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CITY OF BEAUFORT
1911 BOUNDARY STREET
BEAUFORT MUNICIPAL COMPLEX
BEAUFORT, SOUTH CAROLINA 29902
(843) 525-7070
CITY COUNCIL WORKSESSION AGENDA
January 10, 2023

STATEMENT OF MEDIA NOTIFICATION

"In accordance with South Carolina Code of Laws, 1976, Section 30-4-80(d), as amended, all local media was duly notified of the time, date, place and agenda of this meeting."

WORKSESSION - City Hall, Planning Conference Room, 1st Floor - 5:00 PM

Please note, this meeting will be broadcasted via zoom and live streamed on Facebook. You can view the meeting at the City's page; City Beaufort SC

I. CALL TO ORDER

A. Stephen D. Murray III, Mayor

II. EMPLOYEE NEW HIRE RECOGNITION

- A. Community and Economic Development Department - Curt Freese
- B. Fire Department - Aljarreau Robinson, Adrian Villalon Rodriguez
- C. Police Department - Danyelis Wood
- D. Public Works - Linwood Nelson

III. PRESENTATION

A. FY 2022 Annual Comprehensive Financial Report

IV. EXECUTIVE SESSION

A. Pursuant to Title 30, Chapter 4, Section (70) (a) (1) of the South Carolina Code of Law: Discussion regarding Personnel - Boards and Commissions and Administration

V. ADJOURN



CITY OF BEAUFORT

DEPARTMENT REQUEST FOR CITY COUNCIL AGENDA ITEM

TO: CITY COUNCIL **DATE:** 12/28/2022
FROM: Alan Eisenman, Finance Director
AGENDA ITEM TITLE: FY 2022 Annual Comprehensive Financial Report
MEETING DATE: 1/10/2023
DEPARTMENT: Finance

BACKGROUND INFORMATION:

David Irwin, Audit Partner with Mauldin & Jenkins, will present financial and compliance audit from City of Beaufort's FY 2022 Annual Comprehensive Financial Report.

Alan Eisenman, Finance Director, will present financial overview of FY 2022 Annual Comprehensive Report.

PLACED ON AGENDA FOR: Discussion

REMARKS:

ATTACHMENTS:

Description	Type	Upload Date
Financial and Compliance Audit Presentation	Cover Memo	1/3/2023
Alan Presentation	Backup Material	1/5/2023

City of Beaufort, South Carolina



Financial & Compliance Audit – June 30, 2022



Presented by:

***David Irwin, CPA
Partner***



Purpose of Today's Presentation

- **Overview of:**
 - **Independent Auditor's Report**
 - **Compliance Reports**
 - **Financial Statements**
- **Required Communications**
- **Answer Any Questions**

Audit Opinion

- **City: responsible for financial statements.**
- **M&J: to express opinions.**
- **Auditing Standards = *Generally Accepted Auditing Standards and Governmental Auditing Standards***
- **Financial Audit : Unmodified (Clean) Opinion**
 - **Highest level of Assurance**
 - **Financial Statements are fairly presented in all material respects, in accordance with GAAP**

Compliance Reports

Financial Report contains two (2) Compliance Reports:

▪ **Single Audit Report**

- **Compliance audit**
- **Required > \$750k in federal expenditures**
- **Unmodified (Clean) Opinion**

▪ **Yellow Book Report**

- **Report on City's Internal Controls and Compliance**
- **Not Intended to Provide an Opinion**
- **No Material Weaknesses or Significant Deficiencies Noted During Our Audit**

Overview of Financial Statements

- **City prepares an Annual Comprehensive Financial Report (ACFR)**
- **ACFR goes above and beyond basic reporting requirements**
- **Submitted annually to Government Finance Officers Association (GFOA)**
- **City awarded CAFR Certificate for 15th year in a row**

