire	5,468,876	5,305,320	5,474,539	(169,219)
	<u>5,468,876</u>	<u>5,305,320</u>	<u>5,474,539</u>	<u>(169,219)</u>
Public works				
Administration	398,706	398,706	367,260	31,446
Maintenance	511,973	516,471	523,175	(6,704)
Solid waste	736,615	736,615	764,896	(28,281)
	<u>1,647,294</u>	<u>1,651,792</u>	<u>1,655,331</u>	<u>(3,539)</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Streets				
Streets	841,339	841,339	782,896	58,443
	<u>841,339</u>	<u>841,339</u>	<u>782,896</u>	<u>58,443</u>
Community and economic development				
Planning	943,412	991,743	1,073,923	(82,180)
	<u>943,412</u>	<u>991,743</u>	<u>1,073,923</u>	<u>(82,180)</u>
Total current	<u>16,259,359</u>	<u>16,159,445</u>	<u>16,395,111</u>	<u>(235,666)</u>
Debt service:				
Principal	1,369,499	1,533,055	1,369,499	163,556
Interest	385,558	385,558	385,558	-
Total debt service	<u>1,755,057</u>	<u>1,918,613</u>	<u>1,755,057</u>	<u>163,556</u>
Total expenditures	<u>18,014,416</u>	<u>18,078,058</u>	<u>18,150,168</u>	<u>(72,110)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,750)</u>	<u>(112,392)</u>	<u>1,495,269</u>	<u>1,607,661</u>
Other financing sources (uses):				
Transfers in	48,750	48,750	103,565	54,815
Transfers out	-	-	(159,244)	159,244
Total financing sources (uses)	<u>48,750</u>	<u>48,750</u>	<u>(55,679)</u>	<u>214,059</u>
Net change in fund balance	-	(63,642)	1,439,590	1,503,232
Fund balance, beginning of year	8,104,236	8,104,236	8,104,236	-
Fund balance, end of year	<u>\$ 8,104,236</u>	<u>\$ 8,040,594</u>	<u>\$ 9,543,826</u>	<u>\$ 1,503,232</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING DISTRICT II – SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment earnings	\$ 35,000	\$ 35,000	\$ 3,545	\$ (31,455)
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>3,545</u>	<u>(31,455)</u>
Expenditures:				
Current:				
Public works	-	-	48,572	(48,572)
Total expenditures	<u>-</u>	<u>-</u>	<u>48,572</u>	<u>(48,572)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,000</u>	<u>35,000</u>	<u>(45,027)</u>	<u>17,117</u>
Other financing (uses):				
Transfers out	-	(235,630)	(235,630)	-
Total other financing uses	<u>-</u>	<u>(235,630)</u>	<u>(235,630)</u>	<u>-</u>
Net change in fund balance	35,000	(200,630)	(280,657)	80,027
Fund balance, beginning of year	3,948,032	3,948,032	3,948,032	-
Fund balance, end of year	<u>\$ 3,983,032</u>	<u>\$ 3,747,402</u>	<u>\$ 3,667,375</u>	<u>\$ 80,027</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
PARKS AND TOURISM – SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other taxes	\$ 2,706,000	\$ 2,706,000	\$ 3,097,695	\$ 391,695
Intergovernmental	-	-	1,682	1,682
Charges for services	490,100	490,100	393,931	(96,169)
Miscellaneous	5,000	5,000	5,000	-
Total revenues	<u>3,201,100</u>	<u>3,201,100</u>	<u>3,498,308</u>	<u>297,208</u>
Expenditures:				
Current:				
Law enforcement	1,157,456	1,157,456	1,157,456	-
Culture and recreation	1,267,806	1,271,250	1,110,982	160,268
Community and economic development	436,740	446,031	429,952	16,079
Debt Service:				
Principal	239,041	239,041	239,041	-
Interest and other charges	70,057	70,057	70,057	-
Capital Outlay	30,000	51,921	14,890	37,031
Total expenditures	<u>3,201,100</u>	<u>3,235,756</u>	<u>3,022,378</u>	<u>213,378</u>
Net change in fund balance	-	(34,656)	475,930	510,586
Fund balance, beginning of year	554,471	554,471	554,471	-
Fund balance, end of year	<u>\$ 554,471</u>	<u>\$ 519,815</u>	<u>\$ 1,030,401</u>	<u>\$ 510,586</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
STORMWATER – SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<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	\$ 1,100,000	\$ 1,100,000	\$ 1,114,110	\$ 14,110
Investment earnings	-	-	7,979	7,979
Total revenues	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,122,089</u>	<u>22,089</u>
Expenditures:				
Current:				
Public works	591,472	600,771	553,056	47,715
Debt Service:				
Principal	330,000	330,000	295,000	35,000
Interest and other charges	178,126	178,126	444,626	(266,500)
Capital Outlay	64,000	64,000	191,370	(127,370)
Total expenditures	<u>1,163,598</u>	<u>1,172,897</u>	<u>1,484,052</u>	<u>(311,155)</u>
Deficiency of revenues under expenditures	<u>(63,598)</u>	<u>(72,897)</u>	<u>(361,963)</u>	<u>333,244</u>
Other financing sources (uses):				
Issuance of limited obligation bonds	-	7,400,000	7,400,000	-
Premium on issuance of debt	-	631,119	631,119	-
Payment to refunded bond escrow agent	-	(5,315,146)	(5,315,146)	-
Transfers out	-	(5,124,790)	(5,124,790)	-
Total other financing (uses)	<u>-</u>	<u>(2,408,817)</u>	<u>(2,408,817)</u>	<u>-</u>
Net change in fund balance	(63,598)	(2,481,714)	(2,770,780)	289,066
Fund balance, beginning of year	5,229,844	5,229,844	5,229,844	-
Fund balance, end of year	<u>\$ 5,166,246</u>	<u>\$ 2,748,130</u>	<u>\$ 2,459,064</u>	<u>\$ 289,066</u>



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CITY OF BEAUFORT, SOUTH CAROLINA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30

South Carolina Retirement System

	2021	2020	2019	2018	2017	2016	2015
City's portion of the net pension liability	0.028584%	0.028824%	0.026851%	0.025134%	0.024068%	0.024341%	0.024845%
City's portionate share of the net pension liability	\$ 7,303,611	\$ 6,581,770	\$ 6,016,455	\$ 5,658,068	\$ 5,140,889	\$ 4,616,388	\$ 4,277,485
City's covered payroll	\$ 3,188,887	\$ 3,043,762	\$ 2,782,490	\$ 2,428,511	\$ 2,089,001	\$ 2,282,245	\$ 2,255,560
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	229.03%	216.24%	216.23%	232.99%	246.09%	202.27%	187.42%
Plan fiduciary net position as a percentage of the total pension liability	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.90%

