

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF BEAUFORT, SOUTH CAROLINA

For the Fiscal Year Ended June 30, 2009

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF BEAUFORT, SOUTH CAROLINA
302 Carteret Street, Beaufort, South Carolina 29902

For the Fiscal Year Ended June 30, 2009

*Prepared by
City Finance Department*

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LETTER OF TRANSMITTAL
GFOA CERTIFICATE OF ACHEIVEMENT
LIST OF PRINCIPAL OFFICIALS
ORGANIZATIONAL CHART



September 3, 2009

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 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, 2009.

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 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 McAbee, Talbert & Halliday & Co, 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, 2009, 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, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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 2009 estimated population of the City was 11,755.

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, planning and code enforcement services as well as maintenance and up keep of City parks.

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, Park and Tourism fund, and Stormwater Utility fund this comparison is presented beginning on page E-1 as part of the required supplementary information other than the Management's Discussion and Analysis.

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 less than the State average and median household income tends to be higher than the State average. Revenues from Real and Personal Property taxes were on par with prior years. Property tax revenue from vehicle ownership was significantly less than the prior year reflecting the drastic nationwide decrease in new vehicle sales. Revenues from Business License and Building Permits decreased from the prior year reflecting the downturn in the economy, especially in the housing and construction sector.



Business license revenue derived from the retail sector aided by the stable payrolls of the local military installations, were stable in comparison to the prior year. The City does rely somewhat on the Tourism Industry for both Hospitality and Accommodations tax revenues. As of June 30 2009, both Hospitality revenues and Accommodations revenues exceeded the prior year, due in part to the opening of several new motels and restaurants within the City's limits. The City continues to monitor both revenues. The City benefits greatly from their long-term relationships with both the Marine Corp Air Station and Parris Island Training facility. Recruit graduations are held weekly bringing families to the area.

In addition, Beaufort has recently been ranked second in the top six places to retire as well as one of the best places to visit.

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 out years estimated based on current year costs. 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 has completed and approved the Boundary Street Master Plan to be used as to guide development along the Boundary street corridor. In the fall of 2006 the citizens of Beaufort County voted to increase the County sales tax to pay for transportation related projects. Approximately \$22 million is earmarked for projects along the Boundary street entrance to the City. It is expected that these events will promote both development and redevelopment in the area.

Relevant financial policies. The City understands the significance of adopting financial polices 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 and 2008. 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 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

Shirley D. Hughes, Assistant City Manager/CFO

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, 2008

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.



President

Executive Director

**THE CITY OF BEAUFORT, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2009**

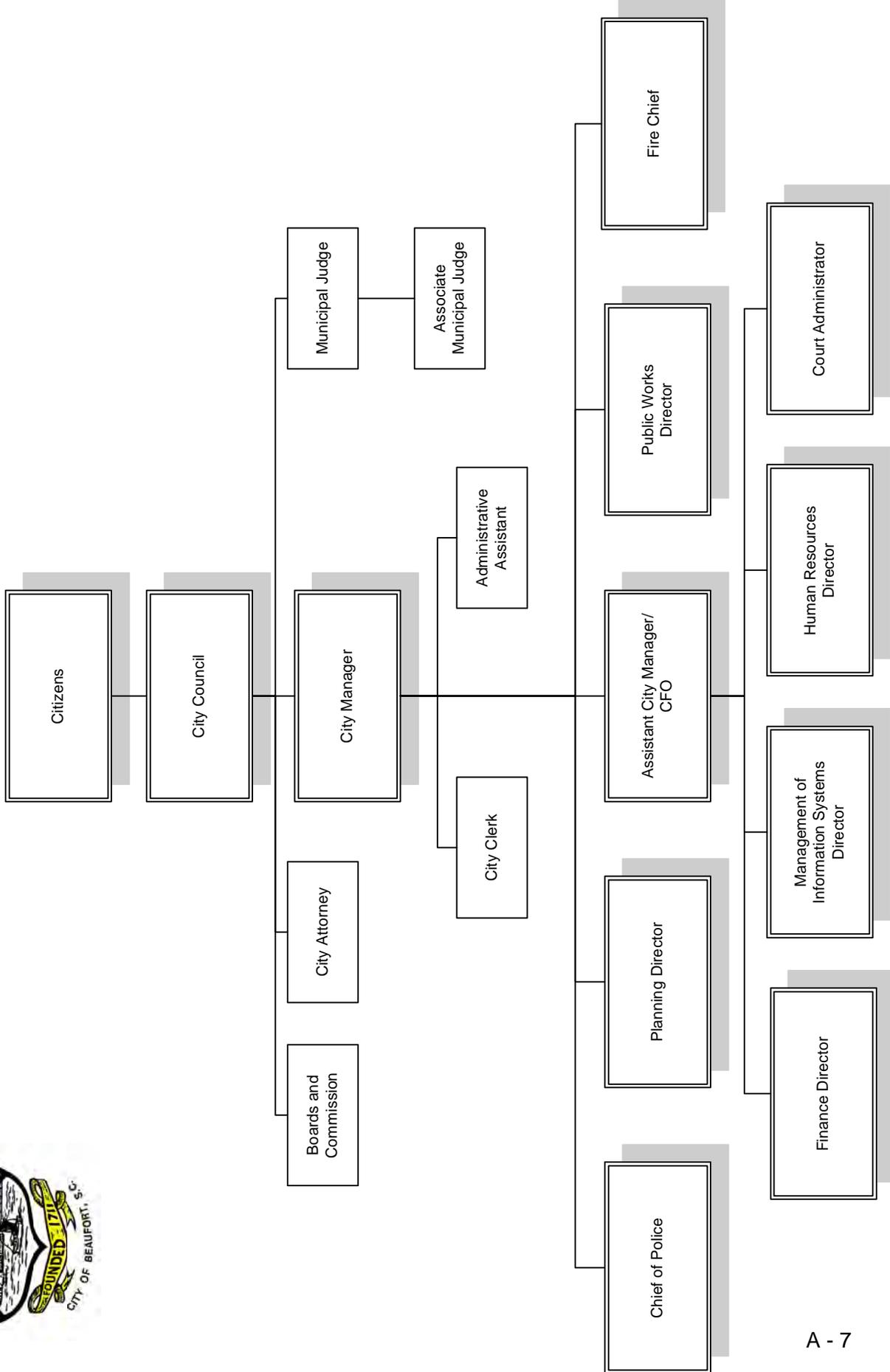
CITY COUNCIL

Billy Keyserling	Mayor
Donnie Ann Beer	Mayor, Pro Tem
Michael McFee	Councilwoman, At Large
Gary Fordham	Councilman, At Large
Michael Sutton	Councilman, At Large

ADMINISTRATION

Scott F. Dadson	City Manager
Shirley D. Hughes	Assistant City Manager, Chief Financial Officer and Acting City Clerk
Mack Cook	Director of Finance and Comptroller
Gerald Eller	Accounting Clerk
Glenda Pinto	Accounting Clerk
Ivette Burgess	Administrative Assistant

City of Beaufort Organizational Chart As of 9-17-2007



INDEPENDENT AUDITORS' REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
BASIC FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Beaufort, South Carolina, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 U.S. generally accepted auditing standards 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaufort, South Carolina, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated September 3, 2009, on our consideration of the City of Beaufort, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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, on pages H-1 through H-2, 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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To the Honorable Mayor and City Council of
City of Beaufort, South Carolina
Page Two

The management's discussion and analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beaufort, South Carolina's basic financial statements. The introductory section, supplementary data, and statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McAbee, Talbert, Halliday + Co.

Spartanburg, South Carolina
September 3, 2009

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, 2009. 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:

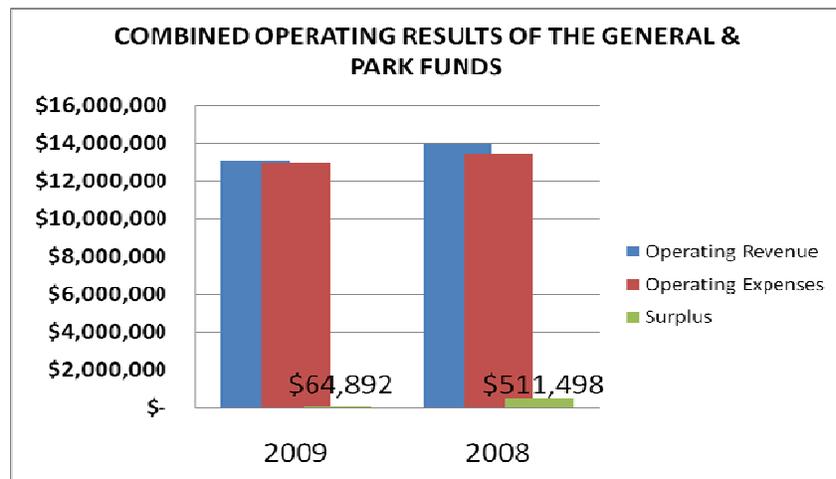
- 1) Government-wide financial statements including the Statement of Net Assets and the Statement of Activities which provide a broad, long-term overview of the City's finances.
- 2) Fund financial statements, including the balance sheets, that provide a greater level of detail of revenues and expenditures 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 last year and contains other supplementary information.

FINANCIAL HIGHLIGHTS

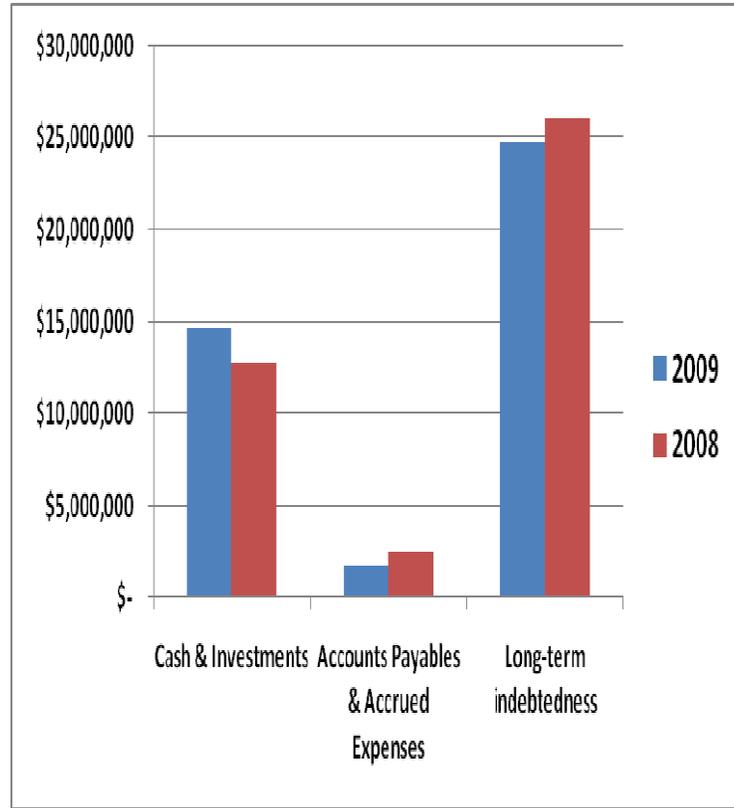
- The combined operating revenues for FY 2009 in the General and Park Funds exceeded combined expenditures before transfers by \$64,892.

FY 2008 combined revenues exceeded combined expenditure before transfers by \$511,498



- At June 30, 2009, the City's total assets (\$58,169,848) exceeded its total liabilities (\$26,525,961) by \$31,643,887. This is an increase of \$1,595,185 from June 30, 2008. Of the excess at June 30, 2009, \$13,051,425 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors. This is a growth in unrestricted net assets of \$1,574,335 from June 30, 2008.

- The City's combined unrestricted cash and investments for all funds at June 30, 2009, was \$14,690,191 compared to \$12,778,543 at June 30, 2008, an increase of \$1,911,648.
- The City's total accounts payables, accrued expenses and unearned revenue at June 30, 2009 were \$1,775,413 a decrease of \$804,164 from June 30, 2008.
- As of June 30, 2009, the City's long term indebtedness, including the liability for compensated absences, had decreased \$1,318,857 from June 30, 2008. During the fiscal year the City expended \$777,190 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 (governmental activities) from other functions that are

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental activities reported in the statements include General Government, Public Safety, Public Works, and Interest on Long-Term Debt. Business-type activities in the City include solid waste and recycling collection services.

The government-wide financial statements can be found on pages D-1 to D-3 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 three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds - Governmental funds, presented on pages D-4 to D-7, 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-5 and D-7, respectively.

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.

Proprietary funds - The City maintains and presents one type of proprietary fund, an enterprise fund found on pages D-8 to D-10 of this report.

Enterprise funds report, in greater detail, the same information presented as business-type activities in the Government-wide Financial Statements. The Solid Waste Fund is the only major proprietary fund.

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-11 of this report.

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 on pages D -12 to D -29 of the report.

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, certain special revenue funds and debt service funds. A budgetary comparison schedule has been provided for the General Fund and major Special Revenue funds as required supplementary information. This required supplementary information begins on page E-1 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

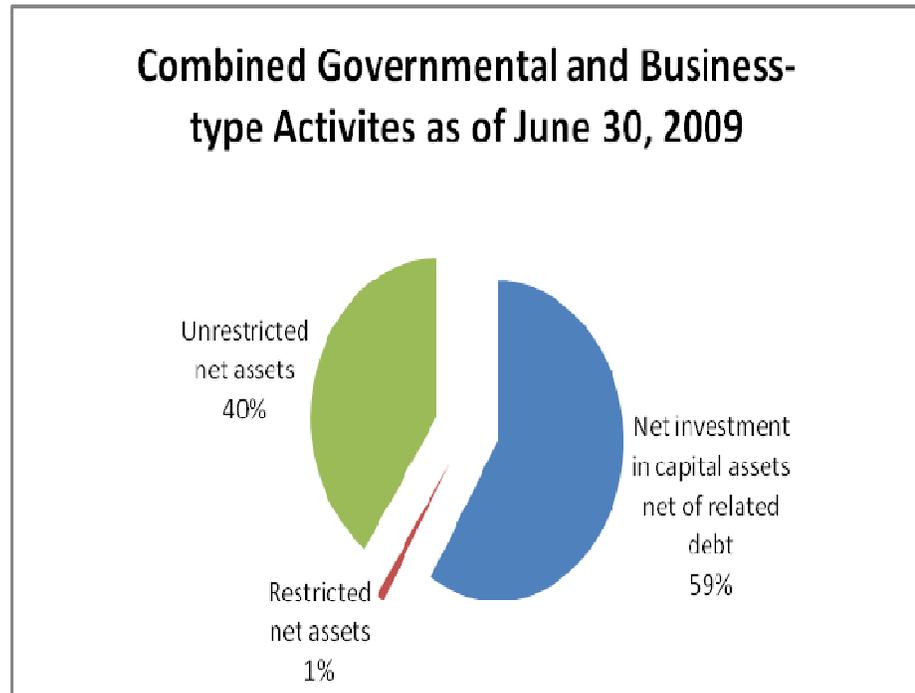
Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business-type activities) totaled \$31,643,887 at June 30, 2009.

The following table presents a summary of the City's Net Assets at June 30, 2009.