Overview of Financial Statements

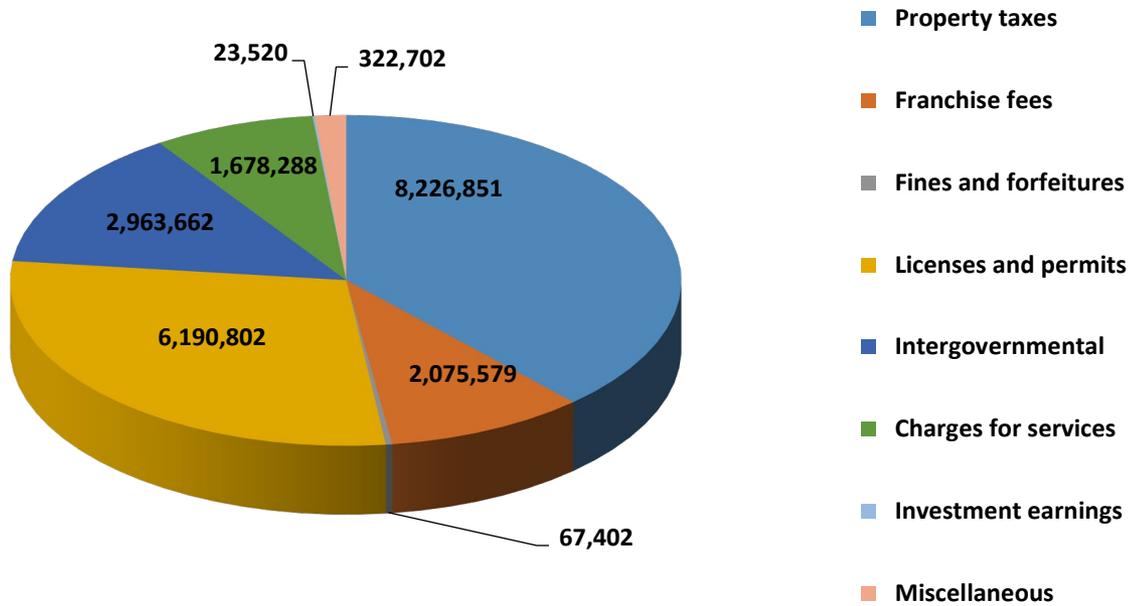
- **Management’s Discussion & Analysis (MD&A)**
 - **Written by Management**
 - **Introduces and Summarizes Basic Financial Statements**
 - **Comparative Information**

- **City’s Financial Statements Include Three (3) Components**
 - **Government-Wide Financial Statements**
 - **Fund Level Financial Statements**
 - **Notes to the Financial Statements**