South Carolina Police Officers Retirement System

	2021	2020	2019	2018	2017	2016	2015
City's portion of the net pension liability	0.396833%	0.419708%	0.403053%	0.39987%	0.39475%	0.37724%	0.37597%
City's portionate share of the net pension liability	\$ 13,159,828	\$ 12,028,582	\$ 11,421,119	\$ 10,954,572	\$ 10,012,658	\$ 8,221,932	\$ 7,197,673
City's covered payroll	\$ 5,967,285	\$ 6,084,648	\$ 5,575,979	\$ 5,331,851	\$ 4,645,640	\$ 4,668,346	\$ 4,514,553
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	220.53%	197.69%	204.83%	205.46%	215.53%	176.12%	154.18%
Plan fiduciary net position as a percentage of the total pension liability	58.79%	62.69%	61.73%	60.94%	60.40%	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 FISCAL YEAR ENDED JUNE 30**

South Carolina Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 472,417	\$ 419,398	\$ 353,532	\$ 293,149	\$ 257,776	\$ 248,765	\$ 239,090
Contributions in relation to the contractually required contribution	<u>472,417</u>	<u>419,398</u>	<u>353,532</u>	<u>293,149</u>	<u>257,776</u>	<u>248,765</u>	<u>239,090</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	\$ 3,165,121	\$ 3,188,887	\$ 3,043,762	\$ 2,782,490	\$ 2,428,511	\$ 2,089,001	\$ 2,282,245
Contributions as a percentage of covered-employee payroll	14.93%	13.15%	11.61%	10.54%	10.61%	11.91%	10.48%

South Carolina Police Officers Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,041,698	\$ 997,774	\$ 854,262	\$ 766,808	\$ 691,465	\$ 620,025	\$ 580,619
Contributions in relation to the contractually required contribution	<u>1,041,698</u>	<u>997,774</u>	<u>854,262</u>	<u>766,808</u>	<u>691,465</u>	<u>620,025</u>	<u>580,619</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,984,065	\$ 5,967,285	\$ 6,084,648	\$ 5,575,979	\$ 5,331,851	\$ 4,645,640	\$ 4,668,346
Contributions as a percentage of covered-employee payroll	17.41%	16.72%	14.04%	13.75%	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, 2021

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.

Fund	Original Budget	Supplemental Increases	Supplemental Decreases	Final Budget
General Fund	\$ 18,014,416	\$ 63,642	\$ -	\$ 18,078,058

SUPPLEMENTARY INFORMATION

OTHER GOVERNMENTAL AND FIDUCIARY 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.

Fire Impact Fees Fund- This fund was established to account for the fire impact fees collected on new development. The expenditures are restricted for capital improvement related Fire services by City ordinance.

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 - CUSTODIAL 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 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.

**CITY OF BEAUFORT, SOUTH CAROLINA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue Funds				Permanent Fund	Total-Other Governmental Funds
	Redevelopment Fund	State		Drug Control and Prevention Fund	Cemetery Fund	
		Accommodations Tax Fund	Fire Impact Fees Fund			
ASSETS						
Cash and cash equivalents	\$ 24,456	\$ 23,879	\$ 8,992	\$ 19,013	\$ 7,246	\$ 83,586
Other receivables	-	270,049	-	-	-	270,049
Restricted cash and cash equivalents	-	-	-	30,449	-	30,449
Total assets	<u>24,456</u>	<u>293,928</u>	<u>8,992</u>	<u>49,462</u>	<u>7,246</u>	<u>384,084</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	55,969	-	34	-	56,003
Other accrued expenses	-	3,057	-	-	-	3,057
Deposits and escrow	-	-	-	25,963	-	25,963
Total liabilities	<u>-</u>	<u>59,026</u>	<u>-</u>	<u>25,997</u>	<u>-</u>	<u>85,023</u>
Fund balances:						
Nonspendable:						
Cemetery	-	-	-	-	7,246	7,246
Restricted	-	234,902	8,992	4,486	-	248,380
Committed for:						
Redevelopment	24,456	-	-	-	-	24,456
Law enforcement	-	-	-	18,979	-	18,979
Total fund balances	<u>24,456</u>	<u>234,902</u>	<u>8,992</u>	<u>23,465</u>	<u>7,246</u>	<u>299,061</u>
Total liabilities and fund balances	<u>\$ 24,456</u>	<u>\$ 293,928</u>	<u>\$ 8,992</u>	<u>\$ 49,462</u>	<u>\$ 7,246</u>	<u>\$ 384,084</u>