City of Beaufort's Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$21,344,681	\$30,439,708	\$ 2,107	\$ -	\$ 21,346,788	\$ 30,439,708
Capital assets, net	36,524,795	27,850,660	298,265	415,651	36,823,060	28,266,311
Total assets	57,869,476	58,290,368	300,372	415,651	58,169,848	58,706,019
Current liabilities	1,743,325	2,547,755	32,088	31,822	1,775,413	2,579,577
Noncurrent liabilities	24,573,021	25,861,648	177,527	207,757	24,750,548	26,069,405
Total liabilities	26,316,346	28,409,403	209,615	239,579	26,525,961	28,648,982
Net assets						
Invested in capital assets, net of related debt	18,394,352	17,798,882	120,738	207,894	18,515,090	18,006,776
Restricted	77,372	564,836	-	-	77,372	564,836
Unrestricted	13,081,406	11,517,247	(29,981)	(40,157)	13,051,425	11,477,090
Total net assets	\$31,553,130	\$29,880,965	\$ 90,757	\$ 167,737	\$ 31,643,887	\$ 30,048,702

The largest portion of the City's net assets (59%) 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 (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (40%) 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. However, as in the prior year, unrestricted net assets in the business-type activities are a deficit. This deficit is primarily caused by the City rendering residential recycling services below cost.

Within the City's Governmental-wide financial statements, restricted net assets decreased \$487,464 due to the decrease in assets reserved for the promotion of tourism.

The net assets of the Governmental-wide financial statements increased by a net \$1,595,185 during the current fiscal year. Seventy-two percent of this increase (\$1,144,677) is attributed to the property taxes revenues associated with the City's two Tax Incentive Financing districts (TIF's) in excess of debt service on the four TIF bond issues.

GOVERNMENTAL ACTIVITIES

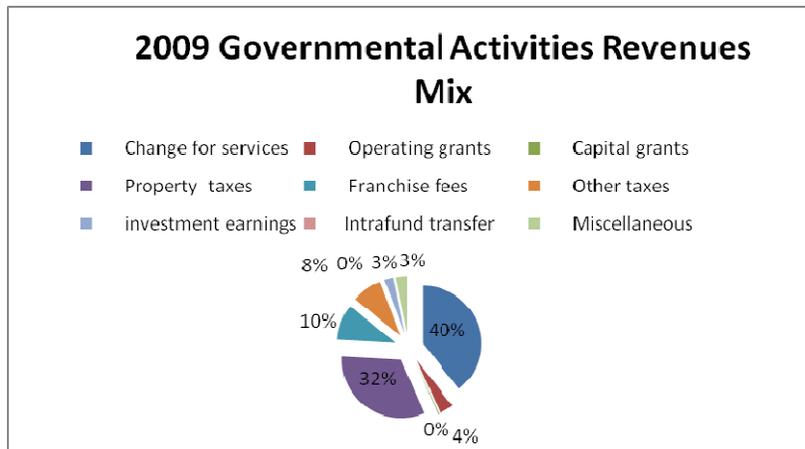
Governmental activities increased the City of Beaufort's net assets by \$1,672,165 thereby accounting for 105 percent of the total growth in the net assets of the City.

Key elements of this increase are as follows:

City of Beaufort's Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues						
Charge for services	\$ 6,342,427	\$ 7,132,971	\$ 828,366	\$ 863,442	\$ 7,170,793	\$ 7,996,413
Operating grants	630,554	1,515,290	-	-	630,554	1,515,290
Capital grants	47,509	-	-	-	47,509	-
General Revenues						
Property taxes	5,211,173	4,344,627	-	-	5,211,173	4,344,627
Franchise fees	1,626,607	1,591,321	-	-	1,626,607	1,591,321
Other taxes	1,338,496	1,216,930	-	-	1,338,496	1,216,930
Investment earnings	388,183	494,489	1,902	1,052	390,085	495,541
Intrafund transfer	-	(88,748)	-	88,748	-	-
Miscellaneous	535,733	188,436	-	-	535,733	188,436
Total revenues	16,120,682	16,395,316	830,268	953,242	16,950,950	17,348,558
Expenses						
General government	3,872,550	3,663,029	-	-	3,872,550	3,663,029
Public safety	6,838,457	7,534,013	-	-	6,838,457	7,534,013
Public service	2,751,483	3,783,759	-	-	2,751,483	3,783,759
Interest of long-term debt	986,027	537,830	-	-	986,027	537,830
Solid Waste & Recycling	-	-	907,248	1,034,216	907,248	1,034,216
Total expenses	14,448,517	15,518,631	907,248	1,034,216	15,355,765	16,552,847
Change in net assets	1,672,165	876,685	(76,980)	(80,974)	1,595,185	795,711
Net assets-beginning	29,880,965	29,004,280	167,737	248,711	30,048,702	29,252,991
Net assets - ending	\$31,553,130	\$29,880,965	\$ 90,757	\$ 167,737	\$ 31,643,887	\$ 30,048,702

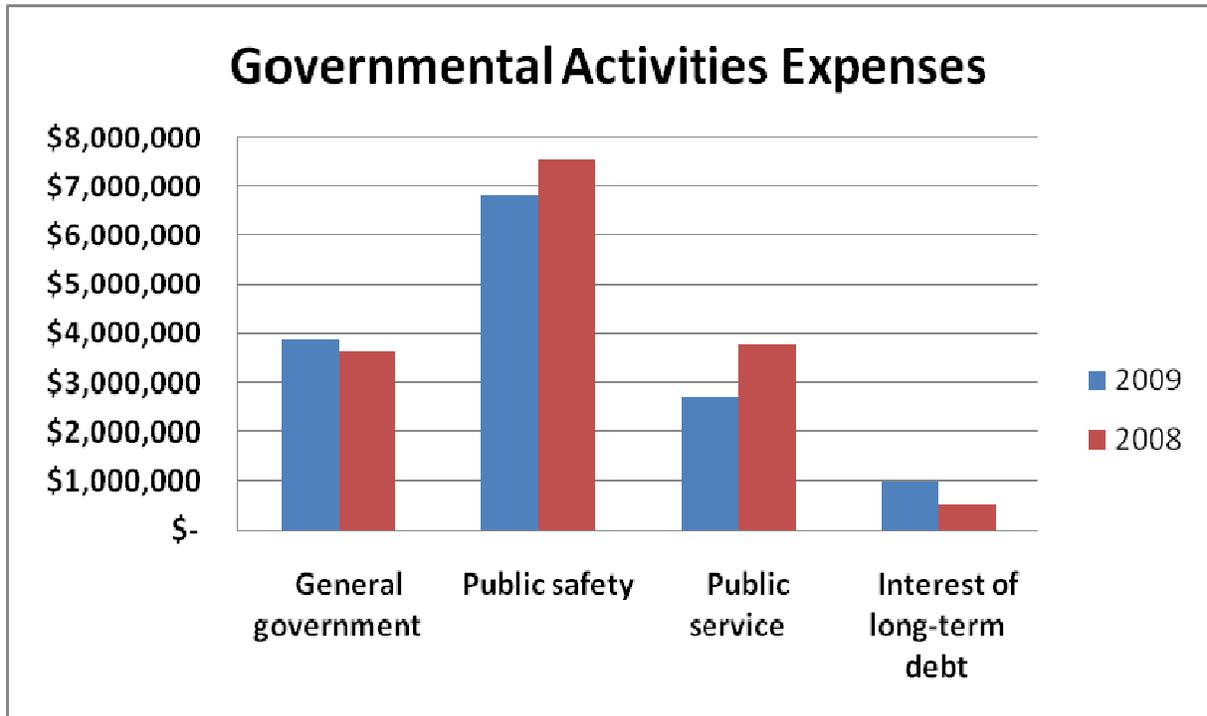
- Property taxes increased \$866,546 (20 percent) during the year. 2009 was the first full year after Beaufort County corrected inaccuracies in the distribution of tax proceeds derived from TIF Districts. Accordingly property



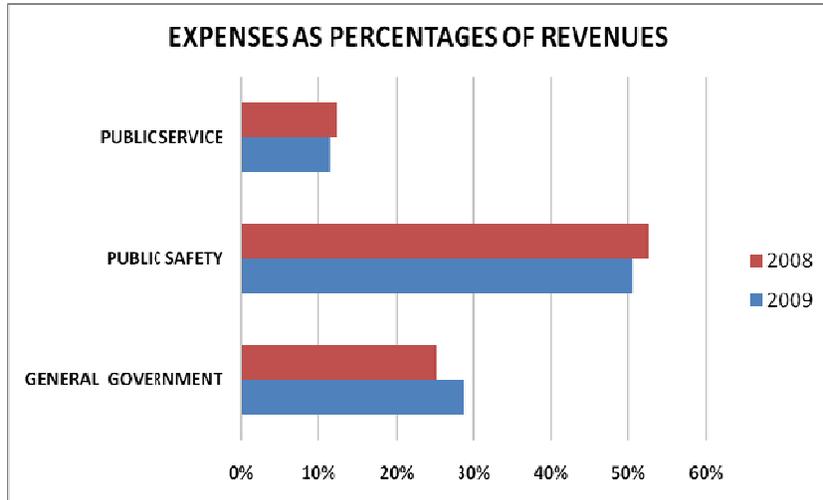
tax revenues from TIF Districts increased \$1,130,698. Property taxes of real property outside of the TIF Districts declined \$183,261 during the year. Personal Property taxes collected on vehicle ownership declined by 35 percent (\$80,890). Other revenue increases were franchise receipts (\$35,286) and Accommodation and Hospitality taxes (\$121,566). The increase in the latter group resulted from an increase in in-city motels rooms from 822 in 2008 to 1187 rooms in 2009 and additional restaurants operating within the City's boundaries.

- Revenues from charges for services decreased \$790,544 during the year. Of this decrease of \$483,464 resulted from lower revenues from business licenses and building permits attributed to the downturn in the economy. Revenues from grants decreased \$837,227 due to a decrease in funding for the City's Block-by-Block Housing Redevelopment and Rehabilitation project.
- Due to decreases in prices received for recycled materials, business-like activities revenues decreased \$35,076 during the year.

With managerial involvement in departmental spending, total governmental activities expenses net of capital outlay and debt service decreased \$1,518,311 and business-like expenses decreased \$126,968 during the year.



Although total governmental activities decreased, the decrease in Public safety and Public service was proportional in relation to the decrease in revenues. The increase in General government expenses was due to increased spending for legal fees, early retirement incentives, interest on the General Obligation Bonds and professional fees incurred in the preparation of the State mandated Comprehensive Plan.



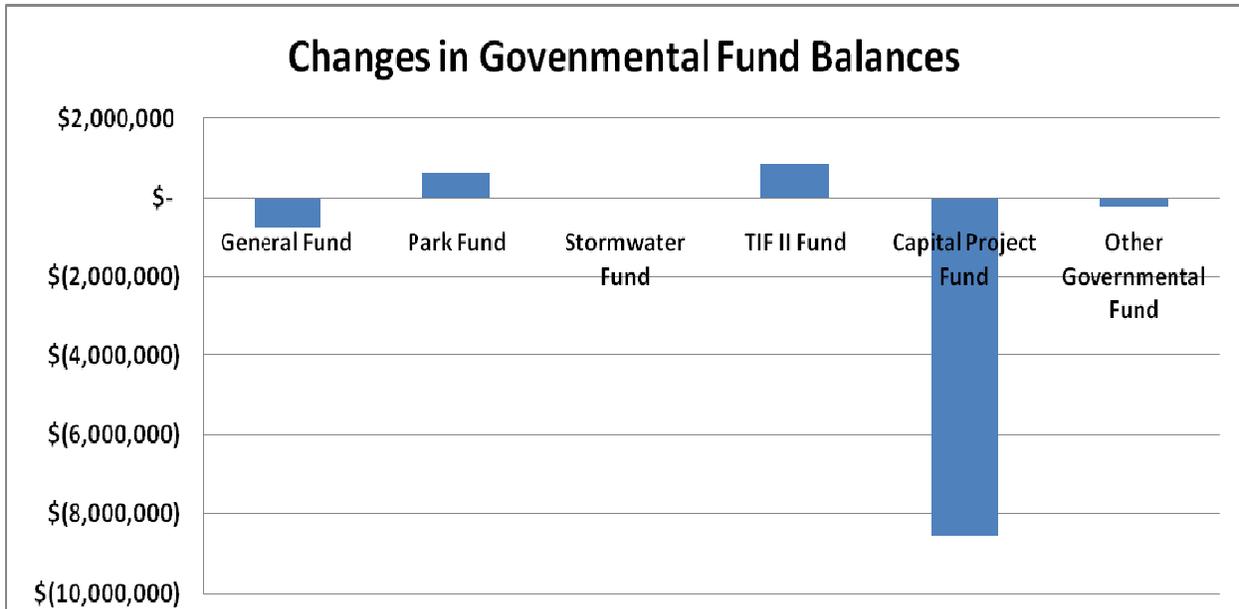
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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 fund include the General Fund, Park and Tourism Fund, Storm Water Utility Fund, Accommodation Tax Fund, TIF I and TIF II Bond Funds, Capital Projects Fund, Police Lab Fund, Drug Seizure Fund and Trustee Funds. The General Fund, Parks and Tourism Fund, Storm Water Utility Fund, TIF II Bond 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, 2009, the City governmental funds reported combined fund balances of \$19,769,899, a decrease of \$8,053,261 from the prior year's balances.

The decrease of \$8,547,058 in the Capital Project Fund accounted for the largest component in the overall decrease in the City's Governmental Funds. The decrease in the Capital Projects Funds is attributed to the expenditures association with the ongoing construction of the Municipal Center complex. Other Governmental Funds declined a net \$215,164 from the prior year reflecting the expenditures for the Bladen Street Streetscape Project completed during the year.



Sixty-three percent (\$12,405,242) of the total Governmental Fund balance at June 30, 2009, is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for the acquisition of land (\$1,003,921), 2) for capital projects (\$6,442,905), 3) for debt service (\$3,711,979), 4) for the perpetual care of municipal cemeteries(\$16,294), or 5) for a variety of other restricted purposes (\$1,230,143). The remainder of the total Governmental Fund Balance (\$7,264,657) is unreserved and therefore available for spending at the City's discretion.

GENERAL, PARKS AND TOURISM, STORM WATER, AND CAPITAL PROJECT FUNDS

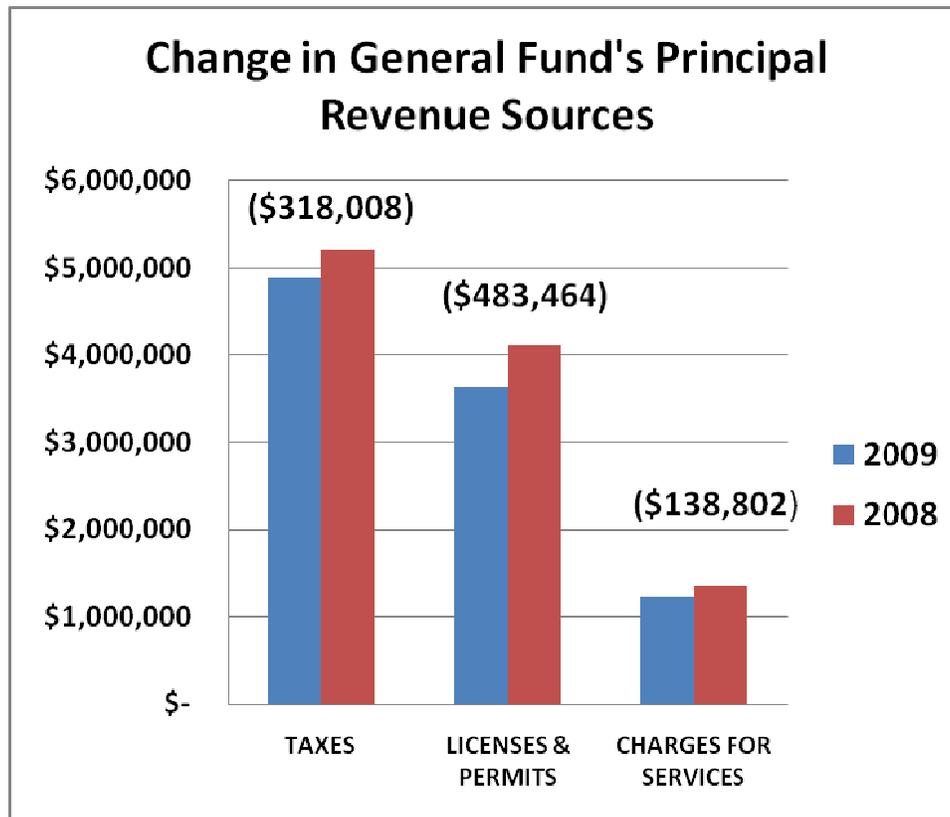
The General Fund is the chief operating fund of the City while the Parks and Tourism Fund reflect the care and maintenance of the City's 28 parks. Together they reflect all the principal governmental operations performed by the City with the exception of storm water infrastructure projects and capital projects. For that reason, management throughout the 2009 fiscal year consolidated the General and Park funds for purposes of discussions, fiscal planning, budgetary analysis and council and departmental presentations.

