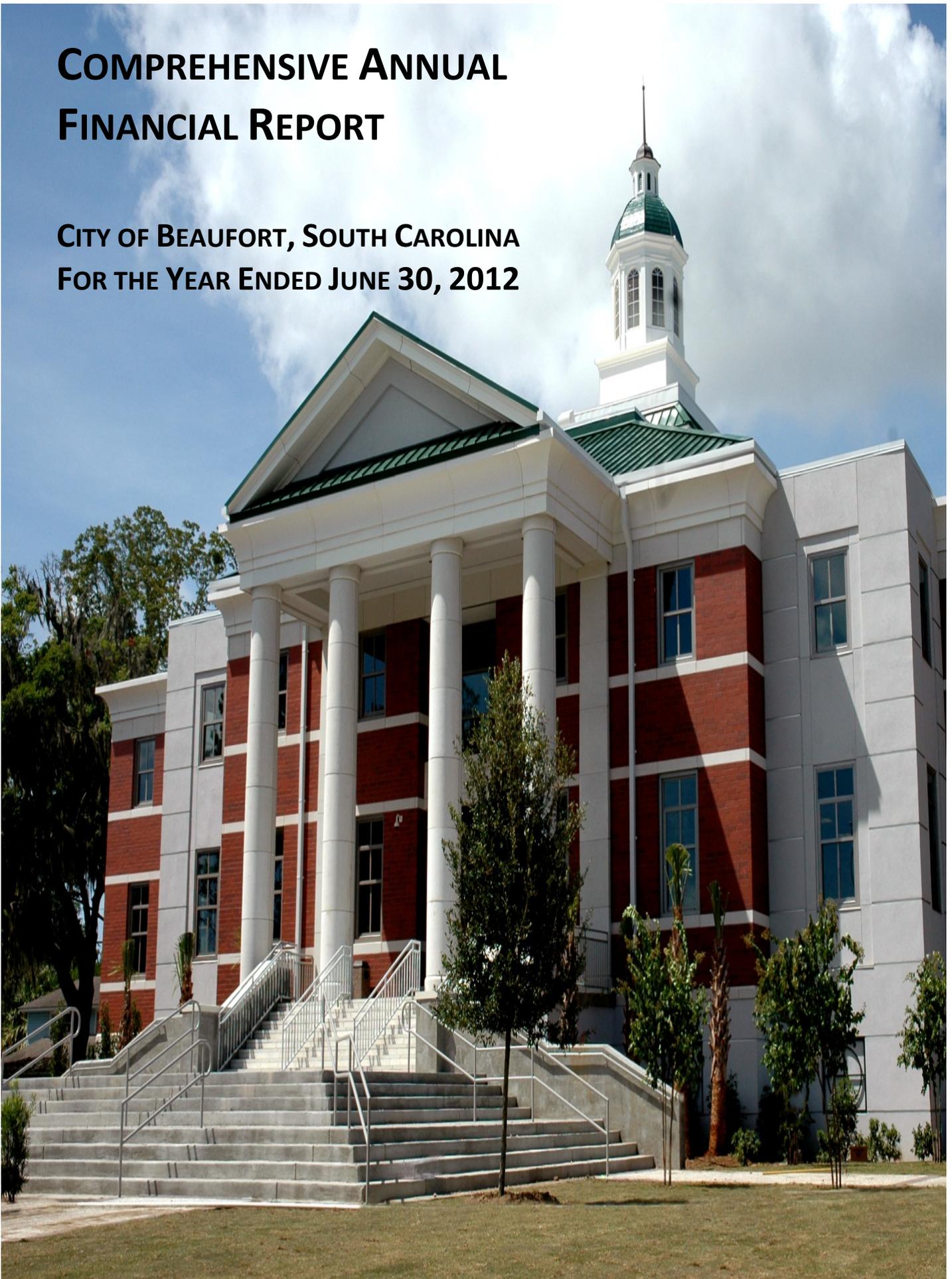


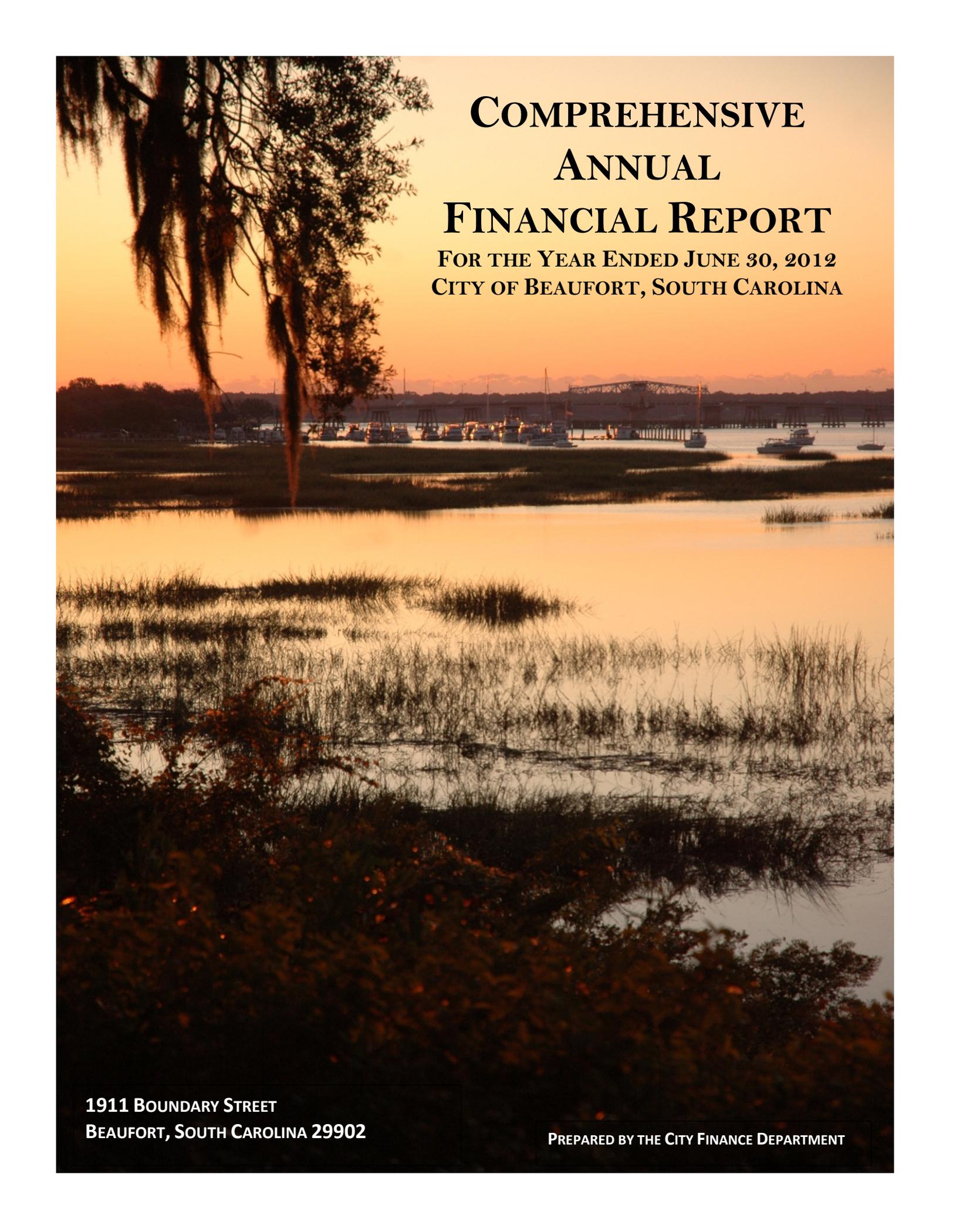
# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**CITY OF BEAUFORT, SOUTH CAROLINA  
FOR THE YEAR ENDED JUNE 30, 2012**





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**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**  
FOR THE YEAR ENDED JUNE 30, 2012  
CITY OF BEAUFORT, SOUTH CAROLINA

**1911 BOUNDARY STREET  
BEAUFORT, SOUTH CAROLINA 29902**

**PREPARED BY THE CITY FINANCE DEPARTMENT**



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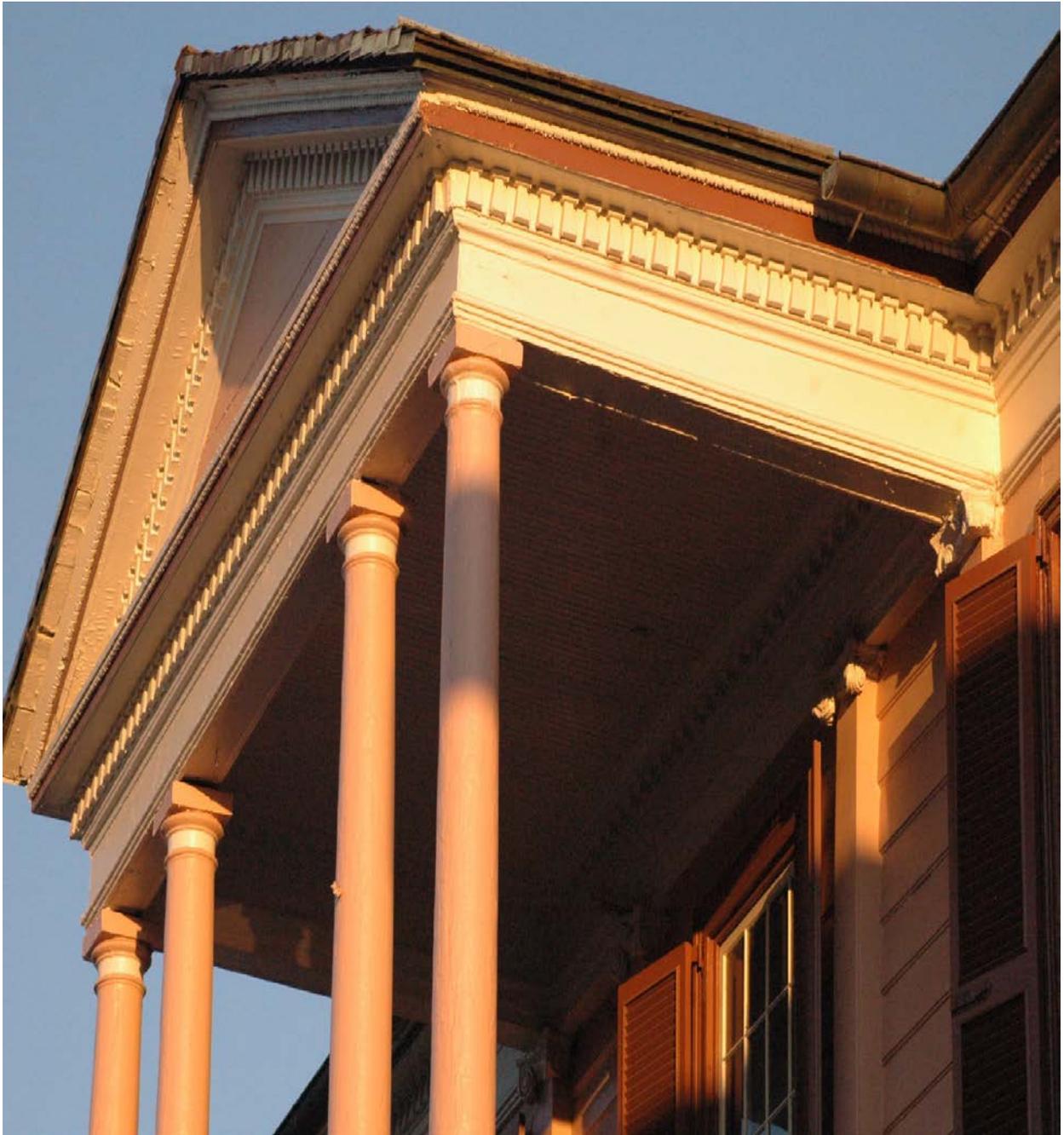
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# INTRODUCTORY





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November 2, 2012

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, 2012.

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, 2012 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 unqualified opinion that the City of Beaufort's financial statements for the fiscal year ended June 30, 2012, 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 2010 population of the City according to the U.S. Census was 12,361

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 8.3%<sup>1</sup> that is less than the State average of 9.6%, and median household income tends to be higher than the State average. Revenues from real and personal property taxes held even with prior years. Property tax revenue from vehicle ownership was lower than the prior year reflecting an overall slowing in the collection of property taxes, from 99% to 94%. Revenues from building permits showed increased

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<sup>1</sup> <http://dew.sc.gov/about-lmi.asp>



activity especially in remodeling and repairs and a continued interest in both in-fill housing in targeted areas, commercial activity specifically in the hospital expansion. Business license revenue were slightly higher in comparison to the prior year. The City also receives Hospitality and Accommodations tax 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 significant decrease in collectibles. Staff's investigation of these matters shows that there will be an eventual settlement on the collections albeit they will be in other fiscal years.

