

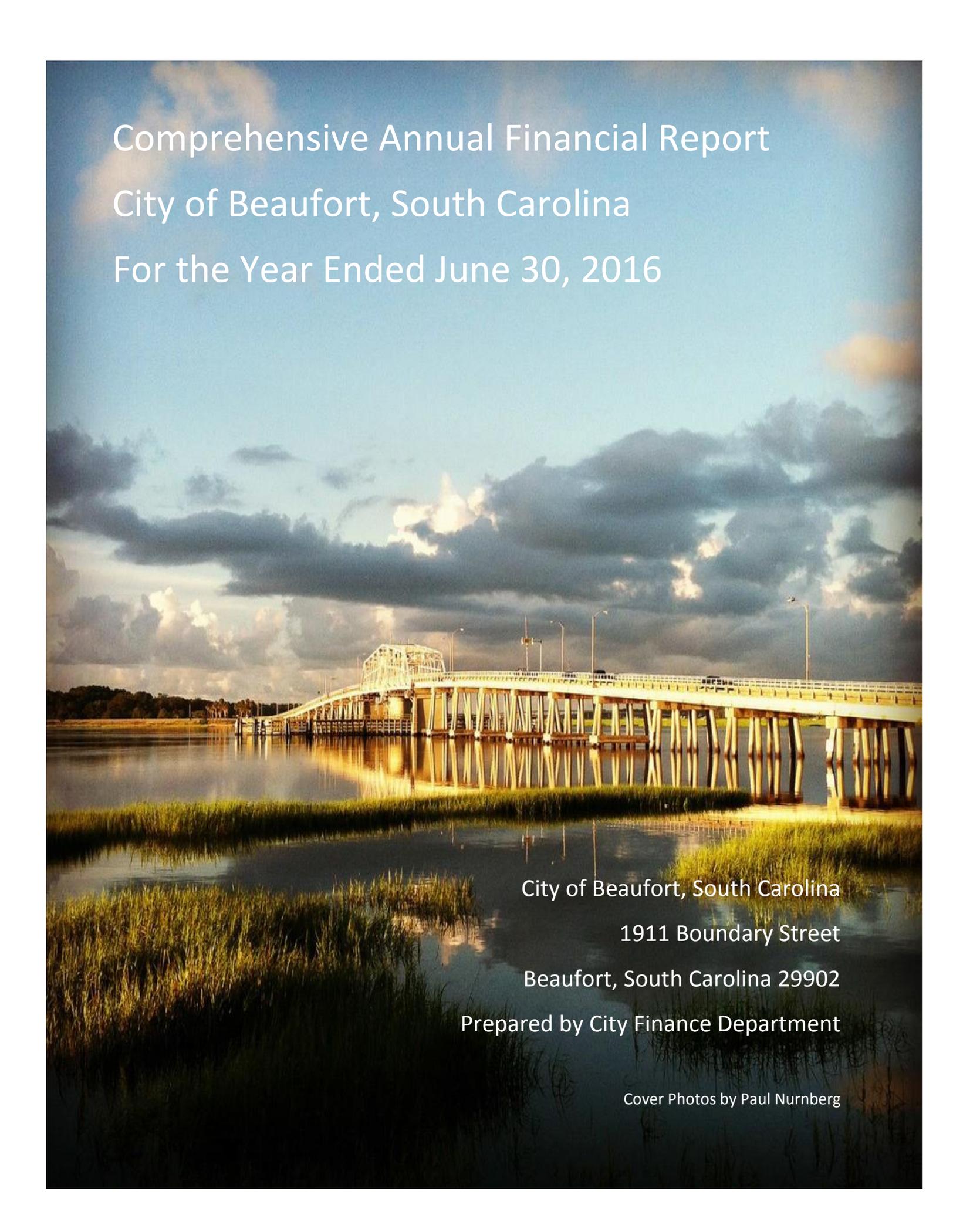


City of Beaufort, South Carolina

Comprehensive Annual Financial Report
June 30, 2016



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Comprehensive Annual Financial Report
City of Beaufort, South Carolina
For the Year Ended June 30, 2016

City of Beaufort, South Carolina

1911 Boundary Street

Beaufort, South Carolina 29902

Prepared by City Finance Department

Cover Photos by Paul Nurnberg



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Introductory Section

Photo by Michael Ahern



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December 2, 2016

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, 2016.

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

The City of Beaufort's financial statements have been audited by Mauldin & Jenkins, LLC a firm of licensed Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Beaufort for the fiscal year ended June 30, 2016 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, 2016, are fairly presented in conformity with U.S. GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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



Profile of the Government

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

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

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

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

Factors Affecting Financial Condition

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

Local economy

The City currently enjoys a relative stable economic environment. Unemployment in Beaufort County is 5.1%¹ that is slightly higher than the State average of 4.9%, and median household income tends to be higher than the State average. Revenues from real and personal property taxes remained relatively flat in comparison with the prior year. Revenues from building permits showed increased activity in remodeling and in the number of new houses and commercial buildings. This in turn resulted in a slight increase in Business license revenue from the prior year. The City also receives Hospitality and Accommodations tax

¹ US Census Bureau Quick Facts



revenues, which both showed an increase this year. Some revenues are dependent upon collection by MASC or the State of South Carolina. These funds showed a slight increase in collectibles.

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

Work continues on the Boundary Street Master Plan, specifically a \$33.0 – million - dollar road project, funded in part by County Sales tax and a recently awarded Federal TIGER grant of \$12.6 million. The Redevelopment Plan and Form Based code that will be used to guide development along the Boundary Street corridor, seek to maximize private investment in this district and beyond.

In the fall of 2006, the citizens in Northern Beaufort County voted to increase the County sales tax to pay for transportation related projects. Approximately \$12 million is earmarked for projects, which reflects a decrease in transportation impact fees collected in Northern Beaufort County. This investment along the Boundary Street entrance to the City is currently enhanced with a Tax Incremental Finance District which anticipates approximately \$55 million of public dollars invested. When finished, this redevelopment project is expected to net approximately \$400 million in private investment in the area.

Work continues in the Sector One section of the City as well as streetscape and pedestrian improvement projects that coordinate with the Spanish Moss Rail Trail project, of which the first two sections are open. This 12 - mile railroad conversion to a walking and biking trail is being complemented by efforts of the City to connect current sidewalks and neighborhoods to the trail in the 100 Pines and Mossy Oaks neighborhoods and to Port Royal.

The City has installed a mooring field and is working on other transient boating improvements to the Downtown Marina with a partnership with the Griffin Enterprises, Inc. who manage the Marina and the Department of Natural Resources of the State of South Carolina. This has resulted in an organized and safe mooring area on the Beaufort River for boaters who stop in Beaufort on their way elsewhere.

The City has begun to develop a solid economic development plan to attract high tech job opportunities to the City. We have established the Beaufort Digital Corridor, which is scheduled to open in December and we have recently entered into an agreement to establish a Don Ryan Center for innovation in the City as well, which we hope to open in January 2017.

This program is a result of the City Council's 2016 retreat, in which economic development was established as their number one goal for the City. This along with the other City initiatives mentioned above will establish the base for us to grow our tax base and generate new revenue.



Relevant financial policies

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

Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beaufort for its comprehensive annual financial report (CAFR) for the past nine years, ending June 30, 2015. The certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City publishes an easily readable and efficiently organized CAFR. This report satisfied both U.S. GAAP and applicable legal requirements.

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

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

Respectfully submitted,

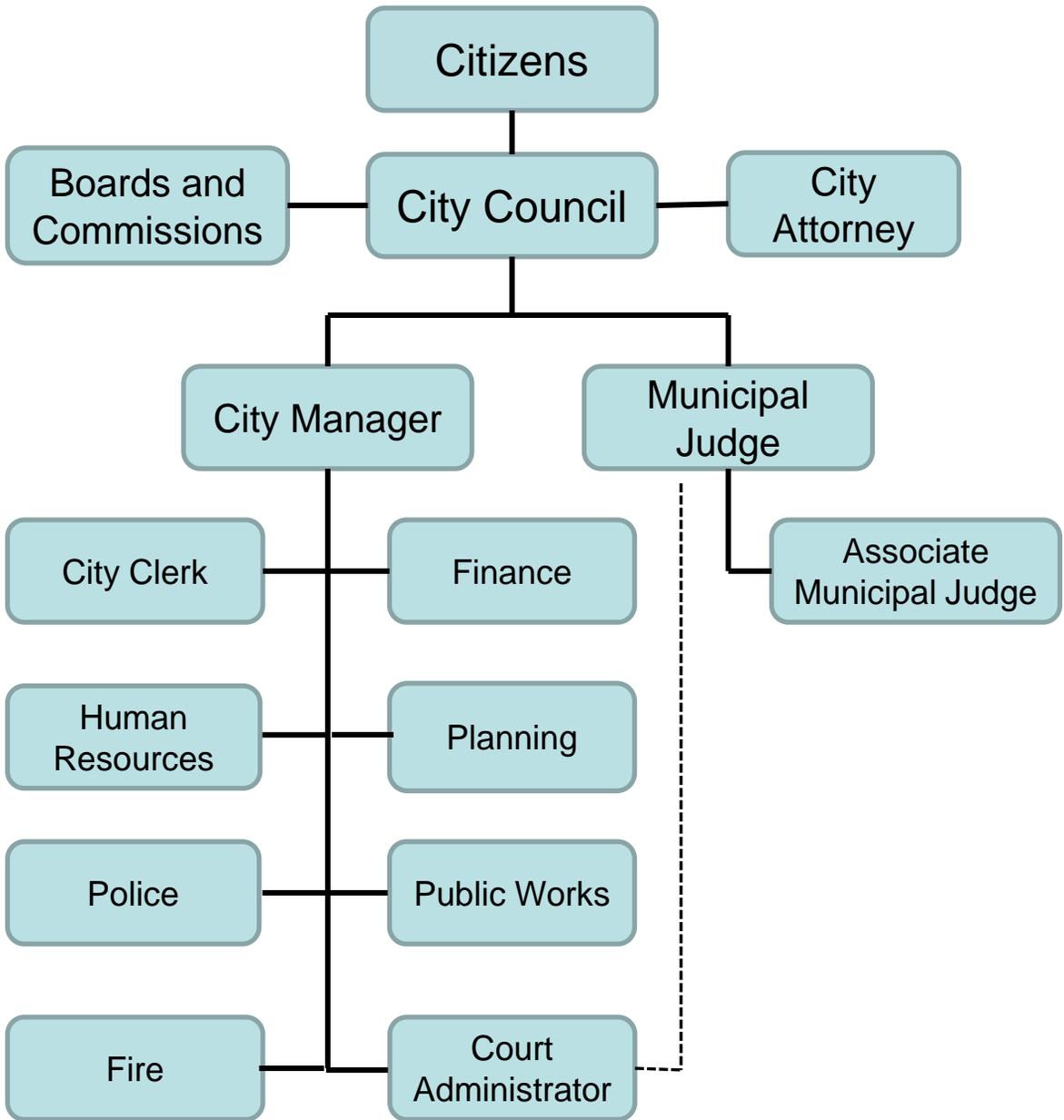
A handwritten signature in black ink, appearing to read "W. A. Prokop".

William A Prokop
City Manager

A handwritten signature in black ink, appearing to read "Kathy M. Todd".

Kathy M. Todd, CPA
Finance Director

CITY OF BEAUFORT, SOUTH CAROLINA
ORGANIZATIONAL CHART



**CITY OF BEAUFORT, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2016**

CITY COUNCIL

Billy Keyserling	Mayor
Michael McFee	Mayor, Pro Tem
Philip Cromer	Councilman, At Large
George O'Kelley	Councilman, At Large
Stephen Murray	Councilman, At Large

ADMINISTRATION

William A. Prokop	City Manager
Kathy M. Todd, CPA	Finance Director
Ivette Burgess	City Clerk
Alan Eisenman, CPA	Senior Accountant
Michael Ahern	Accountant
Gerald Eller	Accounting Clerk



Photo by Paul Nurnberg



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, 2015

Executive Director/CEO



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Financial Section

Photo by Michael Ahern



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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Beaufort, South Carolina** (the "City"), as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages C-1 through C-9), the budgetary comparison information (on pages E-1 through E-3), the pension information for the City of Beaufort Retirement Plan (on pages E-4 and E-5), and the notes to the required supplementary information (on page E-6) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section; combining and individual nonmajor fund financial statements and schedules; schedules of revenues, expenditures and changes in fund balance - budget to actual; schedule of municipal fines, assessments and surcharges; and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016, on our consideration of the City of Beaufort's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Beaufort's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 2, 2016

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, 2016. 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, 2016 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 \$38,628,199 (net position). Unrestricted net position is reported as (\$3,660,046) 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 (\$12,838,320) from net position, results in \$9,178,274 of unrestricted net position available to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased \$3,534,111. The net increase is primarily attributed additions to capital assets, TIF II revenues received and unexpended during the year adding \$1.9M to net position and decreases to the deferred inflows related to pensions.
- The City's total cash position at June 30, 2016, was \$21,981,719 compared to \$21,137,411 at June 30, 2015, an increase primarily due to unspent bond proceeds of \$825,242 from the 2016 Refunding General Obligation and Improvement Bonds reported as restricted cash.
- The City's Government-wide total accounts payables, accrued expenses and refundable deposits at June 30, 2016 were \$1,746,598, a decrease of \$425,180 from June 30, 2015. The decrease is primarily due to reduced interest expense from favorable debt refunding interest rates, and favorable cash management practices to reduce the City payables to vendors and employees.
- As of June 30, 2016, the City's long term indebtedness, including the liability for accrued vacation and net pension liability, had increased a net of \$1,349,447 from June 30, 2015. Net pension liability contributed to a significant component of the net increase by \$1,363,162. During the fiscal year the City expended \$709,655 for interest associated with its long-term indebtedness.