CITY OF BEAUFORT, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Special Revenue Funds				Permanent Fund	Total-Other Governmental Funds
	Redevelopment Fund	State		Drug Control and Prevention Fund	Cemetery Fund	
		Accommodations Tax Fund	Fire Impact Fees Fund			
REVENUES						
Other taxes	\$ -	\$ 596,295	\$ -	\$ -	\$ -	\$ 596,295
Licenses and permits	-	-	8,992	-	-	8,992
Charges for services	12,998	-	-	-	-	12,998
Investment earnings	-	784	-	148	-	932
Miscellaneous	-	-	-	13,726	-	13,726
Total revenues	<u>12,998</u>	<u>597,079</u>	<u>8,992</u>	<u>13,874</u>	<u>-</u>	<u>632,943</u>
EXPENDITURES						
Current:						
General government	-	381,155	-	-	-	381,155
Law enforcement	-	23,926	-	24,646	-	48,572
Total expenditures	<u>-</u>	<u>405,081</u>	<u>-</u>	<u>24,646</u>	<u>-</u>	<u>429,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,998</u>	<u>191,998</u>	<u>8,992</u>	<u>(10,772)</u>	<u>-</u>	<u>203,216</u>
OTHER FINANCING USES						
Transfers out	-	(103,565)	-	-	-	(103,565)
Total other financing uses	<u>-</u>	<u>(103,565)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,565)</u>
Net change in fund balances	12,998	88,433	8,992	(10,772)	-	99,651
Fund balances - beginning	11,458	146,469	-	34,237	7,246	199,410
Fund balances - ending	<u>\$ 24,456</u>	<u>\$ 234,902</u>	<u>\$ 8,992</u>	<u>\$ 23,465</u>	<u>\$ 7,246</u>	<u>\$ 299,061</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
REDEVELOPMENT SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 12,400	\$ 12,400	\$ 12,998	\$ 598
Total revenues	<u>12,400</u>	<u>12,400</u>	<u>12,998</u>	<u>598</u>
Expenditures:				
Community and economic development	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	12,400	12,400	12,998	598
Fund balance, beginning of year	11,458	11,458	11,458	-
Fund balance, end of year	<u>\$ 23,858</u>	<u>\$ 23,858</u>	<u>\$ 24,456</u>	<u>\$ 598</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATE ACCOMMODATIONS TAX SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other taxes	\$ 471,750	\$ 471,750	\$ 596,295	\$ 124,545
Investment earnings	-	-	784	784
Total revenues	<u>471,750</u>	<u>471,750</u>	<u>597,079</u>	<u>125,329</u>
Expenditures:				
General government	400,524	350,524	381,155	(30,631)
Law enforcement	23,926	23,926	23,926	-
Total expenditures	<u>424,450</u>	<u>374,450</u>	<u>405,081</u>	<u>(30,631)</u>
Excess of revenues over expenditures	<u>47,300</u>	<u>97,300</u>	<u>191,998</u>	<u>94,698</u>
Other financing uses:				
Transfers out	<u>(47,300)</u>	<u>(97,300)</u>	<u>(103,565)</u>	<u>6,265</u>
Total other financing uses	<u>(47,300)</u>	<u>(97,300)</u>	<u>(103,565)</u>	<u>6,265</u>
Net change in fund balance	-	-	88,433	88,433
Fund balance, beginning of year	<u>146,469</u>	<u>146,469</u>	<u>146,469</u>	<u>-</u>
Fund balance, end of year	<u>\$ 146,469</u>	<u>\$ 146,469</u>	<u>\$ 234,902</u>	<u>\$ 88,433</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
 FIRE IMPACT FEES SPECIAL REVENUE FUND
 BUDGET TO ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Licenses and permits	\$ 119,363	\$ 119,363	\$ 8,992	\$ (110,371)
Total revenues	<u>119,363</u>	<u>119,363</u>	<u>8,992</u>	<u>(110,371)</u>
Expenditures:				
Capital Outlay	70,400	70,400	-	70,400
Total expenditures	<u>70,400</u>	<u>70,400</u>	<u>-</u>	<u>70,400</u>
Net change in fund balance	48,963	48,963	8,992	(39,971)
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ 48,963</u>	<u>\$ 48,963</u>	<u>\$ 8,992</u>	<u>\$ (39,971)</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 JUNE 30, 2021**

	<u>Trustee Fire Fund</u>	<u>Beaufort 300 Fund</u>	<u>Beaufort History Museum Fund</u>	<u>Beaufort Pride of Place Fund</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 11,463	\$ 50,600	\$ 41,375	\$ 103,438
Total assets	<u>-</u>	<u>11,463</u>	<u>50,600</u>	<u>41,375</u>	<u>103,438</u>
NET POSITION					
Restricted:					
Individual, organizations, and other governments	-	11,463	50,600	41,375	103,438
Total net position	<u>\$ -</u>	<u>\$ 11,463</u>	<u>\$ 50,600</u>	<u>\$ 41,375</u>	<u>\$ 103,438</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Trustee Fire Fund	Beaufort 300 Fund	Beaufort History Museum Fund	Beaufort Pride of Place Fund	Total
ADDITIONS					
Other taxes	\$ 91,249	\$ -	\$ -	\$ -	\$ 91,249
Miscellaneous	-	-	-	37,141	37,141
Total additions	<u>91,249</u>	<u>-</u>	<u>-</u>	<u>37,141</u>	<u>128,390</u>
DEDUCTIONS					
Other custodial disbursements	91,249	-	5,000	14,387	110,636
Total deductions	<u>91,249</u>	<u>-</u>	<u>5,000</u>	<u>14,387</u>	<u>110,636</u>
Net increase (decrease) in fiduciary net position	-	-	(5,000)	22,754	17,754
Net position - beginning, restated	-	11,463	55,600	18,621	85,684
Net position - ending	<u>\$ -</u>	<u>\$ 11,463</u>	<u>\$ 50,600</u>	<u>\$ 41,375</u>	<u>\$ 103,438</u>

CITY OF BEAUFORT, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96)
STATE MANDATED SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	<u>General Sessions</u>	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
Court Fines and Assessments:				
Court fines and assessments collected	N/A	N/A	\$ 136,262	\$ 136,262
Court fines and assessments remitted to State Treasurer	N/A	N/A	80,569	80,569
Total Court Fines and Assessments retained	<u>N/A</u>	<u>N/A</u>	\$ 55,693	\$ 55,693
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained	N/A	N/A	1,715	1,715
Assessments retained	N/A	N/A	6,885	6,885
Total Surcharges and Assessments retained for victim services	<u>N/A</u>	<u>N/A</u>	8,600	8,600

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

<u>VICTIM SERVICE FUNDS COLLECTED</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Carryforward from Previous Year – Beginning Balance	\$ (393,779)	N/A	\$ (393,779)
<u>Victim Service Revenue:</u>			
Victim Service Fines Retained by City/County Treasurer	-	N/A	-
Victim Service Assessments Retained by City/County Treasurer	6,885	N/A	6,885
Victim Service Surcharges Retained by City/County Treasurer	1,715	N/A	1,715
Interest Earned	-	N/A	-
Grant Funds Received			
Grant from:	-	N/A	-
General Funds Transferred to Victim Service Fund	-	N/A	-
Contribution Received from Victim Service Contracts:			
(1) Town of	-	N/A	-
(2) Town of	-	N/A	-
(3) City of	-	N/A	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ (385,179)	N/A	\$ (385,179)

**CITY OF BEAUFORT, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96)
STATE MANDATED SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	\$ 87,507	N/A	\$ 87,507
Operating Expenditures	1,267	N/A	1,267
Victim Service Contract(s):			
(1) Entity's Name	-	N/A	-
(2) Entity's Name	-	N/A	-
Victim Service Donation(s):			
(1) Domestic Violence Shelter:	-	N/A	-
(2) Rape Crisis Center:	-	N/A	-
(3) Other local direct crime victims service agency:	-	N/A	-
Transferred to General Fund	-	N/A	-
Total Expenditures from Victim Service Fund/Program (B)	88,774	N/A	88,774
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	(473,953)	N/A	(473,953)
Less: Prior Year Fund Deficit Repayment	-	N/A	-
Carryforward Funds – End of Year	\$ (473,953)	N/A	\$ (473,953)