### **Long-term financial planning**

The City began development of a long range financial plan effective with the FY 2008 budget. In addition to the five-year plan the City has formalized its Capital Improvement Plan. First year of the plan is funded through the budget appropriation process with subsequent years estimated based on current year costs. The City is taking the next step in the process and converting its Comprehensive Plan and Civic Master Plan to give better form to public and private investment in the City. This effort allows Council, businesses and citizens to plan more strategically those investments and neighborhood groups to better plan improvements as well. Using a long range planning process allows the City to plan for future needs as well as up or down-turns in the economy.

### **City initiatives**

The City is completing the Boundary Street Master Plan, specifically a \$26 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.

### **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 Assets 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 years ended June 30, 2007, 2008, 2009, 2010 and 2011. 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,

Scott F. Dadson  
City Manager

Kathy M. Todd, CPA  
Finance Director

# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



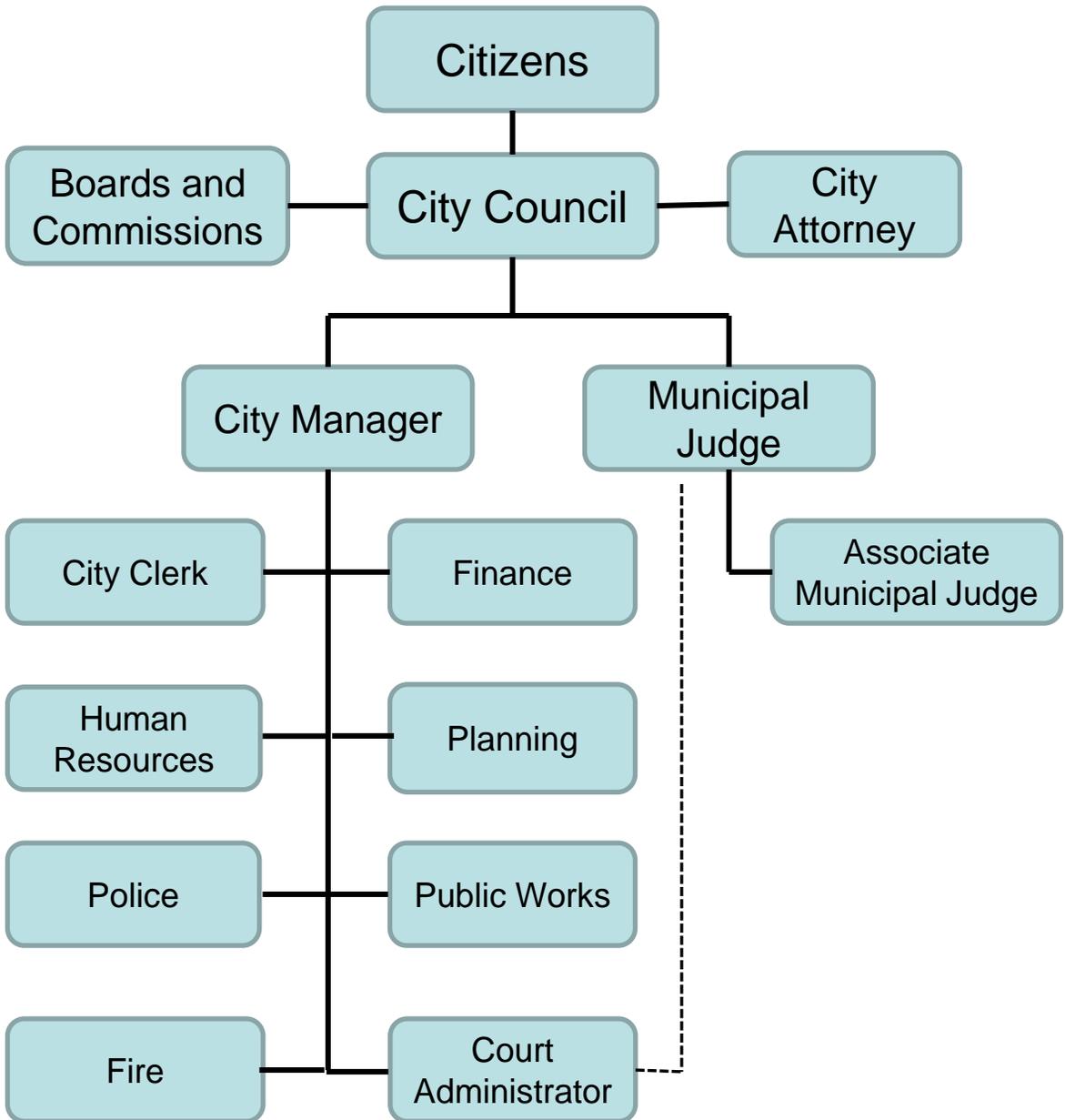
*Christopher P. Morinell*

President

*Jeffrey R. Emer*

Executive Director

CITY OF BEAUFORT, SOUTH CAROLINA  
ORGANIZATIONAL CHART



**CITY OF BEAUFORT, SOUTH CAROLINA  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2012**

**CITY COUNCIL**

Billy Keyserling  
Donnie Ann Beer  
Michael McFee  
George O'Kelley  
Michael Sutton

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

**ADMINISTRATION**

Scott F. Dadson  
Kathy M. Todd, CPA  
Ivette Burgess  
Glenda Pinto  
Gerald Eller

City Manager  
Finance Director  
City Clerk  
Accounting Clerk  
Accounting Clerk



**WATERFRONT PARK**



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# FINANCIAL



BAY STREET - 1870

## INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Beaufort, South Carolina's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 City of Beaufort, South Carolina as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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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) and the budgetary comparison information (on pages E-1 through E-4) 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Beaufort, South Carolina. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
November 1, 2012

# 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, 2012. 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 Assets 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, 2012 and contains other supplementary information.

## FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$38,230,300 (net assets). Of this amount \$6,829,462 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizen's and creditors.
- The government's total net assets increased by \$2,103,125. The increase is primarily attributed to \$136,435 increase in charges for services; \$356,271 increase in capital grants resulting from the CDBG funded Bladen Street project and approximately \$413,861 increase in business license, hospitality and local accommodations tax revenues in the governmental activities.
- The City's total cash position at June 30, 2012, was \$16,433,691 compared to \$14,843,443 at June 30, 2011, an increase due to the above noted increase in revenues and maintaining a zero growth in expenses between fiscal years. Of the total cash at June 30, 2012, \$2,353,312 is restricted for specific purposes, an insignificant decrease of \$1,339 from the prior year.
- The City's Government-wide total accounts payables, accrued expenses and refundable deposits at June 30, 2012 were \$1,143,400 an increase of \$82,589 from June 30, 2011.
- As of June 30, 2012, the City's long term indebtedness, including the liability for accrued vacation, had increased a net of \$829,232 from June 30, 2011. The City issued two new debt instruments during FY 2012 totaling \$5,350,000 to refinance prior debt and purchase the Commerce Park. During the fiscal year the City expended \$876,413 for interest associated with its long-term indebtedness.

## 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 Assets 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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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*, as part of its fiscal year 2011 reporting. The reporting standard 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 assets 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 Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's net assets totaled \$38,230,300 at June 30, 2012.

The following table presents a summary of the City's Net Assets at June 30, 2012.

	City of Beaufort's Net Assets			
	2012	2011	Change	% Change
Current and other assets	\$ 18,958,574	\$ 17,163,967	\$ 1,794,607	10.46%
Capital assets	42,388,150	41,394,805	993,345	2.40%
Total assets	61,346,724	58,558,772	2,787,952	4.76%
Long-term liabilities	19,918,023	19,088,791	829,232	4.34%
Other liabilities	3,198,401	3,342,806	(144,405)	-4.32%
Total liabilities	23,116,424	22,431,597	684,827	0.02%
Net Assets:				
Invested in capital net of related debt	23,444,154	22,933,705	510,449	2.23%
Restricted	7,956,684	7,020,594	936,090	13.33%
Unrestricted	6,829,462	6,172,876	656,586	10.64%
Total net assets	\$ 38,230,300	\$ 36,127,175	\$ 2,103,125	26.20%

The largest portion of the City's total net assets (61%) reflect its 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 assets (21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (18%) of unrestricted net assets may be used to meet the City’s ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for governmental-activities and the government as a whole.

Within the City’s Governmental-wide financial statements, restricted net assets increased \$936,090 or 13.33%. The increase is primarily due to the Tax Increment Financing (TIF) District I and II cash that is restricted by State Law to be used for only activities within the TIF Districts. As the City fine tunes its Capital Improvement plan to maximize the leveraging of resources necessary to achieve its long-term capital initiative, the use of these funds was minimized during the fiscal year.

Net assets presented in the Governmental-wide financial statements increased by a net \$2,103,125 during the current fiscal year. The change in each individual fund presented in a Government-wide basis is as follows:

<b>INDIVIDUAL FUNDS PRESENTED ON A GOVERNMENT-WIDE BASIS</b>	
General Fund	\$ (160,106)
Tax Increments Financing District II	1,617,984
Capital Projects	246,599
Redevelopment Commission	107,052
State Accomodations	111,052
Drug Control and Prevention	12,542
Tax Increment Financing District I	168,002
Change in Net Assets	<u>\$ 2,103,125</u>

**GOVERNMENTAL ACTIVITIES**

Governmental activities increased the City of Beaufort’s net assets by \$2,103,125 accounting for 5.82% percent of the total growth in the net assets of the City.

City of Beaufort's Change in Net Assets				
	2012	2011	Change	% Change
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 8,987,921	\$ 8,851,486	\$ 136,435	1.54%
Operating grants and contributions	151,155	151,714	(559)	-0.37%
Capital grants and contributions	455,778	99,507	356,271	358.04%
General revenues:				
Property taxes	7,027,863	7,021,915	5,948	0.08%
Other taxes	2,664,788	2,204,266	460,522	20.89%
Grants and contributions not restricted to specific purposes	-	350,621	(350,621)	-100.00%
Other	315,293	256,779	58,514	22.79%
Total revenues	19,602,798	18,936,288	666,510	3.52%
<b>Expenses:</b>				
General government	4,162,370	4,290,473	(128,103)	-2.99%
Law enforcement	4,235,745	3,991,398	244,347	6.12%
Fire and emergency services	2,807,120	2,658,583	148,537	5.59%
Public works	2,586,474	2,811,036	(224,562)	-7.99%
Culture and recreation	752,264	872,735	(120,471)	-13.80%
Streets	1,065,348	1,128,070	(62,722)	-5.56%
Community and economic development	1,013,939	815,096	198,843	24.40%
Interest on long-term debt	876,413	900,702	(24,289)	-2.70%
Total expenses	17,499,673	17,468,093	31,580	0.18%
Excess before transfers	2,103,125	1,468,195	634,930	43.25%
Transfers	-	115,983	(115,983)	-100.00%
Net assets, beginning	36,127,175	34,423,524	1,703,651	4.95%
Prior period adjustment	-	119,473	(119,473)	-100.00%
Net assets, beginning, restated	36,127,175	34,542,997	1,584,178	4.59%
Net assets, ending	\$ 38,230,300	\$ 36,127,175	\$ 2,103,125	5.82%

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

- Other taxes that include hospitality, local accommodation and state accommodation taxes increased \$460,522, or 20.89% over the prior year. This increase is related to the continued growth in the hotel and restaurant industries in the City resulting from the redevelopment initiative begun in prior years.
- Capital Grants increased by \$356,271 due to additional federal grant activity for the CDBG funded Bladen Street Streetscape project.

Significant changes in expenses within governmental activities are as follows:

- Law Enforcement increased by \$244,347 and Fire & Emergency services increased by \$148,537. The increase in both law enforcement and fire & emergency services is due to capital outlay costs expended in the prior year and recognized as capital assets in the government-wide financial statements, exceeded the depreciation allocated to the departments. In the current year, the change from these conversions was insignificant.

- Community and Economic Development increased \$198,843. The largest component of that increase related to contractual services for the development of the City's Civic Master Plan.

## 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 Commission Fund, Accommodation Tax Fund, Tax Increment Financing District I Fund (TIF I), Tax Increment Financing District II Fund (TIF II), Capital Projects Fund, Drug Control and Prevention Fund and Cemeteries 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, 2012, the City governmental funds reported combined fund balances of \$17,661,202 an increase of \$2,104,399 from the prior year's balances.

The increase of \$720,926 in the General Fund and \$1,162,888 in the Tax Increment Financing District II Fund accounted for the largest component in the overall increase in the City's Governmental Funds. The increase in the both funds was primarily a result of decreased funding for capital projects. In the prior year the General Fund and the TIF II Fund contributed \$2.4M toward capital projects as compared to \$602K in the current year.