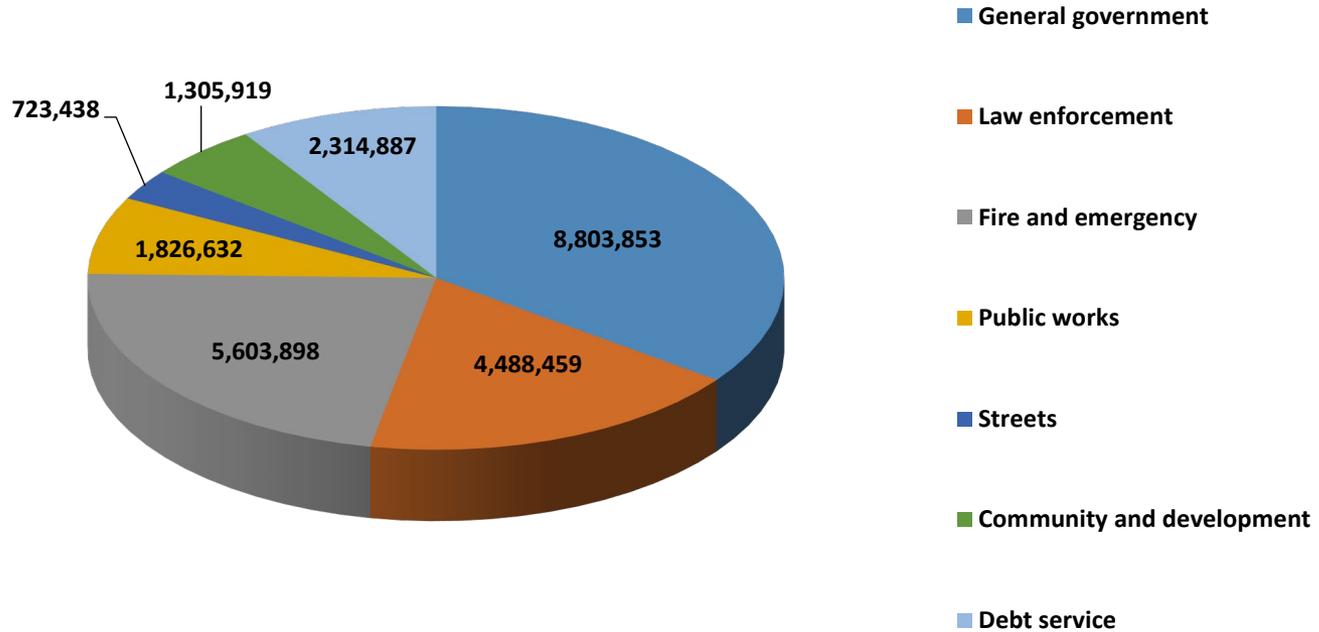
Government-Wide Financial Statements

- **\$101.5 Million = total assets and deferred outflows**
- **\$75.5 Million = capital assets, net of A/D**
- **\$53 Million = total liabilities and deferred inflows**
- **\$48.5 Million = net position *(or equity)***
- **\$30.4 Million = revenues (\$27.3M in FY21)**
- **\$25.6 Million = expenses (\$24.6M in FY21)**
- **Increase in Net Position of \$4.8M vs \$2.7M increase in PY**