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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,				
	2021	2020	2019	2018	2017
Governmental Activities					
Net Investment in capital assets	\$ 45,440,050	\$ 43,040,371	\$ 38,221,670	\$ 36,555,711	\$ 29,160,304
Restricted	7,471,636	7,220,054	8,948,671	9,021,806	15,820,888
Unrestricted	(9,247,197)	(9,292,394)	(6,192,142)	(4,373,517)	(4,544,230)
Total Governmental Activities	<u>\$ 43,664,489</u>	<u>\$ 40,968,031</u>	<u>\$ 40,978,199</u>	<u>\$ 41,204,000</u>	<u>\$ 40,436,962</u>

	Fiscal Year Ending June 30,				
	2016	2015	2014	2013	2012
Governmental Activities					
Net Investment in capital assets	\$ 29,112,934	\$ 28,179,673	\$ 26,411,278	\$ 24,959,681	\$ 23,444,154
Restricted	13,175,311	10,487,290	10,890,417	8,978,528	7,956,684
Unrestricted	(3,660,046)	(3,572,875)	6,314,601	7,100,677	6,829,462
Total Governmental Activities	<u>\$ 38,628,199</u>	<u>\$ 35,094,088</u>	<u>\$ 43,616,296</u>	<u>\$ 41,038,886</u>	<u>\$ 38,230,300</u>

Notes:

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)

	Fiscal Year Ending			
	2021	2020	2019	2018
Expenses				
Governmental activities				
General government	\$ 5,622,440	\$ 5,889,918	\$ 6,155,414	\$ 4,826,840
Public safety	12,190,735	12,150,542	11,527,765	10,845,635
Public services	5,997,996	6,136,043	6,074,859	5,535,592
Interest on long-term debt	789,596	591,375	723,984	397,273
Total governmental activities expenses	<u>\$ 24,600,767</u>	<u>\$ 24,767,878</u>	<u>\$ 24,482,022</u>	<u>\$ 21,605,340</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 7,904,385	\$ 7,408,144	\$ 7,528,399	\$ 6,956,364
Public safety	2,118,959	1,722,096	1,581,370	1,423,457
Public services	2,134,616	2,128,561	2,173,450	1,932,169
Operating grants and contributions	509,273	988,942	783,084	755,781
Capital grants and contributions	2,506,849	719,770	850,698	765,735
Total governmental activities revenues	<u>\$ 15,174,082</u>	<u>\$ 12,967,513</u>	<u>\$ 12,917,001</u>	<u>\$ 11,833,506</u>
Net (Expense)/Revenue				
Total governmental activities net expense	<u>\$ (9,426,685)</u>	<u>\$ (11,800,365)</u>	<u>\$ (11,565,021)</u>	<u>\$ (9,771,834)</u>
General Revenues and Other				
Changes in Net Position				
Governmental activities				
Taxes	\$ 11,926,124	\$ 10,869,475	\$ 10,823,839	\$ 9,937,739
Grants and contributions not restricted to specific programs	-	-	-	-
Gain (loss) on sale of capital assets	-	390,000	-	-
Interest income	35,078	247,969	369,425	190,527
Miscellaneous	161,941	282,753	145,956	410,606
Total governmental activities	<u>\$ 12,123,143</u>	<u>\$ 11,790,197</u>	<u>\$ 11,339,220</u>	<u>\$ 10,538,872</u>
Change in Net Position				
Total governmental activities	<u>\$ 2,696,458</u>	<u>\$ (10,168)</u>	<u>\$ (225,801)</u>	<u>\$ 767,038</u>

June 30,

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 5,548,240	\$ 4,623,201	\$ 4,598,349	\$ 4,764,777	\$ 4,733,483	\$ 4,162,370
10,223,519	8,565,972	8,171,466	7,831,204	7,385,887	7,042,865
5,175,024	4,879,267	4,700,664	4,105,738	4,300,723	5,418,025
446,028	709,655	718,125	757,289	809,889	876,413
<u>\$ 21,392,811</u>	<u>\$ 18,778,095</u>	<u>\$ 18,188,604</u>	<u>\$ 17,459,008</u>	<u>\$ 17,229,982</u>	<u>\$ 17,499,673</u>
\$ 6,974,204	\$ 6,576,756	\$ 6,223,870	\$ 6,033,965	\$ 6,271,365	\$ 6,001,517
1,280,293	1,229,528	1,143,215	1,103,511	1,101,076	979,521
1,911,753	2,001,627	2,070,558	2,080,772	1,865,327	2,006,883
454,443	91,013	79,673	18,470	80,580	151,155
743,405	337,963	588,062	278,243	975,950	455,778
<u>\$ 11,364,098</u>	<u>\$ 10,236,887</u>	<u>\$ 10,105,378</u>	<u>\$ 9,514,961</u>	<u>\$ 10,294,298</u>	<u>\$ 9,594,854</u>
<u>\$ (10,028,713)</u>	<u>\$ (8,541,208)</u>	<u>\$ (8,083,226)</u>	<u>(7,944,047)</u>	<u>(6,935,684)</u>	<u>(7,904,819)</u>
\$ 11,535,590	\$ 11,321,774	\$ 10,508,203	\$ 9,928,502	\$ 9,530,096	\$ 9,692,651
-	-	270,576	-	-	-
-	504,685	-	-	-	-
28,747	20,645	24,419	14,185	11,052	18,055
273,139	228,215	188,173	578,770	294,494	297,238
<u>\$ 11,837,476</u>	<u>\$ 12,075,319</u>	<u>\$ 10,991,371</u>	<u>10,521,457</u>	<u>9,835,642</u>	<u>10,007,944</u>
<u>\$ 1,808,763</u>	<u>\$ 3,534,111</u>	<u>\$ 2,908,145</u>	<u>\$ 2,577,410</u>	<u>\$ 2,899,958</u>	<u>\$ 2,103,125</u>