45% (\$7,980,768) of the total Governmental Fund balance at June 30, 2012, is nonspendable or restricted in its use. \$7,949,438 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 14% 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, contractual obligations, 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 \$2,867,009 or 16%. This amount represents additional capital project initiatives and to eliminate a projected budgetary deficit in the subsequent year's budget. The remainder of the total Governmental Fund Balance of \$4,372,100 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, 2012 the General Fund had a fund balance of \$9,619,485 representing 54% of the total Governmental ending fund balance. Of the General Fund's June 30, 2012, fund balance 91% is *unrestricted* and of that amount 50% 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 26% of the General Fund's expenditures, while total fund balance of the General Fund represents 58% of that same amount.

General fund revenues increased a net \$136,168 or less than 1% from the prior year. Though there were slight increases in property taxes (\$27,528) and Fines and forfeitures (\$21,392) other revenue sources experienced more significant increases. The increases are primarily attributed to the following:

- The most significant increase totaling \$338,126 was seen in licenses, permits and fees. A more aggressive approach to the collections of Business License fees added an additional \$261,174 and building permits increased \$77,897. This is the first increase in permit fees since the beginning of the recession.
- Other taxes increase \$124,237 over the prior year. As the hotel and restaurant industries in the City began showing indications of recovery, there was a slight increase in the Hospitality fees collected of \$92,101 and the local accommodation fees collected of \$60,586.

All other revenue sources within the General Fund realized decreases from the prior year.

- Intergovernmental revenues decreased \$306,362. \$124,596 of that decrease is due to a reduction in stated shared revenues funding levels of the Local Government fund below the funding formula required by state statutes. In addition, \$96,200 of the decrease is a result of a reduction in cost of providing fire services to the Town of Port Royal under a cost reimbursement basis. Lastly, the City's capital grants for Park renovations were not realized in the current year.
- Franchise fees decreased a total of \$113,799. Due to the acquisition of one of the telecommunications companies, the City experienced delays in the collection of franchise fees. These fees are expected to be collected in the subsequent year.
- Lastly, interest income decreased \$34,832 due to the continual downturn in the financial markets effecting interest rates.

The General Fund expenditures increased a net of \$862,933 or 5.5 % over fiscal year ended June 30, 2011. Significant increases were a result of the following:

- General government increased \$1,918,276. This increase is a result of:
  - \$1,850,000 expended for the acquisition of the Commerce Park.
- Community & Economic Development increased \$329,330. This increase is due primarily a slight increase in personnel costs of \$72,192 and an increase in contractual services of \$265,950 for the development of the City Civic Master Plan, grant writing, formation of redevelopment initiatives and codes enforcement.
- Decreases within Fire & Emergency Services of \$545,977, \$267,788 in Public Works and Culture & Recreation of \$176,523 are primarily a result of prior year capital acquisitions that were expended in fiscal year 2011 and reduction in contractual services for landscaping and street sweeping services.

#### **Tax Increment Financing District II Fund (TIF II)**

Total revenues in this fund amounted to \$2,168,527 consisting of property tax on the incremental value of property located within the district (\$2,168,341) and interest (\$186). The City realized a \$148,954 increase in the property taxes within the district, resulting from the redevelopment initiatives. There was also an decrease in capital redevelopment projects expenditures over the prior year totaling \$924,404. The City is in the process of developing a Civic Master Plan which will help the City implement its 2009 Comprehensive Plan. As the Capital Improvement Plan is being developed based on this initiative, spending was slowed in the current fiscal year.

## Capital Projects Fund

The Capital Project Fund expended \$903,322, or \$1,208,815 less than the fiscal year 2011. This decrease is a result of the planned slowing in construction and major renovation projects until the completion of an updated short-term and long-term capital improvement program is implemented.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets:** The Statement of Net Assets 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, 2012, the City's net capital assets totaled \$42,388,150, a net increase of \$993,345 from fiscal year 2011. Capital assets include assets purchased and donated, land, buildings, system improvements and machinery and equipment.

Major capital asset addition during the year included the following:

- Acquisition of the Commerce Park (\$1,850,000) and easements for the Bladen Street Streetscape project (\$116,970)
- Increase in Construction in Progress resulting from the CDBG funded Bladen Street Streetscape project (\$447,312)
- Additional Police patrol cars (\$122,618)

Additional information on the City's capital assets can be found in Note 3.A to the Financial Statements beginning on page D-16.

**Long-term debt:** The long-term liabilities, including compensated absences, at June 30, 2012 totaled \$21,619,053.

The City's total indebtedness increased a net \$654,713 from the previous year. The City issued new general obligation debt of \$1,850,000 for the acquisition of the Commerce Park and refinanced the lease purchase agreement for Waterfront Park (\$3,445,310) with the issuance of a revenue bond (\$3,500,000) secured by hospitality and local accommodations tax revenues. In addition, scheduled debt payments totaling \$1,274,558 contributed to the overall net increase. Lastly, the Tax Increment bonds related to the TIF I district were paid in full during the current fiscal year.

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 \$7,437,529.

Additional information on the City's debt can be found in Note 3.C. in the notes to financial statements on page D-17.

## 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 2012 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 \$6,155,816 in the General Fund appropriations between the original and final amended budget to adjust for the debt refunding (\$3,445,353), land acquisition of Commerce Park (\$1,850,000), increases associated with utilities (\$114,900) and various contractual or capital acquisitions (\$299,095).

The total actual revenues for the General Fund \$15,816,176 exceeded final budgeted revenues of \$15,385,081 by \$431,095 as discussed previously on the increased general fund revenues.

The total actual expenditures of the General Fund were \$16,608,095. This amount was \$1,315,958 less than the final budgeted amount.

### **ECONOMIC FACTORS, NEXT YEAR'S BUDGET**

The downturn in the national economy has impacted the local economy, primarily in the area of unemployment however, the City has experienced a slight growth in new home construction over the preceding two years. While large portions of City residents are employed in relatively recession proof occupations connected to the area's three military bases, hospitals and health care, school district, and county government, a significant number of residents have traditionally been employed in the tourism, hospitality and construction industries. It is among residents employed in these later groups that personal finances have become strained. With the national economy continuing to struggle and the local economy facing increasing pressure the City developed a budget that did not raise taxes, business licenses rates or fees.

The City adopted a general fund budget for fiscal year ended June 30, 2013 in the amount of \$15,614,646.

### **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 ASSETS**  
**JUNE 30, 2012**

	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments.....	\$ 14,080,379
Receivables.....	2,409,427
Inventories.....	24,084
Deferred charges.....	91,372
Restricted assets	
Cash and investments.....	2,353,312
Capital assets:	
Land, improvements, and construction in progress	6,814,905
Other capital assets, net of depreciation.....	35,573,245
	61,346,724
<b>Total assets</b>	
<b>LIABILITIES</b>	
Accounts payable.....	792,509
Accrued liabilities.....	274,319
Accrued interest.....	353,971
Deposits and escrow.....	76,572
Long-term liabilities:	
Due within one year.....	1,701,030
Due in more than one year.....	19,918,023
	23,116,424
<b>Total liabilities</b>	
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt.....	23,444,154
Restricted for:	
Perpetual care	
Nonexpendable.....	7,246
Capital projects.....	2,176,829
Redevelopment.....	4,685,209
Other purposes.....	1,087,400
Unrestricted.....	6,829,462
	\$ 38,230,300
<b>Total net assets</b>	



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**CITY OF BEAUFORT, SOUTH CAROLINA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government.....	\$ 4,162,370	\$ 6,001,517	\$ -	\$ -	\$ 1,839,147
Law enforcement.....	4,235,745	356,620	151,155	-	(3,727,970)
Fire and emergency services.....	2,807,120	622,901	-	-	(2,184,219)
Public works.....	2,586,474	1,328,276	-	-	(1,258,198)
Culture and recreation.....	752,264	228,757	-	9,500	(514,007)
Streets.....	1,065,348	-	-	446,278	(619,070)
Community and economic development....	1,013,939	449,850	-	-	(564,089)
Interest on long-term debt.....	876,413	-	-	-	(876,413)
<b>Total</b>	<b>\$ 17,499,673</b>	<b>\$ 8,987,921</b>	<b>\$ 151,155</b>	<b>\$ 455,778</b>	<b>(7,904,819)</b>
General revenues:					
Taxes:					
Property taxes, levied for general purposes.....					4,206,662
Property taxes, levied for specific purposes.....					2,821,201
Other taxes.....					2,664,788
Unrestricted investment earnings.....					18,055
Miscellaneous.....					297,238
Total general revenues					10,007,944
Change in net assets.....					2,103,125
Net assets - beginning.....					36,127,175
Net assets - ending.....					<u>\$ 38,230,300</u>

**CITY OF BEAUFORT, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

	General	Tax Increment Financing District II Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents.....	\$ 8,453,085	\$ 4,225,765	\$ -	\$ 1,401,529	\$ 14,080,379
Taxes receivable.....	172,773	70,302	-	7,768	250,843
Other receivables.....	1,756,839	-	207,146	194,599	2,158,584
Inventory.....	24,084	-	-	-	24,084
Restricted cash and cash equivalents.....	-	-	2,289,913	63,399	2,353,312
Total assets	<u>\$ 10,406,781</u>	<u>\$ 4,296,067</u>	<u>\$ 2,497,059</u>	<u>\$ 1,667,295</u>	<u>\$ 18,867,202</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable.....	\$ 395,035	\$ 10,152	\$ 320,230	\$ 67,092	\$ 792,509
Accrued liabilities.....	274,319	-	-	-	274,319
Deposits and escrow.....	67,370	-	-	9,202	76,572
Deferred revenue.....	50,572	5,666	-	6,362	62,600
Total liabilities	<u>787,296</u>	<u>15,818</u>	<u>320,230</u>	<u>82,656</u>	<u>1,206,000</u>
<b>Fund balances:</b>					
Nonspendable.....	24,084	-	-	7,246	31,330
Restricted.....	802,609	3,730,613	2,176,829	1,239,387	7,949,438
<b>Committed for:</b>					
Land acquisition.....	1,078,665	-	-	-	1,078,665
Vehicle and equipment replacement.....	324,744	-	-	-	324,744
Redevelopment.....	119,705	-	-	130,439	250,144
Capital Projects.....	785,692	-	-	-	785,692
Law enforcement.....	-	-	-	2,080	2,080
<b>Assigned for:</b>					
Subsequent year's budget.....	28,680	-	-	-	28,680
Capital Projects.....	2,083,206	549,636	-	205,487	2,838,329
Unassigned.....	4,372,100	-	-	-	4,372,100
Total fund balances	<u>9,619,485</u>	<u>4,280,249</u>	<u>2,176,829</u>	<u>1,584,639</u>	<u>17,661,202</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 10,406,781</u></u>	<u><u>\$ 4,296,067</u></u>	<u><u>\$ 2,497,059</u></u>	<u><u>\$ 1,667,295</u></u>	<u><u>\$ 18,867,202</u></u>

**CITY OF BEAUFORT, SOUTH CAROLINA  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012**

Total Governmental Fund Balances.....		\$ 17,661,202
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds (net of accumulated depreciation of \$14,009,090).....		42,388,150
Governmental funds report the effect of bond issue costs when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.....		91,372
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds.....		62,600
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.....	\$ (353,971)	
Due within one year.....	(1,701,030)	
Due in more than one year.....	(19,918,023)	(21,973,024)
		(21,973,024)
Net Assets of Governmental Activities		\$ 38,230,300