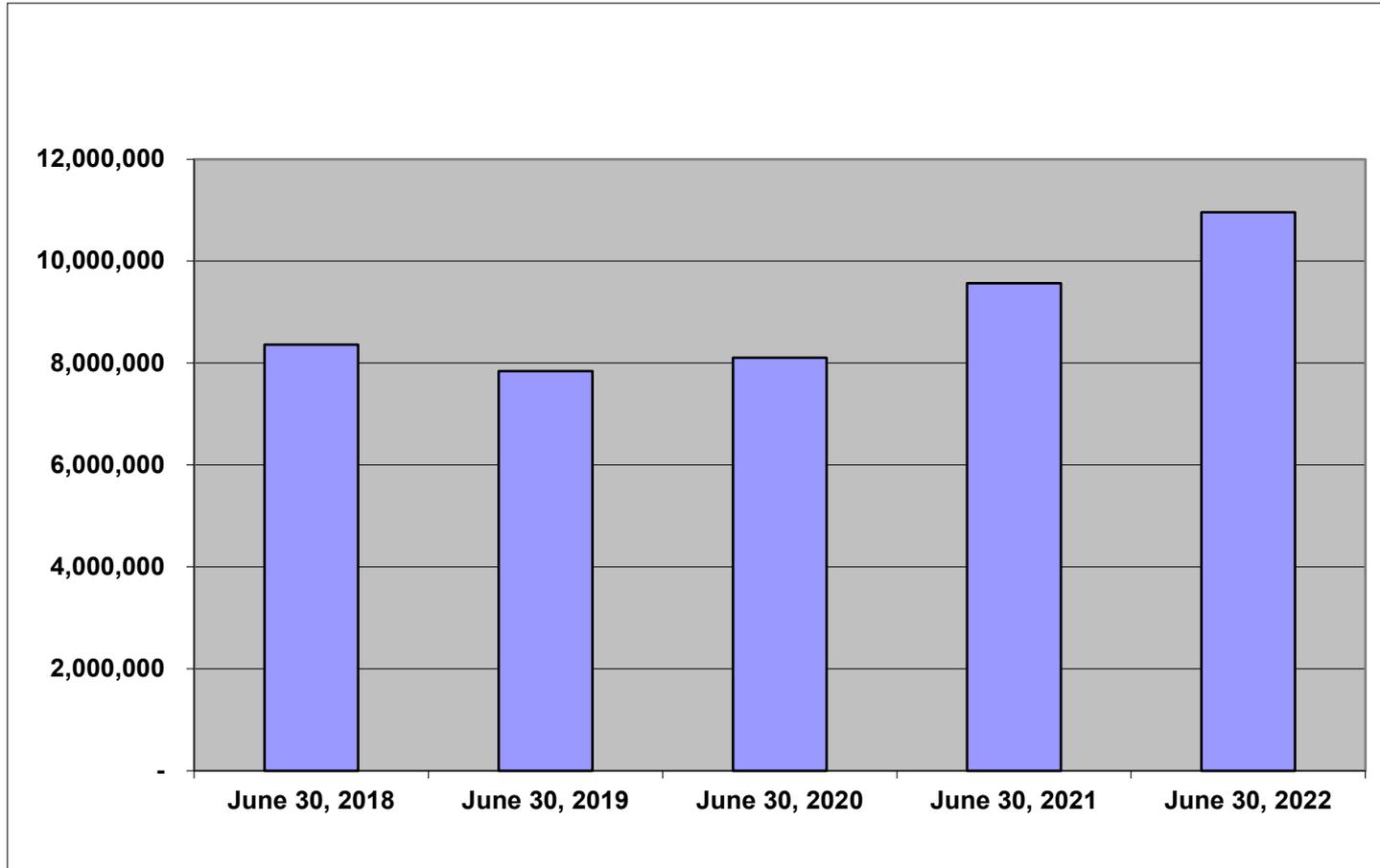
General Fund Revenues



General Fund Expenditures



General Fund - Fund Balance History



Required Communications

- **Clean Opinion and No Audit Findings**
- **We Received Full Cooperation from Management and Staff**
- **No Disagreements with Management**
- **No Significant Issues Discussed with Management**
- **No Uncorrected Misstatements**
- **We are Independent of the City as Required by Government Auditing Standards**

Closing

We appreciate the opportunity to serve the City of Beaufort and look forward to serving the City in the future.





Annual Comprehensive Financial Report

Overview

JUNE 30, 2022

Management Discussion & 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, 2022. 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.

This report presents the financial highlights for the fiscal year ending June 30, 2022 and contains other supplementary information.

The following table presents a summary of the City's Net Position at June 30, 2022.

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current and other assets	\$ 27,310,096	\$ 20,302,877	\$ 7,007,219	34.51%
Capital assets	<u>70,544,945</u>	<u>62,808,148</u>	<u>7,736,797</u>	<u>12.32%</u>
Total assets	<u>97,855,041</u>	<u>83,111,025</u>	<u>14,744,016</u>	<u>17.74%</u>
Deferred outflows of resources:				
Deferred loss on debt refunding	283,490	334,265	(50,775)	-15.19%
Deferred pension charges	<u>3,284,639</u>	<u>4,495,346</u>	<u>(1,210,707)</u>	<u>-26.93%</u>
Total deferred outflows of resources	<u>3,568,129</u>	<u>4,829,611</u>	<u>(1,261,482)</u>	<u>-26.12%</u>
Liabilities:				
Long-term liabilities	40,361,834	39,031,784	1,330,050	3.41%
Other liabilities	<u>8,939,894</u>	<u>4,652,351</u>	<u>4,287,543</u>	<u>92.16%</u>
Total liabilities	<u>49,301,728</u>	<u>43,684,135</u>	<u>5,617,593</u>	<u>12.86%</u>
Deferred inflows of resources:				
Deferred pension credits	<u>3,661,558</u>	<u>592,012</u>	<u>3,069,546</u>	<u>518.49%</u>
Net position:				
Net investment in capital assets	46,595,631	45,440,050	1,155,581	2.54%
Restricted	9,916,356	7,471,636	2,444,720	32.72%
Unrestricted	<u>(8,052,103)</u>	<u>(9,247,197)</u>	<u>1,195,094</u>	<u>12.92%</u>
Total net position	<u>\$ 48,459,884</u>	<u>\$ 43,664,489</u>	<u>\$ 4,795,395</u>	<u>10.98%</u>

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 \$48,459,884 (net position). Unrestricted net position is reported as (\$8,052,103) 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 (\$16,303,256) from net position, results in \$8,251,153 unrestricted net position available to meet the City’s ongoing obligations to citizens and creditors.
- The government’s total net position increased \$4,795,395. The increase demonstrates the City’s fiscal conservatory approach as expenditures remained mostly flat while increased revenues signal an improved economic forecast along with one-time revenues associated with the pandemic.
- The City’s total cash position at June 30, 2022, was \$24,751,527 compared to \$17,806,545 at June 30, 2021, an increase primarily due to the City’s prudent spending while realizing a surge in economic growth.
- As of June 30, 2022, the City’s long-term indebtedness, including the liability for accrued vacation and net pension liability, had increased a net of \$764,804 from June 30, 2021. Net pension liability contributed to a decrease by \$4,160,183 and an increase in debt of \$4,924,987 comprised from new issuance of general obligation bonds and financed purchases led to the overall net increase.
- 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 32.8% of the governmental services to citizens and the community in fiscal year 2022.