General Fund

At June 30, 2009 the General Fund had a fund balance of \$8,005,446 representing 40 percent of the total Governmental ending fund balance. Of the General Fund's June 30, 2009, fund balance 53 percent is *unreserved*. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance represents 37 percent of the General Fund's expenditures, while total fund balance represents 69 percent of that same amount.

The consolidated General Fund balance decreased by \$756,682 during the current fiscal year. Key factors in this decrease are as follows:

- A decrease in total revenues of \$1,430,128 from the prior year. All three of the principal revenue sources of the General Fund; taxes, licenses and permits and charges for services had significant declines reflective of the sharp downturn in the economy.



To adjust for decreasing revenue the City decreased the General Fund's total expenses for General government, Public safety and Public service expenses by \$280,223 during the current fiscal year.

	2009	2008
General government	\$ 3,872,550	\$ 3,663,029
Public safety	6,838,457	7,534,013
Public service	2,751,483	3,783,759
Interest of long-term debt	986,027	537,830

Although debt service on capital leases decreased during the year with the retirement of obligations, debt service in the General Fund increased \$308,072 due to the first payment of interest (\$388,630) on the \$15,000,000 in General Obligation Bonds issued in June 2008 to finance construction of the Municipal Complex.

Parks and Tourism Fund

As mentioned previously, the tax revenue in The Parks and Tourism Fund increased \$188,279 as a result of increase in motel rooms and additional restaurants. The Fund's total revenues increased \$495,712 during the year.

Total expenditures decreased from the prior year by \$517,659 due in large part by recording Public Service expenditures, which in 2008 were reflected in the Parks and Tourism Fund (\$437,431), in the General Fund during fiscal year 2009. General Government expenditures increased primarily as a result of the City's financial support (\$194,589) of the Beaufort Historical Foundation efforts to renovate the historic Beaufort Arsenal. Public Services expenditures decrease during the year by \$215,025 due to decreases in the acquisition of capital equipment and a reduction of expenditures for capital projects.

Storm Water Utility Fund

Revenues for user fees increased \$15,434 during the year. Expenditures increased \$67,023 due to an increase in infrastructure drainage projects.

Capital Projects Fund

Expenditures increase by \$4,306,700 during the year reflecting construction of the Municipal Complex.

PROPRIETARY FUND

Proprietary fund statements provide the same information as in the business activities column of the government-wide statements, only in greater detail. The City currently utilizes only one enterprise fund at this time in the proprietary fund financial statements, the Solid Waste fund. An enterprise fund is required to be used to account for the operations for which a fee is charged to external users for goods or services.

At June 30, 2009, total net assets amounted to \$90,757 for the enterprise fund as compared to \$167,737 at June 30, 2008. The change in net assets resulted from an operating loss of \$76,980 including depreciation of \$117,386. The enterprise fund is reflected on pages D-8 to D-10.

In June, 2009, management completed a year-long operational and financial review of its solid waste operations resulting in contacting with a private-sector provider of residential garbage and recycling services effective August 1, 2009.

CAPITAL ASSETS

The Statement of Net Assets present 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, 2009, the City's net capital assets for both governmental activities and business-type activities totaled \$36,823,060. Capital assets include assets purchased and donated, land, buildings, system improvements and machinery and equipment. Capital Assets, before accumulated depreciation, increased \$9,909,452, or 28% between fiscal year 2008 and 2009.

Major capital asset events during the year included the following:

- Continuing construction of Municipal Complex (\$9,677,135).
- Improvements and enhancement to Infrastructure (\$225,867).

Additional information on the City's capital assets can be found in Note 2.C. on page D-21.

DEBT ADMINISTRATION

The long-term liabilities, including compensated absences, at June 30, 2009, totaled \$24,750,548. Of this amount, \$24,573,021 relates to the governmental activities and \$177,577 relates to the business-type activities.

The City's total indebtedness decreased \$1,318,857 from the previous year. The City did not issue any new debt during the year. In the coming year the City is scheduled to expend \$1,893,570 on debt service for both governmental and business-type activities.

Additional information on the City's debt can be found in Note 2.E. and 2.F. on pages D-22 to D-26.

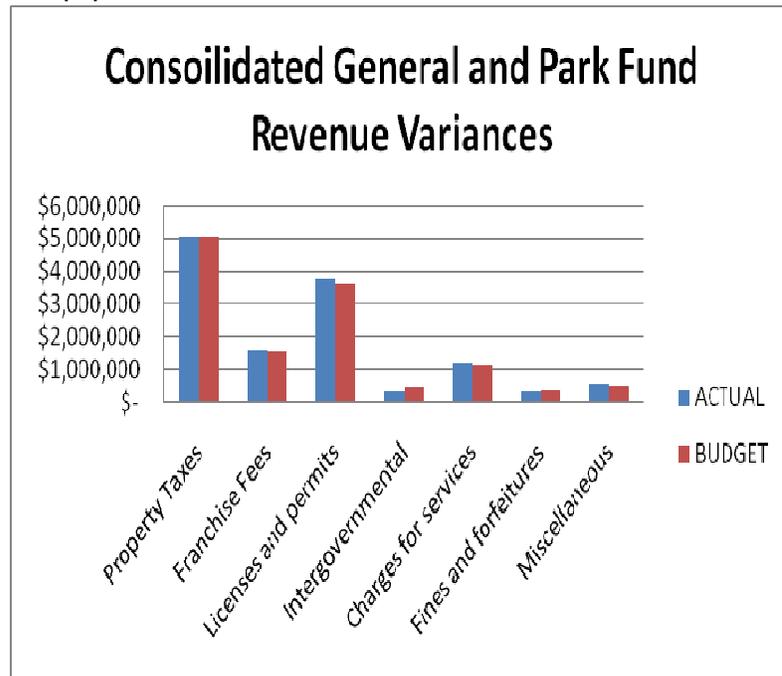
GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule of the General Fund is provided as required. Supplementary information other than MD&A can be found on pages E-1 to E-6. Additional budgetary comparison schedules of the special revenue funds and debt service funds can be found within other supplementary information found on page F-1. Budget columns are provided for both the original budget adopted for fiscal year 2009 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 net of transfer in or out.

During the year there was a net decrease of \$758,403 in the General Fund appropriations between the original and final amended budget: The major component of the decrease was the withdrawal of \$649,700 in funding for equipment and vehicles.

The total actual revenues for the consolidated General Fund and Parks and Tourism Fund of \$1 exceeded budgeted revenues of \$12,897,496 by \$107,169.

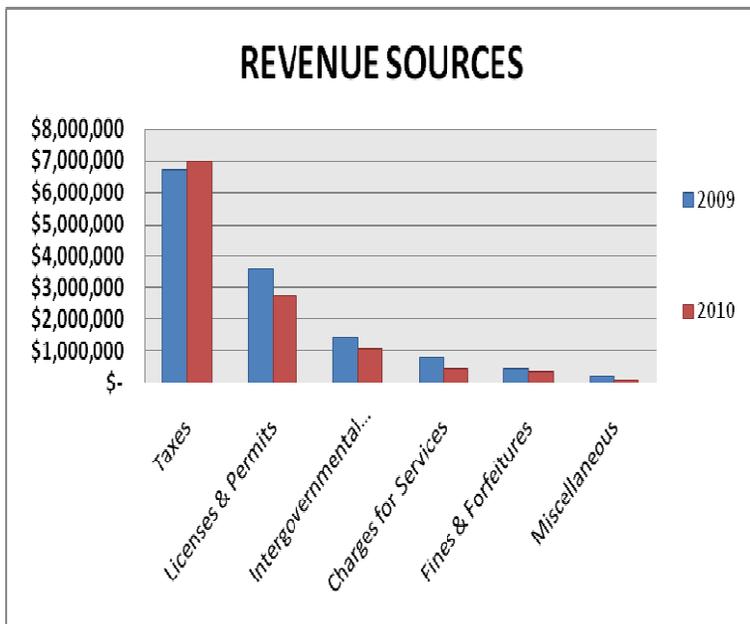
The total appropriations (expenditures) actually recorded in the consolidated General Fund and Parks and Tourism Fund for the fiscal year was \$12,939,773. This amount is \$320,786 less than the final budgeted figure. This favorable variance is attributable to decrease than budgeted personnel costs in several departments.



ECONOMIC FACTORS, NEXT YEAR'S BUDGETS AND RATES

The City based the budget for the year ended June 30, 2010 in part on ascertainable indicators of the local economy such as

	2009	2008
Beaufort unemployment rate at June 30th,	9.1%	5.1%
Beaufort real estate market:		
Residential units sold		
Beaufort	19	31
Mossy Oaks	17	18
Average Price		
Beaufort	\$252,142	\$381,648
Mossy Oaks	\$205,185	\$207,179
Estimated Population	11,755	12,098
Increase in Foreclosures	53%	-
Increase in Personnel Bankruptcy	28%	-
Assessed Value of Real Property	\$58,607,445	\$58,641,479
Millage	52.8	52.8
Full time City employees	136	165

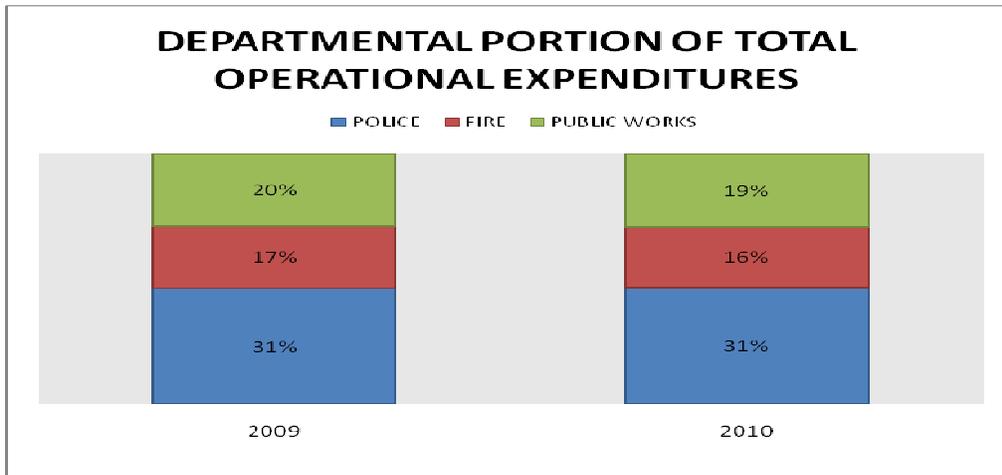
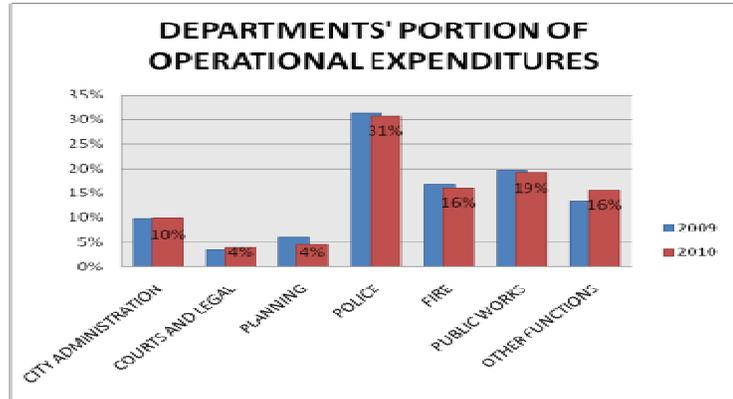


The City adopted a budget for the year ending June 30, 2010, which consolidates the General and Parks and Tourism Funds into a single fund with budgeted revenues of \$12,032,038 and budgeted expenditures of \$12,523,877. The budgetary shortfall of \$491,839 will be closed by utilizing the unreserved General and Park fund balance.

Budgeted revenue is based upon management's assessment of relevant factors in the local economy. With the exception of slight increases in tax revenue due to projected increases in the accommodation and hospitality taxes all other revenues decreased.

Overall projected revenues for fiscal year 2010 is approximately 12 percent less than the 2009 budgeted amount

Projected expenses are approximately 8 percent less than those in the final 2009 budget but each department's expense as a percentage of total expenses remaining relatively constant. Projected increases in expenditures of "Other Functions" are the contractual payments to neighboring fires districts for services.



The budgeted expenditures for the three departments rendering services that most directly impact City residents remaining constant in terms of their percentage of

total operating expenditures illustrating management's commitment to maintain "front line" services in these times for financial stress.

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, Chief Financial Officer, 302 Carteret Street, Beaufort, South Carolina 29901.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Beaufort, South Carolina

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments.....	\$ 14,634,899	\$ 55,292	\$ 14,690,191
Receivables.....	631,322	-	631,322
Internal balances.....	53,185	(53,185)	-
Inventories and Prepaid assets.....	24,915	-	24,915
Deferred Charges.....	131,591	-	131,591
Restricted assets			
Cash and investments.....	5,868,769	-	5,868,769
Capital assets:			
Land, improvements, and construction in progress.....	18,273,491	-	18,273,491
Other capital assets, net of depreciation.....	18,251,304	298,265	18,549,569
Total assets.....	57,869,476	300,372	58,169,848
LIABILITIES			
Accounts payable.....	1,354,683	32,088	1,386,771
Accrued interest.....	300,134	-	300,134
Unearned revenue.....	88,508	-	88,508
Long-term liabilities:			
Due within one year.....	1,863,290	30,280	1,893,570
Due in more than one year.....	22,709,731	147,247	22,856,978
Total liabilities.....	26,316,346	209,615	26,525,961
NET ASSETS			
Invested in capital assets, net of related debt.....	18,394,352	120,738	18,515,090
Restricted for:			
Perpetual care:			
Expendable.....	7,794	-	7,794
Nonexpendable.....	8,500	-	8,500
Law enforcement purposes.....	61,078	-	61,078
Unrestricted.....	13,081,406	(29,981)	13,051,425
Total net assets.....	\$ 31,553,130	\$ 90,757	\$ 31,643,887

City of Beaufort, South Carolina
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government.....	\$ 3,872,550	\$ 3,787,954	\$ -	\$ 47,509
Public safety.....	6,838,457	1,340,610	372,267	-
Public service.....	2,751,483	1,213,863	258,287	-
Interest on long-term debt.....	986,027	-	-	-
Total governmental activities	<u>14,448,517</u>	<u>6,342,427</u>	<u>630,554</u>	<u>47,509</u>
Business-type activities:				
Solid waste activities.....	907,248	828,366	-	-
Total business-type activities	<u>907,248</u>	<u>828,366</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 15,355,765</u>	<u>\$ 7,170,793</u>	<u>\$ 630,554</u>	<u>\$ 47,509</u>

General revenues:

Taxes:
Property taxes, levied for general purposes.....
Property taxes levied for specific purposes.....
Franchise taxes.....
Other taxes.....
Unrestricted investment earnings.....
Miscellaneous.....
Total general revenues and transfers.....
Change in net assets.....
Net assets at beginning of year.....
Net assets at end of year.....