- 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 35.9% of the governmental services to citizens and the community in fiscal year 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements:

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

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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

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

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

Fund Financial Statements:

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

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

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

and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating the City's near-term financing requirements and available resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages D-4 and D-6.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position totaled \$38,628,199 at June 30, 2016.

The following table presents a summary of the City's Net Position at June 30, 2016.

	2016	2015	Change	% Change
Assets:				
Current and other assets	\$ 23,620,810	\$ 22,586,718	\$ 1,034,092	4.58%
Capital assets	45,329,588	43,772,858	1,556,730	3.56%
Total assets	68,950,398	66,359,576	2,590,822	3.90%
Deferred outflows of resources:				
Deferred loss on debt refunding	600,833	-	600,833	100.00%
Deferred pension charges	1,333,315	1,182,070	151,245	12.79%
Total deferred outflows of resources	1,934,148	1,182,070	752,078	63.62%
Liabilities:				
Long-term liabilities	28,335,791	27,085,847	1,249,944	4.61%
Other liabilities	3,842,587	4,168,264	(325,677)	-7.81%
Total liabilities	32,178,378	31,254,111	924,267	2.96%
Deferred inflows of resourcee				
Deferred pension credits	77,969	1,193,447	(1,115,478)	-93.47%
Net position:				
Net investment in capital assets	29,112,934	28,179,673	933,261	3.31%
Restricted	13,175,311	10,487,290	2,688,021	25.63%
Unrestricted	(3,660,046)	(3,572,875)	(87,171)	2.44%
Total net position	\$ 38,628,199	\$ 35,094,088	\$ 3,534,111	10.07%

The largest portion of the City's total net position (75.4%) 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 (34%) represents resources that are subject to external restrictions on how they may be used and the remaining balance (a negative 9.4%) is reported as unrestricted net position.

At the end of the current fiscal year, the City reports a positive balance in net investment in capital assets and restricted net position. Unrestricted net position, was impacted by the required reporting of net pension liability under the City's participation in the State of South Carolina Employee Benefit Administrations retirement plans: the South Carolina Retirement Plan and the South Carolina Police Officers Retirement Plan. Even though the City ended the fiscal year with an increase in net position of \$3,534,111, the impact of pension liability on net position had a negative impact on unrestricted net position.

Within the City's Governmental-wide financial statements, restricted net position increased \$2,688,021 or 25.63% which is almost entirely attributed to unspent TIF II revenues received in fiscal year 2016. These funds are reserved for future TIF II redevelopment projects. The Boundary Street Project is one of those redevelopment projects that is underway.

Net position presented in the Governmental-wide financial statements increased by a net \$3,534,111 during the current fiscal year.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City of Beaufort's net position by \$3,534,111 accounting for 10.07% percent of the total growth in the net position of the City.

	<u>2016</u>	<u>2015</u>	<u>Change</u>	<u>% Change</u>
Revenues:				
Program Revenues				
Charges for services	\$ 9,807,911	\$ 9,437,643	\$ 370,268	3.92%
Operating grants and contributions	91,013	79,673	11,340	14.23%
Capital grants and contributions	337,963	588,062	(250,099)	-42.53%
General Revenues				
Taxes	11,321,774	10,508,203	813,571	7.74%
Other	753,545	483,168	270,377	55.96%
Total Revenues	<u>22,312,206</u>	<u>21,096,749</u>	<u>1,215,457</u>	<u>5.76%</u>
Expenses:				
General Government	3,745,242	3,726,987	18,255	0.49%
Law Enforcement	4,725,173	4,907,354	(182,181)	-3.71%
Fire and emergency	3,840,799	3,264,112	576,687	17.67%
Public works	2,357,264	2,314,215	43,049	1.86%
Culture and recreation	1,390,498	1,204,731	185,767	15.42%
Streets	1,131,505	1,181,718	(50,213)	-4.25%
Community development	877,959	871,362	6,597	0.76%
Interest	709,655	718,125	(8,470)	-1.18%
Total Expenses	<u>18,778,095</u>	<u>18,188,604</u>	<u>589,491</u>	<u>3.24%</u>
Change in net position	3,534,111	2,908,145	625,966	21.52%
Net position - beginning of year	<u>35,094,088</u>	<u>32,185,943</u>	<u>2,908,145</u>	<u>9.04%</u>
Net position - end of year	<u>\$ 38,628,199</u>	<u>\$ 35,094,088</u>	<u>\$ 3,534,111</u>	<u>10.07%</u>

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

- Capital Grants decreased by \$250,099, or 42.53% due to completion of the Duke Street Phase II streetscape project funded by a Community Development Block grant during fiscal year 2015. Capital projects funded partially through capital grants relate to the Boundary Street project, Transient Dock improvements and Battery Creek Stormwater project.
- Property and other taxes increased a total of \$813,571 or 7.74% due to several factors: increase in the millage rate by the state allowed CPI adjustment carry forward from the past two years that had not been applied and increases in the assessed taxable values of personal property (up 4% from the prior year) and motor vehicle taxes (generating \$89K more in revenue than projected), as well as a \$515K increase in hospitality, accommodations and alcohol beverage taxes as the tourism activity within the City continues to grow stronger.
- Charges for services increased \$370,268 or 3.92%. Factors that contributed to the increase were additional franchise fees from Beaufort Jasper Water & Sewer Authority of \$45K, \$75K increase in

business license fees collected through the insurance brokers' tax, \$30K increase in building permit fees associated with growth in new homes and commercial buildings development and \$175K increase in parking fees as the new parking management company hired by the city stabilized the city's parking program.

Significant changes in expenses within governmental activities are as follows:

- All functions of the City experienced a net growth of 3.24%. Though most departmental function of the City operated at or below levels of the prior year, two areas saw significant increases. Those significant increases are as follows:
 - Fire and emergency services increased \$576,687 or 17.67%. This increase is due to the payments to the Burton Fire District of \$190K and the Lady's Island Fire District of \$118K in fiscal year 2016. These costs were reported as a general government expense in prior years but included in the fire and emergency services organization to better represent the full cost of fire services. In addition, a full year of depreciation expense (\$52K) was recognized in fiscal year 2016 following the acquisition of a new ladder truck in fiscal year 2015.
 - Culture and recreation increased \$185,767 or 15.42% between fiscal year 2015 and 2016 as the City continues to enhance the maintenance of its parks. Approximately \$100K of that increase is related to depreciation expense associated with the downtown lighting project completed at the end of fiscal year 2015 and recognition of a full year of depreciation. Additional increases were the result of approximately \$45K being expended above the average annual expense for projects within the Southside Park and increased allocations to Chamber of Commerce and Main Street Beaufort associated with the increased hospitality fees and increased maintenance costs associated with the Spanish Moss Trail.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds:

Governmental funds provide information on near-term inflows, outflows and balances of available resources. The governmental funds include the General Fund, Redevelopment Fund, Accommodation Tax Fund, Tax Increment Financing District II Fund (TIF II), Capital Projects Fund, Drug Control and Prevention Fund and Cemetery Fund. The General Fund, TIF II Fund and Capital Projects Fund are reported as the City's major funds. The remaining governmental funds of the City are aggregated and presented as Other Governmental Funds. As of June 30, 2016, the City governmental funds reported combined fund balances of \$21,892,106, a net increase of \$1,222,326 from the prior year's balances.

Increases in fund balance were reported in the General Fund, of \$637,781 and the TIF II Fund of \$1,968,515 and a nominal increase to fund balance in the nonmajor funds of \$9,615. A decrease of \$1,393,585 was reported in the Capital Project Fund and represents the use of prior years' funding that was applied to the current year activity on active capital projects. The City sold the old city hall during the year and committed those funds in the general fund for the acquisition of property and land. The City also purchased two pieces of property: one in the downtown district for additional parking and as part of the economic development initiative and the other along Boundary Street as part of green space initiative in which City Council released fund balance for those two acquisitions. The increase in fund balance for the TIF II fund is a result of TIF II property tax funds collected during the fiscal year but being held in fund balance as part of the overall support for the Boundary Street road project.

60.2% (\$13,175,311) of the total Governmental Fund balance at June 30, 2016, is nonspendable or restricted in its use. \$13,152,771 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, 13.5% of the total Governmental Fund Balances is committed for a variety of purposes that are internally constrained by formal action of the City Council, such as for subsequent land acquisitions, replacement of rolling stock, redevelopment initiatives, future capital project initiatives and law enforcement purposes. Assigned fund balance represents amounts that are constrained by the City's intent to be used for specific purposes. The total amount of Governmental Fund Balance assigned totals \$326,952 or 1%. This amount represents additional capital project initiatives that are obligated through the capital project budget and the planned use of fund balance in the subsequent year as approved by the Budget. The remainder of the total Governmental Fund Balance of \$5,428,629 or 25% is unrestricted and unassigned and therefore available for spending at the City's discretion.

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

General Fund

At June 30, 2016 the General Fund had a fund balance of \$8,775,205 representing 40% of the total Governmental ending fund balance. Of the General Fund's June 30, 2016 fund balance, 88% 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 30% of the General Fund's expenditures, while total fund balance of the General Fund represents 49% of that same amount.

General fund revenues increased a net \$1,184,212 or 6.73% from the prior year. There were slight increases (below 3%) in Property Taxes (\$54,749), Franchise fees (\$39,061), licenses & permits (\$101,979), and Intergovernmental (\$45,995); however other revenue sources experienced more significant increases. The increases are primarily attributed to the following:

- Hospitality and accommodations taxes, as reported in Other Tax revenues reported an increase of \$190,350 or 7.94% increase from fiscal year 2015. The City continues to see growth in this area as its presence as a tourist destination continues to grow.
- Increases of \$56,747 or 20.85% were realized in fines and forfeiture revenues between fiscal years. The increase is due to increased traffic violations primarily due to a dedicated traffic enforcement officer who is funded through a federal grant program and secondarily due to the Boundary Street construction zone.
- Proceeds from sale of asset increased \$718,174 over fiscal year 2015 due to the sale of City owned property that was no longer needed.

The General Fund expenditures increased a net of \$278,298 or 1.57 % over fiscal year ended June 30, 2016.

Significant increases were a result of the following:

- The City acquired two parcels of property; one to enhance economic development initiatives and the other to enhance the green space along Boundary Street as part of the overall Boundary Street project.
- In addition, culture and recreation expenditures increased 13.36% or \$111,501 as additional maintenance costs were incurred along the Spanish Moss Trail.
- Debt Service principal increased by \$109,182 or 10.69% due to the debt service on the Fire Truck acquired in the prior year being recognized in the current year and debt issuance costs related to the 2016 Refunding and Capital Improvement Bonds.

Tax Increment Financing District II Fund (TIF II)

Total revenues in this fund amounted to \$2,549,800 consisting of property tax on the incremental value of property located within the district and related investment income. The City realized a modest \$87,590 increase (3.56%) in the property taxes within the district. Other than the debt service payment on the TIF II bonds, resources in this fund are being reserved for the Boundary Street Project as that project (2-year project) continues to advance.

Capital Projects Fund

The Capital Project Fund expended \$2,916,699 or \$646,137 more than fiscal year 2015. \$2,494,441 of the amount expended was a result of four projects: the Fire Station project that was completed during the current fiscal year totaling \$2,011,242; the Boundary Street project totaling \$219,912, the Battery Creek Headwaters Stormwater project of \$132,644 and the Marina Transient Dock project of \$130,643. As of June 30, 2016, the City had fifteen (15) active capital projects that are underway and at various stages of completion.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: The Statement of Net Position presents capital assets in two groups: those assets subject to depreciation, such as equipment or operational facilities and those assets not subject to depreciation such as land and construction-in-progress. At June 30, 2016, the City's net capital assets totaled \$45,329,588, a net increase of \$1,556,730 from fiscal year 2015. Capital assets include assets purchased and donated, land, buildings, system improvements and machinery and equipment.