The following table presents a summary of the City's Statement of Activities at June 30, 2022.

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
Program Revenues				
Charges for services	\$ 14,156,310	\$ 12,157,960	\$ 1,998,350	16.44%
Operating grants and contributions	1,489,279	509,273	980,006	192.43%
Capital grants and contributions	781,756	2,506,849	(1,725,093)	-68.82%
General Revenues				
Taxes	13,397,247	11,926,124	1,471,123	12.34%
Other	536,147	197,019	339,128	172.13%
Total Revenues	<u>30,360,739</u>	<u>27,297,225</u>	<u>3,063,514</u>	<u>11.22%</u>
Expenses:				
General Government	5,542,094	4,049,072	1,493,022	36.87%
Law Enforcement	4,938,927	5,954,583	(1,015,656)	-17.06%
Fire and emergency	6,033,411	6,236,152	(202,741)	-3.25%
Public works	2,911,197	2,714,364	196,833	7.25%
Culture and recreation	1,784,359	1,569,991	214,368	13.65%
Streets	1,717,467	1,713,641	3,826	0.22%
Community development	2,031,046	1,573,368	457,678	29.09%
Interest	606,843	789,596	(182,753)	-23.15%
Total Expenses	<u>25,565,344</u>	<u>24,600,767</u>	<u>964,577</u>	<u>3.92%</u>
Change in net position	4,795,395	2,696,458	2,098,937	77.84%
Net position - beginning of year	<u>43,664,489</u>	<u>40,968,031</u>	<u>2,696,458</u>	<u>6.58%</u>
Net position - end of year	<u>\$ 48,459,884</u>	<u>\$ 43,664,489</u>	<u>\$ 4,795,395</u>	<u>10.98%</u>

Overall revenues increased \$3,063,514, or 11.22% over the preceding year. Key elements of significant changes in governmental activity revenues are as follows:

- Charges for service increased \$1,998,350 or 16.44% primarily as a result of development growth increasing licenses and permit revenues (\$963,528). In addition, higher residential garbage collection rates (\$218,205) along with City sponsored festival events (\$221,564) that were postponed the past couple of years due to the pandemic.
- Operating grants and contributions increased a net \$980,006 or 192% which is due to American Rescue Plan Act grant revenues received from federal and local sources for \$861,739.
- Capital grants and contributions decreased by \$1,725,093 or 68.8% primarily as result of capital grants for infrastructure related to Mossy Oaks Basin 1 and 2 stormwater projects that were completed in prior year.
- Taxes increased a net \$1,471,123 or 12.3%. Property taxes increased \$350,706 from growth in assessed property values and accommodations and hospitality taxes increased \$1,133,480 as tourism activity improved and exceeded pre-pandemic levels.
- Other general revenues increased a net \$339,128. The City recognized property sales of \$159,785 along with the donation of fire truck valued at \$146,000.

Overall expenses increased \$964,577 or 3.9% over the preceding year. Significant changes in expenses within governmental activities are as follows:

- General government expenses increased \$1,493,022 or 36.8% predominately from a combination of recording amortization and principal expenses related to the City's implementation of *GASB 87 Accounting for Leases* along with expenses from American Rescue Plan Act Fund established during the fiscal year.
- Law enforcement expenses decreased \$1,015,656 or 17.1% mostly due to *GASB 87* as vehicle lease costs were capitalized, not expensed as well as decrease in pension expenses.
- Fire and emergency expenses decreased \$202,741 or 3.2% from no longer having to make lease payments on a fire station as the City purchase the building midway through the fiscal year along with a lower pension expenses.
- Public works expenses increased \$196,833 or 7.25% due to higher costs associated with a new residential garbage collection service provider.
- Culture and recreation increased by \$214,368 or 13.6% from investments made to City's park system as projects were completed during the year.
- Community and economic development expenses increased \$457,678 or 29.1% primarily as a result of professional services to support City's review boards and interim director along with return of City sponsored events previously not held due to the pandemic.
- Interest expenses decreased by \$182,753 or 23.1% as the City recognized debt issuance costs associated with the closing of new Stormwater obligation bonds in the preceding year.