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (37,087)		\$ (37,087)
(5,125,580)		(5,125,580)
(1,279,333)		(1,279,333)
(986,027)		(986,027)
<u>(7,428,027)</u>		<u>(7,428,027)</u>
-	\$ (78,882)	(78,882)
-	(78,882)	(78,882)
<u>(7,428,027)</u>	<u>(78,882)</u>	<u>(7,506,909)</u>
3,246,151	-	3,246,151
1,965,022	-	1,965,022
1,626,607	-	1,626,607
1,338,496	-	1,338,496
388,183	1,902	390,085
535,733	-	535,733
<u>9,100,192</u>	<u>1,902</u>	<u>9,102,094</u>
1,672,165	(76,980)	1,595,185
29,880,965	167,737	30,048,702
<u>\$ 31,553,130</u>	<u>\$ 90,757</u>	<u>\$ 31,643,887</u>

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FUND FINANCIAL STATEMENTS

City of Beaufort, South Carolina
Governmental Funds
Balance Sheet
June 30, 2009

	General	Special Revenue Parks and Tourism Fund	Special Revenue Stormwater Utility Fund	Debt Service Tax Increment Financing Bond II Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and investments.....	\$ 8,104,768	\$ 1,613,008	\$ 412,751	\$ 2,508,030	\$ -	\$ 1,996,342	\$ 14,634,899
Receivables.....	356,186	39,479	-	72,291	67,759	95,607	631,322
Due from other funds.....	131,684	-	-	-	-	-	131,684
Inventories and prepaid assets.....	24,915	-	-	-	-	-	24,915
Restricted cash and investments.....	-	-	-	-	5,807,691	61,078	5,868,769
Total assets.....	\$ 8,617,553	\$ 1,652,487	\$ 412,751	\$ 2,580,321	\$ 5,875,450	\$ 2,153,027	\$ 21,291,589
Liabilities and fund balances							
Liabilities							
Accounts payable.....	\$ 529,099	\$ 30,883	\$ 76,212	\$ -	\$ 536,910	\$ 29,427	\$ 1,202,531
Due to other funds.....	-	-	73,719	-	-	4,780	78,499
Other liabilities.....	-	-	152,152	-	-	-	152,152
Deferred revenue.....	83,008	5,500	-	-	-	-	88,508
Total liabilities.....	612,107	36,383	302,083	-	536,910	34,207	1,521,690
Fund balances:							
Reserved for:							
Inventory	24,915	-	-	-	-	-	24,915
Land acquisition.....	1,003,921	-	-	-	-	-	1,003,921
Capital projects.....	1,652,730	-	-	-	4,325,175	465,000	6,442,905
Other purposes.....	934,736	270,492	-	-	-	-	1,205,228
Debt service.....	-	-	-	2,580,321	-	1,131,658	3,711,979
Perpetual care.....	-	-	-	-	-	16,294	16,294
Unreserved, reported in:							
General fund.....	4,389,144	-	-	-	-	-	4,389,144
Special revenue funds.....	-	1,345,612	110,668	-	-	505,868	1,962,148
Capital projects funds.....	-	-	-	-	1,013,365	-	1,013,365
Total fund balances	8,005,446	1,616,104	110,668	2,580,321	5,338,540	2,118,820	19,769,899
Total liabilities and fund balances	\$ 8,617,553	\$ 1,652,487	\$ 412,751	\$ 2,580,321	\$ 5,875,450	\$ 2,153,027	\$ 21,291,589

City of Beaufort, South Carolina
 Reconciliation Of Total Governmental Fund Balances
 To Net Assets Of Governmental Activities
 June 30, 2009

Total Governmental Fund Balances	\$ 19,769,899
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>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 \$9,650,897).</p>	36,524,795
<p>Bond issuance costs are reported as expenditures in the governmental funds.</p>	131,591
<p>Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets. See the long-term debt note.</p>	(24,573,021)
<p>Accrued interest payable on debt is not due and payable in the current period and therefore is not reported in the governmental funds balance sheet.</p>	<u>(300,134)</u>
Net Assets of Governmental Activities	<u><u>\$ 31,553,130</u></u>

City of Beaufort, South Carolina
Governmental Funds
Statement Of Revenues, Expenditures, And Changes In
Fund Balances
For the Year Ended June 30, 2009

	General	Special Revenue Parks and Tourism Fund	Special Revenue Stormwater Utility Fund	Debt Service Tax Increment Financing Bond II Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes.....	\$ 4,891,295	\$ 1,770,552	\$ 324,556	\$ 1,396,974	\$ -	\$ 568,048	\$ 8,951,425
Licenses and permits.....	3,628,563	127,862	-	-	-	-	3,756,425
Intergovernmental.....	370,658	565	-	-	47,509	525,707	944,439
Charges for services.....	1,223,223	-	-	-	-	-	1,223,223
Fines and forfeitures.....	384,069	-	-	-	-	1,054	385,123
Miscellaneous.....	286,181	321,697	1,512	14,784	244,692	15,613	884,479
Total revenues.....	10,783,989	2,220,676	326,068	1,411,758	292,201	1,110,422	16,145,114
Expenditures:							
Current:							
General government.....	3,363,794	400,573	-	-	2,801	-	3,767,168
Public safety.....	6,566,184	8,745	-	-	-	4,777	6,579,706
Public service.....	994,761	492,406	290,467	-	-	374,740	2,152,374
Capital Outlay.....	-	-	-	-	9,741,886	-	9,741,886
Debt Service:							
Principal.....	256,706	313,446	23,586	383,789	-	212,486	1,190,013
Interest and other charges.....	388,630	154,528	-	182,560	-	41,510	767,228
Total expenditures.....	11,570,075	1,369,698	314,053	566,349	9,744,687	633,513	24,198,375
Excess (deficiency) of revenues over (under) expenditures.....	(786,086)	850,978	12,015	845,409	(9,452,486)	476,909	(8,053,261)
Other financing sources (uses):							
Transfers in.....	29,404	-	-	-	905,428	-	934,832
Transfers out.....	-	(242,759)	-	-	-	(692,073)	(934,832)
Total other financing sources (uses).....	29,404	(242,759)	-	-	905,428	(692,073)	-
Net Changes in fund balances.....	(756,682)	608,219	12,015	845,409	(8,547,058)	(215,164)	(8,053,261)
Fund balances at beginning of year.....	8,762,128	1,007,885	98,653	1,734,912	13,885,598	2,333,984	27,823,160
Fund balances at end of year.....	\$ 8,005,446	\$ 1,616,104	\$ 110,668	\$ 2,580,321	\$ 5,338,540	\$ 2,118,820	\$ 19,769,899

City of Beaufort, South Carolina
 Reconciliation Of The Statement Of Revenues,
 Expenditures, And Changes In Fund Balances Of
 Governmental Funds To The Statement Of Activities
 For The Year Ended June 30, 2009

Net change in Fund Balances - Total Governmental Funds \$ (8,053,261)

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	\$ 9,909,452	
Depreciation expense	<u>(1,235,317)</u>	8,674,135

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the 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.

This is the amount by which debt payments (\$1,190,013) exceeded proceeds (\$0). 1,190,013

Governmental funds report the effect of bond issuance costs and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Amortization of bond issuance costs (13,407)

Revenues (deferred taxes) in the statement of activities do not provide current financial resources and are not reported as revenue in the funds.

(18,537)

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.

Increase in accrued interest payable	(205,392)	
Decrease (increase) in long-term portion of accrued vacation pay	<u>98,614</u>	<u>(106,778)</u>

Change in Net Assets of Governmental Activities \$ 1,672,165

City of Beaufort, South Carolina
Solid Waste Enterprise Fund
Statement Of Net Assets
June 30, 2009

	Solid Waste Fund
ASSETS	
Current assets:	
Cash and investments.....	\$ 55,292
Total current assets.....	55,292
Capital assets:	
Other capital assets, net of depreciation.....	298,265
Total capital assets.....	298,265
Total assets.....	353,557
LIABILITIES	
Current liabilities:	
Accounts payable.....	24,684
Accrued payroll liabilities.....	7,404
Due to other funds.....	53,185
Capital leases payable - current.....	30,280
Total current liabilities.....	115,553
Noncurrent liabilities:	
Capital lease payable.....	147,247
Total noncurrent liabilities.....	147,247
Total liabilities.....	262,800
NET ASSETS	
Invested in capital assets, net of related debt.....	120,738
Unrestricted.....	(29,981)
Total net assets.....	\$ 90,757

City of Beaufort, South Carolina
Solid Waste Enterprise Fund
Statement Of Revenues, Expenses, And Changes
In Fund Net Assets
For The Year Ended June 30, 2009

	Solid Waste Fund
Operating revenues	
Recycling fees - City of Beaufort.....	\$ 154,436
Recycling fees - Town of Port Royal.....	54,088
Other - recycling.....	30,454
Garbage fees.....	589,388
	828,366
Operating expenses	
Personnel services and employee benefits.....	588,812
Purchased and contracted services.....	86,743
Repairs and maintenance.....	93,952
Supplies.....	20,355
Depreciation.....	117,386
	907,248
Operating income (loss).....	(78,882)
Nonoperating revenues (expenses)	
Interest income.....	1,902
	1,902
Total nonoperating revenues (expenses).....	1,902
Change in net assets.....	(76,980)
Net assets, beginning of year.....	167,737
	90,757
Net assets, end of year.....	\$ 90,757

City of Beaufort, South Carolina
Solid Waste Enterprise Fund
Statement Of Cash Flows
For The Year Ended June 30, 2009

	Solid Waste Fund
Cash flows from operating activities:	
Cash received from customers.....	\$ 873,085
Cash payments to suppliers for goods and services.....	(196,963)
Cash payments to employees for services.....	(592,633)
	83,489
Net cash provided (used) by operating activities.....	83,489
Cash flows from capital and related financing activities:	
Principal payment on debt.....	(30,230)
	(30,230)
Net cash (used) by capital and related financing activities.....	(30,230)
Cash flows from investing activities:	
Interest earned on cash and investments.....	1,902
	1,902
Net cash provided (used) by investing activities.....	1,902
Net increase (decrease) in cash and cash equivalents.....	55,161
Cash and cash equivalents, beginning of year.....	131
Cash and cash equivalents, end of year.....	\$ 55,292
Operating income (loss).....	\$ (78,882)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation.....	117,386
Change in assets and liabilities:	
Decrease (increase) in accounts receivables.....	44,719
(Decrease) Increase in accounts payable.....	4,087
(Decrease) Increase in accrued liabilities.....	(3,821)
	162,371
Total adjustments.....	162,371
Net cash provided (used) by operating activities.....	\$ 83,489

The notes to the basic financial statements are an integral part of this statement.

City of Beaufort, South Carolina
Statement Of Fiduciary Net Assets
June 30, 2009

	Trustee Fire Fund
Assets	
Cash and investments.....	\$ 112,098
Total assets.....	<u>\$ 112,098</u>
Liabilities	
Due to others.....	\$ 112,098
Total liabilities.....	<u>\$ 112,098</u>

The notes to the basic financial statements are an integral part of this statement.

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City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

Note 1 Summary of Significant Accounting Policies

- A. Financial Reporting Entity
- B. Government-wide and Fund Financial Statements
- C. Measurement Focus, Basis of Accounting and Basis of Presentation
- D. Assets, Liabilities, and Net Assets or Equity

Note 2 Stewardship, Compliance, and Accountability

- A. Budgetary information

Note 3 Detail Notes of Funds and Activities

- A. Accounts Receivable
- B. Capital Assets
- C. Interfund Transactions and Balances
- D. Accounts Payable
- E. Long-term Debt
- F. Restricted Assets

Note 4 Other Information

- A. Employee Pension and Other Benefit Plans
- B. Risk Management
- C. Commitments and Contingencies

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

Note 1 – Summary of Significant Accounting Policies

The City complies with generally accepted accounting principles (GAAP). 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 and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance. 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 stand alone 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 of the City. During fiscal year 2009, the Commission had no financial activity.

2. Discretely Presented Component Units

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

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

B. Government-wide and Fund Financial Statements

Financial information of the City is presented as follows:

- *Management's discussion and analysis* introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- *Basic Financial Statements*: Government-wide financial statements consist of a statement of net assets and a statement of activities.

These statements report all of the non-fiduciary activities of the primary government and its component units. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges from services and are usually intended by management to be financially self-sustaining. 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 business-type activities of the City and 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.

- *Fund financial statements* consist of a series of statements focusing on information about the City's major governmental and enterprise funds. Separate financial statements are presented for the governmental, proprietary and fiduciary funds.

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 proprietary fund financial statements and 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

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

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.

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 *Parks and Tourism Fund*, a special revenue fund, is used to account for proceeds from the local accommodations, hospitality, which are restricted for expenses incurred by the City of Beaufort in serving tourists and non-residents.
- The *Stormwater Utility Fund*, a special revenue fund is used to account for proceeds received under a special property tax assessment, restricted for making stormwater drainage improvements.
- The *Tax Increment Financing Bond II Fund*, a debt service fund is used to account for unspent proceeds of the Tax Increment Financing Bond II debt issue and receipt of property tax proceeds generated in the TIF II district. These funds are restricted for principal and interest payments on the TIF II bond issue and capital improvement projects in the TIF district.
- The *Capital Projects Fund*, accounts for the construction of two city facilities; City Hall and Police/Courts Building, collectively referred to as the Municipal Complex and the renovation of the Central Fire Station. The Municipal complex and Fire Station is being financed from the proceeds of the General Obligation Bond and incremental real property taxes attributed to the TIF II district.

The City reports the following major enterprise fund:

- The *Solid Waste Fund* accounts for recyclable material, garbage and yard debris collection operations which are provided to the residents, churches, and commercial entities within the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to revenues, administration, personnel, operations, maintenance, depreciation, financing and related debt service.

Additionally, the City reports the following fund types:

Governmental Funds:

- The *Special Revenue Funds*, fund type to account for revenue sources that are legally restricted to expenditures for specific purposes. Such funds are established when required by statute, charter provision, local ordinance, or executive decision to finance particular functions or activities.

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

- The *Debt Service Funds* account for the accumulation of funds for the periodic payment of principal and interest on governmental general and contractual obligations.
- 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 one agency fund that 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.

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.

Proprietary funds distinguish operating revenues and expense from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Solid Waste Fund are charges to customers for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 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.

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

The City has no custodial credit risk policy that would require additional collateral requirements.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

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 and listed previously.

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. Accounts receivable comprise the majority of proprietary fund receivables.

No allowance for doubtful accounts has been recorded because the City expects all current receivables to be collected. The current taxes receivable is an estimated net realizable value.

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

The City's operating tax rate is currently 52.8 mills. The County of Beaufort bills and collects the City's property taxes.

3. Inventories and Prepaid Assets

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

4. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Certain General fund monies are classified as restricted assets on the balance sheet because their use is limited by state law for the victim assistance program, an intergovernmental agreement under a service agreement with the South Carolina Electric and Gas Company, and public donations for the refurbishment of a historic fire engine. The Parks and Tourism fund monies are classified as restricted assets on the balance sheet because proceeds of the hospitality tax must be kept in a separate fund and must be used exclusively for tourism related purposes. Other special revenue fund monies are restricted under federal and state drug forfeiture laws that restrict their use to law enforcement purposes. The Capital Project fund and the Debt Service funds monies are classified as restricted assets because the proceeds of the tax increment financing bonds and general obligation bonds are restricted for the construction of the Municipal Center, as well as principal, and interest payments to service the debt. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

5. 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. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide statement of net assets and in the respective 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:

Description	Estimated Lives
Infrastructure.....	15 - 40 years
Building and improvements.....	20 - 40 years
Machinery and equipment.....	3 - 10 years
Vehicles.....	5 years

6. 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,

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

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.

Sick leave accrues at a rate of 96 hours annually with no 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 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 and proprietary fund 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.

