

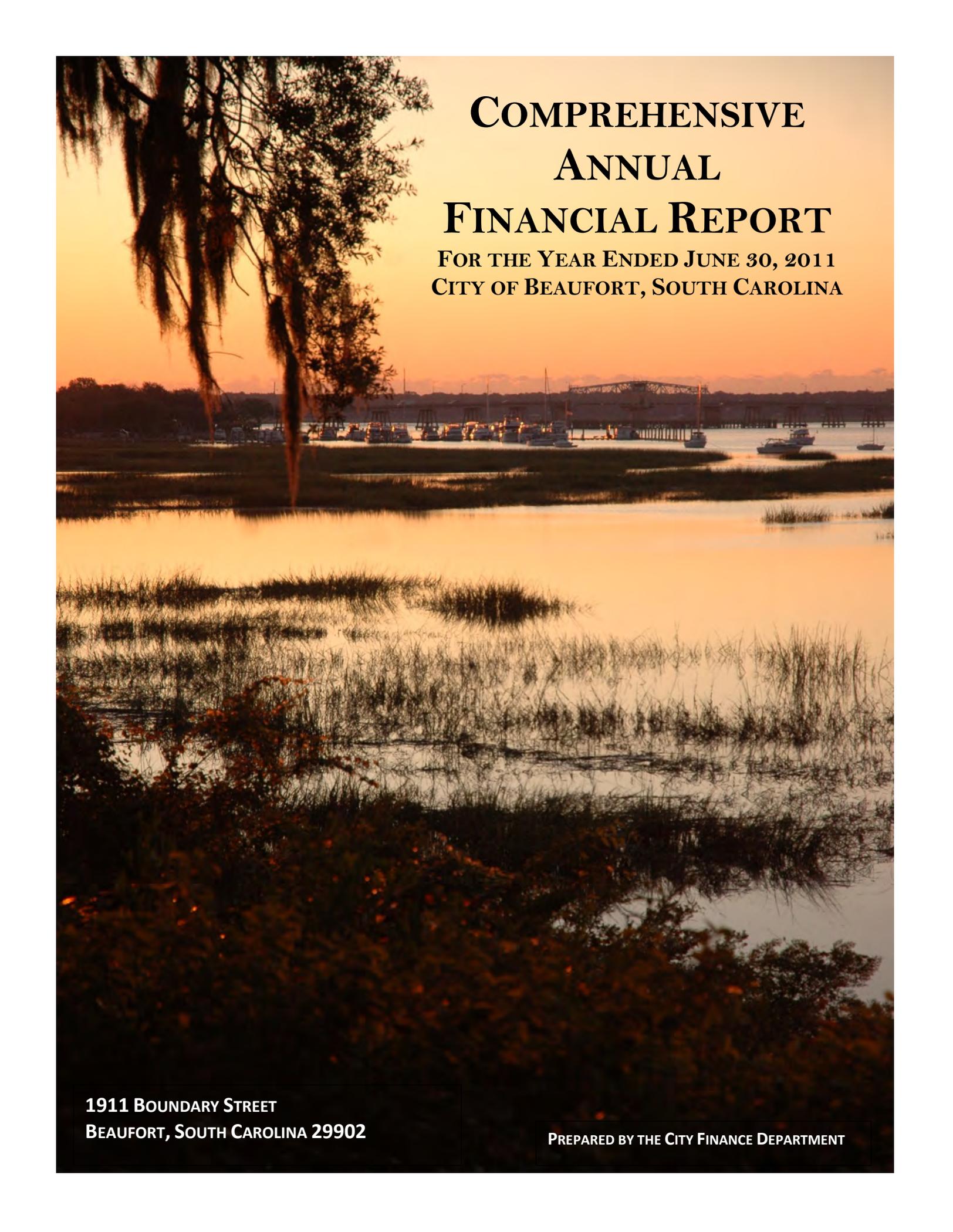
COMPREHENSIVE ANNUAL FINANCIAL REPORT



**CITY OF BEAUFORT, SOUTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2011**



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**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**
FOR THE YEAR ENDED JUNE 30, 2011
CITY OF BEAUFORT, SOUTH CAROLINA

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

PREPARED BY THE CITY FINANCE DEPARTMENT



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INTRODUCTORY



CIVIC MASTER PLAN – BOUNDARY STREET RENDERING



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January 6, 2012

To the Honorable Mayor, Members of City Council, and Citizens of the City of Beaufort:

State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Beaufort for the fiscal year ended June 30, 2011.