Major capital asset additions during the year included the following:

- Increase in Land and Construction in Progress resulting from the four major projects noted above under the Capital Projects Fund and other projects at various stages of progress totaling \$3,541,488.
- The closing of \$4,267,674 of prior year's construction in project costs of the Fire Station project and the Duke Street Streetscape projects were put into operations.
- Additional additions for Police patrol cars & equipment of \$99,309; the acquisition of a dump trailer and Hurricane Blower of \$16,151 for the Public Works department.

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, 2016 totaled \$30,431,780.

The City's total indebtedness increased a net \$1,349,447 from the previous year. Scheduled debt payments totaling \$10,900,182 plus the addition of the 2016 Refunded and Capital Improvement General Obligation Bonds of \$10,812,436 contributed to an overall net decrease in debt related instruments of \$87,746. Debt related to compensated absences realized an increase of \$74,031 and the Net Pension Liability saw an increase of \$1,363,162.

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 \$7,993,970 of which only \$1,180,000 is subject to that limitation or 14.76% 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 is provided as Required Supplementary Information beginning on page E-1. Additional budgetary comparison schedules of the special revenue funds can be found within other supplementary information beginning on page F-1. Budget columns are provided for both the original budget adopted for fiscal year 2016 as well as the final budget. A column for actual resources (revenues), appropriations (expenditures) and a column for any variances between final budget and actual are also provided. Resources and appropriations are discussed excluding transfers in or out.

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

The total actual revenues including other financing sources of which debt issuance activity of \$9.8M is reported for the General Fund of \$28,677,957, exceeded final budgeted revenues of \$28,148,436 by \$529,521 due to increases in all but property tax actual revenues, but most significantly the intergovernmental revenues.

The total actual expenditures including other financing uses of the General Fund were \$28,040,176. This amount was \$623,107 less than the final budgeted amount due to fiscally responsible spending in the departments and excess stormwater funds of \$255,226 reserved for future Stormwater projects.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET

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

The City adopted a general fund budget for fiscal year ended June 30, 2017 in the amount of \$19,387,961.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



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CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2016

	Total Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 21,107,763
Receivables	1,623,796
Inventories and other assets	15,295
Restricted assets	
Restricted cash and cash equivalents	873,956
Capital Assets:	
Land, improvements and construction in progress	8,896,947
Other capital assets, net of depreciation	36,432,641
Total assets	68,950,398
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	600,833
Pension related deferred outflows	1,333,315
Total deferred outflows of resources	1,934,148
 LIABILITIES	
Accounts payable	1,159,797
Accrued liabilities	222,401
Accrued interest	210,867
Deposits and escrow	153,533
Long-term liabilities:	
Due within one year	2,095,989
Due in more than one year	
Debt and compensated absences	15,497,471
Net pension liability	12,838,320
Total liabilities	32,178,378
 DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	77,969
Total deferred inflows of resources	77,969
 NET POSITION	
Net Investment in capital assets	29,112,934
Restricted for:	
Perpetual care	
Nonexpandable	22,540
Capital projects	2,576,910
Redevelopment	9,326,125
Other purposes	1,249,736
Unrestricted	(3,660,046)
Total net position	\$ 38,628,199

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital Grants	Revenue and
Primary government		Services	Grants and	and	Changes in Net
			Contributions	Contributions	Position
					Total
Governmental Activities					
General government	\$ 3,745,242	\$ 6,027,098	\$ -	\$ -	\$ 2,281,856
Law enforcement	4,725,173	416,889	82,288	-	(4,225,996)
Fire and emergency	3,840,799	812,639	500	-	(3,027,660)
Public works	2,357,264	1,742,545	5,600	-	(609,119)
Culture and recreation	1,390,498	259,082	2,625	4,975	(1,123,816)
Streets	1,131,505	-	-	332,988	(798,517)
Community and economic development	877,959	549,658	-	-	(328,301)
Interest on long-term debt	709,655	-	-	-	(709,655)
Total	<u>\$18,778,095</u>	<u>\$ 9,807,911</u>	<u>\$ 91,013</u>	<u>\$ 337,963</u>	<u>(8,541,208)</u>

General revenues:

Taxes:	
Property taxes, levied for general purposes	4,168,183
Property taxes, levied for debt service	1,297,429
Property taxes, levied for special purposes	2,546,529
Other taxes	3,309,633
Unrestricted investment earnings	20,645
Miscellaneous	228,215
Gain on sale of asset	504,685
Total general revenues	<u>12,075,319</u>
Change in net position	3,534,111
Net position - beginning	35,094,088
Net position - ending	<u>\$ 38,628,199</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>TIF II Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 9,111,816	\$ 9,283,196	\$ 2,366,543	\$ 346,208	\$ 21,107,763
Taxes receivable, net	364,633	72,728	-	-	437,361
Other receivables	705,859	-	273,586	206,990	1,186,435
Inventories and other assets	15,295	-	-	-	15,295
Restricted cash and cash equivalents	-	-	825,242	48,714	873,956
Total assets	<u>10,197,603</u>	<u>9,355,924</u>	<u>3,465,371</u>	<u>601,912</u>	<u>23,620,810</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	914,492	-	214,087	31,218	1,159,797
Accrued liabilities	217,072	-	-	5,329	222,401
Deposits and escrow	127,660	-	-	25,873	153,533
Total liabilities	<u>1,259,224</u>	<u>-</u>	<u>214,087</u>	<u>62,420</u>	<u>1,535,731</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	163,174	29,799	-	-	192,973
Total deferred inflows of resources	<u>163,174</u>	<u>29,799</u>	<u>-</u>	<u>-</u>	<u>192,973</u>
Fund balances:					
Nonspendable:					
Inventories	15,294	-	-	-	15,294
Cemetery	-	-	-	7,246	7,246
Restricted	1,004,485	9,326,125	2,576,910	245,251	13,152,771
Committed for:					
Land Acquisition	330,734	-	-	-	330,734
Vehicle and equipment replacement	769,756	-	-	-	769,756
Redevelopment	362,880	-	-	266,334	629,214
Capital Projects	536,475	-	674,374	-	1,210,849
Law enforcement	-	-	-	20,661	20,661
Assigned for:					
Subsequent year's budget	116,980	-	-	-	116,980
Capital Projects	209,972	-	-	-	209,972
Unassigned	5,428,629	-	-	-	5,428,629
Total fund balances	<u>8,775,205</u>	<u>9,326,125</u>	<u>3,251,284</u>	<u>539,492</u>	<u>21,892,106</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,197,603</u>	<u>\$ 9,355,924</u>	<u>\$ 3,465,371</u>	<u>\$ 601,912</u>	<u>\$ 23,620,810</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016**

Total fund balance, governmental funds \$ 21,892,106

Amounts reported for governmental activities in the Statement of Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund financial statement, but are reported in the governmental activities of the Statement of Net Position (net of accumulated depreciation of \$19,340,218). 45,329,588

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. 192,973

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	\$	(210,867)	
Due within one year		(2,095,989)	
Due in more than one year		(15,497,471)	(17,804,327)

Net pension liability is not due and payable in the current period and therefore is not reported in governmental funds. (12,838,320)

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. 1,934,148

Deferred inflows are not due and payable in the current period and therefore not reported in governmental funds balance sheet. (77,969)

Net Position of Governmental Activities in the Statement of Net Position	\$	38,628,199
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CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>TIF II Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$ 5,329,064	\$ 2,546,529	\$ -	\$ -	\$ 7,875,593
Other taxes	2,588,063	-	-	450,995	3,039,058
Franchise fees	2,134,882	-	-	-	2,134,882
Fines and forfeitures	328,852	-	-	2,382	331,234
Licenses and permits	3,791,718	-	-	-	3,791,718
Intergovernmental	1,253,703	-	332,988	-	1,586,691
Charges for services	2,431,132	-	-	231,807	2,662,939
Investment earnings	16,977	3,271	343	53	20,644
Miscellaneous	188,261	-	12,000	5,668	205,929
Total revenues	<u>18,062,652</u>	<u>2,549,800</u>	<u>345,331</u>	<u>690,905</u>	<u>21,648,688</u>
EXPENDITURES					
Current:					
General government	3,525,678	-	1,504	517,892	4,045,074
Law enforcement	4,606,722	-	-	8,568	4,615,290
Fire and emergency	3,597,267	-	-	-	3,597,267
Public works	2,253,260	15,000	-	-	2,268,260
Culture and recreation	946,213	-	-	-	946,213
Streets	688,695	-	-	-	688,695
Community and economic development	597,787	-	-	108,530	706,317
Debt Service:					
Principal	1,130,958	519,223	-	-	1,650,181
Interest and other charges	626,587	47,062	136,406	-	810,055
Capital Outlay	-	-	2,778,789	-	2,778,789
Total expenditures	<u>17,973,167</u>	<u>581,285</u>	<u>2,916,699</u>	<u>634,990</u>	<u>22,106,141</u>
Excess (deficiency) of revenues over (under) expenditures	<u>89,485</u>	<u>1,968,515</u>	<u>(2,571,368)</u>	<u>55,915</u>	<u>(457,453)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of advanced refunded bond	8,959,758	-	825,242	-	9,785,000
Bond premiums	891,073	-	136,363	-	1,027,436
Payment to refunded bond escrow agent	(9,850,831)	-	-	-	(9,850,831)
Transfers in	46,300	-	216,178	-	262,478
Transfers out	(216,178)	-	-	(46,300)	(262,478)
Sale of capital asset	718,174	-	-	-	718,174
Total other financing sources and uses	<u>548,296</u>	<u>-</u>	<u>1,177,783</u>	<u>(46,300)</u>	<u>1,679,779</u>
Net change in fund balances	637,781	1,968,515	(1,393,585)	9,615	1,222,326
Fund balances - beginning	<u>8,137,424</u>	<u>7,357,610</u>	<u>4,644,869</u>	<u>529,877</u>	<u>20,669,780</u>
Fund balances - ending	<u>\$ 8,775,205</u>	<u>\$ 9,326,125</u>	<u>\$ 3,251,284</u>	<u>\$ 539,492</u>	<u>\$ 21,892,106</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
RECONCILIATION OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds: \$ 1,222,326

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

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

Expenditures of capital assets	\$	3,656,948	
Less: current year depreciation		<u>(1,886,730)</u>	1,770,218

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 gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (213,489)

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. 136,546

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

Repayment of debt	\$	1,650,181	
Repayment on refunded debt		9,850,831	
Premium on general obligation bonds		(1,027,436)	
General obligation refunded bond proceeds		<u>(9,785,000)</u>	688,576

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	(74,031)
Accrued interest not reflected on Governmental funds	100,402
Change in pension expense	<u>(96,437)</u>

Change in net position of governmental activities	<u>\$ 3,534,111</u>
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**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2016**

Assets

Cash and cash equivalents		\$ 125,619
	Total assets	<u>\$ 125,619</u>

Liabilities

Due to others		\$ 125,619
	Total liabilities	<u>\$ 125,619</u>



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CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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.

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2. Discretely Presented Component Units

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

B. Government-wide and Fund Financial Statements

Financial information of the City is presented as follows:

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

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

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

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

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

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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 project of the City.

Additionally, the City reports the following fund types:

Governmental Funds:

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

Fiduciary Fund:

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

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

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

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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.

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

The City's operating tax rate is currently 51.83 mills and the City's debt service tax rate of 20.78 mills for a total of 72.61 mills. The County of Beaufort bills and collects the City's property taxes.

During fiscal year 2009 the City entered into long-term agreements with eligible homeowners whereby the City received funds through the Community Redevelopment & Revitalization Program to make improvement to properties within the Northwest Quadrant of the City that were identified as very low and lower income households. The terms of the agreements covered a period of 10 to 15 years and totaled \$1,136,664. The loans are amortized over the life of the loan period as forgivable loans provided that the homeowner adheres to the restrictive covenants. As the collectability of the loans is remote, the City does not report the current balance within the basic financial statements. However, the unamortized balances of the forgivable loans at June 30, 2016 are \$306,511.

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 fair market 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:

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

5. Compensated Absences

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

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

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

6. Long-term Obligations

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

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

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

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. As of June 30, 2016, there are no amounts for arbitrage rebates.

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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.