**CITY OF BEAUFORT, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	General	Tax Increment Financing District II Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes.....	\$ 4,271,990	\$ 2,168,341	\$ -	\$ 794,063	\$ 7,234,394
Other taxes.....	2,053,705	-	-	385,058	2,438,763
Licenses, permits and fees.....	4,095,313	-	-	-	4,095,313
Franchise fees.....	1,807,068	-	-	-	1,807,068
Intergovernmental.....	1,082,581	-	446,278	-	1,528,859
Charges for services.....	1,950,646	-	-	164,564	2,115,210
Fines and forfeitures.....	270,731	-	-	3,698	274,429
Investment income.....	15,532	186	2,251	86	18,055
Miscellaneous.....	268,610	-	-	4,600	273,210
<b>Total revenues</b>	<b>15,816,176</b>	<b>2,168,527</b>	<b>448,529</b>	<b>1,352,069</b>	<b>19,785,301</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government.....	4,905,800	-	197,055	274,017	5,376,872
Law enforcement.....	4,230,165	-	-	19,790	4,249,955
Fire and emergency.....	2,659,117	-	-	-	2,659,117
Public works.....	1,575,500	287,598	-	612,643	2,475,741
Culture and recreation.....	421,616	-	-	-	421,616
Streets.....	668,593	-	4,875	-	673,468
Community and economic development..	938,917	-	-	57,512	996,429
Capital Outlay.....	-	-	701,392	-	701,392
<b>Debt Service:</b>					
Principal.....	595,000	436,715	-	242,843	1,274,558
Interest and other charges.....	613,387	129,570	-	13,487	756,444
<b>Total expenditures</b>	<b>16,608,095</b>	<b>853,883</b>	<b>903,322</b>	<b>1,220,292</b>	<b>19,585,592</b>
Excess (deficiency) of revenues over (under) expenditures	(791,919)	1,314,644	(454,793)	131,777	199,709
<b>Other financing sources (uses):</b>					
Issuance of debt.....	1,850,000	-	-	-	1,850,000
Issuance of refunding debt.....	3,500,000	-	-	-	3,500,000
Payment to refunded debt.....	(3,445,310)	-	-	-	(3,445,310)
Transfers in.....	43,003	-	602,029	-	645,032
Transfers out.....	(434,848)	(151,756)	-	(58,428)	(645,032)
<b>Total other financing sources (uses)</b>	<b>1,512,845</b>	<b>(151,756)</b>	<b>602,029</b>	<b>(58,428)</b>	<b>1,904,690</b>
Net Changes in fund balances.....	720,926	1,162,888	147,236	73,349	2,104,399
Fund balances, beginning of year.....	8,898,559	3,117,361	2,029,593	1,511,290	15,556,803
<b>Fund balances at end of year</b>	<b>\$ 9,619,485</b>	<b>\$ 4,280,249</b>	<b>\$ 2,176,829</b>	<b>\$ 1,584,639</b>	<b>\$ 17,661,202</b>

**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, 2012**

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Net change in Fund Balances - Total Governmental Funds \$ 2,104,399

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays.....	\$ 2,706,647	
Donated assets.....	24,028	
Depreciation expense.....	<u>(1,737,330)</u>	993,345

The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued.....	(5,350,000)	
Debt payments.....	4,719,868	
Amortiation of deferred charges.....	(13,406)	
Interest expense.....	<u>(119,969)</u>	(763,507)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds..... (206,531)

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

Compensated absences.....		(24,581)
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		<u>\$ 2,103,125</u>
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**CITY OF BEAUFORT, SOUTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUND**  
**JUNE 30, 2012**

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Assets	
Cash and cash equivalents.....	\$ 119,323
Total assets	<u>\$ 119,323</u>
Liabilities	
Due to others.....	\$ 119,323
Total Liabilities	<u>\$ 119,323</u>

**CITY OF BEAUFORT, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. 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. The nucleus of a financial reporting entity usually is a primary government; however, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization, or other standalone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

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 are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. The Redevelopment Commission is a blended component unit. The City of Beaufort City Council established the Redevelopment Commission to renovate, revitalize and regenerate distressed areas of the City by researching and recommending redevelopment projects within the City; coordinating, reviewing and recommending redevelopment plans for projects to City Council and facilitating negotiations necessary for execution of the redevelopment plans. Therefore, the services provided by Redevelopment Commission are provided entirely and exclusively for the benefit of the City. No separate annual financial report is issued for the Redevelopment Commission.

**2. Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component

**CITY OF BEAUFORT, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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 assets 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.

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.

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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 three 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 Tricentennial 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.

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 restricted resources first, and then unrestricted resources, as they are needed.

**D. Assets, Liabilities and Net Assets 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

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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 modified accrual. Governmental funds report deferred 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.

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 15<sup>th</sup> property tax due date. Property taxes attach as an enforceable lien on January 1<sup>st</sup> and are considered delinquent if not paid by March 15<sup>th</sup>.

The City's operating tax rate is currently 45.0 mills and the City's debt service tax rate is currently 15.62 mills for a total of 60.62 mills. The County of Beaufort bills and collects the City's property taxes.

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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, 2012 are \$763,831.

**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 assets 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:

<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 360 hours, is payable upon separation of employment based on their hourly rate of pay earned at the time of termination or retirement.

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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 Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 discounts on debt issuances are reported as other financing uses.

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, 2012, there are no amounts for arbitrage rebates.

**7. Equity Classifications**

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

- *Invested in capital assets, net of related debt* 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 assets* consist of net assets 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 assets* consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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 balance differ from restricted fund balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned* represents amounts that are constrained by the City’s intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. Intent is expressed by the City Manager, the appointed official to which the Council has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all amounts that are reported in the governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Appropriated Assigned Fund Balance is an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year’s budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

- *Unassigned* is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

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.

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

**8. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and the related notes. Accordingly, actual results could differ from these estimates.

**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 Commission Fund, Accommodations Tax Fund, Tax Increment Financing District I Fund (TIF I).

All annual appropriations lapse at fiscal year-end.

**NOTE 3 – DETAILED NOTES ON FUNDS AND ACTIVITIES**

**A. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

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	Beginning Balance				Ending Balance
	June 30, 2011	Additions	Deletions	Transfers	June 30, 2012
<b>Non-depreciable assets:</b>					
Land	\$ 4,235,181	\$ 1,966,970	\$ -	\$ -	\$ 6,202,151
Construction in progress	184,283	494,931	-	(66,460)	612,754
	<u>4,419,464</u>	<u>2,461,901</u>	<u>-</u>	<u>(66,460)</u>	<u>6,814,905</u>
<b>Depreciable assets:</b>					
Infrastructure	18,190,821	18,024	-	66,460	18,275,305
Buildings and improvements	23,501,666	68,484	-	-	23,570,150
Machinery, Furniture and equipment	7,682,969	182,266	(128,355)	-	7,736,880
	<u>49,375,456</u>	<u>268,774</u>	<u>(128,355)</u>	<u>66,460</u>	<u>49,582,335</u>
Subtotal assets	<u>53,794,920</u>	<u>2,730,675</u>	<u>(128,355)</u>	<u>-</u>	<u>56,397,240</u>
<b>Accumulated depreciation:</b>					
Infrastructure	(4,153,790)	(599,747)	-	-	(4,753,537)
Buildings and improvements	(2,908,309)	(691,771)	-	-	(3,600,080)
Machinery, Furniture and equipment	(5,338,016)	(445,812)	128,355	-	(5,655,473)
	<u>(12,400,115)</u>	<u>(1,737,330)</u>	<u>128,355</u>	<u>-</u>	<u>(14,009,090)</u>
Total Governmental Activities	<u>\$ 41,394,805</u>	<u>\$ 993,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,388,150</u>

Depreciation expense was charged to governmental activities as follows:

<u>Function</u>	
General Government	\$ 625,380
Law Enforcement	118,053
Fire and Emergency	143,640
Culture and Recreation	339,289
Public Works	97,611
Streets	397,098
Community and Economic Development	16,259
	<u>\$ 1,737,330</u>

The City has construction commitments at June 30, 2012 totaling \$716,092.

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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	\$ 43,003	\$ 434,848
TIF II	-	151,756
Capital Project	602,029	-
Nonmajor governmental	-	58,428
Total Transfers	<u>\$ 645,032</u>	<u>\$ 645,032</u>

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. In addition, TIF II transferred resources to the Capital Projects Fund to fund those projects benefitting the TIF II district. 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:

	Beginning Balance			Ending Balance		Due with One
	June 30, 2011	Additions	Deletions	June 30, 2012	Year	
Tax increment bond	\$ 3,170,383	\$ -	\$ (679,558)	\$ 2,490,825	\$	456,006
General obligation bonds	13,875,000	1,850,000	(595,000)	15,130,000		775,000
Revenue bonds	-	3,500,000	-	3,500,000		178,198
Lease finance agreement	3,445,310	-	(3,445,310)	-		-
Compensated absences	473,647	321,890	(297,309)	498,228		291,826
	<u>\$ 20,964,340</u>	<u>\$ 5,671,890</u>	<u>\$ (5,017,177)</u>	<u>\$ 21,619,053</u>	<u>\$</u>	<u>1,701,030</u>

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

Tax Increment Bonds

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

Tax increment bonds payable at June 30, 2012 were comprised of the following issues:

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\$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. \$ 1,548,945

\$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. 941,880

\$ 2,490,825

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

Year Ended June 30,	Principal	Interest	Total
2013	\$ 456,006	\$ 110,229	\$ 566,235
2014	476,162	90,073	566,235
2015	497,221	69,015	566,236
2016	519,223	47,012	566,235
2017	542,213	24,022	566,235
	<u>\$ 2,490,825</u>	<u>\$ 340,351</u>	<u>\$ 2,831,176</u>

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. The balance at June 30, 2012 was \$13,280,000.

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, 2012 was \$1,850,000.

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

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Year Ended June 30,	Principal	Interest	Total
2013	\$ 775,000	\$ 587,342	\$ 1,362,342
2014	800,000	562,224	1,362,224
2015	830,000	536,517	1,366,517
2016	855,000	509,831	1,364,831
2017	885,000	478,938	1,363,938
2018 - 2022	4,980,000	1,823,538	6,803,538
2023 - 2027	4,885,000	878,719	5,763,719
2028 - 2032	1,120,000	48,720	1,168,720
	<u>\$ 15,130,000</u>	<u>\$ 5,425,829</u>	<u>\$ 20,555,829</u>

Current Refunding - 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 refunded lease purchase obligations carried a weighted average interest rate of 3.96% and were also due in annual payments through the date of maturity May 18, 2022. The City completed the current refunding to extend the life of the debt and lower annual debt payments and resulted in an economic loss (difference between the present value of the old and new debt service payments) of \$16,275. The balance of the Series 2011 bonds at June 30, 2012 was \$3,500,000.

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

Year Ended June 30,	Principal	Interest	Total
2013	\$ 178,198	\$ 130,900	\$ 309,098
2014	184,862	124,235	309,097
2015	191,776	117,322	309,098
2016	198,949	110,149	309,098
2017	206,389	102,708	309,097
2018 - 2022	1,153,669	391,820	1,545,489
2023 - 2027	1,386,157	159,332	1,545,489
	<u>\$ 3,500,000</u>	<u>\$ 1,136,466</u>	<u>\$ 4,636,466</u>

Extinguished Debt

In prior years, the City defeased certain water and sewer bonds by placing the sufficient resources in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the City's financial statements. On June 30, 2012, \$223,000 bonds outstanding are considered defeased.

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**D. Restricted Net Assets**

Net assets restricted through enabling legislation as of June 30, 2012 consisted of \$230,594 for the Tourism and Development Advisory Committee, \$73,178 for Victims Rights and \$54,197 for drug prevention and education. Net assets restricted by external groups such as creditors, grantors, contributors or laws and regulations of other governments as June 30, 2012 consisted of \$420,333 for utilities under a franchise agreement, \$4,685,209 for redevelopment projects within the two Tax Increment Financing Districts (TIF I and TIF II), \$309,098 for debt service reserve requirements and \$2,176,829 of remaining debt proceeds for the construction of a new fire station.

**E. Restricted Fund Balance**

Restricted fund balance at June 30, 2012 consists of:

- \$420,333 for utilities under a franchise agreement, \$309,098 for debt service reserve requirements and \$73,178 for Victim's Rights in the General Fund.
- \$3,730,613 for the purpose of redevelopment within the TIF II District.
- \$2,176,829 represents unspent bond funds for construction of a fire station within the CIP fund.
- The other governmental funds restricted fund balance consists of \$230,594 for Tourism and Development, \$54,197 for drug prevention and education and \$954,596 for redevelopment within the TIF I District.

**NOTE 4 – OTHER INFORMATION**

**A. Employee Pension and Other Benefit Plans**

City employees, except fire and police department employees, participate in the South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan. The City's police and fire personnel participate in the South Carolina Police Officers' Retirement Systems ("SCPORS"), a cost-sharing multiple employer defined benefit pension plan.

Both the SCRS and the SCPORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plans' provisions are established under Title 9 of the South Carolina Code of Laws, and therefore, only the State of South Carolina has the authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and the SCPORS is issued and publicly available by writing to the South Carolina Retirement System, P.O. Box 11960, Columbia, S.C. 29211-1960.

Both employees and the City are required to contribute to the Plans at rates established under authority of Title 9 of the South Carolina Code of Laws. The City's contributions are actuarially determined, and are communicated to and paid by the City as a percentage of the employees' annual earnings. The City's required contributions for June 30, 2012 for SCRS and SCPORS is 9.39% and 11.36%, respectively. The employees' contribution rate is 6.5% for both the SCRS and SCPORS.