7. Long-term Obligations

In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or business-type 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.

8. 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.
- *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".

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

9. Use of Estimates

The preparation of financial statements in conformity with 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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the following funds that do not have legally adopted budgets:

Special Revenue Funds - Police Lab and Equipment Fund and Drug Seizure Fund

Capital Projects Fund - Project-length budgets are adopted for all capital projects.

Permanent Fund – Cemeteries Fund.

All annual appropriations lapse at fiscal year end.

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.

For the year ended June 30, 2009, expenditures exceeded appropriations in the Urban Development Action Grant Special Revenue Fund by \$701,335. These over expenditures were funded by available fund balance.

Note 3 – Detailed Notes on Funds and Activities

A. Accounts Receivable

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate including the applicable allowance for uncollectible accounts are as follows:

Receivable	General	Parks and Tourism Fund	Tax Increment Financing Bond II	Capital Project Funds	Nonmajor Governmental	Total
Taxes.....	\$ 74,670	\$ -	\$ 72,291	\$ -	\$ -	\$ 146,961
Accounts.....	281,516	39,479		67,759	-	388,754
Intergovernmental.....	-	-		-	95,607	95,607
Gross receivables	356,186	39,479	72,291	67,759	95,607	631,322
Less:						
Allowance for uncollectibles.....	-	-		-	-	-
Net receivables.....	<u>\$ 356,186</u>	<u>\$ 39,479</u>	<u>\$ 72,291</u>	<u>\$ 67,759</u>	<u>\$ 95,607</u>	<u>\$ 631,322</u>

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

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.

B. Capital assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases / Transfers	Ending Balance
Governmental Activities:				
<i>Non-Depreciable Assets:</i>				
Land.....	\$ 3,717,820	\$ -	\$ -	\$ 3,717,820
Construction in progress.....	5,611,245	9,786,285	(841,859)	14,555,671
<i>Depreciable Assets:</i>				
Buildings and improvements.....	3,546,001	6,450	61,377	3,613,828
Machinery, equipment and vehicles.....	6,318,796	-	(61,377)	6,257,419
Infrastructure.....	17,072,378	958,576	-	18,030,954
Sub-total assets.....	<u>36,266,240</u>	<u>10,751,311</u>	<u>(841,859)</u>	<u>46,175,692</u>
<i>Accumulated Depreciation</i>				
Buildings and improvements.....	(1,575,480)	(147,136)	-	(1,722,616)
Machinery, equipment and vehicles.....	(4,345,480)	(521,436)	-	(4,866,916)
Infrastructure.....	(2,494,620)	(566,745)	-	(3,061,365)
Sub-total accumulated depreciation.....	<u>(8,415,580)</u>	<u>(1,235,317)</u>	<u>-</u>	<u>(9,650,897)</u>
Total Governmental Activities.....	<u>27,850,660</u>	<u>9,515,994</u>	<u>(841,859)</u>	<u>36,524,795</u>
Business-Type Activities:				
<i>Depreciable Assets:</i>				
Machinery, equipment and vehicles.....	692,031	-	-	692,031
Sub-total assets.....	<u>692,031</u>	<u>-</u>	<u>-</u>	<u>692,031</u>
<i>Accumulated Depreciation</i>				
Machinery, equipment and vehicles.....	(276,380)	(117,386)	-	(393,766)
Sub-total accumulated depreciation.....	<u>(276,380)</u>	<u>(117,386)</u>	<u>-</u>	<u>(393,766)</u>
Total Business-Type Activities.....	<u>415,651</u>	<u>(117,386)</u>	<u>-</u>	<u>298,265</u>
Total Capital Assets.....	<u>\$ 28,266,311</u>	<u>\$ 9,398,608</u>	<u>\$ (841,859)</u>	<u>\$ 36,823,060</u>

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

Depreciation expense was charged to governmental activities as follows:

General government.....	\$	130,065
Public safety.....		320,035
Public works.....		785,217
		<u>1,235,317</u>
Total depreciation expense.....	\$	<u><u>1,235,317</u></u>

C. Interfund transactions and balances

Interfund receivable and payable balances at June 30, 2009 are as follows:

Receivable Fund	Payable Fund	Amount
General	Stormwater Utility	\$ 73,719
General	Nonmajor governmental funds	4,780
General	Solid waste fund	53,185
	Total	<u><u>\$ 131,684</u></u>

These balances represent loans between the borrower fund and the lender fund. These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund receivables and payables are reported in the fund financial statements; however, they are eliminated in the government-wide financial statements if the interfund loan is between governmental funds.

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

	Transfer In:		Total
	General fund	Capital Projects fund	
Transfer out:			
Parks & Tourism fund	\$ -	\$ 242,759	\$ 242,759
Nonmajor governmental funds	29,404	662,669	692,073
Total	<u><u>\$ 29,404</u></u>	<u><u>\$ 905,428</u></u>	<u><u>\$ 934,832</u></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. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group.

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

D. Accounts Payable

Payables as of year-end for the government's individual major funds and non-major funds in the aggregate are as follows:

Payables	General	Parks and Tourism Fund	Stormwater Utility Fund	Capital Project Funds	Nonmajor Governmental	Solid Waste Fund
Accounts payable.....	\$ 293,838	\$ 23,240	\$ 76,065	\$ -	\$ 29,427	\$ 24,684
Accrued liabilities.....	235,261	7,643	147	-	-	7,404
Retainage payable.....	-	-	-	536,910	-	-
Total Accounts Payables	\$ 529,099	\$ 30,883	\$ 76,212	\$ 536,910	\$ 29,427	\$ 32,088

E. Long -term debt

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.

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

Year Ending June 30,	Prinicipal	Interest
2010	\$ 622,760	\$ 204,344
2011	650,548	174,341
2012	679,635	142,981
2013	456,087	110,198
2014	476,247	90,039
2015 - 2017	1,558,142	140,990
	\$ 4,443,419	\$ 862,893

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

Details for each debt issue and outstanding as of June 30, 2009 are as follows:

Principal Outstanding at Year-End	
\$ 256,010	Series 1997 - Bonds issued January 29, 1997, in an original amount of \$1,100,000 at a rate of interest of 5.33%. The bond matures January 29, 2012. Interest payments are due July 29th and January 29th of each calander year. Annual principal payments of \$60,610 began January 29, 1998, and increase in amounts annually until the annual payment reaches \$87,591 in year 2012. The proceeds of these bonds were primarily used to finance the cost of construction of the streetscape improvements within the Downtown Redevelopment Project Area.
441,172	Series 2000 - Bonds issued February 14, 2000, in an original amount of \$1,400,000 at a rate of interest of 5.68%. The bond matures February 14, 2012. Interest payments are due February 14th of each calander year. Annual prinicipal payments of \$84,551 began February 14, 2001, and increase in amounts annually until the annual payment reaches \$155,252 in year 2012. The proceeds of these bonds were primarily used to finance the cost of construction of the streetscape improvements within the Downtown Redevelopment Project Area.
2,317,240	Series 2002 - Bonds issued June 25, 2002, in an original amount of \$4,000,000 at a rate of interest of 4.83%. The bond matures June 1, 2017. Interest payments are due June 1st of each calander year. Annual prinicipal payments of \$189,236 began June 1, 2003, and increase in amounts annually until the annual payment reaches \$339,681 in year 2017. The proceeds of these bonds were primarily used to finance the cost of construction of the Municipal Complex.
1,428,997	Series 2004 - Bonds issued December 22, 2004, in an original amount of \$2,000,000 at a rate of interest of 3.76%. The bond matures June 1, 2017. Interest payments are due June 1st of each calander year. Annual prinicipal payments of \$134,947 began June 1, 2006, and increase in amounts annually until the annual payment reaches \$202,532 in year 2017. The proceeds of these bonds were primarily used to finance the cost of construction of the Municipal Complex.
\$ 4,443,419	Total Tax Increment Bonds

General Obligation Bonds

On October 23, 2007, a Bond referendum was approved to issue \$15 million in 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%. The bonds mature on February 1, 2028. Interest payments are due on February 1 and August 1 of each calendar year. The proceeds of these bonds are restricted for the construction of the Municipal Complex, which includes a Police and Court Building as well as a new City Hall and addition to the Central Fire Station. In April 2009,

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

the City deferred expending proceeds from these bonds for any additional renovation to the Central Fire Station pending a further needs assessment.

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

<u>Year Ending June 30,</u>	<u>Prinicpal</u>	<u>Interest</u>
2010	\$ 550,000	\$ 608,290
2011	575,000	589,040
2012	595,000	568,915
2013	615,000	548,090
2014	635,000	526,565
2015 - 2019	3,545,000	2,240,450
2020 - 2024	4,310,000	1,426,400
2025 - 2028	4,175,000	458,759
	<u>\$ 15,000,000</u>	<u>\$ 6,966,509</u>

Lease Finance Agreement

On May 20, 2005, the City entered into a sale/lease leaseback agreement to finance a portion of the cost of improvements to the City's Waterfront Park (the "property"), consisting of the design, construction and furnishing of equipment and other improvements to the park. Under the agreement, the City leased the property to a bank which deposited \$3,500,000, at an interest rate of 3.83%, as base lease rent into a construction account created under the project lease, which amounts were applied towards payment of the cost of the project. Simultaneously with the delivery of the base lease, the bank leased the property back to the City. In July 2007, the City negotiated a second lease back agreement in the amount of \$1.5 million, at an interest rate of 4.3%, to cover the additional costs related to the construction. The combined annual payments (principal and interest) of \$463,002 are due May 18th through May 18, 2022.

An annual debt service requirement to maturity for the Lease Finance Agreement is as follows:

<u>Year Ending June 30,</u>	<u>Prinicpal</u>	<u>Interest</u>
2010	\$ 301,348	\$ 161,653
2011	313,339	149,663
2012	325,809	137,193
2013	338,777	124,226
2014	352,262	110,741
2015 - 2019	1,983,199	331,811
2020 - 2022	445,264	17,738
	<u>\$ 4,059,998</u>	<u>\$ 1,033,025</u>

Vehicle Note

On December 15, 2007, the City executed a note in the amount of \$197,057 to finance the cost of vehicles for the Police and Planning departments within the General fund a rate of interest of

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

3.64%. The Annual installments of \$69,489 (principal and interest) are due June 30th through June 30th, 2010.

An annual debt service requirement to maturity for the Note is as follows:

Year Ending June 30,	Prinicpal	Interest
2010	\$ 67,048	\$ 2,441
	\$ 67,048	\$ 2,441

Capital Lease

The City has entered into five capital lease agreements originally totaling \$1,764,885. The proceeds were used to purchase vehicles, heavy equipment, and a fire truck. The interest rates on these five leases range from 2.985% to 3.94%. The leases expire in 2009, 2010, 2011 and 2017.

The assets acquired through capital lease are as follows:

	Governmental Activities	Business-Type Activities
Machinery and Equipment.....	\$ 1,337,895	\$ 426,990
Less: Accumulated depreciation....	(591,657)	(394,491)
Total.....	\$ 746,238	\$ 32,499

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2009:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2010	\$ 111,082	\$ 37,173
2011	111,024	37,235
2012	69,938	25,908
2013	69,938	25,908
2014	69,938	25,908
2015 - 2017	137,263	50,848
Total minimum lease payments.....	569,183	202,980
Less: amount representing interest.....	(69,923)	(25,453)
Present value of minimum lease payments..	\$ 499,260	\$ 177,527

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Tax Increment Bonds.....	\$ 5,039,694	\$ -	\$ 596,275	\$ 4,443,419	\$ 622,760
General Obligation Bonds.....	15,000,000	-	-	15,000,000	550,000
Lease Finance Agreement.....	4,349,815	-	289,817	4,059,998	301,348
Vehicle Note.....	131,742	-	64,694	67,048	67,048
Capital lease obligations.....	689,055	-	189,795	499,260	91,670
Claims & Judgments.....	68,057	-	49,432	18,625	18,625
Compensated absences.....	583,285	190,583	289,197	484,671	211,839
Total Governmental Activities.....	<u>\$ 25,861,648</u>	<u>\$ 190,583</u>	<u>\$ 1,479,210</u>	<u>\$ 24,573,021</u>	<u>\$ 1,863,290</u>
Business-Type Activities:					
Capital lease obligations.....	\$ 207,757	\$ -	\$ 30,230	\$ 177,527	\$ 30,280
Total Business-Type Activities.....	<u>\$ 207,757</u>	<u>\$ -</u>	<u>\$ 30,230</u>	<u>\$ 177,527</u>	<u>\$ 30,280</u>

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

F. Restricted Assets

The balances of restricted asset accounts in the governmental funds are as follows:

General obligation bond, construction	\$ 5,807,691
Law enforcement purposes	<u>61,078</u>
	<u>\$ 5,868,769</u>

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. Total employee salaries for the City for the year ended June 30, 2009 was \$6,720,168 of which \$2,655,485 and \$4,064,683 were for employees covered by the SCRS and the SCPORS, respectively.

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

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 contributions to the SCRS for employer and employee portions expressed as a dollar amount and as a percentage of covered payroll for the year ended June 30, 2009, were \$249,350 and 9.24%; and \$172,607 and 6.5%, respectively, and the contributions to the SCPORS for the employer and employee portions were \$463,374 and 10.65%; and \$264,204 and 6.5%, respectively.

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:

<u>Year Ended June 30,</u>	<u>SCRS</u>		<u>SCPORS</u>	
	<u>Required</u>	<u>% Contributed</u>	<u>Required</u>	<u>% Contributed</u>
2009	\$ 249,350	100%	\$ 463,374	100%
2008	252,282	100%	424,718	100%
2007	219,679	100%	413,930	100%

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

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

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 worker's compensation. The Municipal Association of South Carolina administers the program in conformance with standard industry practices. The program is regulated by the SC Worker's Compensation Commission. The City pays an annual premium to SCMIT. The City carries a \$15,000 deductible under the plan. Claims below the deductible are managed by the City. If the City's losses exceed the annual premium, it is assessed an additional amount to fully reimburse the insurer for the losses. If the premium exceeds the losses, the City receives a refund.

Self Insurance

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

C. Commitments and Contingencies

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

The City is obligated under a consent order of settlement dated September 7, 1999 with the Burton Fire District. The City is required to pay the Fire District \$15,000 annually, plus a provision for future annexations equal to 1.25 times the portion of the property tax revenue collected by the City that the previous years' annual budget of the City fire department bears to the previous years' general fund revenue of the City. The payments which are adjusted annually by the consumer price index are due each July 16th through July 16, 2010. The City paid \$49,432 to the fire district during the fiscal year.

The City is under agreement to provide operational funds to the Historic Beaufort Foundation through fiscal year 2009. Accordingly, the City paid the foundation \$9,735 in fiscal year 2009. In addition, the City has pledged to provide \$255,000 to the Foundation as part of the exterior restoration of the Beaufort Arsenal. During the fiscal year, the City provided \$184,000 in fulfillment of its commitment.

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, 2009, the City paid the Fire District \$86,035 for compensated services.

In addition, various other claims and potential claims against the City exist at June 30, 2009, for which fund balance has been reserved. 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.

The City has entered into contracts for construction of the Municipal Complex and the installation of storm water drainage. Outstanding construction commitments at June 30, 2009 are as follows:

City of Beaufort, South Carolina
Notes to the Basic Financial Statements
June 30, 2009

<u>Capital Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Municipal Complex	\$ 11,621,741	\$ 3,501,794
Duncan Longehorne Drive Drainage Improvement	109,150	487,916

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REQUIRED SUPPLEMENTARY INFORMATION OTHER
THAN MANAGEMENT'S DISCUSSION & ANALYSIS

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**REQUIRED SUPPLEMENTARY INFORMATION OTHER
THAN MD&A**

Description

Required supplementary information other than MD&A is presented in accordance with GASB Statement No. 34. It contains budget and actual comparison schedules for the City's General fund and major special revenue fund with annual budgets. The notes to the required supplementary information disclose relevant budgetary information.