The following is Statement of Revenues, Expenditures, and Changes in Fund Balances as of June 30, 2022.

	<u>General Fund</u>	<u>TIF II Fund</u>	<u>Capital Projects Fund</u>	<u>Parks and Tourism Fund</u>	<u>American Rescue Plan Act Fund</u>	<u>Stormwater Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES								
Property taxes	\$ 8,226,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,226,851
Other taxes	-	-	-	3,890,378	-	-	914,443	4,804,821
Franchise fees	2,075,579	-	-	-	-	-	-	2,075,579
Fines and forfeitures	67,402	-	-	-	-	-	-	67,402
Licenses and permits	6,190,802	-	-	-	-	-	143,450	6,334,252
Intergovernmental	2,963,662	-	781,756	1,738	861,739	-	-	4,608,895
Charges for services	1,678,288	-	-	745,123	-	1,219,564	-	3,642,975
Investment earnings	23,520	12,631	2,670	2,405	8,865	6,128	2,365	58,584
Miscellaneous	322,702	-	-	6,644	-	-	8,731	338,077
Total revenues	<u>21,548,806</u>	<u>12,631</u>	<u>784,426</u>	<u>4,646,288</u>	<u>870,604</u>	<u>1,225,692</u>	<u>1,068,989</u>	<u>30,157,436</u>
EXPENDITURES								
Current:								
General government	8,803,853	-	-	-	263,339	-	442,187	9,509,379
Law enforcement	4,488,459	-	-	1,163,949	-	-	33,712	5,686,120
Fire and emergency	5,603,898	-	-	-	-	-	-	5,603,898
Public works	1,826,632	14,836	-	-	-	663,394	-	2,504,862
Culture and recreation	-	-	-	1,202,887	-	-	-	1,202,887
Streets	723,438	-	-	-	-	-	-	723,438
Community and economic development	1,305,919	-	-	740,215	-	-	-	2,046,134
Debt Service:								
Principal	1,843,727	-	-	247,981	-	305,000	-	2,396,708
Interest and other charges	471,160	-	-	61,117	-	208,755	-	741,032
Capital Outlay	-	-	1,552,735	92,153	598,400	-	1,846,831	4,090,119
Total expenditures	<u>25,067,086</u>	<u>14,836</u>	<u>1,552,735</u>	<u>3,508,302</u>	<u>861,739</u>	<u>1,177,149</u>	<u>2,322,730</u>	<u>34,504,577</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,518,280)</u>	<u>(2,205)</u>	<u>(768,309)</u>	<u>1,137,986</u>	<u>8,865</u>	<u>48,543</u>	<u>(1,253,741)</u>	<u>(4,347,141)</u>
OTHER FINANCING SOURCES (USES)								
Issuance of general obligation bonds	5,375,000	-	-	-	-	-	-	5,375,000
Issuance of financed purchases	-	-	-	-	-	-	1,846,831	1,846,831
Issuance of leases	266,556	-	-	-	-	-	-	266,556
Transfers in	119,472	-	1,371,608	-	-	-	-	1,491,075
Transfers out	(852,500)	(54,389)	-	-	-	(464,714)	(119,472)	(1,491,075)
Total other financing sources (uses)	<u>4,908,528</u>	<u>(54,389)</u>	<u>1,371,608</u>	<u>-</u>	<u>-</u>	<u>(464,714)</u>	<u>1,727,359</u>	<u>7,488,387</u>
Net change in fund balances	1,390,248	(56,594)	603,294	1,137,986	8,865	(416,171)	473,618	3,141,246
Fund balances - beginning (as restated)	<u>9,568,282</u>	<u>3,667,375</u>	<u>1,373,056</u>	<u>1,030,401</u>	<u>-</u>	<u>2,459,064</u>	<u>274,605</u>	<u>18,372,783</u>
Fund balances - ending	<u>\$ 10,958,530</u>	<u>\$ 3,610,781</u>	<u>\$ 1,976,350</u>	<u>\$ 2,168,387</u>	<u>\$ 8,865</u>	<u>\$ 2,042,893</u>	<u>\$ 748,223</u>	<u>\$ 21,514,029</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

General Fund- Revenues

General fund revenues increased \$1,903,369 or 9.7% from the prior year.