The required employee and employer contributions and percentage of amounts contributed for the current year and each of the two preceding years are as follows:

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**SCRS**

Year Ended June 30,	Employee Contributions	Percent of Covered Payroll	Employer Contributions	Percentage of Covered Payroll	Total Contributions
2012	\$ 128,861	6.50%	\$ 186,055	9.39%	\$ 314,916
2011	134,182	6.50%	193,841	9.24%	328,023
2010	136,489	6.50%	190,245	9.24%	326,734

**SCPORS**

Year Ended June 30,	Employee Contributions	Percent of Covered Payroll	Employer Contributions	Percentage of Covered Payroll	Total Contributions
2012	\$ 274,124	6.50%	\$ 479,212	11.36%	\$ 753,336
2011	269,305	6.50%	475,706	11.13%	745,011
2010	245,403	6.50%	384,504	10.65%	629,907

In addition to the above rates, the City contributes .15% and .20% of covered payroll to SCRS and SCPORS to provide a group life insurance benefit for its participants. The City also provides .20% of covered payroll to SCPORS to provide an accidental death benefit for its participants.

**B. Risk Management**

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

**SC Insurance Reserve Fund**

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

**Workers' Compensation**

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

**CITY OF BEAUFORT, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

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, 2012, the City paid the Burton Fire District \$206,635.

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, 2012, the City paid the Fire District \$106,152 for compensated services.

In addition, various other claims and potential claims against the City exist at June 30, 2012. Although the City attorney has no estimate of the potential effects of these claims and potential claims, the impact could be material to the overall financial statements.



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### **REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

Required Supplementary information 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. The notes to the required supplementary information disclose relevant budgetary information.

**CITY OF BEAUFORT, SOUTH CAROLINA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues:</b>				
Property taxes.....	\$ 4,448,607	\$ 4,448,607	\$ 4,271,990	\$ (176,617)
Other taxes.....	1,844,175	1,806,900	2,053,705	246,805
Licenses and permits.....	3,544,200	3,544,200	4,095,313	551,113
Franchise fees.....	1,666,046	1,753,046	1,807,068	54,022
Intergovernmental revenues.....	1,191,268	1,204,068	1,082,581	(121,487)
Charges for services.....	2,023,098	2,023,098	1,950,646	(72,452)
Fines and forfeitures.....	348,000	348,000	270,731	(77,269)
Investment income.....	32,666	32,666	15,532	(17,134)
Miscellaneous revenue.....	11,500	224,496	268,610	44,114
Total revenues	<u>15,109,560</u>	<u>15,385,081</u>	<u>15,816,176</u>	<u>431,095</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government</b>				
City council.....	159,091	2,037,105	2,032,174	4,931
City manager.....	614,503	631,178	516,176	115,002
Finance.....	500,385	559,022	510,072	48,950
Information Technology.....	353,131	355,515	297,286	58,229
Court and legal.....	383,529	383,529	371,440	12,089
Non-departmental.....	860,885	1,175,885	1,178,652	(2,767)
	<u>2,871,524</u>	<u>5,142,234</u>	<u>4,905,800</u>	<u>236,434</u>
<b>Law enforcement</b>				
Police.....	3,920,528	3,949,268	3,921,202	28,066
School resource officers.....	210,554	227,554	227,640	(86)
Crossing guards.....	27,623	27,623	23,256	4,367
Victims rights.....	59,686	59,686	58,067	1,619
	<u>4,218,391</u>	<u>4,264,131</u>	<u>4,230,165</u>	<u>33,966</u>
<b>Fire and emergency</b>				
City of Beaufort fire.....	2,350,505	2,350,505	2,046,214	304,291
Town of Port Royal fire.....	741,166	741,166	612,903	128,263
	<u>3,091,671</u>	<u>3,091,671</u>	<u>2,659,117</u>	<u>432,554</u>
<b>Public works</b>				
Administration.....	343,064	343,064	345,079	(2,015)
Maintenance.....	67,546	67,546	62,970	4,576
Stormwater.....	473,011	473,011	483,786	(10,775)
Solid waste.....	744,525	744,525	683,665	60,860
	<u>1,628,146</u>	<u>1,628,146</u>	<u>1,575,500</u>	<u>52,646</u>
<b>Streets</b>				
Streets.....	444,111	514,111	515,345	(1,234)
Traffic control/building maintenance.....	156,370	156,370	153,248	3,122
	<u>600,481</u>	<u>670,481</u>	<u>668,593</u>	<u>1,888</u>
<b>Culture and recreation</b>				
Parks.....	\$ 484,685	\$ 492,685	\$ 421,616	71,069

**CITY OF BEAUFORT, SOUTH CAROLINA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community and economic development				
Planning.....	\$ 875,046	\$ 1,000,894	\$ 938,917	\$ 61,977
Total current	<u>13,769,944</u>	<u>16,290,242</u>	<u>15,399,708</u>	<u>890,534</u>
Debt service:				
Principal.....	920,809	920,809	595,000	325,809
Interest.....	686,369	713,002	613,387	99,615
Total debt service	<u>1,607,178</u>	<u>1,633,811</u>	<u>1,208,387</u>	<u>425,424</u>
Total expenditures	<u>15,377,122</u>	<u>17,924,053</u>	<u>16,608,095</u>	<u>1,315,958</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(267,562)</u>	<u>(2,538,972)</u>	<u>(791,919)</u>	<u>1,747,053</u>
Other financing sources (uses):				
Issuance of debt.....	-	1,850,000	1,850,000	-
Refunding bonds issued.....	-	3,500,000	3,500,000	-
Payment on refunded debt.....	-	(3,445,353)	(3,445,310)	43
Transfers in.....	267,562	304,837	43,003	(261,834)
Transfers out.....	-	(163,533)	(434,848)	(271,315)
Total financing sources (uses)	<u>267,562</u>	<u>2,045,951</u>	<u>1,512,845</u>	<u>(533,106)</u>
Net change in fund balance.....	-	(493,021)	720,926	1,213,947
Fund balance, beginning of year	<u>8,898,559</u>	<u>8,898,559</u>	<u>8,898,559</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,898,559</u>	<u>\$ 8,405,538</u>	<u>\$ 9,619,485</u>	<u>\$ 1,213,947</u>

**CITY OF BEAUFORT, SOUTH CAROLINA  
BUDGETARY COMPARISON SCHEDULE  
TAX INCREMENT FINANCING DISTRICT II – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes.....	\$ 1,680,167	\$ 1,680,167	\$ 2,168,341	\$ 488,174
Investment income.....	10,000	10,000	186	(9,814)
Total revenues	<u>1,690,167</u>	<u>1,690,167</u>	<u>2,168,527</u>	<u>478,360</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works.....	1,114,500	1,466,238	287,598	1,178,640
Total current	<u>1,114,500</u>	<u>1,466,238</u>	<u>287,598</u>	<u>1,178,640</u>
<b>Debt service:</b>				
Principal.....	436,792	436,792	436,715	77
Interest.....	129,494	129,494	129,570	(76)
Total debt service	<u>566,286</u>	<u>566,286</u>	<u>566,285</u>	<u>1</u>
Total expenditures	<u>1,680,786</u>	<u>2,032,524</u>	<u>853,883</u>	<u>1,178,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,381</u>	<u>(342,357)</u>	<u>1,314,644</u>	<u>1,657,001</u>
<b>Other financing sources (uses):</b>				
Transfers out.....	9,381	141,627	151,756	(10,129)
Total financing sources (uses)	<u>9,381</u>	<u>141,627</u>	<u>151,756</u>	<u>(10,129)</u>
Net change in fund balance.....	-	(483,984)	1,162,888	1,646,872
Fund balance, beginning of year	<u>3,117,361</u>	<u>3,117,361</u>	<u>3,117,361</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,117,361</u>	<u>\$ 2,633,377</u>	<u>\$ 4,280,249</u>	<u>\$ 1,646,872</u>

**CITY OF BEAUFORT, SOUTH CAROLINA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2012**

**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	\$ 15,377,122	\$ 6,155,817	-	\$ 21,532,939
Tax Increment Financing II	1,690,167	483,984	-	2,174,151



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**SUPPLEMENTARY INFORMATION**



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NONMAJOR GOVERNMENTAL FUNDS AND AGENCY FUNDS  
FUND DESCRIPTION

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 Commission Fund – This fund was established to account for the activity of the blended component unit.

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.

Tax Increment Financing District I Fund – This fund was established to account for property tax proceeds generated in the TIF I district. Expenditures are restricted to capital and non-capital activity benefitting the TIF I district.

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 – 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 business 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.

**CITY OF BEAUFORT, SOUTH CAROLINA  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	Special Revenue Funds			
	Redevelopment Commission Fund	State Accomodation Tax Fund	Drug Control and Prevention Fund	Tax Increment Financing District I Fund
<b>Assets</b>				
Cash and cash equivalents.....	\$ 116,645	\$ 105,718	\$ 7,081	\$ 1,164,839
Taxes receivable.....	-	-	-	7,768
Other receivables.....	16,205	178,394	-	-
Restricted cash.....	-	-	63,399	-
Total assets	<u>\$ 132,850</u>	<u>\$ 284,112</u>	<u>\$ 70,480</u>	<u>\$ 1,172,607</u>
<b>Liabilities and equity</b>				
Liabilities:				
Accounts payable.....	\$ 2,411	\$ 53,518	\$ 5,001	\$ 6,162
Escrow.....	-	-	9,202	-
Deferred revenue.....	-	-	-	6,362
Total liabilities	<u>2,411</u>	<u>53,518</u>	<u>14,203</u>	<u>12,524</u>
Fund Balance:				
Nonspendable.....	-	-	-	-
Restricted.....	-	230,594	54,197	954,596
Committed for:				
Law enforcement.....	-	-	2,080	-
Redevelopment.....	130,439	-	-	-
Assigned for Capital Projects.....	-	-	-	205,487
Total fund balance	<u>130,439</u>	<u>230,594</u>	<u>56,277</u>	<u>1,160,083</u>
Total liabilities and equity	<u>\$ 132,850</u>	<u>\$ 284,112</u>	<u>\$ 70,480</u>	<u>\$ 1,172,607</u>

<u>Permanent Fund</u>	
<u>Cemetary Fund</u>	<u>Total Other Governmenal Funds</u>
\$ 7,246	\$ 1,401,529
-	7,768
-	194,599
-	63,399
<u>\$ 7,246</u>	<u>\$ 1,667,295</u>
\$ -	\$ 67,092
-	9,202
-	6,362
<u>-</u>	<u>82,656</u>
7,246	7,246
-	1,239,387
-	2,080
-	130,439
-	205,487
<u>7,246</u>	<u>1,584,639</u>
<u>\$ 7,246</u>	<u>\$ 1,667,295</u>

**CITY OF BEAUFORT, SOUTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds			
	Redevelopment Commission Fund	State Accomodation Tax Fund	Drug Control and Prevention Fund	Tax Increment Financing District I Fund
<b>Revenues:</b>				
Property taxes.....	\$ -	\$ -	\$ -	\$ 794,063
Other taxes.....	-	385,058	-	-
Charges for services.....	164,564	-	-	-
Fines and forfeitures.....	-	-	3,698	-
Investment income.....	-	11	6	69
Miscellaneous revenue.....	-	-	4,600	-
Total revenues	<u>164,564</u>	<u>385,069</u>	<u>8,304</u>	<u>794,132</u>
<b>Expenditures:</b>				
Current:				
General government.....	-	274,017	-	-
Law enforcement.....	-	-	19,790	-
Public works.....	-	-	-	612,643
Community and economic development.....	57,512	-	-	-
Debt Services:				
Principal.....	-	-	-	242,843
Interest.....	-	-	-	13,487
Total total expenditures	<u>57,512</u>	<u>274,017</u>	<u>19,790</u>	<u>868,973</u>
Excess (deficiency) of revenues over (under) expenditures	<u>107,052</u>	<u>111,052</u>	<u>(11,486)</u>	<u>(74,841)</u>
<b>Other financing sources (uses):</b>				
Transfers out.....	-	(43,003)	-	(15,425)
Total other financing sources (uses)	<u>-</u>	<u>(43,003)</u>	<u>-</u>	<u>(15,425)</u>
Net change in fund balance.....	107,052	68,049	(11,486)	(90,266)
Fund balance, beginning of year.....	23,387	162,545	67,763	1,250,349
Fund balance - end of year	<u>\$ 130,439</u>	<u>\$ 230,594</u>	<u>\$ 56,277</u>	<u>\$ 1,160,083</u>

<u>Permanent Fund</u>	
<u>Cemetery</u>	<u>Total Other</u>
<u>Fund</u>	<u>Governmental</u>
	<u>Funds</u>
\$ -	\$ 794,063
-	385,058
-	164,564
-	3,698
-	86
-	4,600
-	<u>1,352,069</u>
-	274,017
-	19,790
-	612,643
-	57,512
-	242,843
-	<u>13,487</u>
-	<u>1,220,292</u>
-	<u>131,777</u>
-	<u>(58,428)</u>
-	<u>(58,428)</u>
-	73,349
7,246	1,511,290
<u>\$ 7,246</u>	<u>\$ 1,584,639</u>