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

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

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

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

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

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

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

9. Use of Estimates

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

CITY OF BEAUFORT, SOUTH CAROLINA
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amounts reported in the financial statements and the related notes. Accordingly, actual results could differ from these estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

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

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

Special revenue funds – Redevelopment Fund and State Accommodations Tax Fund

All annual appropriations lapse at fiscal year-end.

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NOTE 3 – DETAILED NOTES ON FUNDS AND ACTIVITIES

A. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance				Ending Balance June 30, 2016
	June 30, 2015	Additions	Deletions	Transfers	
Non-depreciable assets:					
Land	\$ 6,398,946	\$ 775,263	\$ (38,699)	\$ -	\$ 7,135,510
Construction in progress	3,262,886	2,766,225	-	(4,267,674)	1,761,437
	<u>9,661,832</u>	<u>3,541,488</u>	<u>(38,699)</u>	<u>(4,267,674)</u>	<u>8,896,947</u>
Depreciable assets:					
Infrastructure	20,611,313	-	-	773,645	21,384,958
Buildings and improvements	23,664,181	-	(546,055)	3,494,029	26,612,155
Machinery, Furniture and equipment	7,700,573	115,460	(40,287)	-	7,775,746
	<u>51,976,067</u>	<u>115,460</u>	<u>(586,342)</u>	<u>4,267,674</u>	<u>55,772,859</u>
Subtotal assets	<u>61,637,899</u>	<u>3,656,948</u>	<u>(625,041)</u>	<u>-</u>	<u>64,669,806</u>
Accumulated depreciation:					
Infrastructure	(6,707,675)	(787,084)	-	-	(7,494,759)
Buildings and improvements	(5,695,088)	(733,255)	371,265	-	(6,057,078)
Machinery, Furniture and equipment	(5,462,278)	(366,391)	40,288	-	(5,788,381)
	<u>(17,865,041)</u>	<u>(1,886,730)</u>	<u>411,553</u>	<u>-</u>	<u>(19,340,218)</u>
Total Governmental Activities	<u>\$ 43,772,858</u>	<u>\$ 1,770,218</u>	<u>\$ (213,488)</u>	<u>\$ -</u>	<u>\$ 45,329,588</u>

Depreciation expense was charged to governmental activities as follows:

Function	
General Government	\$ 581,236
Law Enforcement	129,816
Fire and Emergency	197,103
Culture and Recreation	454,282
Public Works	67,257
Streets	440,817
Community and Economic Development	16,219
	<u>\$ 1,886,730</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	\$ 46,300	\$ 216,178
Capital Projects	216,178	-
Other governmental	-	46,300
Total Transfers	\$ 262,478	\$ 262,478

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.

C. Long-term Debt

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

	<u>Beginning Balance</u>		<u>Ending Balance</u>		<u>Due with One</u>
	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>	<u>Year</u>
Tax increment bond	\$ 1,061,437	\$ -	\$ (519,224)	\$ 542,213	\$ 542,213
General obligation bonds	12,725,000	9,785,000	(10,105,000)	12,405,000	925,000
Premium on general obligation bonds	-	1,027,436	-	1,027,436	-
Revenue bonds	2,945,164	-	(198,949)	2,746,215	206,389
Lease finance agreement	398,041	-	(77,009)	321,032	78,287
Compensated absences	477,533	387,585	(313,554)	551,564	344,100
Net pension liability	11,475,158	2,378,224	(1,015,062)	12,838,320	-
	\$ 29,082,333	\$13,578,245	\$(12,228,798)	\$ 30,431,780	\$ 2,095,989

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

Tax Increment Bonds

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

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Tax increment bonds payable at June 30, 2016 were comprised of the following issues:

\$4,000,000 Tax Increment Financing Bonds, Series 2002, dated June 25, 2002. Annual maturities of \$189,236 to \$339,681 and an annual interest rate of 4.83% maturing in 2017. Bonds were issued to finance the Municipal Complex construction costs.	\$ 339,681
\$2,000,000 Tax Increment Financing Bonds, Series 2004, dated December 22, 2004. Annual maturities of \$134,947 to \$202,532 and an annual interest rate of 3.76% maturing in 2017. Bonds were issued to finance the Municipal Complex construction costs.	202,532
	\$ 542,213

Annual debt service requirements to maturity for Tax Increment Bonds are as follows:

Year Ended	Principal	Interest	Total
June 30, 2017	\$ 542,213	\$ 24,022	\$ 566,235
	\$ 542,213	\$ 24,022	\$ 566,235

General Obligation Bonds

On June 11, 2008, the City issued \$15 million of general obligation bonds at interest rates ranging from 3.5% to 5.0% maturing on February 1, 2028. Semi-annual interest payments are due on February 1 and August 1. The proceeds of these bonds are restricted for the construction of the Municipal Complex and addition to the Central Fire Station. In April 2009, the City deferred expending proceeds from these bonds for any additional renovation to the Central Fire Station pending a further needs assessment. As of June 30, 2016, a new Fire Station was constructed. The balance at June 30, 2016 was \$1,440,000.

On May 29, 2012, the City issued \$1,850,000 of general obligation bonds, series 2012, at an interest rate of 2.11% maturing on June 1, 2022. Semi-annual interest payments are due on December 1 and June 1. The proceeds of these bonds were used to defray the cost of capital improvements within the City. The balance at June 30, 2016 was \$1,180,000.

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 City decreased its aggregated debt service payments by \$778,444 over the next 15 years and obtained an economic gain (the difference between the present value of the

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old and new debt service payments) of \$695,581. The balance at June 30, 2016 was \$9,785,000.

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

Year Ended June 30,	Principal	Interest	Total
2017	\$ 925,000	\$ 374,690	\$ 1,299,690
2018	960,000	396,050	1,356,050
2019	1,005,000	354,597	1,359,597
2020	1,040,000	326,138	1,366,138
2021	1,065,000	305,118	1,370,118
2022 - 2026	4,970,000	1,039,337	6,009,337
2027 - 2031	2,440,000	126,150	2,566,150
	<u>\$ 12,405,000</u>	<u>\$ 2,922,080</u>	<u>\$ 15,327,080</u>

Revenue Bonds

On July 27, 2011, the City issued \$3,500,000 of hospitality and accommodations fee revenue bond, series 2011, at an interest rate of 3.74% maturing on July 27, 2026. The proceeds of the bonds were used to refund the lease purchase obligations of the City dated May 18, 2005 and July 25, 2007 totaling \$2,330,881 and \$1,114,429, respectively, which were entered into for the purpose of designing and constructing improvements to the City's waterfront park and paying the cost of issuance. Annual interest payments of the Series 2011 bonds are due on July 27. The balance of the Series 2011 bonds at June 30, 2016 was \$2,746,215.

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

Year Ended June 30,	Principal	Interest	Total
2017	\$ 206,389	\$ 102,708	\$ 309,097
2018	214,108	94,989	309,097
2019	222,116	86,982	309,098
2020	230,423	78,675	309,098
2021	239,041	70,057	309,098
2022 - 2026	1,336,184	209,305	1,545,489
2027	297,954	11,143	309,097
	<u>\$ 2,746,215</u>	<u>\$ 653,859</u>	<u>\$ 3,400,074</u>

Lease Finance Agreement

A Capital Lease was entered on November 5, 2014 for a fire truck. The cost of the fire truck was capitalized at \$774,917 and \$398,041 of the total cost of the fire truck was financed through the capital lease. The lease is for a period of 60 months and yearly payments of \$83,616 are required. Payments are due on November 5th. The balance at June 30, 2016 was \$321,032. The following is a schedule of future lease payments at June 30, 2016.

**CITY OF BEAUFORT, SOUTH CAROLINA
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Year Ended June 30,	Principal	Interest	Total
2017	\$ 78,287	\$ 5,329	\$ 83,616
2018	79,586	4,030	83,616
2019	80,908	2,708	83,616
2020	82,251	1,365	83,616
	<u>\$ 321,032</u>	<u>\$ 13,432</u>	<u>\$ 334,464</u>

D. Restricted Net Position

Net position restricted by external groups such as creditors, grantors, contributors or laws and regulations of other governments as June 30, 2016 consisted of \$9,326,125 for redevelopment projects from the Tax Increment Financing District (TIF II), \$825,242 of unspent bond funds, \$1,428,002 for active capital projects involving TIF II and grant funded projects and \$323,666 of unspent stormwater funds toward future stormwater projects. In addition, restricted net position for other purposes as of June 30, 2016 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
Tourism & Development Advisory Committee	222,410	\$ -	\$ 222,410
Stormwater Utility	255,226	-	255,226
Drug Prevention	22,841	-	22,841
Utility Franchise Agreement	-	440,161	440,161
Debt Service Reserve	-	309,098	309,098
	<u>\$ 500,477</u>	<u>\$ 749,259</u>	<u>\$ 1,249,736</u>

E. Restricted Fund Balance

Restricted fund balance at June 30, 2016 consists of:

- \$440,161 for utilities under a franchise agreement, \$255,226 of unspent stormwater utility funds and \$309,098 for debt service reserve requirements in the General Fund.
- \$9,326,125 for the purpose of redevelopment within the TIF II District.
- \$825,242 represents unspent bond funds for capital improvements, \$1,428,002 for the purpose of redevelopment in the TIF II district, and \$323,666 of unspent stormwater Utility funds for active stormwater utility projects reported within the Capital Projects fund.
- The other governmental funds restricted fund balance consists of \$222,410 for Tourism and Development and \$22,841 for drug prevention and education.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – OTHER INFORMATION

A. Employee Pension and Other Benefit Plans

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

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

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

Plan Description

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

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

Membership

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

- **South Carolina Retirement System** - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees, teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two

**CITY OF BEAUFORT, SOUTH CAROLINA
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member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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

Benefits

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

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

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

- **South Carolina Police Officers Retirement System (PORS)** - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight

**CITY OF BEAUFORT, SOUTH CAROLINA
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years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Contributions

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

- Required employee contribution rates¹ for fiscal year 2015-2016 are as follows:

	Fiscal Year 2016	Fiscal Year 2015
South Carolina Retirement System		
Employee Class Two	8.16%	8.00%
Employee Class Three	8.16%	8.00%
South Carolina Police Officers Retirement System		
Employee Class Two	8.74%	8.41%
Employee Class Three	8.74%	8.41%

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NOTES TO THE FINANCIAL STATEMENTS
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- Required employer contribution rates¹ for fiscal year 2015-2016 are as follows:

South Carolina Retirement System

Employee Class Two	10.91%	10.75%
Employee Class Three	10.91%	10.75%
Employer Incidental Death Benefit	0.15%	0.15%

South Carolina Police Officers Retirement System

Employee Class Two	13.34%	13.01%
Employee Class Three	13.34%	13.01%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2015, the net pension liability for the South Carolina Retirement System, the South Carolina Police Officers Retirement System and the City's portion of the net pension liability of each plan is as follows:

<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	\$ 44,097,310,230	\$25,131,828,101	\$ 18,965,482,129	\$ 4,616,388	57.0%
PORS	6,151,321,222	3,971,824,838	2,179,496,384	8,221,932	64.6%

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014 actuarial valuations was based upon the 30-year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rates of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table on the

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

As of June 30, 2015, the change in net pension liability for the SCRS and the PORS plans is calculated as follows:

Change in the Net Pension Liability	SCRS	PORS
Total Pension liability		
Service Cost	\$ 181,145	\$ 581,334
Interest	766,277	1,642,232
Difference between actual and expected experience	(10,865)	25,543
Benefit Payments	(658,557)	(1,299,250)
Net Change in Total Pension Liability	278,000	949,859
Total Pension Liability - Beginning 6/30/2014	10,455,727	22,255,385
Total Pension Liability - Ending 6/30/2015 (a)	<u>\$ 10,733,727</u>	<u>\$ 23,205,244</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 248,882	\$ 627,918
Contributions - Member	174,308	403,095
Refunds of contributions to members	(23,149)	(65,840)
Retirement benefits	(630,505)	(1,219,436)
Death benefits	(4,903)	(13,974)
Net investment income	91,072	221,460
Administrative Expense	(3,056)	(7,311)
Net transfers to affiliated systems	(323)	4,001
Net Change in Plan Fiduciary Net Position	(147,674)	(50,087)
Plan Fiduciary Net Position - Beginning 6/30/2014	6,265,013	15,033,399
Plan Fiduciary Net Position - Ending 6/30/2015 (b)	<u>\$ 6,117,339</u>	<u>\$ 14,983,312</u>
Net Pension Liability 6/30/2015 (a) - (b)	<u>\$ 4,616,388</u>	<u>\$ 8,221,932</u>

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

For the year ended June 30, 2016, the City recognized pension expense of \$313,303 for the South Carolina Retirement System plan and \$730,609 for the South Carolina Police Officers Retirement System plan.