The significant changes are primarily attributed to the following:

- Franchise fees reported an 4.9% increase totaling \$98,357. This increase is primarily related to higher volume of usage of customers within the City for utility and garbage collection providers.
- Licenses and permits increased \$963,528 or 18.4% as new commercial and residential construction growth continued for a fourth year causing increased temporary licenses to contractors and new permits issued.
- A net increase of \$128,453 or 4.5% is reported in intergovernmental revenue as the City received a \$450,000 state grant for improvements to cybersecurity building. However, funding for the Fire Department's SAFER grant (\$248,709) and COVID grant (\$91,487) came to a close during the fiscal year resulting in a decrease of \$340,196 in grant revenue.
- Charges for services increased \$360,971 or 27.4% as the City increased residential garbage collection rate by 24% as a result of a new service provider to offset the increase cost of collections.
- Miscellaneous revenue increased \$174,238 or 117.3% as the City was involved with a couple significant property sales throughout the year along with auctioning off some older equipment.

General Fund- Expenditures

The General Fund expenditures increased \$6,916,919 or 38.1% over fiscal year ended June 30, 2022.

Significant changes in the General Fund expenditures were a result of the following:

- General Government increased \$5,574,421 or 172.6% over the prior year. Majority of the increase is a result of the City's purchase of fire station and cybersecurity building.
- Law enforcement saw a \$309,468 net increase over the prior year. Net increases in personnel and benefits attributed to \$263,279 of the overall increase and a \$44,525 increase in fuel for vehicles from higher gas prices.
- Public Works increased \$171,301 or 10.3% as most of the increase is due to additional cost associated with a new service provider contract for residential garbage collection that went into effect in fiscal year 2022.
- Community and Economic Development increased \$231,996 or 21.6%. Most of that increase is due to using professional services to support the City's review boards and contracted services for an interim director.
- Debt service principal and interest payments increased \$559,831 or 31.9% as a result of the City implementing *GASB 87 Accounting for Leases* that moved a majority of lease payments from lease expenditures with their corresponding department to debt service.

Capital Projects Fund

The Capital Project Fund expended \$1,552,735 or \$6,691,090 less than fiscal year 2021. The decrease is attributable to large stormwater drainage projects completed in the prior year. Most of the current year activity is a result of three projects: upgrades to building located at 500 Carteret Street of \$307k, building a pedestrian friendly pathway to Whitehall Park for \$499k, and costs associated with large stormwater drainage projects in The Point and surrounding areas of the City totaling \$433k. During fiscal year 2022, 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 \$3,508,302 in the current year which is \$485,924 more than the prior year and revenues of \$4,646,288 were \$1,147,980 more than FY 2021. The increase in revenue is due to tourism activity exceeding pre-pandemic levels and City sponsored festivals returned. Some cut back measures were taken last fiscal year by delaying planned activities until the tourism activity resumed back to normal, therefore attributing to an increase in capital expenditures this fiscal year and additional cost associated with City sponsored festivals.

American Rescue Plan Act Fund

The American Rescue Plan Act fund expended \$861,739 in the current year mostly related to upgrades for police equipment and one-time bonus pay for City employees impacted by the COVID-19 pandemic. Revenues were \$870,604 from federal and local grants and unearned revenues of \$2,982,777 are shown as a liability on the balance sheet as grant revenues are not considered earned until they have been expended.

Stormwater Fund

Stormwater operating revenue of \$1,225,692 which is \$103,603 more than fiscal year 2021 primarily due to stormwater fees related to growth in the City. Stormwater operating expenditures were \$1,177,149 and included \$513,755 for debt service payments. The other financing uses comprises of \$464,714 transfers out to the capital projects fund for drainage projects throughout the City.