City of Beaufort, South Carolina
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Final Budget- Positive (Negative)
Revenues:				
Taxes:				
Property taxes.....	\$ 3,377,778	\$ 3,377,778	\$ 3,264,688	\$ (113,090)
Franchise fees.....	1,588,116	1,588,116	1,626,607	38,491
Licenses and permits.....	3,680,000	3,535,500	3,628,563	93,063
Intergovernmental.....	505,051	505,051	370,658	(134,393)
Charges for services.....	1,143,580	1,143,580	1,223,223	79,643
Fines and forfeitures.....	416,150	416,150	384,069	(32,081)
Miscellaneous.....	295,255	205,255	286,181	80,926
Total revenues.....	11,005,930	10,771,430	10,783,989	12,559
Expenditures:				
Current:				
General government:				
City council.....	119,765	119,765	139,887	(20,122)
City manager.....	643,640	657,250	678,987	(21,737)
Finance department.....	508,807	550,807	562,580	(11,773)
Court and legal.....	458,065	458,065	516,994	(58,929)
Planning.....	831,330	883,206	951,014	(67,808)
Information technology.....	237,170	261,970	239,583	22,387
Non-departmental.....	317,826	317,826	274,749	43,077
Public safety:				
Police department.....	4,098,742	4,037,042	3,763,807	273,235
School crossing guards.....	47,628	47,628	36,077	11,551
Victims' rights.....	59,534	59,534	57,592	1,942
School resource officer.....	206,150	206,150	181,700	24,450
Fire department.....	2,225,225	2,153,225	1,951,059	202,166
Port Royal fire department.....	595,200	595,200	575,949	19,251
Public service:				
Public works.....	245,393	205,393	175,106	30,287
Street/Parks.....	1,097,533	677,533	628,327	49,206
Traffic control and building maintenance...	185,246	162,631	128,438	34,193
Maintenance facility.....	91,016	71,016	62,890	8,126
Street lighting.....	-	12,626	-	12,626
Debt Service:				
Principal.....	355,134	223,134	256,706	(33,572)
Interest and other charges.....	-	-	388,630	(388,630)
Total expenditures.....	12,323,404	11,700,001	11,570,075	129,926

City of Beaufort, South Carolina
 General Fund
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		Final Budget- Positive (Negative)
Excess (deficiency) of revenues over (under) expenditures.....	\$ (1,317,474)	\$ (928,571)	\$ (786,086)	\$ 142,485
Other financing sources (uses):				
Transfers in.....	729,474	729,474	29,404	(700,070)
Transfers out.....	(135,000)	-	-	-
Total other financing sources (uses).....	594,474	729,474	29,404	(700,070)
Net Changes in fund balances.....	(723,000)	(199,097)	(756,682)	(557,585)
Fund balances at beginning of year.....	8,762,128	8,762,128	8,762,128	-
Fund balances at end of year.....	<u>\$ 8,039,128</u>	<u>\$ 8,563,031</u>	<u>\$ 8,005,446</u>	<u>\$ (557,585)</u>

City of Beaufort, South Carolina
Parks and Tourism Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Sales and other taxes.....	\$ 1,694,250	\$ 1,674,250	\$ 1,770,552	\$ 96,302
Licenses and permits.....	116,244	101,244	127,862	26,618
Intergovernmental.....	16,422	16,422	565	(15,857)
Miscellaneous.....	220,150	334,150	321,697	(12,453)
Total revenues.....	2,047,066	2,126,066	2,220,676	94,610
Expenditures:				
Current:				
General government.....	194,249	323,249	400,573	(77,324)
Public safety:				
Fire department.....	-	-	8,745	(8,745)
Public service:				
Street department.....	-	466	-	466
Marina.....	159,604	24,604	19,492	5,112
Parks and trees.....	665,265	744,265	472,914	271,351
Debt Service:				
Principal.....	294,789	294,789	313,446	(18,657)
Interest and other charges.....	173,185	173,185	154,528	18,657
Total expenditures.....	1,487,092	1,560,558	1,369,698	190,860
Excess (deficiency) of revenues over (under) expenditures.....	559,974	565,508	850,978	285,470
Other financing sources (uses):				
Transfers in.....	135,000	-	-	-
Transfers out.....	(694,974)	(694,974)	(242,759)	452,215
Total other financing sources (uses).....	(559,974)	(694,974)	(242,759)	452,215
Net Changes in fund balances.....	-	(129,466)	608,219	737,685
Fund balances at beginning of year.....	1,007,885	1,007,885	1,007,885	-
Fund balances at end of year.....	\$ 1,007,885	\$ 878,419	\$ 1,616,104	\$ 737,685

City of Beaufort, South Carolina
Stormwater Utility Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Stormwater utility fees.....	\$ 305,000	\$ 305,000	\$ 324,556	\$ 19,556
Miscellaneous.....	-	-	1,512	1,512
Total revenues.....	<u>305,000</u>	<u>305,000</u>	<u>326,068</u>	<u>21,068</u>
Expenditures:				
Current:				
Public service:				
Drainage.....	253,186	253,186	290,467	(37,281)
Stormwater utility fee.....	51,814	51,814	-	51,814
Debt Service:				
Principal.....	-	-	23,586	(23,586)
Total expenditures.....	<u>305,000</u>	<u>305,000</u>	<u>314,053</u>	<u>(9,053)</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>-</u>	<u>-</u>	<u>12,015</u>	<u>12,015</u>
Net Changes in fund balances.....	-	-	12,015	12,015
Fund balances at beginning of year.....	<u>98,653</u>	<u>98,653</u>	<u>98,653</u>	<u>-</u>
Fund balances at end of year.....	<u><u>\$ 98,653</u></u>	<u><u>\$ 98,653</u></u>	<u><u>\$ 110,668</u></u>	<u><u>\$ 12,015</u></u>

BUDGETARY INFORMATION

I. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is at the fund level.

Supplemental appropriations and decreases in budget appropriations were properly approved by the City Council. For the year ended June 30, 2009, the following supplemental appropriation was approved:

<u>Fund Type</u>	<u>Original Appropriation</u>	<u>Supplemental Appropriation</u>	<u>Supplemental Decreases</u>	<u>Final Appropriation</u>
General Fund	\$ 12,458,404	\$ 126,912	\$ 885,315	\$ 11,700,001
Parks and Tourism Fund	2,182,066	173,610	100,144	2,255,532
Stormwater Utility Fund	305,000	-	-	305,000

II. Excess of expenditures over appropriations

For the year ended June 30, 2009, expenditures exceeded appropriations in the Stormwater Utility fund by \$9,053. These over expenditures were funded by available fund balance.

**SUPPLEMENTARY DATA – FUND SCHEDULES AND
STATE MANDATED SCHEDULES**

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NONMAJOR FUNDS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or for major capital projects) that are legally restricted to expenditures for specified purposes.

The Accommodations Tax Fund - This fund was established to account for the 2% sales tax from transient room rentals. The expenditures of these funds are restricted to tourist related activities.

The Urban Development Action Grant Fund – To account for funds received from Alcoa, South Carolina, Inc. relating to an Urban Development Action Grant project completed in 1985.

The Police Lab and Equipment Fund – To account for funds contributed by citizens and businesses used primarily to support the Police Movie Club and other activities sponsored by the Police Department.

The Drug Seizure Fund - To account for monies seized during drug related arrests and provided by the Federal and State Courts. These funds are to be used for drug prevention and education.

DEBT SERVICE FUND:

The Tax Increment Financing Bond I Fund - To account for unspent proceeds of the Tax Increment Financing Bond I debt issue and receipt of property tax proceeds generated in the TIF 1 district. These funds are restricted for principal and interest payments on the TIF 1 bond issue and capital improvement projects in the TIF district.

PERMANENT FUND:

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

City of Beaufort, South Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue Funds				Debt Service Fund
	Accommodations Tax Fund	Urban Development Action Grant Fund	Police Lab and Equipment Fund	Drug Seizure Fund	Tax Increment Financing Bond I Debt Service Fund
Assets					
Cash and investments.....	\$ 95,691	\$ 271,569	\$ 2,700	\$ 13,430	\$ 1,596,658
Receivables.....	95,607	-	-	-	-
Restricted cash and investments....	-	-	-	61,078	-
Total assets.....	\$ 191,298	\$ 271,569	\$ 2,700	\$ 74,508	\$ 1,596,658
Liabilities and fund balances					
Liabilities					
Accounts payable.....	\$ 28,682	\$ -	\$ 511	\$ 234	\$ -
Due to other funds.....	4,780	-	-	-	-
Total liabilities.....	33,462	-	511	234	-
Fund balances:					
Reserved for:					
Capital projects.....	-	-	-	-	465,000
Debt service.....	-	-	-	-	1,131,658
Perpetual care.....	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds.....	157,836	271,569	2,189	74,274	-
Total fund balances	157,836	271,569	2,189	74,274	1,596,658
Total liabilities and fund balances	\$ 191,298	\$ 271,569	\$ 2,700	\$ 74,508	\$ 1,596,658

Permanent Fund

<u>Cemeteries Fund</u>	<u>Total Governmental Funds</u>
\$ 16,294	\$ 1,996,342
-	95,607
-	61,078
<u>\$ 16,294</u>	<u>\$ 2,153,027</u>
\$ -	\$ 29,427
-	4,780
<u>-</u>	<u>34,207</u>
-	465,000
-	1,131,658
16,294	16,294
-	505,868
<u>16,294</u>	<u>2,118,820</u>
<u>\$ 16,294</u>	<u>\$ 2,153,027</u>

City of Beaufort, South Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue Funds				Debt Service Fund
	Accommodations Tax Fund	Urban Development Action Grant Fund	Police Lab and Equipment Fund	Drug Seizure Fund	Tax Increment Financing Bond I Debt Service Fund
Revenues:					
Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ 568,048
Intergovernmental.....	267,420	258,287	-	-	-
Fines and forfeitures.....	-	-	-	1,054	-
Miscellaneous.....	263	3,094	174	555	11,406
Total revenues.....	267,683	261,381	174	1,609	579,454
Expenditures:					
Current:					
Public safety.....	-	-	4,777	-	-
Public service.....	72,726	300,047	-	1,067	900
Debt Service:					
Principal.....	-	-	-	-	212,486
Interest and other charges.....	-	-	-	-	41,510
Total expenditures.....	72,726	300,047	4,777	1,067	254,896
Excess (deficiency) of revenues over (under) expenditures.....	194,957	(38,666)	(4,603)	542	324,558
Other financing sources (uses):					
Transfers out.....	(29,404)	(662,669)	-	-	-
Total other financing sources (uses).....	(29,404)	(662,669)	-	-	-
Net Changes in fund balances.....	165,553	(701,335)	(4,603)	542	324,558
Fund balances at beginning of year.....	(7,717)	972,904	6,792	73,732	1,272,100
Fund balances at end of year.....	\$ 157,836	\$ 271,569	\$ 2,189	\$ 74,274	\$ 1,596,658

Permanent Fund

<u>Cemeteries Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 568,048
-	525,707
-	1,054
121	15,613
<u>121</u>	<u>1,110,422</u>
-	4,777
-	374,740
-	212,486
-	41,510
<u>-</u>	<u>633,513</u>
121	476,909
-	(692,073)
<u>-</u>	<u>(692,073)</u>
121	(215,164)
16,173	2,333,984
<u>\$ 16,294</u>	<u>\$ 2,118,820</u>

City of Beaufort, South Carolina
Accommodations Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental.....	\$ 206,750	\$ 206,750	\$ 267,420	\$ 60,670
Miscellaneous.....	2,000	2,000	263	(1,737)
Total revenues.....	<u>208,750</u>	<u>208,750</u>	<u>267,683</u>	<u>58,933</u>
Expenditures:				
Current:				
Public service:				
Tourism Development Advisory Committee.....	120,137	120,137	-	120,137
Beaufort Chamber of Commerce.....	54,525	54,525	72,726	(18,201)
Total expenditures.....	<u>174,662</u>	<u>174,662</u>	<u>72,726</u>	<u>101,936</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>34,088</u>	<u>34,088</u>	<u>194,957</u>	<u>160,869</u>
Other financing sources (uses):				
Transfers out.....	(34,088)	(34,088)	(29,404)	4,684
Total other financing sources (uses).....	<u>(34,088)</u>	<u>(34,088)</u>	<u>(29,404)</u>	<u>4,684</u>
Net Changes in fund balances.....	-	-	165,553	165,553
Fund balances at beginning of year.....	(7,717)	(7,717)	(7,717)	-
Fund balances at end of year.....	<u>\$ (7,717)</u>	<u>\$ (7,717)</u>	<u>\$ 157,836</u>	<u>\$ 165,553</u>

City of Beaufort, South Carolina
Urban Development Action Grant Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental.....	\$ -	\$ -	\$ 258,287	\$ 258,287
Miscellaneous.....	-	-	3,094	3,094
Total revenues.....	-	-	261,381	261,381
Expenditures:				
Current:				
Public service:				
Project repair.....	-	-	288,097	(288,097)
Demolition.....	-	-	11,950	(11,950)
Total expenditures.....	-	-	300,047	(300,047)
Excess (deficiency) of revenues over (under) expenditures.....	-	-	(38,666)	(38,666)
Other financing sources (uses):				
Transfers out.....	-	-	(662,669)	662,669
Total other financing sources (uses).....	-	-	(662,669)	662,669
Net Changes in fund balances.....	-	-	(701,335)	(701,335)
Fund balances at beginning of year.....	972,904	972,904	972,904	-
Fund balances at end of year.....	\$ 972,904	\$ 972,904	\$ 271,569	\$ (701,335)

City of Beaufort, South Carolina
Tax Increment Financing Bond I Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes.....	\$ 483,000	\$ 483,000	\$ 568,048	\$ 85,048
Investment income.....	25,000	25,000	11,406	(13,594)
Total revenues.....	508,000	508,000	579,454	71,454
Expenditures:				
Current:				
Public service.....	245,024	245,024	900	244,124
Debt Service:				
Principal.....	212,486	212,486	212,486	-
Interest and other charges.....	50,490	50,490	41,510	8,980
Total expenditures.....	508,000	508,000	254,896	253,104
Excess (deficiency) of revenues over (under) expenditures.....	-	-	324,558	324,558
Net Changes in fund balances.....	-	-	324,558	324,558
Fund balances at beginning of year.....	1,272,100	1,272,100	1,272,100	-
Fund balances at end of year.....	\$ 1,272,100	\$ 1,272,100	\$ 1,596,658	\$ 324,558

City of Beaufort, South Carolina
Tax Increment Financing Bond II Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Taxes.....	\$ 900,000	\$ 900,000	\$ 1,396,974	\$ 496,974
Investment income.....	-	-	14,784	14,784
Total revenues.....	900,000	900,000	1,411,758	511,758
Expenditures:				
Current:				
General government.....	333,715	333,715	-	333,715
Debt Service:				
Principal.....	383,725	383,725	383,789	(64)
Interest and other charges.....	182,560	182,560	182,560	-
Total expenditures.....	900,000	900,000	566,349	333,651
Excess (deficiency) of revenues over (under) expenditures.....	-	-	845,409	845,409
Net Changes in fund balances.....	-	-	845,409	845,409
Fund balances at beginning of year.....	1,734,912	1,734,912	1,734,912	-
Fund balances at end of year.....	\$ 1,734,912	\$ 1,734,912	\$ 2,580,321	\$ 845,409

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FIDUCIARY FUNDS

AGENCY FUND:

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.