At June 30, 2016, 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:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
South Carolina Retirement System		
Difference between expected and actual experience	\$ 82,017	\$ 8,256
Net difference between projected and actual earnings on pension plan investments	30,900	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	69,713
Employer contributions subsequent to the measurement date	257,776	-
Total	\$ 370,693	\$ 77,969
South Carolina Police Officers Retirement System		
Difference between expected and actual experience	\$ 162,960	\$ -
Net difference between projected and actual earnings on pension plan investments	89,961	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,004	-
Employer contributions subsequent to the measurement date	689,697	-
Total	\$ 962,622	\$ -

City contributions subsequent to the measurement date were \$257,776 for the South Carolina Retirement System plan and \$689,697 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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	SCRS	PORS
Year ended June 30:		
2017	\$ (2,269)	\$ 30,839
2018	(2,269)	30,839
2019	(30,441)	23,642
2020	69,927	187,605

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

The June 30, 2015, total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS and PORS.

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

¹ Includes inflation of 2.75%

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014, valuations for SCRS and PORS are as follows:

**CITY OF BEAUFORT, SOUTH CAROLINA
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JUNE 30, 2016**

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	0.019	0.04%
Short Duration	3.0%	0.020	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	0.027	0.19%
Mixed Credit	6.0%	0.038	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	0.028	0.08%
Emerging Markets Debt	6.0%	0.051	0.31%
Global Public Equity	31.0%	0.071	2.20%
Global Tactical Asset Allocation	10.0%	0.049	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	0.043	0.34%
Private Debt	7.0%	0.099	0.69%
Private Equity	9.0%	0.099	0.89%
Real Estate (Broad Market)	5.0%	0.060	0.30%
Commodities	3.0%	0.059	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Normal Return			8.75%

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 5,819,946	\$ 4,616,388	\$ 3,607,653
PORS	11,200,191	8,221,932	5,559,530

B. Risk Management

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

SC Insurance Reserve Fund

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

Workers' Compensation

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

CITY OF BEAUFORT, SOUTH CAROLINA
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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.

On September 2, 2010, the City entered into an agreement with the Burton Fire District extending fire suppression and emergency response services through December 31, 2017. The services are to be paid for annually with the amount based upon the Fire District's total millage rate times the assessed value of the City's annexed properties within the District times 19%. For the year ended June 30, 2016, the City paid the Burton Fire District \$190,091.

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, 2016, the City paid the Fire District \$117,517 for compensated services.

In addition, the City is involved in several pending litigations, the nature of which varies. While these cases may have future financial effect, management, based on advice of legal counsel, believes that all but one outcome will not be material to the basic financial statements. A total of \$92,000 is believed by management and its legal counsel to be probable and is recorded as a claims and judgment payable within the basic financial statements as of June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

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



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**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes.....	\$ 5,383,812	\$ 5,383,812	\$ 5,329,064	\$ (54,748)
Other taxes.....	2,511,000	2,511,000	2,588,063	77,063
Licenses and permits.....	3,742,200	3,742,200	3,791,718	49,518
Franchise fees.....	2,096,522	2,096,522	2,134,882	38,360
Intergovernmental revenues.....	887,139	1,025,106	1,253,703	228,597
Charges for services.....	2,385,717	2,337,629	2,431,132	93,503
Fines and forfeitures.....	247,500	247,500	328,852	81,352
Investment income.....	10,000	10,000	16,977	6,977
Miscellaneous revenue.....	108,311	188,202	188,261	59
Total revenues	<u>17,372,201</u>	<u>17,541,971</u>	<u>18,062,652</u>	<u>520,681</u>
Expenditures:				
Current:				
General government				
City council.....	166,359	781,375	781,375	-
City manager.....	466,002	502,734	502,734	-
Finance.....	645,439	671,266	671,266	-
Human resources.....	104,485	172,192	172,192	-
Information technology.....	354,991	368,012	368,012	-
Court and legal.....	470,830	470,831	458,774	12,057
Non-departmental.....	335,063	571,325	571,325	-
	<u>2,543,169</u>	<u>3,537,735</u>	<u>3,525,678</u>	<u>12,057</u>
Law enforcement				
Police.....	4,393,137	4,299,541	4,233,824	65,717
School resource officers.....	251,341	276,750	276,750	-
Crossing guards.....	33,966	33,966	27,401	6,565
Victims rights.....	71,726	71,726	68,747	2,979
	<u>4,750,170</u>	<u>4,681,983</u>	<u>4,606,722</u>	<u>75,261</u>
Fire and emergency				
City of Beaufort fire.....	3,187,092	3,590,660	3,597,267	(6,607)
	<u>3,187,092</u>	<u>3,590,660</u>	<u>3,597,267</u>	<u>(6,607)</u>
Public works				
Administration.....	377,022	524,928	524,928	-
Maintenance.....	649,939	631,206	540,883	90,323
Stormwater.....	814,256	711,405	456,179	255,226
Solid waste.....	765,464	765,464	731,270	34,194
	<u>2,606,681</u>	<u>2,633,003</u>	<u>2,253,260</u>	<u>379,743</u>
Streets				
Streets.....	859,891	557,228	529,212	28,016
Traffic control/building maintenance.....	173,185	173,185	159,483	13,702
	<u>1,033,076</u>	<u>730,413</u>	<u>688,695</u>	<u>41,718</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Culture and recreation				
Parks.....	1,004,462	1,050,253	946,213	104,040
	<u>1,004,462</u>	<u>1,050,253</u>	<u>946,213</u>	<u>104,040</u>
Community and economic development				
Planning.....	611,082	614,682	597,787	16,895
	<u>611,082</u>	<u>614,682</u>	<u>597,787</u>	<u>16,895</u>
Total current	<u>15,735,732</u>	<u>16,838,729</u>	<u>16,215,622</u>	<u>623,107</u>
Debt service:				
Principal.....	1,053,949	1,130,958	1,130,958	-
Interest.....	619,980	626,587	626,587	-
Total debt service	<u>1,673,929</u>	<u>1,757,545</u>	<u>1,757,545</u>	<u>-</u>
Total expenditures	<u>17,409,661</u>	<u>18,596,274</u>	<u>17,973,167</u>	<u>623,107</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,460)</u>	<u>(1,054,303)</u>	<u>89,485</u>	<u>1,143,788</u>
Other financing sources (uses):				
Issuance of advanced refunded bond.....	-	9,785,000	9,785,000	-
Bond premiums.....	-	65,831	65,831	-
Payment on refunded bond escrow agent.....	-	(9,850,831)	(9,850,831)	-
Transfers in.....	37,460	37,460	46,300	8,840
Transfers out.....	-	(216,178)	(216,178)	-
Sale of capital asset.....	-	718,174	718,174	-
Total financing sources (uses)	<u>37,460</u>	<u>539,456</u>	<u>548,296</u>	<u>8,840</u>
Net change in fund balance	-	(514,847)	637,781	1,152,628
Fund balance, beginning of year	<u>8,137,424</u>	<u>8,137,424</u>	<u>8,137,424</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,137,424</u>	<u>\$ 7,622,577</u>	<u>\$ 8,775,205</u>	<u>\$ 1,152,628</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING DISTRICT II – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes.....	\$ 2,400,000	\$ 2,400,000	\$ 2,546,529	\$ 146,529
Investment income.....	10,000	10,000	3,271	(6,729)
Total revenues	<u>2,410,000</u>	<u>2,410,000</u>	<u>2,549,800</u>	<u>139,800</u>
Expenditures:				
Current:				
Public works.....	-	-	15,000	(15,000)
Total current	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>
Debt service:				
Principal.....	519,223	519,223	519,223	-
Interest.....	47,012	47,012	47,062	(50)
Total debt service	<u>566,235</u>	<u>566,235</u>	<u>566,285</u>	<u>(50)</u>
Total expenditures	<u>566,235</u>	<u>566,235</u>	<u>581,285</u>	<u>(15,050)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,843,765</u>	<u>1,843,765</u>	<u>1,968,515</u>	<u>154,850</u>
Net change in fund balance.....	1,843,765	1,843,765	1,968,515	(124,750)
Fund balance, beginning of year	<u>7,357,610</u>	<u>7,357,610</u>	<u>7,357,610</u>	-
Fund balance, end of year	<u>\$ 9,201,375</u>	<u>\$ 9,201,375</u>	<u>\$ 9,326,125</u>	<u>\$ (124,750)</u>

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

South Carolina Retirement System

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

South Carolina Police Officers Retirement System

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

Notes:

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

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

South Carolina Retirement System

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

South Carolina Police Officers Retirement System

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

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	\$ 17,409,661	\$ 11,253,622	\$ -	\$ 28,663,283
Tax Increment Financing II	566,235	-	-	566,235

SUPPLEMENTARY INFORMATION



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OTHER GOVERNMENTAL AND AGENCY FUNDS DESCRIPTIONS

SPECIAL REVENUE FUNDS:

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

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

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

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

PERMANENT FUND:

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

FIDUCIARY FUNDS - AGENCY FUNDS:

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

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

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

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

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



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**CITY OF BEAUFORT, SOUTH CAROLINA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Special Revenue Fund			Permanent Fund	Total-Other Governmental Funds
	Redevelopment Fund	State		Cemetery Fund	
		Accommodations Tax Fund	Drug Control and Prevention Fund		
ASSETS					
Cash and cash equivalents	\$ 230,835	\$ 87,466	\$ 20,661	\$ 7,246	\$ 346,208
Other receivables	37,589	169,401	-	-	206,990
Restricted cash and cash equivalents	-	-	48,714	-	48,714
Total assets	268,424	256,867	69,375	7,246	601,912
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	888	30,330	-	-	31,218
Other accrued expenses	1,202	4,127	-	-	5,329
Deposits and escrow	-	-	25,873	-	25,873
Total liabilities	2,090	34,457	25,873	-	62,420
Fund balances:					
Nonspendable:					
Cemetery	-	-	-	7,246	7,246
Restricted	-	222,410	22,841	-	245,251
Committed for:					
Law enforcement	-	-	20,661	-	20,661
Redevelopment	266,334	-	-	-	266,334
Total fund balances	266,334	222,410	43,502	7,246	539,492
Total liabilities and fund balances	\$ 268,424	\$ 256,867	\$ 69,375	\$ 7,246	\$ 601,912