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

	Fiscal Year Ending			
	2021	2020	2019	2018
Revenues				
Taxes	\$ 11,725,512	\$ 10,585,918	\$ 10,418,587	\$ 9,914,291
Licenses and permits	5,236,266	4,766,245	4,447,687	4,153,137
Fines and forfeitures	89,699	89,625	169,793	255,531
Franchise fees	1,977,222	1,960,626	2,070,518	2,147,811
Intergovernmental	5,343,740	3,573,580	3,298,411	2,961,378
Charges for services	2,838,356	2,870,505	3,246,146	2,594,847
Interest	35,077	247,968	369,425	190,528
Miscellaneous	167,190	282,754	113,181	410,606
	<u>27,413,062</u>	<u>24,377,221</u>	<u>24,133,748</u>	<u>22,628,129</u>
Expenditures				
Current				
General government	5,114,461	5,241,445	4,852,036	4,669,253
Public safety	10,859,558	10,792,728	10,503,311	10,335,878
Public services	4,150,837	4,314,420	4,587,856	6,668,599
	<u>20,124,856</u>	<u>20,348,593</u>	<u>19,943,203</u>	<u>21,673,730</u>
Debt service				
Principal	1,903,540	1,965,444	1,990,825	1,253,695
Interest	900,241	682,217	715,122	495,069
	<u>2,803,781</u>	<u>2,647,661</u>	<u>2,705,947</u>	<u>1,748,764</u>
Capital outlay				
	8,450,085	5,028,938	2,295,841	5,684,350
	<u>31,378,722</u>	<u>28,025,192</u>	<u>24,944,991</u>	<u>29,106,844</u>
Excess (Deficiency) of Revenues				
Over (under) Expenditures	<u>(3,965,660)</u>	<u>(3,647,971)</u>	<u>(811,243)</u>	<u>(6,478,715)</u>
Other Financing Sources (Uses)				
Debt issued	8,031,119	-	6,000,000	656,244
Debt repaid	(5,315,146)	-	-	-
Transfers in	5,623,229	1,423,084	4,293,720	4,565,898
Transfers out	(5,623,229)	(1,423,084)	(4,293,720)	(4,565,898)
Sale of capital asset	-	-	-	-
	<u>2,715,973</u>	<u>-</u>	<u>6,000,000</u>	<u>656,244</u>
Net Change in Fund Balances	<u>\$ (1,249,687)</u>	<u>\$ (3,647,971)</u>	<u>\$ 5,188,757</u>	<u>\$ (5,822,471)</u>
Debt Service as a Percentage of				
Noncapital Expenditures	12.46%	12.14%	11.85%	8.95%

June 30,

2017	2016	2015	2014	2013	2012
\$ 11,171,205	\$ 10,914,651	\$ 10,528,206	\$ 9,704,332	\$ 9,205,523	\$ 9,673,157
4,005,648	3,791,718	3,689,739	3,472,518	3,819,964	4,095,313
316,080	331,234	272,105	284,414	299,015	274,429
2,135,337	2,134,882	2,095,821	2,029,367	1,957,691	1,807,068
2,406,466	1,586,691	1,795,770	1,386,698	2,136,964	1,528,859
2,760,528	2,662,939	2,522,518	2,610,188	2,347,354	2,115,210
28,747	20,644	24,420	14,185	11,052	18,055
518,139	205,929	206,372	578,770	294,494	273,210
23,342,150	21,648,688	21,134,951	20,080,472	20,072,057	19,785,301
5,036,337	4,751,391	3,934,440	4,142,365	4,096,401	5,376,872
9,510,579	8,212,557	8,811,868	7,674,772	7,183,694	6,909,072
5,586,442	3,903,168	3,817,730	3,566,643	3,525,624	4,567,254
20,133,358	16,867,116	16,564,038	15,383,780	14,805,719	16,853,198
1,751,889	1,650,181	1,518,996	1,461,024	1,409,204	1,274,558
513,263	673,649	722,904	776,582	828,521	756,444
2,265,152	2,323,830	2,241,900	2,237,606	2,237,725	2,031,002
2,024,881	2,915,195	2,241,040	1,414,426	1,550,709	701,392
24,423,391	22,106,141	21,046,978	19,035,812	18,594,153	19,585,592
(1,081,241)	(457,453)	87,973	1,044,660	1,477,904	199,709
3,093,290	10,812,436	398,041	-	-	5,350,000
-	(9,850,831)	-	-	-	(3,445,310)
540,966	262,478	3,020,814	1,991,916	988,073	645,032
(540,966)	(262,478)	(3,020,814)	(1,991,916)	(988,073)	(645,032)
-	718,174	-	-	-	-
3,093,290	1,679,779	398,041	-	-	1,904,690
\$ 2,012,049	\$ 1,222,326	\$ 486,014	\$ 1,044,660	\$ 1,477,904	\$ 2,104,399
10.90%	12.60%	12.53%	13.08%	13.29%	12.05%



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CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GENERAL FUND
LAST SIX FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,					
	2021	2020	2019	2018	2017	2016
Revenues						
Property taxes	\$ 8,031,522	\$ 7,389,653	\$ 6,913,981	\$ 6,465,632	\$ 5,847,926	\$ 5,329,064
Other taxes	-	-	-	2,850,059	2,729,335	2,588,063
Licenses and permits	5,227,274	4,766,245	4,447,687	4,153,137	4,005,648	3,791,718
Fines and forfeitures	89,699	89,625	169,793	251,583	316,080	328,852
Franchise fees	1,977,222	1,960,626	2,070,518	2,147,811	2,135,337	2,134,882
Intergovernmental	2,835,209	2,849,811	2,447,713	2,195,643	1,663,061	1,253,703
Charges for services	1,317,317	1,304,627	1,319,387	2,331,961	2,477,564	2,431,132
Interest	18,730	71,267	132,271	36,827	11,631	16,977
Miscellaneous	148,464	258,893	98,308	410,206	195,608	188,261
Total Revenues	<u>19,645,437</u>	<u>18,690,747</u>	<u>17,599,658</u>	<u>20,842,859</u>	<u>19,382,190</u>	<u>18,062,652</u>
Expenditures						
Current						
General government	3,229,431	3,539,182	2,830,557	2,893,988	3,257,996	3,525,678
Law enforcement	4,178,991	4,004,287	4,044,470	5,413,761	5,231,082	4,606,722
Fire and emergency	5,474,539	5,425,162	5,122,518	4,807,043	4,276,013	3,597,267
Culture and recreation	-	-	-	1,409,268	3,595,732	2,253,260
Public works	1,655,331	1,620,718	1,609,194	4,329,484	1,015,595	946,213
Streets	782,896	801,659	923,912	804,064	945,215	688,695
Community and economic development	1,073,923	889,138	789,239	820,372	753,123	597,787
	<u>16,395,111</u>	<u>16,280,146</u>	<u>15,319,890</u>	<u>20,477,980</u>	<u>19,074,756</u>	<u>16,215,622</u>
Debt service						
Principal	1,369,499	1,416,022	1,357,709	1,253,695	1,209,676	1,130,958
Interest and other charges	385,558	414,750	465,160	495,069	490,261	626,587
	<u>1,755,057</u>	<u>1,830,772</u>	<u>1,822,869</u>	<u>1,748,764</u>	<u>1,699,937</u>	<u>1,757,545</u>
Total Expenditures	<u>18,150,168</u>	<u>18,110,918</u>	<u>17,142,759</u>	<u>22,226,744</u>	<u>20,774,693</u>	<u>17,973,167</u>
Excess (Deficiency) of Revenues						
Over (under) Expenditures	<u>1,495,269</u>	<u>579,829</u>	<u>456,899</u>	<u>(1,383,885)</u>	<u>(1,392,503)</u>	<u>89,485</u>
Other Financing Sources (Uses)						
Issuance of capital lease	-	-	-	656,244	3,093,290	-
Sale of capital asset	-	-	-	-	-	718,174
Issuance of refunded bond	-	-	-	-	-	8,959,758
Bond premiums	-	-	-	-	-	891,073
Payment to bond escrow agent	-	-	-	-	-	(9,850,831)
Transfers in	103,565	48,334	55,076	51,323	48,719	46,300
Transfers out	(159,244)	(362,930)	(1,035,102)	(288,391)	(492,247)	(216,178)
Total Other Financing Sources (Uses)	<u>(55,679)</u>	<u>(314,596)</u>	<u>(980,026)</u>	<u>419,176</u>	<u>2,649,762</u>	<u>548,296</u>
Net Change in Fund Balances	1,439,590	265,233	(523,127)	(964,709)	1,257,259	637,781
Establishment of special revenue funds	-	-	(705,625)	-	-	-
Fund balances- beginning (as restated)	8,104,236	7,839,003	8,362,130	10,032,464	8,775,205	8,137,424
Fund balances- ending	<u>\$ 9,543,826</u>	<u>\$ 8,104,236</u>	<u>\$ 7,839,003</u>	<u>\$ 9,067,755</u>	<u>\$ 10,032,464</u>	<u>\$ 8,775,205</u>