City of Beaufort, South Carolina
Statement of Changes in Assets and Liabilities – Agency Fund
For the Year Ended June 30, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Assets				
Cash and investments.....	\$ 40,282	\$ 71,816	\$ -	\$ 112,098
Total assets.....	<u>\$ 40,282</u>	<u>\$ 71,816</u>	<u>\$ -</u>	<u>\$ 112,098</u>
Liabilities				
Due to others.....	\$ 40,282	\$ 71,816	\$ -	\$ 112,098
Total liabilities.....	<u>\$ 40,282</u>	<u>\$ 71,816</u>	<u>\$ -</u>	<u>\$ 112,098</u>

STATE MANDATED SCHEDULE

City of Beaufort, South Carolina
Schedule of Municipal Fines, Assessments and Surcharges
For the Year Ended June 30, 2009

Court fines	
Court fines collected	\$ 278,761
Court fines retained	<u>(278,761)</u>
Court fines remitted to State Treasurer	<u><u>\$ -</u></u>
Court assessments	
Court assessments collected	\$ 394,709
Court assessments retained by City	<u>(31,435)</u>
Court assessments remitted to State Treasurer	<u><u>\$ 363,274</u></u>
Court surcharges	
Court surcharges collected	\$ 11,607
Court surcharges retained	<u>(11,607)</u>
Court surcharges remitted to State Treasurer	<u><u>\$ -</u></u>
Funds restricted for victims services	
Funds restricted for victims services, beginning of year	\$ 473
Court assessments allocated to victims services	31,435
Court surcharges allocated to victims services	11,607
Victim services expenditures	<u>(57,198)</u>
Funds restricted to victims services, end of year	<u><u>\$ (13,683)</u></u>

STATISTICAL SECTION

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	G-2
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	G-9
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	G-14
<i>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.</i>	
Demographic and Economic Information	G-18
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	G-20
<i>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.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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City of Beaufort, South Carolina
Net Assets by Component
Last Seven Fiscal Years
(accrual basis of accounting)

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

	Fiscal Year Ending June 30,	
	2008	2009
Governmental activities		
Invested in capital assets, net of related debt	\$ 17,798,882	\$ 18,394,352
Restricted	564,836	77,372
Unrestricted	11,517,247	13,081,406
Total governmental activities net assets	<u>\$ 29,880,965</u>	<u>\$ 31,553,130</u>
Business-type activities ³		
Invested in capital assets, net of related debt	\$ 207,894	\$ 120,738
Restricted	-	-
Unrestricted	(40,157)	(29,981)
Total business-type activities net assets	<u>\$ 167,737</u>	<u>\$ 90,757</u>
Primary Government		
Invested in capital assets, net of related debt	\$ 18,006,776	\$ 18,515,090
Restricted	564,836	77,372
Unrestricted	11,477,090	13,051,425
Total primary government net assets	<u>\$ 30,048,702</u>	<u>\$ 31,643,887</u>

Notes: ¹ The City of Beaufort implemented GASB 34 for the fiscal year ended June 30, 2003.

² Information prior to the implementation of GASB 34 is not available.

³ The City did not have any business type activities prior to fiscal year June 30, 2005.

City of Beaufort, South Carolina
Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,			
	2003	2004	2005	2006
Expenses				
Governmental activities				
General government	\$ 2,681,118	\$ 2,726,000	\$ 2,421,356	\$ 2,614,245
Public safety	6,259,869	6,228,307	6,558,737	7,122,843
Public works	2,455,678	2,860,334	3,392,079	3,132,219
Interest on long-term debt	358,269	325,051	346,181	421,287
Total governmental activities expenses	<u>11,754,934</u>	<u>12,139,692</u>	<u>12,718,353</u>	<u>13,290,594</u>
Business-type activities:				
Recycling	-	-	97,708	182,311
Total business-type activities expense	-	-	97,708	182,311
Total primary government expenses	<u>\$ 11,754,934</u>	<u>\$ 12,139,692</u>	<u>\$ 12,816,061</u>	<u>\$ 13,472,905</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 194,725	\$ 205,103	\$ 308,722	\$ 350,639
Public safety	710,564	816,610	884,564	815,131
Public works	1,745,669	1,769,333	1,743,540	1,819,948
Operating grants and contributions	171,674	186,686	163,225	219,756
Capital grants and contributions	1,512,816	43,890	-	1,113,692
Total governmental activities program revenues	<u>4,335,448</u>	<u>3,021,622</u>	<u>3,100,051</u>	<u>4,319,166</u>
Business-type activities - recycling:				
Charges for services	-	-	169,846	218,228
Capital grants and contributions	-	-	73,239	7,660
Total business type activities program revenues	-	-	243,085	225,888
Total primary government program revenues	<u>\$ 4,335,448</u>	<u>\$ 3,021,622</u>	<u>\$ 3,343,136</u>	<u>\$ 4,545,054</u>
Net (Expense)/Revenue				
Governmental activities	\$ (7,419,486)	\$ (9,118,070)	\$ (9,618,302)	\$ (8,971,428)
Business-type activities	-	-	145,377	43,577
Total primary government net expense	<u>\$ (7,419,486)</u>	<u>\$ (9,118,070)</u>	<u>\$ (9,472,925)</u>	<u>\$ (8,927,851)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes	\$ 7,991,671	\$ 8,625,818	\$ 9,869,486	\$ 10,231,550
Grants and contributions not restricted to specific programs	333,775	336,681	350,664	354,945
Franchise Fees	1,488,525	1,584,643	1,581,750	1,560,729
Gain/(loss) on sale of capital asset	-	(164,337)	10,108	(1,886,214)
Investment Income	162,549	110,619	197,861	629,851
Miscellaneous	33,080	-	-	-
Transfers	-	-	-	-
Total governmental activities	<u>10,009,600</u>	<u>10,493,424</u>	<u>12,009,869</u>	<u>10,890,861</u>
Business-type activities - recycling:				
Investment Income	-	-	-	-
Transfers	-	-	-	-
Total business-type activities	-	-	-	-
Total primary government	<u>\$ 10,009,600</u>	<u>\$ 10,493,424</u>	<u>\$ 12,009,869</u>	<u>\$ 10,890,861</u>
Change in Net Assets				
Governmental activities	\$ 2,590,114	\$ 1,375,354	\$ 2,391,567	\$ 1,919,433
Business-type activities	-	-	145,377	43,577
Total primary government	<u>\$ 2,590,114</u>	<u>\$ 1,375,354</u>	<u>\$ 2,536,944</u>	<u>\$ 1,963,010</u>

Notes: ¹ The City of Beaufort implemented GASB 34 for the fiscal year ended June 30, 2003.

² Information prior to the implementation of GASB 34 is not available.

Fiscal Year Ending June 30,		
2007	2008	2009
\$ 3,168,904	\$ 3,663,029	\$ 3,872,550
7,268,743	7,534,013	6,838,457
3,138,718	3,783,759	2,751,483
445,493	537,830	986,027
<u>14,021,858</u>	<u>15,518,631</u>	<u>14,448,517</u>
182,500	1,034,216	907,248
182,500	1,034,216	907,248
<u>\$ 14,204,358</u>	<u>\$ 16,552,847</u>	<u>\$ 15,355,765</u>
\$ 3,900,123	\$ 4,256,870	\$ 3,787,954
1,574,618	1,613,016	1,340,610
1,882,335	1,263,085	1,213,863
484,642	1,315,290	630,554
376,928	200,000	47,509
<u>8,218,646</u>	<u>8,648,261</u>	<u>7,020,490</u>
242,258	863,424	828,366
-	-	-
<u>242,258</u>	<u>863,424</u>	<u>828,366</u>
<u>\$ 8,460,904</u>	<u>\$ 9,511,685</u>	<u>\$ 7,848,856</u>
\$ (5,803,212)	\$ (6,870,370)	\$ (7,428,027)
59,758	(170,792)	(78,882)
<u>\$ (5,743,454)</u>	<u>\$ (7,041,162)</u>	<u>\$ (7,506,909)</u>
\$ 6,156,980	\$ 5,561,557	\$ 6,549,669
-	-	-
1,567,576	1,591,321	1,626,607
-	-	-
640,115	494,489	388,183
73,025	188,436	535,733
-	(88,748)	-
<u>8,437,696</u>	<u>7,747,055</u>	<u>9,100,192</u>
-	-	1,902
-	88,748	-
-	88,748	1,902
<u>\$ 8,437,696</u>	<u>\$ 7,835,803</u>	<u>\$ 9,102,094</u>
\$ 2,634,484	\$ 876,685	\$ 1,672,165
59,758	(80,974)	(76,980)
<u>\$ 2,694,242</u>	<u>\$ 795,711</u>	<u>\$ 1,595,185</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,				
	2000	2001	2002	2003	2004
General Fund					
Reserved	\$ 2,801,956	\$ 2,839,716	\$ 1,931,997	\$ 461,874	\$ 698,004
Unreserved	2,162,231	2,630,205	2,666,804	3,446,796	4,327,111
Total general fund	<u>\$ 4,964,187</u>	<u>\$ 5,469,921</u>	<u>\$ 4,598,801</u>	<u>\$ 3,908,670</u>	<u>\$ 5,025,115</u>
All Other Governmental Funds					
Reserved	\$ 223,579	\$ 1,075,396	\$ 1,136,922	\$ 1,618,553	\$ 1,292,601
Unreserved, reported in:					
Special revenue funds	1,432,412	1,025,263	1,312,832	2,563,640	2,985,898
Capital projects fund	10,096	-	4,001,507	3,001,481	2,647,507
Total all other governmental funds	<u>\$ 1,666,087</u>	<u>\$ 2,100,659</u>	<u>\$ 6,451,261</u>	<u>\$ 7,183,674</u>	<u>\$ 6,926,006</u>

	Fiscal Year Ending June 30,				
	2005	2006	2007	2008	2009
General Fund					
Reserved	\$ 1,491,634	\$ 1,831,318	\$ 1,752,335	\$ 2,805,417	\$ 3,616,302
Unreserved	4,785,171	4,939,215	6,186,563	5,956,711	4,389,144
Total general fund	<u>\$ 6,276,805</u>	<u>\$ 6,770,533</u>	<u>\$ 7,938,898</u>	<u>\$ 8,762,128</u>	<u>\$ 8,005,446</u>
All Other Governmental Funds					
Reserved ¹	\$ 2,193,870	\$ 3,160,252	\$ 7,470,422	\$ 7,427,873	\$ 8,788,940
Unreserved, reported in:					
Special revenue funds	3,083,441	1,653,815	2,196,364	2,070,737	1,962,148
Capital projects fund	7,680,376	4,325,176	(1,871,799)	9,560,422	1,013,365
Total all other governmental funds	<u>\$ 12,957,687</u>	<u>\$ 9,139,243</u>	<u>\$ 7,794,987</u>	<u>\$ 19,059,032</u>	<u>\$ 11,764,453</u>

Notes: ¹The debt service fund and the permanent fund are considered 100% reserved.

City of Beaufort, South Carolina
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenues				
Taxes (See page G - 7)	\$ 5,181,998	\$ 5,531,010	\$ 6,358,572	\$ 6,597,762
Licenses and permits	2,284,174	2,787,791	2,821,883	2,890,576
Revenue from other governmental units	1,663,866	1,116,430	870,026	2,205,036
Charges for services	1,379,143	1,534,432	1,638,836	1,732,871
Fines and fees	544,864	544,215	656,509	733,435
Miscellaneous	552,610	587,927	139,160	185,368
Total revenue	<u>11,606,655</u>	<u>12,101,805</u>	<u>12,484,986</u>	<u>14,345,048</u>
Expenditures				
Current:				
General government	1,334,954	1,593,127	1,956,728	2,402,988
Public safety	4,847,439	5,125,218	5,650,708	5,851,889
Public works	1,962,226	1,992,831	2,329,738	1,835,443
Non-departmental				
Housing and development	500,000	-	-	-
Capital outlay	1,672,679	1,756,217	2,232,086	3,808,878
Debt service:				
Principal	688,323	596,262	826,575	450,097
Interest and other charges	147,004	208,706	188,470	171,817
Total expenditures	<u>11,152,625</u>	<u>11,272,361</u>	<u>13,184,305</u>	<u>14,521,112</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>454,030</u>	<u>829,444</u>	<u>(699,319)</u>	<u>(176,064)</u>
Other Financing sources (uses)				
Debt issuance	1,764,448	115,398	4,172,951	146,638
Transfers in	1,544,737	301,068	208,912	1,517,159
Transfers out	(430,670)	(301,068)	(208,912)	(1,517,159)
Total other financing sources (uses)	<u>2,878,515</u>	<u>115,398</u>	<u>4,172,951</u>	<u>146,638</u>
Net change in fund balances	<u>\$ 3,332,545</u>	<u>\$ 944,842</u>	<u>\$ 3,473,632</u>	<u>\$ (29,426)</u>
Debt service as a percentage of noncapital expenditures	8.57%	8.70%	9.27%	5.81%

Source: City records

Ending June 30,	2004	2005	2006	2007	2008	2009
\$	7,054,920	\$ 8,231,121	\$ 8,179,692	\$ 8,355,064	\$ 7,935,021	\$ 8,951,425
	3,159,593	3,318,078	3,781,587	3,856,942	4,221,588	3,756,425
	741,215	712,170	1,887,305	1,071,677	1,758,475	944,439
	1,759,902	2,104,661	1,827,788	1,861,446	1,362,025	1,223,223
	825,094	933,004	845,215	732,582	741,467	385,123
	146,659	213,681	657,926	706,412	579,483	884,479
	<u>13,687,383</u>	<u>15,512,715</u>	<u>17,179,513</u>	<u>16,584,123</u>	<u>16,598,059</u>	<u>16,145,114</u>
	2,613,573	2,856,979	2,811,478	3,066,948	3,497,947	3,767,168
	5,784,350	6,115,582	6,477,706	7,590,695	7,342,514	6,579,706
	2,146,896	2,161,910	2,591,819	2,946,203	3,108,721	2,152,374
	-	-	-	-	63,956	-
	1,380,947	1,671,076	7,149,238	3,021,391	5,323,092	9,741,886
	931,199	810,348	1,295,662	1,044,779	1,262,002	1,190,013
	492,052	89,322	485,754	437,603	607,639	767,228
	<u>13,349,017</u>	<u>13,705,217</u>	<u>20,811,657</u>	<u>18,107,619</u>	<u>21,205,871</u>	<u>24,198,375</u>
	<u>338,366</u>	<u>1,807,498</u>	<u>(3,632,144)</u>	<u>(1,523,496)</u>	<u>(4,607,812)</u>	<u>(8,053,261)</u>
	520,410	5,781,873	307,428	1,173,277	16,697,087	-
	82,332	37,464	1,633,242	616,644	112,252	934,832
	(82,332)	(37,464)	(1,633,242)	(616,644)	(112,252)	(934,832)
	<u>520,410</u>	<u>5,781,873</u>	<u>307,428</u>	<u>1,173,277</u>	<u>16,697,087</u>	<u>-</u>
\$	<u>858,776</u>	<u>\$ 7,589,371</u>	<u>\$ (3,324,716)</u>	<u>\$ (350,219)</u>	<u>\$ 12,089,275</u>	<u>\$ (8,053,261)</u>
	11.89%	7.48%	13.04%	10.83%	12.01%	13.70%

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City of Beaufort, South Carolina
Schedule of Tax Revenues and Franchise Fees
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	Property Tax	Utility Tax ²	Hospitality and Accommodations Taxes	Franchise Fees	Annual Totals
2000	\$ 2,981,182	\$ -	\$ 1,129,945	\$ 1,070,871	\$ 5,181,998
2001	3,124,075	-	1,200,351	1,206,584	5,531,010
2002	3,433,315	222,634	1,306,073	1,396,550	6,358,572
2003	3,606,387	238,116	1,348,794	1,404,465	6,597,762
2004	3,795,547	226,785	1,529,375	1,503,213	7,054,920
2005	4,660,769	315,886	1,762,416	1,492,050	8,231,121
2006	4,564,478	269,745	1,868,649	1,476,820	8,179,692
2007	4,745,640	337,525	1,704,323	1,567,576	8,355,064
2008	4,452,306	309,121	1,582,273	1,591,321	7,935,021
2009	5,229,710	324,556	1,770,552	1,626,607	8,951,425

Notes:

¹ Table includes governmental funds

² Utility Tax was not collected prior to fiscal year 2002.