CITY OF BEAUFORT, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Special Revenue Funds</u>			<u>Permanent Fund</u>	<u>Total-Other Governmental Funds</u>
	<u>Redevelopment Fund</u>	<u>State</u>		<u>Cemetery Fund</u>	
		<u>Accommodations Tax Fund</u>	<u>Drug Control and Prevention Fund</u>		
REVENUES					
Other taxes	\$ -	\$ 450,995	\$ -	\$ -	\$ 450,995
Fines and forfeitures	-	-	2,382	-	2,382
Charges for services	231,807	-	-	-	231,807
Investment earnings	-	-	53	-	53
Miscellaneous	568	-	5,100	-	5,668
Total revenues	<u>232,375</u>	<u>450,995</u>	<u>7,535</u>	<u>-</u>	<u>690,905</u>
EXPENDITURES					
Current:					
General government	-	517,892	-	-	517,892
Law enforcement	-	-	8,568	-	8,568
Community and economic development	108,530	-	-	-	108,530
Total expenditures	<u>108,530</u>	<u>517,892</u>	<u>8,568</u>	<u>-</u>	<u>634,990</u>
Excess (deficiency) of revenues over (under) expenditures	<u>123,845</u>	<u>(66,897)</u>	<u>(1,033)</u>	<u>-</u>	<u>55,915</u>
OTHER FINANCING USES					
Transfers out	-	(46,300)	-	-	(46,300)
Total other financing uses	<u>-</u>	<u>(46,300)</u>	<u>-</u>	<u>-</u>	<u>(46,300)</u>
Net change in fund balances	123,845	(113,197)	(1,033)	-	9,615
Fund balances - beginning	142,489	335,607	44,535	7,246	529,877
Fund balances - ending	<u>\$ 266,334</u>	<u>\$ 222,410</u>	<u>\$ 43,502</u>	<u>\$ 7,246</u>	<u>\$ 539,492</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
REDEVELOPMENT SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<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.....	\$ 162,000	\$ 162,000	\$ 231,807	\$ 69,807
Miscellaneous revenue.....	-	-	568	568
Total revenues	<u>162,000</u>	<u>162,000</u>	<u>232,375</u>	<u>70,375</u>
Expenditures:				
Current:				
Community and economic development.....	119,395	119,395	108,530	10,865
Total total expenditures	<u>119,395</u>	<u>119,395</u>	<u>108,530</u>	<u>10,865</u>
Excess of revenues over expenditures	<u>42,605</u>	<u>42,605</u>	<u>123,845</u>	<u>81,240</u>
Net change in fund balance.....	42,605	42,605	123,845	81,240
Fund balance, beginning of year.....	142,489	142,489	142,489	-
Fund balance, end of year	<u>\$ 185,094</u>	<u>\$ 185,094</u>	<u>\$ 266,334</u>	<u>\$ 81,240</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATE ACCOMMODATIONS TAX SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other taxes.....	\$ 381,000	\$ 381,000	\$ 450,995	\$ 69,995
Total revenues	<u>381,000</u>	<u>381,000</u>	<u>450,995</u>	<u>69,995</u>
Expenditures:				
Current:				
General government.....	253,125	585,402	517,892	67,510
Total expenditures	<u>253,125</u>	<u>585,402</u>	<u>517,892</u>	<u>67,510</u>
Excess (deficiency) of revenues over (under) expenditures	<u>127,875</u>	<u>(204,402)</u>	<u>(66,897)</u>	<u>137,505</u>
Other financing uses:				
Transfers out.....	(37,460)	(37,460)	(46,300)	8,840
Total other financing uses	<u>(37,460)</u>	<u>(37,460)</u>	<u>(46,300)</u>	<u>8,840</u>
Net change in fund balance.....	90,415	(241,862)	(113,197)	128,665
Fund balance, beginning of year.....	335,607	335,607	335,607	-
Fund balance, end of year	<u>\$ 426,022</u>	<u>\$ 93,745</u>	<u>\$ 222,410</u>	<u>\$ 128,665</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Beginning Fund Balance at June 30, 2015	Additions	Deductions	Ending Fund Balance at June 30, 2016
<u>Trustee Fire Fund</u>				
Assets				
Cash	\$ -	\$ 73,867	\$ 73,867	\$ -
Liabilities				
Due to others	\$ -	\$ 73,867	\$ 73,867	\$ -
<u>Beaufort 300 Fund</u>				
Assets				
Cash	\$ 31,955	\$ -	\$ 20,492	\$ 11,463
Liabilities				
Due to others	\$ 31,955	\$ 20,492	\$ -	\$ 11,463
<u>Municipal Bond Court Fund</u>				
Assets				
Cash	\$ 12,677	\$ 329,498	\$ 336,233	\$ 5,942
Liabilities				
Due to others	\$ 12,677	\$ 336,233	\$ 329,498	\$ 5,942
<u>Beaufort History Museum</u>				
Assets				
Cash	\$ 105,600	\$ -	\$ -	\$ 105,600
Liabilities				
Due to others	\$ 105,600	\$ -	\$ -	\$ 105,600
<u>Beaufort Pride of Place</u>				
Assets				
Cash	\$ -	\$ 4,310	\$ 1,696	\$ 2,614
Liabilities				
Due to others	\$ -	\$ 1,696	\$ 4,310	\$ 2,614
<u>Total Agency Funds</u>				
Assets				
Cash	\$ 150,232	\$ 407,675	\$ 432,288	\$ 125,619
Liabilities				
Due to others	\$ 150,232	\$ 432,288	\$ 407,675	\$ 125,619



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STATE MANDATED SCHEDULE

CITY OF BEAUFORT, SOUTH CAROLINA
SCHEDULE OF MUNICIPAL FINES, ASSESSMENTS AND SURCHARGES
STATE MANDATED SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Collected by Municipal Court	Retained by City	Remitted to State Treasurer	Allocated to Victim Services
Fines	\$ 273,463	\$ 258,984	\$ 14,479	\$ -
Assessments	291,599	-	259,092	32,507
Surcharges	150,782	-	138,932	11,850
	<u>\$ 715,844</u>	<u>\$ 258,984</u>	<u>\$ 412,503</u>	<u>\$ 44,357</u>

Expenditures:

Personnel	68,747
Operating	-
Total Expenditures	<u>\$ 68,747</u>

Beginning Balance Forward (deficit)	\$ (156,987)
Total Revenues	44,357
Total Expenditures	<u>(68,747)</u>
Balance (deficit) Carried Forward to 2017	<u>\$ (181,377)</u>



Statistical Section

Photo by Michael Ahern



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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,				
	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>
Business-type Activities					
Net Investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	-	-
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary Government					
Net Investment in capital assets	\$ 29,112,934	\$ 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 Primary Government	<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>

	Fiscal Year Ending June 30,				
	2011	2010	2009	2008	2007
Governmental Activities					
Net Investment in capital assets	\$ 22,933,705	\$ 20,549,022	\$ 18,394,352	\$ 17,798,882	\$ 17,833,449
Restricted	7,020,594	177,855	173,063	564,836	3,083,990
Unrestricted	6,172,876	13,696,647	12,985,715	11,517,247	8,086,841
Total Governmental Activities	<u>\$ 36,127,175</u>	<u>\$ 34,423,524</u>	<u>\$ 31,553,130</u>	<u>\$ 29,880,965</u>	<u>\$ 29,004,280</u>
Business-type Activities					
Net Investment in capital assets	\$ -	\$ 115,983	\$ 120,738	\$ 207,894	\$ 99,977
Unrestricted	-	(87,321)	(29,981)	(40,157)	148,734
Total Business-type Activities	<u>\$ -</u>	<u>\$ 28,662</u>	<u>\$ 90,757</u>	<u>\$ 167,737</u>	<u>\$ 248,711</u>
Primary Government					
Net Investment in capital assets	\$ 22,933,705	\$ 20,665,005	\$ 18,515,090	\$ 18,006,776	\$ 17,933,426
Restricted	7,020,594	177,855	173,063	564,836	3,083,990
Unrestricted	6,172,876	13,609,326	12,955,734	11,477,090	8,235,575
Total Primary Government	<u>\$ 36,127,175</u>	<u>\$ 34,452,186</u>	<u>\$ 31,643,887</u>	<u>\$ 30,048,702</u>	<u>\$ 29,252,991</u>

Notes:

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

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

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

	Fiscal Year Ending			
	2016	2015	2014	2013
Expenses				
Governmental activities				
General government	\$ 4,623,201	\$ 4,598,349	\$ 4,764,777	\$ 4,733,483
Public safety	8,565,972	8,171,466	7,831,204	7,385,887
Public services	4,879,267	4,700,664	4,105,738	4,300,723
Interest on long-term debt	709,655	718,125	757,289	809,889
Total governmental activities	<u>18,778,095</u>	<u>18,188,604</u>	<u>17,459,008</u>	<u>17,229,982</u>
Business-type activities				
Solid waste	-	-	-	-
Total Primary Government Expenses	<u>\$ 18,778,095</u>	<u>\$ 18,188,604</u>	<u>\$ 17,459,008</u>	<u>\$ 17,229,982</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 6,576,756	\$ 6,223,870	\$ 6,033,965	\$ 6,271,365
Public safety	1,229,528	1,143,215	1,103,511	1,101,076
Public services	2,001,627	2,070,558	2,080,772	1,865,327
Operating grants and contributions	91,013	79,673	18,470	80,580
Capital grants and contributions	337,963	588,062	278,243	975,950
Total governmental activities	<u>10,236,887</u>	<u>10,105,378</u>	<u>9,514,961</u>	<u>10,294,298</u>
Business-type activities				
Charges for services	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government Revenues	<u>\$ 10,236,887</u>	<u>\$ 10,105,378</u>	<u>\$ 9,514,961</u>	<u>\$ 10,294,298</u>
Net (Expense)/Revenue				
Governmental activities	\$ (8,541,208)	\$ (8,083,226)	\$ (7,944,047)	\$ (6,935,684)
Business-type activities	-	-	-	-
Total Primary Government Net Expense	<u>\$ (8,541,208)</u>	<u>\$ (8,083,226)</u>	<u>\$ (7,944,047)</u>	<u>\$ (6,935,684)</u>
General Revenues and Other				
Changes in Net Position				
Governmental activities				
Taxes	\$ 11,321,774	\$ 10,508,203	\$ 9,928,502	\$ 9,530,096
Grants and contributions not restricted to specific programs	-	270,576	-	-
Gain (loss) on sale of capital assets	504,685	-	-	-
Interest income	20,645	24,419	14,185	11,052
Miscellaneous	228,215	188,173	578,770	294,494
Transfers	-	-	-	-
Total governmental activities	<u>\$ 12,075,319</u>	<u>\$ 10,991,371</u>	<u>\$ 10,521,457</u>	<u>\$ 9,835,642</u>
Business-type activities				
Interest income	-	-	-	-
Transfers	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 12,075,319</u>	<u>\$ 10,991,371</u>	<u>\$ 10,521,457</u>	<u>\$ 9,835,642</u>
Change in Net Position				
Governmental activities	\$ 3,534,111	\$ 2,908,145	\$ 2,577,410	\$ 2,899,958
Business-type activities	-	-	-	-
Total Primary Government	<u>\$ 3,534,111</u>	<u>\$ 2,908,145</u>	<u>\$ 2,577,410</u>	<u>\$ 2,899,958</u>

June 30,

	2012	2011	2010	2009	2008	2007
\$	4,162,370	\$ 4,290,473	\$ 4,934,814	\$ 3,872,550	\$ 3,663,029	\$ 3,168,904
	7,042,865	6,649,981	5,878,690	6,838,457	7,534,013	7,268,743
	5,418,025	5,626,937	2,154,779	2,751,483	3,783,759	3,138,718
	876,413	900,702	945,058	986,027	537,830	445,493
	<u>17,499,673</u>	<u>17,468,093</u>	<u>13,913,341</u>	<u>14,448,517</u>	<u>15,518,631</u>	<u>14,021,858</u>
	-	137	468,760	907,248	1,034,216	182,500
\$	<u>17,499,673</u>	<u>17,468,230</u>	<u>14,382,101</u>	<u>15,355,765</u>	<u>16,552,847</u>	<u>14,204,358</u>
\$	6,001,517	\$ 5,794,265	\$ 5,639,476	\$ 5,414,561	\$ 5,848,191	\$ 5,467,699
	979,521	1,116,577	1,173,266	1,340,610	1,613,016	1,574,618
	2,006,883	1,940,644	1,059,183	1,213,863	1,263,085	1,882,335
	151,155	151,714	19,375	630,554	1,315,290	484,642
	455,778	99,507	113,461	47,509	200,000	376,928
	<u>9,594,854</u>	<u>9,102,707</u>	<u>8,004,761</u>	<u>8,647,097</u>	<u>10,239,582</u>	<u>9,786,222</u>
	-	-	406,530	828,366	863,442	242,258
	-	-	-	-	-	-
	-	-	406,530	828,366	863,442	242,258
\$	<u>9,594,854</u>	<u>9,102,707</u>	<u>8,411,291</u>	<u>9,475,463</u>	<u>11,103,024</u>	<u>10,028,480</u>
\$	(7,904,819)	\$ (8,365,386)	(5,908,580)	(5,801,420)	(5,279,049)	(4,235,636)
	-	(137)	(62,230)	(78,882)	(170,774)	59,758
\$	<u>(7,904,819)</u>	<u>(8,365,523)</u>	<u>(5,970,810)</u>	<u>(5,880,302)</u>	<u>(5,449,823)</u>	<u>(4,175,878)</u>
\$	9,692,651	\$ 9,226,181	\$ 8,302,788	\$ 6,549,669	\$ 5,561,557	\$ 6,156,980
	-	350,621	356,371	-	-	-
	-	-	-	-	-	-
	18,055	59,760	72,833	388,183	494,489	640,115
	297,238	197,019	46,982	535,733	188,436	73,025
	-	115,983	-	-	(88,748)	-
\$	<u>10,007,944</u>	<u>9,949,564</u>	<u>8,778,974</u>	<u>7,473,585</u>	<u>6,155,734</u>	<u>6,870,120</u>
	-	-	134	1,902	1,052	-
	-	(115,983)	-	-	88,748	-
	-	(115,983)	134	1,902	89,800	-
\$	<u>10,007,944</u>	<u>9,833,581</u>	<u>8,779,108</u>	<u>7,475,487</u>	<u>6,245,534</u>	<u>6,870,120</u>
\$	2,103,125	\$ 1,584,178	\$ 2,870,394	\$ 1,672,165	\$ 876,685	\$ 2,634,484
	-	(116,120)	(62,096)	(76,980)	(80,974)	59,758
\$	<u>2,103,125</u>	<u>1,468,058</u>	<u>2,808,298</u>	<u>1,595,185</u>	<u>795,711</u>	<u>2,694,242</u>