* Presented to comply with bond covenant.

CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – STORMWATER FUND
LAST SEVEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,						
	2021	2020	2019	2018	2017	2016	2015
Revenues							
Charges for services	\$ 1,114,110	\$ 1,129,623	\$ 1,092,475	\$ 850,119	\$ 841,600	\$ 873,156	\$ 838,743
Intergovernmental	-	4,000	-	-	-	-	-
Investment earnings	7,979	36,102	-	-	-	-	-
Total Revenues	1,122,089	1,169,725	1,092,475	850,119	841,600	873,156	838,743
Expenditures							
Current							
Personnel	403,744	407,794	445,231	137,966	176,516	175,963	251,597
Contractual services	75,993	98,419	126,785	127,953	137,180	162,574	154,209
Other operations	73,319	88,679	147,222	310,715	119,536	117,642	136,676
	553,056	594,892	719,238	576,634	433,232	456,179	542,482
Debt service							
Principal	295,000	319,000	411,000	-	-	-	-
Interest and other charges	444,626	188,792	162,980	-	-	-	-
	739,626	507,792	573,980	-	-	-	-
Capital outlay							
	191,370	150,529	45,977	55,000	14,516	-	3,667
Total Expenditures	1,484,052	1,253,213	1,339,195	631,634	447,748	456,179	546,149
Excess (Deficiency) of Revenues							
Over (under) Expenditures	(361,963)	(83,488)	(246,720)	218,485	393,852	416,977	292,594
Other Financing Sources (Uses)							
Debt issued	7,400,000	-	6,000,000	-	-	-	-
Bond premiums	631,119	-	-	-	-	-	-
Payment to refunded bond escrow agent	(5,315,146)	-	-	-	-	-	-
Transfers out	(5,124,790)	(531,044)	(305,431)	(129,197)	(448,696)	(105,221)	(265,542)
	(2,408,817)	(531,044)	5,694,569	(129,197)	(448,696)	(105,221)	(265,542)
Net Change in Fund Balances	(2,770,780)	(614,532)	5,447,849	89,288	(54,844)	311,756	27,052
Fund balances- beginning	5,229,844	5,844,376	396,527	307,239	362,083	50,327	23,275
Fund balances- ending	\$ 2,459,064	\$ 5,229,844	\$ 5,844,376	\$ 396,527	\$ 307,239	\$ 362,083	\$ 50,327

* Presented to comply with bond covenant.

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

Fiscal Year Ending June 30	Property Tax	Accommodations and Hospitality Taxes	Franchise Fees	Stormwater Utility Fees	Total
2021	\$ 8,031,522	\$ 3,693,990	\$ 1,977,222	\$ 1,114,110	\$ 14,816,844
2020	7,389,653	3,196,265	1,960,626	1,129,623	13,676,167
2019	6,913,981	3,504,606	2,070,518	1,092,475	13,581,580
2018	6,512,779	3,401,512	2,147,811	850,118	12,912,220
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

STORMWATER FEE COLLECTIONS

Fiscal Year Ending June 30	Stormwater Utility Fees Subject to Collection	Gross Collections ¹	Percentage Collected
2021	\$ 1,193,985	\$ 1,133,223	94.91%
2020	1,180,352	1,144,221	96.94%
2019	1,123,911	1,120,300	99.68%
2018	889,990	865,399	97.24%
2017	886,514	859,094	96.91%
2016	925,086	883,325	95.49%
2015	888,479	848,996	95.56%

Notes:

Schedule includes governmental funds

¹ Utility fee collections are reported gross prior to the reduction of the Beaufort County administrative billing fee.

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
2020	\$ 82,394,160	\$ 2,401,160,627	\$ 9,111,823	\$ 85,901,860	\$ 6,114,910	\$ 102,627,470
2019	79,262,830	2,353,416,973	9,783,254	97,904,260	6,235,460	102,627,470
2018	95,824,390	2,282,015,773	8,121,150	80,459,630	6,555,010	102,123,670
2017	89,157,710	1,952,490,873	8,263,730	83,272,150	7,053,470	110,345,230
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

Source:

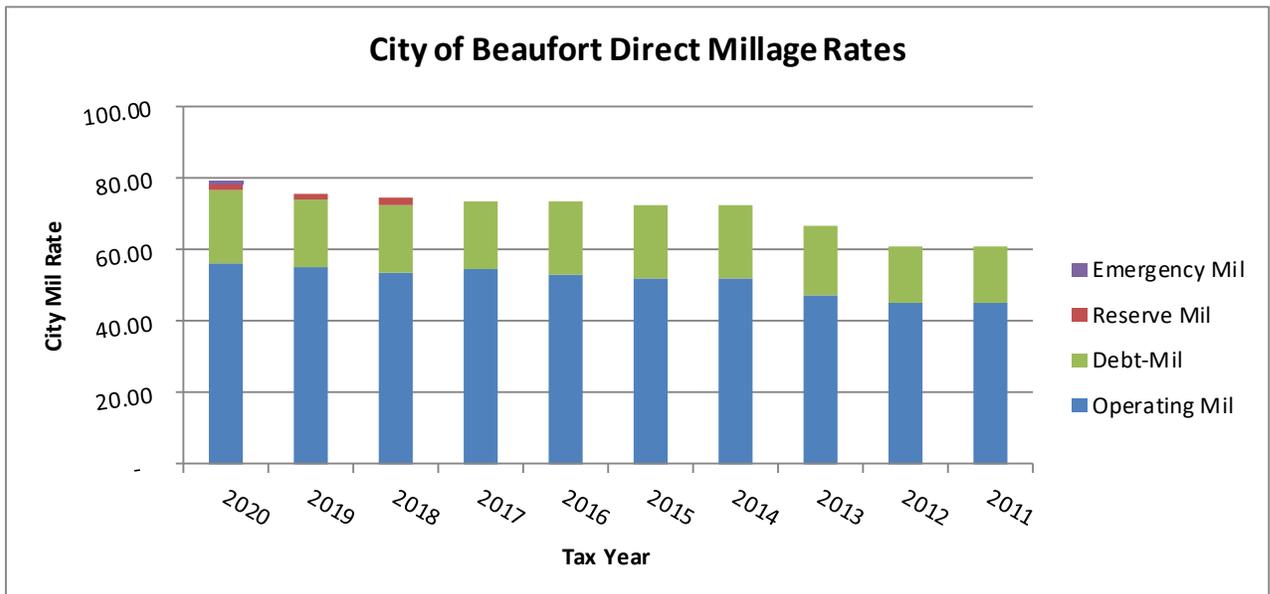
Beaufort County Tax Assessor

	Total		Ratio of Total	Total
	Assessed	Estimated	Assessed to Total	Direct
	Value	Market Value	Estimated Value	Rate
\$	97,620,893	\$ 2,589,689,957	3.77%	79.30
	95,281,544	2,553,948,703	3.73%	75.77
	110,500,550	2,464,599,073	4.48%	74.59
	104,474,910	2,146,108,253	4.87%	73.57
	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

**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	
2020	79.30	150.60	65.22	295.12
2019	75.77	145.70	65.38	286.85
2018	74.59	136.31	62.78	273.68
2017	73.57	145.21	63.39	282.17
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

	Total Direct - City				Total Direct
	Operating Mil	Debt-Mil	Reserve Mil	Emergency Mil	
2020	56.30	20.00	2.00	1.00	79.30
2019	54.80	18.97	2.00	-	75.77
2018	53.62	18.97	2.00	-	74.59
2017	54.66	18.91	-	-	73.57
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



Source:
City staff

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

<u>Taxpayer¹</u>	<u>2021</u>			<u>2012</u>		
	<u>Taxable</u>	<u>Rank</u>	<u>% of Total</u>	<u>Taxable</u>	<u>Rank</u>	<u>% of Total</u>
	<u>Assessed</u>		<u>City Net</u>	<u>Assessed</u>		<u>City Net</u>
	<u>Value¹</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
Wal-Mart Real Estate Business Trust	\$ 2,042,390	1	2.48%			
USPG Portfolio Eight, LLC	1,282,430	2	1.56%			
303 Associates, LLC	1,011,990	3	1.23%			
Ribaut Holdings, LLC	918,360	4	1.11%			
Beaufort Plaza, Inc.	782,890	5	0.95%			
HMV Hotels LLC	563,480	6	0.68%			
Cross Creek Apartments Holdings, LLC	555,710	7	0.67%			
Okatie Hotel Investment LLC	547,290	8	0.66%			
Spanish Trace Acquisition Partners LP	507,000	9	0.62%			
Lowes Home Center, Inc.	503,050	10	0.61%			
South Carolina Electric & Gas Co.				\$ 1,472,090	1	1.77%
Hargray CATV Company, Inc.				1,457,220	2	1.75%
Ribaut Holdings, LLC				1,294,470	3	1.56%
USPG Portfolio Two, LLC				1,090,280	4	1.31%
303 Associates, LLC				948,170	5	1.14%
Wal-Mart Real Estate Business Trust				859,500	6	1.03%
United Telephone Co.				758,420	7	0.91%
Beaufort Plaza, Inc.				742,120	8	0.89%
Lowes Home Center, Inc.				703,560	9	0.85%
Mitul Enterprises, LP				679,600	10	0.82%
	<u>\$ 8,714,590</u>		<u>10.6%</u>	<u>\$ 10,005,430</u>		<u>12.05%</u>

Source:

**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
2020	\$ 6,959,769	\$ 6,367,492	91.49%	-	\$ 6,367,492	91.49%
2019	6,713,352	6,330,690	94.30%	-	6,330,690	94.30%
2018	6,316,081	6,063,438	96.00%	-	6,063,438	96.00%
2017	6,262,666	6,259,525	99.95%	-	6,259,525	99.95%
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%	-	5,967,309	95.26%
2011	6,582,620	6,350,695	96.48%	-	6,350,695	96.48%

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.

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

Fiscal Year Ending June 30,	Governmental Activities						Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	Tax Increment Bonds	General Obligation Bonds	Premiums	Limited Obligation Bonds	Revenue Bonds	Capital Leases			
2021	\$ -	\$ 7,410,000	\$ 1,011,054	\$ 7,105,000	\$ 1,634,138	\$ 2,879,464	\$ 20,039,656	4.53%	\$ 1,473
2020	-	13,745,000	549,701	-	1,873,179	3,183,962	19,351,842	5.00%	1,440
2019	-	15,104,000	667,763	-	2,103,602	3,559,983	21,435,348	5.71%	1,605
2018	-	10,520,000	795,050	-	2,325,718	3,912,692	17,553,460	5.35%	1,279
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

Notes:

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, 2021**

	<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	\$ 205,795,000	7.27%	\$ 14,965,249
Beaufort County School District			
General obligation bonded debt	371,720,000	25.34%	94,193,848
Capital lease	722,600	25.34%	183,107
Installment purchase revenue bond	19,125,000	25.34%	<u>4,846,275</u>
Subtotal - Overlapping Debt			<u>114,188,479</u>
City of Beaufort Direct Debt			<u>20,039,656</u>
Total Direct and Overlapping Debt			<u><u>\$ 134,228,135</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
2020	\$ 8,421,054	\$ -	\$ 8,421,054	8.63%	\$ 619
2019	14,294,701	-	14,294,701	15.00%	1,064
2018	15,771,763	-	15,771,763	14.27%	1,181
2017	10,520,000	-	10,520,000	10.07%	766
2016	11,480,000	-	11,480,000	11.43%	854
2015	12,405,000	-	12,405,000	12.41%	932
2014	12,725,000	-	12,725,000	13.04%	969
2013	13,555,000	-	13,555,000	14.28%	1,045
2012	14,355,000	-	14,355,000	0.00%	1,123
2011	15,130,000	-	15,130,000	0.00%	1,207