Source:

City records

City of Beaufort, South Carolina
Assessed Value and Actual Value of Taxable Property
Last Ten Calendar Years

Calendar Year	Real Property		Personal Property		Motor Vehicles	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2000	\$27,431,218	\$ 505,178,969	\$ 5,118,276	\$ 94,259,227	\$ - ¹	\$ - ¹
2001	27,032,522	458,178,339	6,515,837	110,437,915	- ¹	- ¹
2002	27,701,910	492,916,548	6,493,076	115,535,160	5,679,097	- ¹
2003	28,316,410	537,313,283	6,146,565	116,633,112	6,104,543	- ¹
2004	43,452,696	824,529,336	6,396,868	121,382,694	6,077,100	- ¹
2005	43,473,227	- ¹	6,117,614	- ¹	5,222,938	- ¹
2006	45,164,506	- ¹	6,976,863	- ¹	5,316,129	- ¹
2007	54,774,704	- ¹	6,412,826	- ¹	5,085,093	- ¹
2008	58,641,479	- ¹	8,802,047	- ¹	4,673,420	- ¹
2009	58,607,445 ¹	- ¹	8,802,047 ¹	- ¹	- ¹	- ¹

Source: Beaufort County Tax Assessor

Note:

¹ Information is not available

Total			
<u>Assessed Value</u>	<u>Estimated Actual Value</u>	Ratio of Total Assessed To Total Estimated Value	Total Direct Tax Rate
\$ 32,549,494	\$ 599,438,195	5.43%	68.400
33,548,359	568,616,254	5.90%	68.400
39,874,083	608,451,708	6.55%	73.400
40,567,518	653,946,395	6.20%	73.400
55,926,664	945,912,030	5.91%	55.800
54,813,779	- 1	0% 1	55.800
57,457,498	- 1	0% 1	52.800
66,272,623	- 1	0% 1	52.800
72,116,946	- 1	0% 1	52.800
67,409,492	- 1	0% 1	52.800

City of Beaufort, South Carolina
Direct and Overlapping Property Tax Rates
Last Ten Calendar Years
(rate per \$100 of assessed value)

Tax Year	Direct	Overlapping Rates		Total
	City	School District	County	
2000	68.400	119.800	58.100	246.300
2001	68.400	119.800	56.600	244.800
2002	73.400	129.200	60.000	262.600
2003	73.400	130.400	64.000	267.800
2004	55.800	94.200	48.600	198.600
2005	55.800	96.500	49.600	201.900
2006	52.800	108.700	49.100	210.600
2007	52.800	- ¹	- ¹	52.800
2008	52.800	- ¹	- ¹	52.800
2009	52.800	30.600	51.900	135.30

Source: City staff

Note:

¹ Information is not available.

**City of Beaufort, South Carolina
Principal Property Taxpayers
Current Year and Nine years Ago**

Principal Property Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
		1	0.00%			
		2	0.00%			
		3	0.00%			
		4	0.00%			
		5	0.00%			
		6	0.00%			
		7	0.00%			
		8	0.00%			
		9	0.00%			
		10	0.00%			
				\$ -	1	0.00%
				-	2	0.00%
				-	3	0.00%
				-	4	0.00%
				-	5	0.00%
				-	6	0.00%
				-	7	0.00%
				-	8	0.00%
				-	9	0.00%
				-	10	0.00%
Total	\$ -		0.00%	\$ -		0.00%

Note: 1 - Information is not available.

**City of Beaufort, South Carolina
Property Tax Levies and Collections
Last Ten Calendar Years**

Calendar Year ¹	Total Tax Levy ²	Collected within the Calendar Year of the Levy		Collections for subsequent years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$ 2,392,085	\$ 2,089,710	87.36%	\$ 146,396	\$ 2,236,106	93.48%
2001	2,338,882	2,015,293	86.16%	118,575	2,133,868	91.23%
2002	2,585,879	2,090,800	80.85%	233,714	2,324,514	89.89%
2003	2,764,914	2,345,670	84.84%	135,143	2,480,813	89.72%
2004	3,653,424	2,399,569	65.68%	118,038	2,517,607	68.91%
2005	3,614,571	2,622,310	72.55%	147,211	2,769,521	76.62%
2006	3,908,087	2,642,905	67.63%	50,794	2,693,699	68.93%
2007	- ³	- ³	- ³	- ³	- ³	- ³
2008	- ³	- ³	- ³	- ³	- ³	- ³
2009	2,923,210	2,702,380	92.45%	33,929	2,736,309	93.61%

Source:

- ¹ Taxes are assessed for the calendar year beginning January 1.
- ² The total tax levy includes real property, commercial, personal property and public utilities. The total tax levy is the original county levy after adjustments for cancelations, releases, errors and additions.
- ³ Information is not available

City of Beaufort, South Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities			Percentage of Personal Income ^a	Per Capita ^b
	Capital Leases	General Obligation Bonds	Tax Increment Bonds	Notes Payable, Leases, Bonds and Other	Capital Leases	Total Primary Government		
2000	\$ 866,981	\$ 449,921	\$ 2,313,281	\$ -	\$ -	\$ 3,630,183	0.86%	280
2001	689,085	360,000	2,163,144	-	-	3,212,229	0.75%	256
2002	624,111	295,000	5,759,104	-	-	6,678,215	1.64%	555
2003	557,650	230,000	5,595,547	-	-	6,383,197	1.45%	505
2004	772,034	160,000	5,051,573	-	-	5,983,607	1.31%	493
2005	4,292,821	85,000	6,680,390	-	-	11,058,211	2.33%	917
2006	3,912,964	-	6,157,013	-	-	10,069,977	0.00% ³	828
2007	4,429,024	-	5,610,473	-	22,199	10,061,696	0.00% ³	836
2008	5,170,612	15,000,000	5,039,694	-	207,757	25,418,063	0.00% ³	2,101
2009	4,626,306	15,000,000	4,443,419	-	177,527	24,247,252	5.86%	1,797

Sources: ^a Percentage of Personal Income is calculated by dividing Total Primary Government by the Personal Income found on the Demographic and Economic Statistics (G-15).

^b Per Capita is calculated by dividing Total Primary Government by the Population in thousands found on the Demographic and Economic Statistics (G-15).

Note: ¹ Details regarding the city's outstanding debt can be found in the notes to the financial statements.

² The City sold the water-sewer system to Beaufort Jasper Water & Sewer Authority in FY2000.

³ Subsequent information needed to calculate is not available.

City of Beaufort, South Carolina
Direct and Overlapping Governmental Activities Debt
As of June 30, 2009

	Debt Outstanding	Estimated Percentage Applicable ^a	Estimated Share of Overlapping Debt
Overlapping debt repaid with property taxes:			
Beaufort County, South Carolina:			
General Obligation Bonded Debt	\$ 208,060,000	8.47%	\$ 17,619,443
Capital leases	178,390	8.47%	15,107
Beaufort County School District:			
General Obligation Bonded Debt	287,335,000	19.75%	56,737,792
Capital leases	609,178	19.75%	120,290
Overlapping other debt:			
Beaufort County, South Carolina:			
Revenue Bond Debt	60,575,000	8.47%	5,129,759
Note payable	1,723,652	8.47%	145,966
Subtotal, overlapping debt			79,768,357
City of Beaufort direct debt			24,247,252
Total direct and overlapping debt			\$ 104,015,609

Sources:

 Beaufort County Finance Department
 Beaufort County School District

Note:

a - Percentage for 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 2006-2007 academic year.

City of Beaufort, South Carolina
Ratio of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
As of June 30, 2009

Fiscal Year	General Obligation Bonds	Less: Amount Available in Debt Service Fund	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
2000	\$ 449,921	\$ -	\$ 449,921	1.34%	36
2001	360,000	-	360,000	0.90%	30
2002	295,000	-	295,000	0.73%	23
2003	230,000	-	230,000	0.41%	19
2004	160,000	-	160,000	0.29%	13
2005	85,000	-	85,000	0.15%	7
2006	-	-	-	0.00%	-
2007	-	-	-	0.00%	-
2008	15,000,000	-	15,000,000	0.00%	1,240
2009	15,000,000	-	15,000,000	0.00%	1,276

Sources: ^a Percentage of Actual Taxable Value of Property is calculated by dividing Net General Bonded Debt Outstanding by the Total Taxable Assessed Value found on the Assessed and Estimated Actual Value of Taxable Property (G-8).

^b Per Capita is calculated by dividing Net General Bonded Debt Outstanding by the Population in thousands found on the Demographic and Economic Statistics (G-17).

Note: ¹ Details regarding the city's outstanding debt can be found in the notes to the financial statements.

² Subsequent information needed to calculate is not available.

City of Beaufort, South Carolina
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	2000	2001	2002	2003	2004
Total assessed value of taxable property	\$ 27,431,218	\$ 27,032,522	\$ 27,701,910	\$ 28,316,410	\$ 43,452,696
Less exemptions for bond purposes	-	-	-	-	-
Net assessed value for bond purposes	<u>\$ 27,431,218</u>	<u>\$ 27,032,522</u>	<u>\$ 27,701,910</u>	<u>\$ 28,316,410</u>	<u>\$ 43,452,696</u>
Debt limit percentage	8%	8%	8%	8%	8%
Debt limit	\$ 2,194,497	\$ 2,162,602	\$ 2,216,153	\$ 2,265,313	\$ 3,476,216
Total net debt applicable to limit:					
General obligation bonds (net of set aside)	<u>621,068</u>	<u>449,921</u>	<u>360,000</u>	<u>295,000</u>	<u>230,000</u>
Legal debt margin	<u>\$ 1,573,429</u>	<u>\$ 1,712,681</u>	<u>\$ 1,856,153</u>	<u>\$ 1,970,313</u>	<u>\$ 3,246,216</u>
Total net debt applicable to the limit as a percentage of debt limit	28.30%	20.80%	16.24%	13.02%	6.62%

	Fiscal Year				
	2005	2006	2007	2008	2009
Total assessed value of taxable property	\$ 43,473,227	\$ 45,164,506	\$ 54,774,704	\$ - ¹	\$ - ¹
Less exemptions for bond purposes	-	-	-	-	-
Net assessed value for bond purposes	<u>\$ 43,473,227</u>	<u>\$ 45,164,506</u>	<u>\$ 54,774,704</u>	<u>\$ -</u>	<u>\$ -</u>
Debt limit percentage	8%	8%	8%	8%	8%
Debt limit	\$ 3,477,858	\$ 3,613,160	\$ 4,381,976	\$ -	\$ -
Total net debt applicable to limit:					
General obligation bonds (net of set aside)	<u>160,000</u>	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 3,317,858</u>	<u>\$ 3,528,160</u>	<u>\$ 4,381,976</u>	<u>\$ -</u>	<u>\$ -</u>
Total net debt applicable to the limit as a percentage of debt limit	0.37%	0.19%	0.00%	0.00%	0.00%

Sources: Beaufort County Tax Assessor

Note: ¹ Information is not available

**City of Beaufort, South Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years**

Year	Population in thousands ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2000	12,950	\$ 420,253,400	\$ 32,452	3.1%
2001	12,564	430,882,380	34,295	3.9%
2002	12,027	408,388,812	33,956	4.2%
2003	12,637	440,171,984	34,832	4.7%
2004	12,136	455,330,584	37,519	4.9%
2005	12,054	473,818,632	39,308	4.8%
2006	12,156	507,196,944	41,724	4.7%
2007	12,029	565,844,160	47,040	4.4%
2008	12,098	- ²	- ¹	5.1%
2009	11,755	413,255,167	30,641	9.1%

Source: ^a Obtained from 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

Notes: ¹ Not available
² Unable to calculate because some information is not available

**City of Beaufort, South Carolina
Principal Employers**

Employer	2004		Percentage of Total County Employment
	Employees	Rank	
Beaufort County School District	3,400	1	20.31%
Beaufort Memorial Hospital	1,750	2	10.45%
Beaufort County	1,164	3	6.95%
Marine Corp Recruit Depot (Civilian Personnel)	882	4	5.27%
Marine Corp Air Station (Civilian Personnel)	700	5	4.18%
Hilton Head Medical Center	600	6	3.58%
Wal-Mart Stores	520	7	3.11%
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%
	10,416		62.21%

Source: Greater Beaufort-Hilton Head Economic Partnership, Inc Report provided by the Beaufort Regional Chamber of Commerce.

Note: Only the 2004 information was available and it includes employers within the County.

City of Beaufort, South Carolina
Full-time Equivalent City Employees by Function/Program
Last Ten Fiscal Years

<u>Full-time and Part-time City Employees as of June 30,</u>					
<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General government	28	25	21	22	29
Public safety	88	93	97	98	90
Public works	76	31	31	31	32
Total	<u>192</u>	<u>149</u>	<u>149</u>	<u>151</u>	<u>151</u>

<u>Full-time and Part-time City Employees as of June 30,</u>					
<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government	33	32	30	37	21
Public safety	90	91	92	99	90
Public works	33	32	38	29	25
Total	<u>156</u>	<u>154</u>	<u>160</u>	<u>165</u>	<u>136</u>

Source: City Personnel Records

**City of Beaufort, South Carolina
Operating Indicators by Function
Last Ten Fiscal Years**

	Fiscal Year				
	2000	2001	2002	2003	2004
Police:					
Arrests	1,772	1,634	1,472	1,288	1,284
Fire:					
Number of emergency calls	1,370	1,450	1,437	1,456	1,494
Inspections	343	357	360	309	300
Public works:					
Garbage removed (tons)	6,060	6,358	5,865	5,836	7,092
Recycling removed (tons)	387	385	320	329	318
Parks:					
Number of parks	23	23	23	23	26

	Fiscal Year				
	2005	2006	2007	2008	2009
Police:					
Arrests	1,711	1,488	1,500	1,291	1,207
Fire:					
Number of emergency calls	1,733	1,721	1,712	1,747	1,747
Inspections	802	536	739	426	531
Public works:					
Garbage removed (tons)	5,697	5,735	3,063	5,431	5,615
Recycling removed (tons)	375	382	240	526	420
Parks					
Number of parks	27	28	28	28	28

Sources: City records

**City of Beaufort, South Carolina
Capital Asset Statistics by Function
Last Ten Fiscal Years**

	Fiscal Year				
	2000	2001	2002	2003	2004
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	2	2	2	2	2
Parks and recreation:					
Parks	23	23	23	23	26

	Fiscal Year				
	2005	2006	2007	2008	2009
Police:					
Stations	1	1	1	1	1
Fire:					
Fire stations	2	2	2	2	2
Parks and recreation:					
Parks	27	28	28	28	28

Sources: City records

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COMPLIANCE

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Beaufort, South Carolina, as of and for the year ended June 30, 2009, which collectively comprise the City of Beaufort, South Carolina's basic financial statements and have issued our report thereon dated September 3, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards 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

In planning and performing our audit, we considered City of Beaufort, South Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Beaufort, South Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Beaufort, South Carolina's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Beaufort, South Carolina's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Beaufort, South Carolina's financial statements that is more than inconsequential will not be prevented or detected by the City of Beaufort, South Carolina's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Beaufort, South Carolina's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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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To the Honorable Mayor and City Council of
City of Beaufort, South Carolina
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Beaufort, South Carolina'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, 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.

McAfee, Talbert, Halliday + Co.

Spartanburg, South Carolina
September 3, 2009