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

	Fiscal Year Ending June 30,				
	2016	2015	2014	2013	2012
General Fund					
Nonspendable	\$ 15,294	\$ 10,898	\$ 18,060	\$ 32,353	\$ 24,084
Restricted	1,004,485	734,779	831,983	851,451	802,609
Unrestricted:					
Committed	1,999,845	2,258,084	2,351,081	2,656,417	2,308,806
Assigned	326,952	491,562	1,046,562	1,288,240	2,111,886
Unassigned	5,428,629	4,642,101	4,492,297	4,922,304	4,372,100
Total General Fund	<u>\$ 8,775,205</u>	<u>\$ 8,137,424</u>	<u>\$ 8,739,983</u>	<u>\$ 9,750,765</u>	<u>\$ 9,619,485</u>
All Other Governmental Funds					
Nonspendable	\$ 7,246	\$ 7,246	\$ 7,246	\$ 7,246	\$ 7,246
Restricted	12,148,286	11,270,823	10,033,128	8,119,831	7,146,829
Unrestricted:					
Committed	961,369	1,254,287	253,322	235,424	132,519
Assigned	-	-	1,150,087	1,025,840	755,123
Total All Other Governmental Funds	<u>\$ 13,116,901</u>	<u>\$ 12,532,356</u>	<u>\$ 11,443,783</u>	<u>\$ 9,388,341</u>	<u>\$ 8,041,717</u>

	Fiscal Year Ending June 30,				
	2011 ²	2010	2009	2008	2007
General Fund					
Nonspendable	\$ 29,371	\$ -	\$ -	\$ -	\$ -
Restricted	401,702	-	-	-	-
Unrestricted:					
Committed	2,241,790	-	-	-	-
Assigned	1,920,101	-	-	-	-
Unassigned	4,305,595	-	-	-	-
Reserved	\$ -	\$ 4,701,267	\$ 3,616,302	\$ 2,805,417	\$ 1,752,335
Unreserved	-	5,584,949	4,389,144	5,956,711	6,186,563
Total General Fund	<u>\$ 8,898,559</u>	<u>\$ 10,286,216</u>	<u>\$ 8,005,446</u>	<u>\$ 8,762,128</u>	<u>\$ 7,938,898</u>
All Other Governmental Funds					
Nonspendable	\$ 7,246	\$ -	\$ -	\$ -	\$ -
Restricted	6,611,646	-	-	-	-
Unrestricted:					
Committed	39,352	-	-	-	-
Assigned	-	-	-	-	-
Reserved ¹	\$ -	\$ 5,776,593	\$ 8,788,940	\$ 7,427,873	\$ 7,470,422
Unreserved - reported in:					
Special revenue funds	-	17,137	1,962,148	2,070,737	2,196,364
Debt service funds	-	434,731	-	-	-
Capital project funds	-	-	1,013,365	9,560,422	(1,871,799)
Total All Other Governmental Funds	<u>\$ 6,658,244</u>	<u>\$ 6,228,461</u>	<u>\$ 11,764,453</u>	<u>\$ 19,059,032</u>	<u>\$ 7,794,987</u>

Note:

¹ The permanent fund is considered 100% reserved.

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

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

	Fiscal Year Ending			
	2016	2015	2014	2013
Revenues				
Taxes	\$ 10,914,651	\$ 10,528,206	\$ 9,704,332	\$ 9,205,523
Licenses and permits	3,791,718	3,689,739	3,472,518	3,819,964
Fines and forfeitures	331,234	272,105	284,414	299,015
Franchise fees	2,134,882	2,095,821	2,029,367	1,957,691
Intergovernmental	1,586,691	1,795,770	1,386,698	2,136,964
Charges for services	2,662,939	2,522,518	2,610,188	2,347,354
Interest	20,644	24,420	14,185	11,052
Miscellaneous	205,929	206,372	578,770	294,494
	<u>21,648,688</u>	<u>21,134,951</u>	<u>20,080,472</u>	<u>20,072,057</u>
Expenditures				
Current				
General government	4,751,391	3,934,440	4,142,365	4,096,401
Public safety	8,212,557	8,811,868	7,674,772	7,183,694
Public services	3,903,168	3,817,730	3,566,643	3,525,624
	<u>16,867,116</u>	<u>16,564,038</u>	<u>15,383,780</u>	<u>14,805,719</u>
Debt service				
Principal	1,650,181	1,518,996	1,461,024	1,409,204
Interest	673,649	722,904	776,582	828,521
	<u>2,323,830</u>	<u>2,241,900</u>	<u>2,237,606</u>	<u>2,237,725</u>
Capital outlay				
	<u>2,915,195</u>	<u>2,241,040</u>	<u>1,414,426</u>	<u>1,550,709</u>
	<u>22,106,141</u>	<u>21,046,978</u>	<u>19,035,812</u>	<u>18,594,153</u>
Excess (Deficiency) of Revenues				
Over (under) Expenditures	<u>(457,453)</u>	<u>87,973</u>	<u>1,044,660</u>	<u>1,477,904</u>
Other Financing Sources (Uses)				
Debt issued	10,812,436	398,041	-	-
Debt repaid	(9,850,831)	-	-	-
Transfers in	262,478	3,020,814	1,991,916	988,073
Transfers out	(262,478)	(3,020,814)	(1,991,916)	(988,073)
Sale of capital asset	718,174	-	-	-
	<u>1,679,779</u>	<u>398,041</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 1,222,326</u>	<u>\$ 486,014</u>	<u>\$ 1,044,660</u>	<u>\$ 1,477,904</u>
Debt Service as a Percentage of				
Noncapital Expenditures	12.60%	12.53%	13.08%	13.29%

June 30,					
2012	2011	2010	2009	2008	2007
\$ 9,673,157	\$ 9,232,509	\$ 8,027,329	\$ 7,000,262	\$ 7,935,021	\$ 8,355,064
4,095,313	3,757,187	3,656,820	3,756,425	4,221,588	3,856,942
274,429	250,352	348,144	385,123	741,467	732,582
1,807,068	1,920,867	1,705,625	1,626,607	-	-
1,528,859	1,393,943	466,832	944,439	1,758,475	1,071,677
2,115,210	2,130,979	2,198,566	1,547,779	1,362,025	1,861,446
18,055	59,760	35,601	389,000	-	-
273,210	197,019	69,357	495,479	579,483	706,412
<u>19,785,301</u>	<u>18,942,616</u>	<u>16,508,274</u>	<u>16,145,114</u>	<u>16,598,059</u>	<u>16,584,123</u>
5,376,872	3,624,368	3,029,450	3,767,168	3,561,903	3,066,948
6,909,072	7,364,784	6,369,766	6,579,706	7,342,514	7,590,695
4,567,254	4,827,503	2,567,787	2,152,374	3,108,721	2,946,203
<u>16,853,198</u>	<u>15,816,655</u>	<u>11,967,003</u>	<u>12,499,248</u>	<u>14,013,138</u>	<u>13,603,846</u>
1,274,558	1,540,772	1,474,109	1,190,013	1,262,002	1,044,779
756,444	915,803	974,288	767,228	607,639	437,603
<u>2,031,002</u>	<u>2,456,575</u>	<u>2,448,397</u>	<u>1,957,241</u>	<u>1,869,641</u>	<u>1,482,382</u>
701,392	1,746,732	5,347,980	9,741,886	5,323,092	3,021,391
<u>19,585,592</u>	<u>20,019,962</u>	<u>19,763,380</u>	<u>24,198,375</u>	<u>21,205,871</u>	<u>18,107,619</u>
<u>199,709</u>	<u>(1,077,346)</u>	<u>(3,255,106)</u>	<u>(8,053,261)</u>	<u>(4,607,812)</u>	<u>(1,523,496)</u>
5,350,000	-	-	-	16,697,087	1,173,277
(3,445,310)	-	-	-	-	-
645,032	2,803,893	32,615	934,832	112,252	616,644
(645,032)	(2,803,893)	(32,615)	(934,832)	(112,252)	(616,644)
-	-	-	-	-	-
<u>1,904,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,697,087</u>	<u>1,173,277</u>
<u>\$ 2,104,399</u>	<u>\$ (1,077,346)</u>	<u>\$ (3,255,106)</u>	<u>\$ (8,053,261)</u>	<u>\$ 12,089,275</u>	<u>\$ (350,219)</u>
12.05%	14.23%	16.98%	13.54%	11.77%	9.83%



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

Fiscal Year Ending June 30	Property Tax	Accommodations and Hospitality Taxes	Franchise Fees	Utility Fee	Total
2016	\$ 7,875,593	\$ 3,039,058	\$ 2,134,882	\$ 873,156	\$ 13,922,689
2015	7,733,254	2,794,952	2,095,821	838,743	13,462,770
2014	7,094,461	2,609,871	2,029,367	834,110	12,567,809
2013	6,726,986	2,478,537	1,957,691	812,001	11,975,215
2012	7,234,394	2,438,763	1,807,068	489,438	11,969,663
2011	7,028,243	2,204,266	1,920,867	492,783	11,646,159
2010	6,480,714	2,006,439	1,705,625	329,063	10,521,841
2009	5,229,710	1,770,552	1,626,607	324,556	8,951,425
2008	4,452,306	1,582,273	1,591,321	309,121	7,935,021
2007	4,745,640	1,704,323	1,567,576	337,525	8,355,064

Notes:

Schedule includes governmental funds

Source:

City records

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

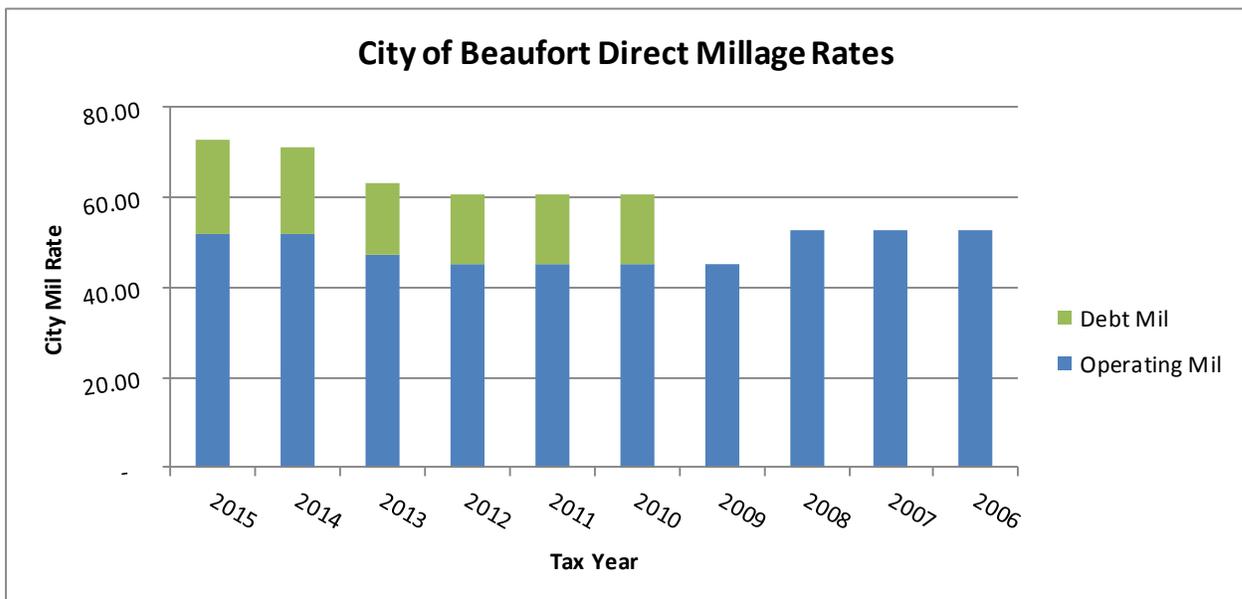
Tax Year	Real Property		Personal Property		Motor Vehicles	
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value
2015	\$ 83,901,990	\$ 1,865,267,573	\$ 9,573,500	\$ 92,564,700	\$ 6,449,130	\$ 101,101,920
2014	82,703,400	1,845,332,873	9,152,060	88,410,360	5,750,780	91,439,120
2013	82,506,450	1,847,349,573	7,092,170	68,374,850	5,305,280	84,049,400
2012	83,949,050	2,210,221,600	7,872,140	77,954,460	5,072,160	78,995,310
2011	83,048,790	2,199,598,304	6,346,940	64,695,720	3,573,379	59,283,380
2010	79,048,200	2,210,411,620	7,598,310	77,111,460	4,576,754	67,199,907
2009	80,652,264	2,214,679,490	7,516,630	77,111,460	4,576,754	67,199,607
2008	58,944,688	1,392,239,126	7,476,211	26,102,574	- ¹	- ¹
2007	54,349,473	1,303,327,682	7,295,018	14,447,232	4,673,420	- ¹
2006	54,774,704	- ¹	6,412,826	- ¹	5,085,093	- ¹