**CITY OF BEAUFORT, SOUTH CAROLINA  
REDEVELOPMENT COMMISSION SPECIAL REVENUE FUND  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services.....	\$ 87,814	\$ 87,814	\$ 164,564	\$ 76,750
Total revenues	<u>87,814</u>	<u>87,814</u>	<u>164,564</u>	<u>76,750</u>
<b>Expenditures:</b>				
Current:				
Community and economic development.....	68,236	117,991	57,512	60,479
Total total expenditures	<u>68,236</u>	<u>117,991</u>	<u>57,512</u>	<u>60,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,578</u>	<u>(30,177)</u>	<u>107,052</u>	<u>137,229</u>
<b>Other financing sources (uses):</b>				
Transfers out.....	19,578	19,578	-	19,578
Total other financing sources (uses)	<u>19,578</u>	<u>19,578</u>	<u>-</u>	<u>19,578</u>
Net change in fund balance.....	-	(49,755)	107,052	156,807
Fund balance, beginning of year.....	23,387	23,387	23,387	-
Fund balance - end of year	<u>\$ 23,387</u>	<u>\$ (26,368)</u>	<u>\$ 130,439</u>	<u>\$ 156,807</u>

**CITY OF BEAUFORT, SOUTH CAROLINA  
STATE ACCOMODATIONS TAX SPECIAL REVENUE FUND  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Other taxes.....	\$ 275,000	\$ 316,775	\$ 385,058	\$ 68,283
Investment income.....	225	225	11	(214)
Total revenues	<u>275,225</u>	<u>317,000</u>	<u>385,069</u>	<u>68,069</u>
<b>Expenditures:</b>				
Current:				
General government.....	237,725	273,500	274,017	(517)
Total total expenditures	<u>237,725</u>	<u>273,500</u>	<u>274,017</u>	<u>(517)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,500</u>	<u>43,500</u>	<u>111,052</u>	<u>67,552</u>
<b>Other financing sources (uses):</b>				
Transfers out.....	(37,500)	(43,500)	(43,003)	497
Total other financing sources (uses)	<u>(37,500)</u>	<u>(43,500)</u>	<u>(43,003)</u>	<u>497</u>
Net change in fund balance.....	-	-	68,049	68,049
Fund balance, beginning of year.....	162,545	162,545	162,545	-
Fund balance - end of year	<u>\$ 162,545</u>	<u>\$ 162,545</u>	<u>\$ 230,594</u>	<u>\$ 68,049</u>

**CITY OF BEAUFORT, SOUTH CAROLINA  
TAX INCREMENT FINANCING DISTRICT I SPECIAL REVENUE FUND  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes.....	\$ 627,302	\$ 661,302	\$ 794,063	\$ 132,761
Investment income.....	5,000	5,000	69	(4,931)
Total revenues	<u>632,302</u>	<u>666,302</u>	<u>794,132</u>	<u>127,830</u>
<b>Expenditures:</b>				
Current:				
Public works.....	750,213	612,836	612,643	193
Debt Services:				
Principal.....	-	242,843	242,843	-
Interest.....	13,487	13,487	13,487	-
Total total expenditures	<u>763,700</u>	<u>869,166</u>	<u>868,973</u>	<u>193</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(131,398)</u>	<u>(202,864)</u>	<u>(74,841)</u>	<u>128,023</u>
<b>Other financing sources (uses):</b>				
Transfers in.....	131,398	131,398	-	(131,398)
Transfers out.....	-	-	(15,425)	(15,425)
Total other financing sources (uses)	<u>131,398</u>	<u>131,398</u>	<u>(15,425)</u>	<u>(146,823)</u>
Net change in fund balance.....	-	(71,466)	(90,266)	(18,800)
Fund balance, beginning of year.....	1,250,349	1,250,349	1,250,349	-
Fund balance - end of year	<u>\$ 1,250,349</u>	<u>\$ 1,178,883</u>	<u>\$ 1,160,083</u>	<u>\$ (18,800)</u>

**CITY OF BEAUFORT, SOUTH CAROLINA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	Beginning Balance at June 30, 2011	Additions	Deletions	Ending Balance at June 30, 2012
<b><u>Trustee Fire Fund:</u></b>				
Assets				
Cash.....	\$ 45,486	\$ 61,800	\$ 61,796	\$ 45,490
Liabilities				
Due to others.....	\$ 45,486	\$ 61,800	\$ 61,796	\$ 45,490
 <b><u>Beaufort 300 Fund:</u></b>				
Assets				
Cash.....	\$ 49,214	\$ 30,896	\$ 12,625	\$ 67,485
Liabilities				
Due to others.....	\$ 49,214	\$ 30,896	\$ 12,625	\$ 67,485
 <b><u>Municipal Bond Court Fund:</u></b>				
Assets				
Cash.....	\$ -	\$ 86,493	\$ 80,145	\$ 6,348
Liabilities				
Due to others.....	\$ -	\$ 86,493	\$ 80,145	\$ 6,348
 <b><u>Total Agency Funds</u></b>				
Assets				
Cash.....	<u>\$ 94,700</u>	<u>\$ 179,189</u>	<u>\$ 154,566</u>	<u>\$ 119,323</u>
Liabilities				
Due to others.....	<u>\$ 94,700</u>	<u>\$ 179,189</u>	<u>\$ 154,566</u>	<u>\$ 119,323</u>



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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, 2012**

<b>Court Fines</b>	
Fines collected.....	\$ 224,864
Fines retained.....	(224,864)
Court fines remitted to State Treasurer	<u>\$ -</u>
 <b>Court Assessments</b>	
Assessments collected.....	\$ 334,458
Assessments retained.....	(26,191)
	<u>\$ 308,267</u>
 <b>Court Surcharges</b>	
Surcharges collected.....	\$ 11,284
Surcharges retained.....	(11,284)
	<u>\$ -</u>
 <b>Funds Restricted for Victims' Services</b>	
Funds restricted for victims' services - beginning of year...	(52,586)
Court assessments allocated to victims' services.....	26,191
Court surcharges allocated to victims' services.....	11,284
Victims services expenditures.....	(58,067)
Funds restricted for victims' services - end of year	<u>\$ (73,178)</u>

# STATISTICAL



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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 ASSETS BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(Accrual Basis of Accounting)**

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

	Fiscal Year Ending June 30,				
	2007	2006	2005	2004	2003
<b>Governmental Activities</b>					
Invested in capital assets, net of related debt	\$ 17,833,449	\$ 16,184,497	\$ 13,980,588	\$ 11,270,519	\$ 10,919,840
Restricted	3,083,990	2,137,979	1,622,228	1,059,558	863,009
Unrestricted	8,086,841	8,074,358	8,874,585	9,755,757	8,927,631
<b>Total Governmental Activities</b>	<b>\$ 29,004,280</b>	<b>\$ 26,396,834</b>	<b>\$ 24,477,401</b>	<b>\$ 22,085,834</b>	<b>\$ 20,710,480</b>
<b>Business-type Activities</b>					
Invested in capital assets, net of related debt	\$ 99,977	\$ 55,369	\$ 197,827	\$ -	\$ -
Unrestricted	148,734	133,585	(52,450)	-	-
<b>Total Business-type Activities</b>	<b>\$ 248,711</b>	<b>\$ 188,954</b>	<b>\$ 145,377</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Primary Government</b>					
Invested in capital assets, net of related debt	\$ 17,933,426	\$ 16,239,866	\$ 14,178,415	\$ 11,270,519	\$ 10,919,840
Restricted	3,083,990	2,137,979	1,622,228	1,059,558	863,009
Unrestricted	8,235,575	8,207,943	8,822,135	9,755,757	8,927,631
<b>Total Primary Government</b>	<b>\$ 29,252,991</b>	<b>\$ 26,585,788</b>	<b>\$ 24,622,778</b>	<b>\$ 22,085,834</b>	<b>\$ 20,710,480</b>

**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.*

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

	2012	2011	2010	Fiscal Year Ending 2009
<b>Expenses</b>				
Governmental activities				
General government	\$ 4,162,370	\$ 4,290,473	\$ 4,934,814	\$ 3,872,550
Public safety	7,042,865	6,649,981	5,878,690	6,838,457
Public services	5,418,025	5,626,937	2,154,779	2,751,483
Interest on long-term debt	876,413	900,702	945,058	986,027
Total governmental activities	<u>17,499,673</u>	<u>17,468,093</u>	<u>13,913,341</u>	<u>14,448,517</u>
Business-type activities				
Solid waste	-	137	468,760	907,248
Total Primary Government Expenses	<u>\$ 17,499,673</u>	<u>\$ 17,468,230</u>	<u>\$ 14,382,101</u>	<u>\$ 15,355,765</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services				
General government	\$ 6,001,517	\$ 5,794,265	\$ 5,639,476	\$ 5,414,561
Public safety	979,521	1,116,577	1,173,266	1,340,610
Public services	2,006,883	1,940,644	1,059,183	1,213,863
Operating grants and contributions	151,155	151,714	19,375	630,554
Capital grants and contributions	455,778	99,507	113,461	47,509
Total governmental activities	<u>9,594,854</u>	<u>9,102,707</u>	<u>8,004,761</u>	<u>8,647,097</u>
Business-type activities				
Charges for services	-	-	406,530	828,366
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>406,530</u>	<u>828,366</u>
Total Primary Government Revenues	<u>\$ 9,594,854</u>	<u>\$ 9,102,707</u>	<u>\$ 8,411,291</u>	<u>\$ 9,475,463</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (7,904,819)	\$ (8,365,386)	(5,908,580)	(5,801,420)
Business-type activities	-	(137)	(62,230)	(78,882)
Total Primary Government Net Expense	<u>\$ (7,904,819)</u>	<u>\$ (8,365,523)</u>	<u>\$ (5,970,810)</u>	<u>\$ (5,880,302)</u>
<b>General Revenues and Other</b>				
<b>Changes in Net Assets</b>				
Governmental activities				
Taxes	\$ 9,692,651	\$ 9,226,181	\$ 8,302,788	\$ 6,549,669
Grants and contributions not restricted to specific programs	-	350,621	356,371	-
Gain (loss) on sale of capital assets	-	-	-	-
Interest income	18,055	59,760	72,833	388,183
Miscellaneous	297,238	197,019	46,982	535,733
Transfers	-	115,983	-	-
Total governmental activities	<u>\$ 10,007,944</u>	<u>\$ 9,949,564</u>	<u>\$ 8,778,974</u>	<u>\$ 7,473,585</u>
Business-type activities				
Interest income	-	-	134	1,902
Transfers	-	(115,983)	-	-
Total business-type activities	<u>-</u>	<u>(115,983)</u>	<u>134</u>	<u>1,902</u>
Total Primary Government	<u>\$ 10,007,944</u>	<u>\$ 9,833,581</u>	<u>\$ 8,779,108</u>	<u>\$ 7,475,487</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 2,103,125	\$ 1,584,178	\$ 2,870,394	\$ 1,672,165
Business-type activities	-	(116,120)	(62,096)	(76,980)
Total Primary Government	<u>\$ 2,103,125</u>	<u>\$ 1,468,058</u>	<u>\$ 2,808,298</u>	<u>\$ 1,595,185</u>