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			
	2021	2020	2019	2018
Total Assessed Value of Taxable property	\$ 97,620,893	\$ 95,281,544	\$ 110,500,550	\$ 104,474,910
Less Exemptions for Bond Purposes	-	-	-	-
Net Assessed Value for Bond Purposes	<u>\$ 97,620,893</u>	<u>\$ 95,281,544</u>	<u>\$ 110,500,550</u>	<u>\$ 104,474,910</u>
Debt Limit Percentage	8%	8%	8%	8%
Debt Limit	\$ 7,809,671	\$ 7,622,524	\$ 8,840,044	\$ 8,357,993
Total Net Debt Applicable to Limit General obligation bonds (net of set aside)	<u>770,454</u>	<u>6,316,460</u>	<u>6,900,308</u>	<u>1,564,226</u>
Legal Debt Margin	<u>\$ 7,039,217</u>	<u>\$ 1,306,064</u>	<u>\$ 1,939,736</u>	<u>\$ 6,793,767</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	9.87%	82.87%	78.06%	18.72%

Source:

Beaufort County Tax Assessor

June 30,					
2017	2016	2015	2014	2013	2012
\$ 100,408,720	\$ 99,924,620	\$ 97,606,240	\$ 94,903,900	\$ 96,893,350	\$ 92,969,109
-	-	-	-	-	-
<u>\$ 100,408,720</u>	<u>\$ 99,924,620</u>	<u>\$ 97,606,240</u>	<u>\$ 94,903,900</u>	<u>\$ 96,893,350</u>	<u>\$ 92,969,109</u>
8%	8%	8%	8%	8%	8%
\$ 8,032,698	\$ 7,993,970	\$ 7,808,499	\$ 7,592,312	\$ 7,751,468	\$ 7,437,529
<u>1,000,000</u>	<u>1,180,000</u>	<u>1,355,000</u>	<u>1,690,000</u>	<u>1,850,000</u>	<u>-</u>
<u>\$ 7,032,698</u>	<u>\$ 6,813,970</u>	<u>\$ 6,453,499</u>	<u>\$ 5,902,312</u>	<u>\$ 5,901,468</u>	<u>\$ 7,437,529</u>
12.45%	14.76%	17.35%	22.26%	23.87%	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
2021	13,607	\$ 442,105,037	\$ 32,491	3.60%
2020	13,436	386,876,184	28,794	7.40%
2019	13,357	375,518,698	28,114	3.30%
2018	13,729	327,917,165	23,885	3.40%
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%

Sources:

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

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

**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, 2020 and December 31, 2011 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,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General government	38	37	30	32	27	28	28	23	24	22
Public safety	111	109	113	110	98	93	90	97	98	91
Public services	24	27	26	22	22	22	18	28	25	22
	<u>173</u>	<u>173</u>	<u>169</u>	<u>164</u>	<u>147</u>	<u>143</u>	<u>136</u>	<u>148</u>	<u>147</u>	<u>135</u>

Source:
City personnel records

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

	Fiscal Year Ending June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Safety										
Police										
Arrests	528	626	770	843	1,026	1,107	816	963	1,233	1,215
Fire										
Number of emergency calls	4,157	4,468	3,666	3,077	2,852	2,576	2,211	2,327	2,582	1,886
Inspections	596	718	800	617	705	533	605	242	181	92
Public Services										
Parks										
Number of parks	24	24	24	24	24	24	24	24	24	24
Solid Waste¹										
Missed garbage	N/A	143	260	440	442	113	67	40	25	16
Missed recycling	N/A	90	84	170	210	72	26	21	20	40
Missed yard waste	N/A	107	136	302	131	23	24	31	22	13
Planning										
Building permits issued	1,099	1,127	1,188	1,195	1,426	1,332	1,278	1,315	1,248	1,147
Building permit fees	\$ 411,366	\$ 487,549	\$ 373,848	\$ 334,870	\$ 376,254	\$ 244,837	\$ 254,637	\$ 245,906	\$ 246,214	\$ 276,966
Certificate of occupancy	75	62	58	46	42	22	35	34	37	45
Certificate of completion	6	14	22	49	54	60	33	44	37	39

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. Data was not available at time of issuance.

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

	Fiscal Year Ending June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Public Safety										
Police										
Station	1	1	1	1	1	1	1	1	1	1
Fire										
Fire stations	4	4	3	3	3	3	2	2	2	2
Public Services										
Parks	24	24	24	24	24	24	24	24	24	24

Source:
City records



Compliance Section



**CITY OF BEAUFORT, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Project / Award Number</u>	<u>Federal Award Expended</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development</u>				
(Passed through South Carolina Department of Commerce)				
Community Development Block Grant- Mossy Oaks				
Drainage Improvements	14.228	4-CI-18-002	\$ 997,500	\$ -
Total U.S. Department of Housing and Urban Development			<u>997,500</u>	<u>-</u>
<u>U.S. Department of the Interior</u>				
(Passed through South Carolina Department of Parks, Recreation and Tourism)				
Land and Water Conservation Fund	15.916	45-01122	145,659	-
(Passed through South Carolina Department of Archives and History)				
Hurricane Irma Emergency Supplemental Historic Preservation Fund	15.957	P19AP00015	8,430	-
Total U.S. Department of the Interior			<u>154,089</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Assistance to Firefighters Grant (AFG)	97.083	EMW-2019-FG-06841	189,909	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2016-FH-00519	181,008	-
(Passed through South Carolina Emergency Management Division)				
Pre-Disaster Mitigation	97.017	PDMC-04-SC-2015	23,503	-
Public Assistance COVID-19	97.036	FEMA-4492-DR-SC	98,845	-
Total U.S. Department of Homeland Security			<u>493,265</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 1,644,854</u>	<u>\$ -</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Beaufort, South Carolina, (the “City”) for the year ended June 30, 2021 and is presented on the modified accrual basis of accounting.

The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – DE MINIMIS INDIRECT COST RATE

The City chose not to use the 10% de minimis cost rate for the year ended June 30, 2021.



**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
City of Beaufort, South Carolina
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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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

Savannah, Georgia
December 10, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Beaufort, South Carolina's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on the Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Savannah, Georgia
December 10, 2021

CITY OF BEAUFORT, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered to
be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in
accordance with the Uniform Guidance? Yes No

Identification of major program:

CFDA Number
14.228

Name of Federal Program or Cluster
U.S. Department of Housing and
Urban Development
Community Development Block Grant

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

CITY OF BEAUFORT, SOUTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV
PRIOR YEAR FINDINGS AND RESPONSES**

None reported.



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