	Total		Ratio of Total	Total
	Assessed	Estimated	Assessed to Total	Direct
	Value	Market Value	Estimated Value	Rate
\$	99,924,620	\$ 2,058,934,193	4.85%	72.61
	97,606,240	2,025,182,353	4.82%	72.62
	94,903,900	1,999,773,823	4.75%	66.61
	96,893,350	2,367,171,370	4.09%	60.62
	92,969,109	2,323,577,404	4.00%	60.62
	91,223,264	2,354,722,987	3.87%	60.62
	92,745,648	2,358,990,557	3.93%	60.62
	66,420,899	1,418,341,700	0.00%	52.80
	66,317,911	1,317,774,914	0.00%	52.80
	66,272,623	- ¹	0.00%	52.80

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

Tax Year	Direct	Overlapping		Total Direct and Overlapping Rates
	City	School District	County	
2015	72.61	135.21	59.15	266.97
2014	72.62	135.21	56.86	264.69
2013	66.61	129.15	56.30	252.06
2012	60.62	119.26	48.52	228.40
2011	60.62	118.26	47.54	226.42
2010	60.62	116.59	47.54	224.75
2009	60.62	114.69	45.96	221.27
2008	52.80	130.60	51.90	235.30
2007	52.80	122.80	47.40	223.00
2006	52.80	108.70	44.60	206.10

Tax Year	Total Direct - City		Total Direct
	Operating Mil	Debt Mil	
2015	51.83	20.78	72.61
2014	51.84	20.78	72.62
2013	47.44	19.17	66.61
2012	45.00	15.62	60.62
2011	45.00	15.62	60.62
2010	45.00	15.62	60.62
2009	45.00	15.62	60.62
2008	52.80	-	52.80
2007	52.80	-	52.80
2006	52.80	-	52.80



Source:
City staff

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

Taxpayer ²	2016			2007		
	Taxable Assessed	Rank	% of Total City Net Assessed	Taxable Assessed	Rank	% of Total City Net Assessed
	Value ²		Value	Value		Value
USPG Portfolio Eight, LLC	\$ 1,165,500	1	1.39%			
303 Associates, LLC	1,010,900	2	1.20%			
Ribaut Holdings, LLC	875,350	3	1.04%			
WalMart Real Estate Business Trust	855,560	4	1.02%			
Lowes Home Center, Inc.	621,880	5	0.74%			
Hotel Beaufort LP	617,050	6	0.74%			
HMV Hotels LLC	583,730	7	0.70%			
Cross Creek Apartments Holdings, LLC	536,070	8	0.64%			
Ashley Point Apartments LLC	480,700	9	0.57%			
Beaufort Dealership Properties LLC	473,250	10	0.56%			
				\$ -	1	0.00%
				-	2	0.00%
				-	3	0.00%
				-	4	0.00%
				-	5	0.00%
				-	6	0.00%
				-	7	0.00%
				-	8	0.00%
				-	9	0.00%
				-	10	0.00%
	<u>\$ 7,219,990</u>		<u>8.6%</u>	<u>\$ -</u>		<u>0.00%</u>

Note:

¹ Information is not available

Source:

² Information obtained from the Beaufort County Tax Assessor

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

Tax Year ¹	Collected Within the Calendar Year of Levy			Collections for Subsequent Years	Total Collections to Date	
	Total Tax Levy ²	Amount	Percentage of Levy		Amount	Percentage of Levy
2015	\$ 7,387,716	\$ 7,178,528	97.17%	-	7,178,528	97.17%
2014	7,274,526	7,068,424	97.17%	-	7,068,424	97.17%
2013	6,962,217	6,649,940	95.51%	-	6,649,940	95.51%
2012	6,264,528	5,967,309	95.26%	- ³	5,967,309	95.26%
2011	6,582,620	6,350,695	96.48%	- ³	6,350,695	96.48%
2010	7,454,125	7,114,512	95.44%	- ³	7,114,512	95.44%
2009	5,684,836	5,278,031	92.84%	- ³	5,278,031	92.84%
2008	- ³	- ³	0.00%	- ³	- ³	0.00%
2007	- ³	- ³	0.00%	- ³	- ³	0.00%
2006	- ³	- ³	0.00%	- ³	- ³	0.00%

Notes:

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

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

³ Information is not available

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

Fiscal Year Ending June 30,	Governmental Activities					Business-type Activities	Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	Tax Increment Bonds	General Obligation Bonds	Premiums on General Obligation Bonds	Revenue Bonds	Capital Leases	Capital Leases			
2016	\$ 542,213	\$ 12,405,000	\$ 1,027,436	\$ 2,746,215	\$ 321,032	-	\$ 17,041,896	4.86%	\$ 1,281
2015	1,061,437	12,725,000	-	2,945,164	398,041	-	17,129,642	4.71%	1,305
2014	1,558,657	13,555,000	-	3,136,940	-	-	18,250,597	5.06%	1,407
2013	2,034,819	14,355,000	-	3,321,802	-	-	19,711,621	5.29%	1,541
2012	2,490,825	15,130,000	-	3,500,000	-	-	21,120,825	5.76%	1,685
2011	3,170,383	13,875,000	-	-	3,445,310	-	20,490,693	6.03%	1,658
2010	3,758,649	14,450,000	-	-	3,822,816	-	22,031,465	7.15%	1,818
2009	4,443,419	15,000,000	-	-	4,626,306	177,527	24,247,252	5.86%	1,798
2008	5,039,694	15,000,000	-	-	5,170,612	207,757	25,418,063	0.00% ¹	2,101
2007	5,610,473	-	-	-	4,429,024	22,199	10,061,696	0.00% ¹	836

Notes:

¹ Subsequent information needed to calculate is not available.

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

Sources:

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

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

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt Repaid with Property Taxes			
Beaufort County, South Carolina			
General obligation bonded debt	\$ 196,814,520	7.41%	\$ 14,582,263
Revenue Bonds	3,295,000	7.41%	244,131
Mortgage	4,000,000	7.41%	296,366
Capital Lease	1,432,527	7.41%	106,138
Premiums	16,614,972	7.41%	1,231,026
Beaufort County School District			
General obligation bonded debt	298,709,621	25.34%	75,693,018
Installment purchase revenue bond	30,585,000	25.34%	<u>7,750,239</u>
Subtotal - Overlapping Debt			<u>99,903,181</u>
City of Beaufort Direct Debt			<u>17,041,896</u>
Total Direct and Overlapping Debt			<u>\$ 116,945,077</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
2016	\$ 12,405,000	\$ -	\$ 12,405,000	12.41%	\$ 932
2015	12,725,000	-	12,725,000	13.04%	969
2014	13,555,000	-	13,555,000	14.28%	1,045
2013	14,355,000	-	14,355,000	14.82%	1,123
2012	15,130,000	-	15,130,000	16.27%	1,207
2011	13,875,000	-	13,875,000	15.21%	1,122
2010	14,450,000	-	14,450,000	15.84%	1,192
2009	15,000,000	-	15,000,000	0.00%	1,112 ¹
2008	15,000,000	-	15,000,000	0.00%	1,240 ¹
2007	-	-	-	0.00%	- ¹

Notes:

¹ Subsequent information needed to calculate is not available.

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

Sources:

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

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

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

	Fiscal Year Ending			
	2016	2015	2014	2013
Total Assessed Value of Taxable property	\$ 99,924,620	\$ 97,606,240	\$ 94,903,900	\$ 96,893,350
Less Exemptions for Bond Purposes	-	-	-	-
Net Assessed Value for Bond Purposes	<u>\$ 99,924,620</u>	<u>\$ 97,606,240</u>	<u>\$ 94,903,900</u>	<u>\$ 96,893,350</u>
Debt Limit Percentage	8%	8%	8%	8%
Debt Limit	\$ 7,993,970	\$ 7,808,499	\$ 7,592,312	\$ 7,751,468
Total Net Debt Applicable to Limit General obligation bonds (net of set aside)	<u>1,180,000</u>	<u>1,355,000</u>	<u>1,690,000</u>	<u>1,850,000</u>
Legal Debt Margin	<u>\$ 6,813,970</u>	<u>\$ 6,453,499</u>	<u>\$ 5,902,312</u>	<u>\$ 5,901,468</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	14.76%	17.35%	22.26%	23.87%

Source:

Beaufort County Tax Assessor

June 30,					
2012	2011	2010	2009	2008	2007
\$92,969,109	\$ 91,223,264	\$92,745,648	\$ 66,420,899	\$66,317,911	\$66,272,623
-	-	-	-	-	-
<u>\$92,969,109</u>	<u>\$ 91,223,264</u>	<u>\$92,745,648</u>	<u>\$ 66,420,899</u>	<u>\$66,317,911</u>	<u>\$66,272,623</u>
8%	8%	8%	8%	8%	8%
\$ 7,437,529	\$ 7,297,861	\$ 7,419,652	\$ 5,313,672	\$ 5,305,433	\$ 5,301,810
-	-	-	-	-	85,000
<u>\$ 7,437,529</u>	<u>\$ 7,297,861</u>	<u>\$ 7,419,652</u>	<u>\$ 5,313,672</u>	<u>\$ 5,305,433</u>	<u>\$ 5,216,810</u>
0.00%	0.00%	0.00%	0.00%	0.00%	1.60%

**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
2016	13,306	\$ 350,613,100	\$ 26,350	4.50%
2015	13,130	363,950,470	27,719	6.00%
2014	12,967	360,352,930	27,790	6.90%
2013	12,788	372,667,896	29,142	7.90%
2012	12,534	366,707,238	29,257	8.80%
2011	12,361	339,606,114	27,474	8.80%
2010	12,120	307,872,240	25,402 ^c	6.20%
2009	13,487	413,255,167	30,641	9.10%
2008	12,098	413,255,167	26,399	5.10%
2007	12,029	565,844,160	47,040	4.40%

Sources:

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

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

c *Obtained from City of Beaufort Comprehensive Plan*

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

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

Source:

Beaufort Regional Chamber of Commerce

Note:

No new data for December 31, 2015 and December 31, 2006 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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government	28	28	23	24	22	20	21	21	37	30
Public safety	93	90	97	98	91	92	84	90	99	92
Public services	22	18	28	25	22	18	19	25	29	38
	<u>143</u>	<u>136</u>	<u>148</u>	<u>147</u>	<u>135</u>	<u>130</u>	<u>124</u>	<u>136</u>	<u>165</u>	<u>160</u>

Source:
City personnel records

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

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety										
Police										
Arrests	1,107	816	963	1,233	1,215	1,016	1,071	1,207	1,291	1,500
Fire										
Number of emergency calls	2,576	2,211	2,327	2,582	1,886	2,351	1,711	1,747	1,747	1,712
Inspections	533	605	242	181	92	127	165	531	426	739
Public Services										
Parks										
Number of parks	24	24	24	24	24	24	28	28	28	28
Solid Waste¹										
Garbage removed (tons)	-	-	-	-	-	-	-	5,615	5,431	3,063
Recycling removed (tons)	-	-	-	-	-	-	-	420	526	240
Complaints										
Missed garbage	113	67	40	25	16	40	116	N/A	N/A	N/A
Missed recycling	72	26	21	20	40	43	91	N/A	N/A	N/A
Missed yard waste	23	24	31	22	13	35	49	N/A	N/A	N/A
Planning										
Building permits issued	1,332	1,278	1,315	1,248	1,147	N/A	N/A	N/A	N/A	N/A
Building permit fees	\$ 244,837	\$ 254,637	\$ 245,906	\$ 246,214	\$ 276,966	N/A	N/A	N/A	N/A	N/A
Certificate of occupancy	22	35	34	37	45	N/A	N/A	N/A	N/A	N/A
Certificate of completion	60	33	44	37	39	N/A	N/A	N/A	N/A	N/A

Source:

City records

Note:

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

N/A - data is not available.

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

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Fire stations	3	2	2	2	2	2	2	2	2	2
Public Services										
Parks	24	24	24	24	24	24	28	28	28	28

Source:
City records



Compliance Section

Photo by Paul Nurnberg



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Beaufort, South Carolina (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Beaufort, South Carolina's basic financial statements, and have issued our report thereon dated December 2, 2016.

Internal Control Over Financial Reporting

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

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

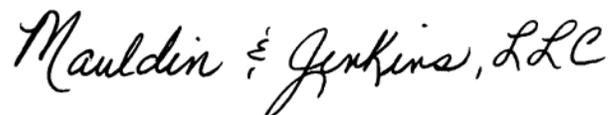
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Macon, Georgia
December 2, 2016

CITY OF BEAUFORT, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	___ Yes <u>X</u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes <u>X</u> No
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

Federal Awards

There was no audit of major federal award programs as of June 30, 2016 due to the total amount of federal expenditures being less than \$750,000 during the fiscal year 2016.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.