June 30,

	2008	2007	2006	2005	2004	2003
\$	3,663,029	\$ 3,168,904	\$ 2,614,245	\$ 2,421,356	\$ 2,726,000	\$ 2,681,118
	7,534,013	7,268,743	7,122,843	6,558,737	6,228,307	6,259,869
	3,783,759	3,138,718	3,132,219	3,392,079	2,860,334	2,455,678
	537,830	445,493	421,287	346,181	325,051	358,269
	<u>15,518,631</u>	<u>14,021,858</u>	<u>13,290,594</u>	<u>12,718,353</u>	<u>12,139,692</u>	<u>11,754,934</u>
	1,034,216	182,500	182,311	97,708	-	-
\$	<u>16,552,847</u>	<u>14,204,358</u>	<u>13,472,905</u>	<u>12,816,061</u>	<u>12,139,692</u>	<u>11,754,934</u>
\$	5,848,191	\$ 5,467,699	\$ 1,911,368	\$ 1,890,472	\$ 1,789,746	\$ 1,683,250
	1,613,016	1,574,618	815,131	884,564	816,610	710,564
	1,263,085	1,882,335	1,819,948	1,743,540	1,769,333	1,745,669
	1,315,290	484,642	219,756	163,225	186,686	171,674
	200,000	376,928	1,113,692	-	43,890	1,512,816
	<u>10,239,582</u>	<u>9,786,222</u>	<u>5,879,895</u>	<u>4,681,801</u>	<u>4,606,265</u>	<u>5,823,973</u>
	863,442	242,258	218,228	169,846	-	-
	-	-	7,660	73,239	-	-
	<u>863,442</u>	<u>242,258</u>	<u>225,888</u>	<u>243,085</u>	<u>-</u>	<u>-</u>
\$	<u>11,103,024</u>	<u>10,028,480</u>	<u>6,105,783</u>	<u>4,924,886</u>	<u>4,606,265</u>	<u>5,823,973</u>
	(5,279,049)	(4,235,636)	(7,410,699)	(8,036,552)	(7,533,427)	(5,930,961)
	(170,774)	59,758	43,577	145,377	-	-
\$	<u>(5,449,823)</u>	<u>(4,175,878)</u>	<u>(7,367,122)</u>	<u>(7,891,175)</u>	<u>(7,533,427)</u>	<u>(5,930,961)</u>
\$	5,561,557	\$ 6,156,980	\$ 10,231,550	\$ 9,869,486	\$ 8,625,818	\$ 7,991,671
	-	-	354,945	350,664	336,681	333,775
	-	-	(1,886,214)	10,108	(164,337)	-
	494,489	640,115	629,851	197,861	110,619	162,549
	188,436	73,025	-	-	-	33,080
	(88,748)	-	-	-	-	-
	<u>6,155,734</u>	<u>6,870,120</u>	<u>9,330,132</u>	<u>10,428,119</u>	<u>8,908,781</u>	<u>8,521,075</u>
	1,052	-	-	-	-	-
	88,748	-	-	-	-	-
	<u>89,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>6,245,534</u>	<u>6,870,120</u>	<u>9,330,132</u>	<u>10,428,119</u>	<u>8,908,781</u>	<u>8,521,075</u>
\$	876,685	\$ 2,634,484	\$ 1,919,433	\$ 2,391,567	\$ 1,375,354	\$ 2,590,114
	(80,974)	59,758	43,577	145,377	-	-
\$	<u>795,711</u>	<u>2,694,242</u>	<u>1,963,010</u>	<u>2,536,944</u>	<u>1,375,354</u>	<u>2,590,114</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,				
	2012	2011 <sup>2</sup>	2010	2009	2008
General Fund					
Nonspendable	\$ 24,084	\$ 29,371	\$ -	\$ -	\$ -
Restricted	802,609	401,702	-	-	-
Unrestricted:					
Committed	2,308,806	2,241,790	-	-	-
Assigned	2,111,886	1,920,101	-	-	-
Unassigned	4,372,100	4,305,595	-	-	-
Reserved	-	-	\$ 4,701,267	\$ 3,616,302	\$ 2,805,417
Unreserved	-	-	5,584,949	4,389,144	5,956,711
Total General Fund	<u>\$ 9,619,485</u>	<u>\$ 8,898,559</u>	<u>\$ 10,286,216</u>	<u>\$ 8,005,446</u>	<u>\$ 8,762,128</u>
All Other Governmental Funds					
Nonspendable	\$ 7,246	\$ 7,246	\$ -	\$ -	\$ -
Restricted	7,146,829	6,611,646	-	-	-
Unrestricted:					
Committed	132,519	39,352	-	-	-
Assigned	755,123	-	-	-	-
Reserved <sup>1</sup>	-	-	\$ 5,776,593	\$ 8,788,940	\$ 7,427,873
Unreserved - reported in:					
Special revenue funds	-	-	17,137	1,962,148	2,070,737
Debt service funds	-	-	434,731	-	-
Capital project funds	-	-	-	1,013,365	9,560,422
Total All Other Governmental Funds	<u>\$ 8,041,717</u>	<u>\$ 6,658,244</u>	<u>\$ 6,228,461</u>	<u>\$ 11,764,453</u>	<u>\$ 19,059,032</u>
	Fiscal Year Ending June 30,				
	2007	2006	2005	2004	2003
General Fund					
Reserved	\$ 1,752,335	\$ 1,831,318	\$ 1,491,634	\$ 698,004	\$ 461,874
Unreserved	6,186,563	4,939,215	4,785,171	4,327,111	3,446,796
Total General Fund	<u>\$ 7,938,898</u>	<u>\$ 6,770,533</u>	<u>\$ 6,276,805</u>	<u>\$ 5,025,115</u>	<u>\$ 3,908,670</u>
All Other Governmental Funds					
Reserved <sup>1</sup>	\$ 7,470,422	\$ 3,160,252	\$ 2,193,870	\$ 1,292,601	\$ 1,618,553
Unreserved - reported in:					
Special revenue funds	2,196,364	1,653,815	3,083,441	2,985,898	2,563,640
Debt service funds	-	-	-	-	-
Capital project funds	(1,871,799)	4,325,176	7,680,376	2,647,507	3,001,481
Total All Other Governmental Funds	<u>\$ 7,794,987</u>	<u>\$ 9,139,243</u>	<u>\$ 12,957,687</u>	<u>\$ 6,926,006</u>	<u>\$ 7,183,674</u>

**Note:**

<sup>1</sup> The permanent fund is considered 100% reserved.

<sup>2</sup> 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				
	2012	2011	2010	2009	2008
<b>Revenues</b>					
Taxes	\$ 9,673,157	\$ 9,232,509	\$ 8,027,329	\$ 7,000,262	\$ 7,935,021
Licenses and permits	4,095,313	3,757,187	3,656,820	3,756,425	4,221,588
Fines and forfeitures	274,429	250,352	348,144	385,123	741,467
Franchise fees	1,807,068	1,920,867	1,705,625	1,626,607	-
Intergovernmental	1,528,859	1,393,943	466,832	944,439	1,758,475
Charges for services	2,115,210	2,130,979	2,198,566	1,547,779	1,362,025
Interest	18,055	59,760	35,601	389,000	-
Miscellaneous	273,210	197,019	69,357	495,479	579,483
	<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>
<b>Expenditures</b>					
<b>Current</b>					
General government	5,376,872	3,624,368	3,029,450	3,767,168	3,561,903
Public safety	6,909,072	7,364,784	6,369,766	6,579,706	7,342,514
Public services	4,567,254	4,827,503	2,567,787	2,152,374	3,108,721
	<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>
<b>Debt service</b>					
Principal	1,274,558	1,540,772	1,474,109	1,190,013	1,262,002
Interest	756,444	915,803	974,288	767,228	607,639
	<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>
<b>Capital outlay</b>					
	<u>701,392</u>	<u>1,746,732</u>	<u>5,347,980</u>	<u>9,741,886</u>	<u>5,323,092</u>
	<u>19,585,592</u>	<u>20,019,962</u>	<u>19,763,380</u>	<u>24,198,375</u>	<u>21,205,871</u>
<b>Excess (Deficiency) of Revenues</b>					
Over Expenditures	<u>199,709</u>	<u>(1,077,346)</u>	<u>(3,255,106)</u>	<u>(8,053,261)</u>	<u>(4,607,812)</u>
<b>Other Financing Sources (Uses)</b>					
Debt issued	5,350,000	-	-	-	16,697,087
Debt repaid	(3,445,310)	-	-	-	-
Transfers in	645,032	2,803,893	32,615	934,832	112,252
Transfers out	(645,032)	(2,803,893)	(32,615)	(934,832)	(112,252)
	<u>1,904,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,697,087</u>
<b>Net Change in Fund Balances</b>	<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>
<b>Debt Service as a Percentage of</b>					
Noncapital Expenditures	10.76%	13.44%	16.98%	13.54%	11.77%

June 30,

2007	2006	2005	2004	2003
\$ 8,355,064	\$ 8,179,692	\$ 8,231,121	\$ 7,054,920	\$ 6,597,762
3,856,942	3,781,587	3,318,078	3,159,593	2,890,576
732,582	845,215	933,004	825,094	733,435
-	-	-	-	-
1,071,677	1,887,305	712,170	741,215	2,205,036
1,861,446	1,827,788	2,104,661	1,759,902	1,732,871
-	-	-	-	-
706,412	657,926	213,681	146,659	185,368
<u>16,584,123</u>	<u>17,179,513</u>	<u>15,512,715</u>	<u>13,687,383</u>	<u>14,345,048</u>
3,066,948	2,811,478	2,856,979	2,613,573	2,402,988
7,590,695	6,477,706	6,115,582	5,784,350	5,851,889
2,946,203	2,591,819	2,161,910	2,146,896	1,835,443
<u>13,603,846</u>	<u>11,881,003</u>	<u>11,134,471</u>	<u>10,544,819</u>	<u>10,090,320</u>
1,044,779	1,295,662	810,348	931,199	450,097
437,603	485,754	89,322	492,052	171,817
<u>1,482,382</u>	<u>1,781,416</u>	<u>899,670</u>	<u>1,423,251</u>	<u>621,914</u>
3,021,391	7,149,238	1,671,076	1,380,947	3,808,878
<u>18,107,619</u>	<u>20,811,657</u>	<u>13,705,217</u>	<u>13,349,017</u>	<u>14,521,112</u>
<u>(1,523,496)</u>	<u>(3,632,144)</u>	<u>1,807,498</u>	<u>338,366</u>	<u>(176,064)</u>
1,173,277	307,428	5,781,873	520,410	146,638
-	-	-	-	-
616,644	1,633,242	37,464	82,332	1,517,159
(616,644)	(1,633,242)	(37,464)	(82,332)	(1,517,159)
<u>1,173,277</u>	<u>307,428</u>	<u>5,781,873</u>	<u>520,410</u>	<u>146,638</u>
<u>\$ (350,219)</u>	<u>\$ (3,324,716)</u>	<u>\$ 7,589,371</u>	<u>\$ 858,776</u>	<u>\$ (29,426)</u>
9.83%	13.04%	7.48%	11.89%	5.81%



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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	Utiliy Fee	Total
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
2006	4,564,478	1,868,649	1,476,820	269,745	8,179,692
2005	4,660,769	1,762,416	1,492,050	315,886	8,231,121
2004	3,795,547	1,529,375	1,503,213	226,785	7,054,920
2003	3,606,387	1,348,794	1,404,465	238,116	6,597,762

**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**

Calendar Year	Real Property		Personal Property		Motor Vehicles	
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value
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	58,607,445	- <sup>1</sup>	8,802,047	- <sup>1</sup>	- <sup>1</sup>	- <sup>1</sup>
2007	58,641,479	- <sup>1</sup>	8,802,047	- <sup>1</sup>	4,673,420	- <sup>1</sup>
2006	54,774,704	- <sup>1</sup>	6,412,826	- <sup>1</sup>	5,085,093	- <sup>1</sup>
2005	45,164,506	- <sup>1</sup>	6,976,863	- <sup>1</sup>	5,316,129	- <sup>1</sup>
2004	43,473,227	- <sup>1</sup>	6,117,614	- <sup>1</sup>	5,222,938	- <sup>1</sup>
2003	43,452,696	824,529,336	6,396,868	121,238,694	6,077,100	- <sup>1</sup>
2002	28,316,410	537,313,283	6,146,565	116,633,112	6,104,543	- <sup>1</sup>

**Note:**

<sup>1</sup> Information is not available

**Source:**

Beaufort County Tax Assessor

<u>Assessed Value</u>	<u>Total Estimated Market Value</u>	<u>Ratio of Total Assessed to Total Estimated Value</u>	<u>Total Direct Rate</u>
\$ 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
67,409,492	- <sup>1</sup>	0.00%	52.80
72,116,946	- <sup>1</sup>	0.00%	52.80
66,272,623	- <sup>1</sup>	0.00%	52.80
57,457,498	- <sup>1</sup>	0.00%	52.80
54,813,779	- <sup>1</sup>	0.00%	55.80
55,926,664	945,768,030	5.91%	55.80
40,567,518	653,946,395	6.20%	73.40

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

Calendar Year	Direct	Overlapping		
	City	School District	County	Total
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	60.62	0.00 <sup>1</sup>	0.00 <sup>1</sup>	60.62
2007	52.80	0.00 <sup>1</sup>	0.00 <sup>1</sup>	52.80
2006	52.80	0.00 <sup>1</sup>	0.00 <sup>1</sup>	52.80
2005	52.80	108.70	49.10	210.60
2004	52.80	96.50	49.60	198.90
2003	55.80	94.20	48.60	198.60
2002	55.80	130.40	64.00	250.20

**Note:**

<sup>1</sup> Information is not available

**Source:**

City staff

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

Taxpayer <sup>2</sup>	2012			2003		
	Taxable Assessed	Rank	% of Total City Net Assessed Value	Taxable Assessed	Rank	% of Total City Net Assessed Value
	Value <sup>2</sup>			Value		
Hargray CATV Company, Inc.	\$ 1,457,220	1	1.57%			
South Carolina Electric & Gas Co	1,472,090	2	1.58%			
Ribaut Holdings, LLC	1,294,470	3	1.39%			
USPG Portfolio Two, LLC	1,090,280	4	1.17%			
303 Associates, LLC	948,170	5	1.02%			
WalMart Real Estate Business Trust	859,500	6	0.92%			
United Telephone Co.	758,420	7	0.82%			
Beaufort Plaza Inc.	742,120	8	0.80%			
Lowes Home Center, Inc.	703,560	9	0.76%			
Mitul Enterprises, LP	679,600	10	0.73%			
				\$ -	1	0.00% <sup>1</sup>
				-	2	0.00% <sup>1</sup>
				-	3	0.00% <sup>1</sup>
				-	4	0.00% <sup>1</sup>
				-	5	0.00% <sup>1</sup>
				-	6	0.00% <sup>1</sup>
				-	7	0.00% <sup>1</sup>
				-	8	0.00% <sup>1</sup>
				-	9	0.00% <sup>1</sup>
				-	10	0.00% <sup>1</sup>
	<u>\$ 10,005,430</u>		<u>10.76%</u>	<u>\$ -</u>		<u>0.00%</u>

**Note:**

<sup>1</sup> Information is not available

**Source:**

<sup>2</sup> Information obtained from the Beaufort County Tax Assessor

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

Calendar Year <sup>1</sup>	Collected Within the Calendar Year of Levy			Collections for Subsequent Years	Total Collections to Date	
	Total Tax Levy <sup>2</sup>	Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 6,733,298	\$ 6,350,695	94.32%	\$ - <sup>3</sup>	\$ 6,350,695	94.32%
2010	7,454,125	7,114,512	95.44%	- <sup>3</sup>	7,114,512	95.44%
2009	5,684,836	5,278,031	92.84%	- <sup>3</sup>	5,278,031	92.84%
2008	- <sup>3</sup>	- <sup>3</sup>	0.00%	- <sup>3</sup>	- <sup>3</sup>	0.00%
2007	- <sup>3</sup>	- <sup>3</sup>	0.00%	- <sup>3</sup>	- <sup>3</sup>	0.00%
2006	- <sup>3</sup>	- <sup>3</sup>	0.00%	- <sup>3</sup>	- <sup>3</sup>	0.00%
2005	3,908,087	2,642,905	67.63%	50,794	2,693,699	68.93%
2004	3,614,571	2,622,310	72.55%	147,211	2,769,521	76.62%
2003	3,653,424	2,399,569	65.68%	118,038	2,517,607	68.91%
2002	2,764,914	2,345,670	84.84%	135,143	2,480,813	89.72%

**Notes:**

<sup>1</sup> Taxes are assessed for the calendar year beginning January 1.

<sup>2</sup> 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.

<sup>3</sup> 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 <sup>a</sup>
	Tax Increment Bonds	General Obligation Bonds	Revenue Bonds	Capital Leases	Capital Leases		
2012	\$ 2,490,825	\$ 15,130,000	\$ 3,500,000	\$ -	\$ -	\$ 17,620,825	4.81%
2011	3,170,383	13,875,000	-	3,445,310	-	20,490,693	6.03%
2010	3,758,649	14,450,000	-	3,822,816	-	22,031,465	7.15%
2009	4,443,419	15,000,000	-	4,626,306	177,527	24,247,252	5.86%
2008	5,039,694	15,000,000	-	5,170,612	207,757	25,418,063	0.00% <sup>1</sup>
2007	5,610,473	-	-	4,429,024	22,199	10,061,696	0.00% <sup>1</sup>
2006	6,157,013	-	-	3,912,964	-	10,069,977	0.00% <sup>1</sup>
2005	6,680,390	85,000	-	4,292,821	-	11,058,211	2.33%
2004	5,051,573	160,000	-	772,034	-	5,983,607	1.31%
2003	5,595,547	230,000	-	557,650	-	6,383,197	1.45%

**Notes:**

<sup>1</sup> 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:**

<sup>a</sup> 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, 2012**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt Repaid with Property Taxes			
Beaufort County, South Carolina			
General obligation bonded debt	\$ 193,415,000	7.80%	\$ 15,086,370
Beaufort County School District			
General obligation bonded debt	314,344,621	18.84%	59,222,527
Installment purchase revenue bond	35,225,000	18.84%	6,636,390
Overlapping Other Debt			
Beaufort County, South Carolina			
Revenue bond debt	56,910,000	7.80%	<u>4,438,980</u>
Subtotal - Overlapping Debt			<u>85,384,267</u>
City of Beaufort Direct Debt			<u>21,120,825</u>
Total Direct and Overlapping Debt			<u><u>\$ 106,505,092</u></u>

**Note:**

<sup>1</sup> *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 2009-2010 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 <sup>a</sup>	Per Capita <sup>b</sup>
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 <sup>1</sup>
2008	15,000,000	-	15,000,000	0.00%	1,240 <sup>1</sup>
2007	-	-	-	0.00%	- <sup>1</sup>
2006	-	-	-	0.00%	- <sup>1</sup>
2005	85,000	-	85,000	0.15%	7
2004	160,000	-	160,000	0.29%	13
2003	230,000	-	230,000	0.41%	18

**Notes:**

<sup>1</sup> Subsequent information needed to calculate is not available.

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

**Sources:**

<sup>a</sup> See the schedule of Assessed Value and Estimated Actual Value of Taxable Property for property tax data.

<sup>b</sup> 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				
	2012	2011	2010	2009	2008
Total Assessed Value of Taxable property	\$ 92,969,109	\$ 91,223,264	\$ 92,745,648	\$ 67,409,492	\$ 72,116,946
Less Exemptions for Bond Purposes	-	-	-	-	-
Net Assessed Value for Bond Purposes	<u>\$ 92,969,109</u>	<u>\$ 91,223,264</u>	<u>\$ 92,745,648</u>	<u>\$ 67,409,492</u>	<u>\$ 72,116,946</u>
Debt Limit Percentage	8%	8%	8%	8%	8%
Debt Limit	\$ 7,437,529	\$ 7,297,861	\$ 7,419,652	\$ 5,392,759	\$ 5,769,356
Total Net Debt Applicable to Limit General obligation bonds (net of set aside)	<u>1,850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 5,587,529</u>	<u>\$ 7,297,861</u>	<u>\$ 7,419,652</u>	<u>\$ 5,392,759</u>	<u>\$ 5,769,356</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	24.87%	0.00%	0.00%	0.00%	0.00%

**Note:**

1 Information is not available.

**Source:**

Beaufort County Tax Assessor

June 30,				
2007	2006	2005	2004	2003
\$ 66,272,623	\$ 57,457,498	\$ 54,813,779	\$ 55,926,664	\$ 40,567,518
-	-	-	-	-
<u>\$ 66,272,623</u>	<u>\$ 57,457,498</u>	<u>\$ 54,813,779</u>	<u>\$ 55,926,664</u>	<u>\$ 40,567,518</u>
8%	8%	8%	8%	8%
\$ 5,301,810	\$ 4,596,600	\$ 4,385,102	\$ 4,474,133	\$ 3,245,401
-	85,000	160,000	230,000	295,000
<u>\$ 5,301,810</u>	<u>\$ 4,511,600</u>	<u>\$ 4,225,102</u>	<u>\$ 4,244,133</u>	<u>\$ 2,950,401</u>
0.00%	1.85%	3.65%	5.14%	9.09%

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

Fiscal Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
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 <sup>e</sup>	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%
2006	12,156	507,196,944	41,724	4.70%
2005	12,054	473,818,632	39,308	4.80%
2004	12,136	455,330,584	37,519	4.90%
2003	12,637	440,171,984	34,832	4.70%

**Sources:**

- a** *Obtained from the South Carolina Community Profiles*
- b** *Personal income is calculated by multiplying population by per capita personal income*
- c** *Bureau of Economic Analysis, U.S. Department of Commerce and the Office of Research & Statistics for South Carolina*
- d** *Obtained from Real E-State Center*
- e** *Obtained from City of Beaufort Comprehensive Plan*

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

Employers	December 31, 2012			December 31, 2004		
	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	1.89%	1,164	3	6.95%
Beaufort County	1,128	4	2.36%	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	0.53%	-	-	-
Technical College of the Low Country	318	10	0.61%	-	-	-
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>26.89%</u>	<u>10,416</u>		<u>62.22%</u>

**Source:**

*Beaufort Regional Chamber of Commerce*

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

Full-time and Part-time City Employees as of June 30,

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Function										
General government	21	20	21	21	37	30	32	33	29	22
Public safety	84	92	84	90	99	92	91	90	90	98
Public services	18	18	19	25	29	38	32	33	32	31
	<u>123</u>	<u>130</u>	<u>124</u>	<u>136</u>	<u>165</u>	<u>160</u>	<u>155</u>	<u>156</u>	<u>151</u>	<u>151</u>

**Source:**

*City personnel records*

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

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Public Safety</b>										
<b>Police</b>										
Arrests	1,215	1,016	1,071	1,207	1,291	1,500	1,488	1,711	1,284	1,288
<b>Fire</b>										
Number of emergency calls	1,886	2,351	1,711	1,747	1,747	1,712	1,721	1,733	1,494	1,456
Inspections	92	127	165	531	426	739	536	802	300	309
<b>Public Services</b>										
<b>Parks</b>										
Number of parks	24	24	28	28	28	28	28	27	26	23
<b>Solid Waste<sup>1</sup></b>										
Garbage removed (tons)	-	-	-	5,615	5,431	3,063	5,735	5,697	7,092	5,836
Recycling removed (tons)	-	-	-	420	526	240	382	375	318	329
<b>Complaints</b>										
Missed garbage	16	40	116							
Missed recycling	40	43	91							
Missed yard waste	13	35	49							

**Source:**

*City records*

**Note:**

<sup>1</sup> 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.

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

	Fiscal Year Ending June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Public Services										
Parks	24	24	28	28	28	28	28	27	26	23

**Source:**  
*City records*

# COMPLIANCE





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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***

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

We have audited 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, 2012, which collectively comprise the City of Beaufort, South Carolina's basic financial statements and have issued our report thereon dated November 1, 2012. 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.

**Internal Control Over Financial Reporting**

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
November 1, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

---

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

**Compliance**

We have audited the City of Beaufort, South Carolina's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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### **Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the management of the City, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
November 1, 2012

**CITY OF BEAUFORT, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<b>State Administered CDBG Cluster</b>			
<b>(Passed through South Carolina Department of Commerce)</b>			
Community Development Block Grant	14.228	4-V-10-002	\$ 18,037
Community Development Block Grant	14.228	4-W-09-002	428,239
<b>Total U.S. Department of Housing and Urban Development</b>			<u>446,276</u>
<b><u>U.S. Department of Justice</u></b>			
COPS Hiring Recovery Program - ARRA	16.710	2009RKWX0740	132,360
<b>JAG Program Cluster</b>			
Edward Byrne Memorial Justice Assistance Grant - Formula	16.738	2010-DJ-BX-0762	1,948
Edward Byrne Memorial Justice Assistance Grant - Formula	16.738	2011-DJ-BX-2544	12,674
JAG Program Cluster Total			<u>14,622</u>
<b>Total U.S. Department of Justice</b>			<u>146,982</u>
<b><u>U.S. Department of Agriculture</u></b>			
ARRA Financial Assistance Program for Forest Health Enrichment	10.688	09ARRA255	9,210
<b>Total U.S. Department of Agriculture</b>			<u>9,210</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 602,468</u>

# CITY OF BEAUFORT, SOUTH CAROLINA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting.

#### **Measurement Focus**

The determination of when an award is expended is based on when the activity related to the award occurred.

#### **Program Type Determination**

Type A programs are defined as federal programs with federal expenditures exceeding the larger of \$300,000 or three percent of total federal expenditures. The threshold of \$300,000 was used in distinguishing between Type A and Type B programs.

#### **Method of Major Program Selection**

The risk based approach was used in the selection of federal programs to be tested as major programs. The City did not qualify as a low-risk auditee for the fiscal year ended June 30, 2012.

#### **Amount Provided to Subrecipients**

The City had no major programs that provided amounts to subrecipients.

CITY OF BEAUFORT, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I  
SUMMARY OF AUDIT RESULTS

**Financial Statements**

Type of auditor's report issued Unqualified

Internal control over financial reporting:  
Material weaknesses identified?  yes  no

Significant deficiencies identified not considered  
to be material weaknesses?  yes  no

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal Control over major programs:  
Material weaknesses identified?  yes  no

Significant deficiencies identified not considered  
to be material weaknesses?  yes  none reported

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

Any audit findings disclosed that are required to  
be reported in accordance with OMB Circular  
A-133, Section 510(a)?  yes  no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

**CITY OF BEAUFORT, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

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

None reported.