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

The City of Beaufort instituted a monitoring program during fiscal year 2010 of its accounting systems to provide management assurance that internal controls were functioning as intended. This program incorporated computer-assisted techniques to analyze 100% of the expenditure transactions for two quarters. Specifically, the expenditures were run through a battery of fourteen different tests, for both payroll and general items, to look for unusual occurrences, anomalies, unusual trends, and unexpected cross-matches among addresses across data files. These tests were conducted by the accounting firm McAbee, Talbert, Halliday & Co. CPAs, and results were provided by means of quarterly reports. The results were then researched by City personnel and responses (including appropriate documentation) were filed with each report. All matters for consideration listed in the reports were resolved to the satisfaction of City management.

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, 2011, 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, 2011, are fairly presented in conformity with U.S. GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile of the Government

The City, founded in 1711 and incorporated in 1913, is located on the eastern coast of Beaufort County, South Carolina, 70 miles south of Charleston, South Carolina and 45 miles north of Savannah, Georgia and encompasses approximately 18 square miles. The 2010 population of the City according to the U.S. Census was 12,361

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

The City provides a full range of services, including: police and fire protection, sanitation and recycling services, planning and code enforcement services, street and stormwater maintenance and up keep of City parks and open space.

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

Factors Affecting Financial Condition

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



Local economy

The City currently enjoys a relative stable economic environment. Unemployment in Beaufort County is 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 slightly less than the prior years. Property tax revenue from vehicle ownership was significantly higher than the prior year reflecting an increase in new vehicle sales and increased registrations. Revenues from building permits remained relatively stable in comparison with the prior year reflecting a stabilization of the local 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 slightly higher in comparison to the prior year. The City also receives Hospitality and Accommodations tax revenues. As of June 30 2011, both Hospitality revenues and Accommodations revenues remained relatively stable during the year. 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 and adding to the stabilized hospitality and accommodation revenues.

Long-term financial planning

The City began development of a long range financial plan effective with the FY 2008 budget. In addition to the five-year plan the City has formalized its Capital Improvement Plan. First year of the plan is funded through the budget appropriation process with subsequent years estimated based on current year costs. 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

In August of 2009 the City began successfully rendering various City services through strategic partnerships with private sector providers and public/private partnerships with the Town of Port Royal. Beginning in FY 2010 all residential solid waste collection and recycling is provided by a private sector company. Daily maintenance and landscaping in the Downtown Maintenance District including the Waterfront Park is performed by another private company. Approximately one-half of City's street sweeping services are rendered through a public/private relationship. The right-of-way landscape requirements for all major thoroughfares are being met through a private sector relationship. Routine landscaping services for approximately 70% of the City's residential streets, sidewalks, curbs and gutters are provided via a public/private partnership. Cost savings obtained from these public/private initiatives have been reinvested in additional resources for the police and fire departments and expanded storm water services.

The City has completed and approved the Boundary Street Master Plan to be used to guide development along the Boundary Street corridor. In the fall of 2006, the citizens in Northern Beaufort County voted to increase the County sales tax to pay for transportation related projects. Approximately \$12 million is earmarked for projects, which reflects a decrease in transportation impact fees collected in Northern Beaufort County. This investment along the Boundary Street entrance to the City is currently enhanced with a Tax Incremental Finance District which anticipates approximately \$55 million



of public dollars invested. When finished, this redevelopment project is expected to net approximately \$400 million in private investment in the area.

Relevant financial policies

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

Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beaufort for its comprehensive annual financial report (CAFR) for the years ended June 30, 2007, 2008, 2009 and 2010. The certificate is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City publishes an easily readable and efficiently organized CAFR. This report satisfied both U.S. GAAP and applicable legal requirements.

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

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

Respectfully submitted,

Scott F. Dadson
City Manager

Kathy M. Todd, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Beaufort
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

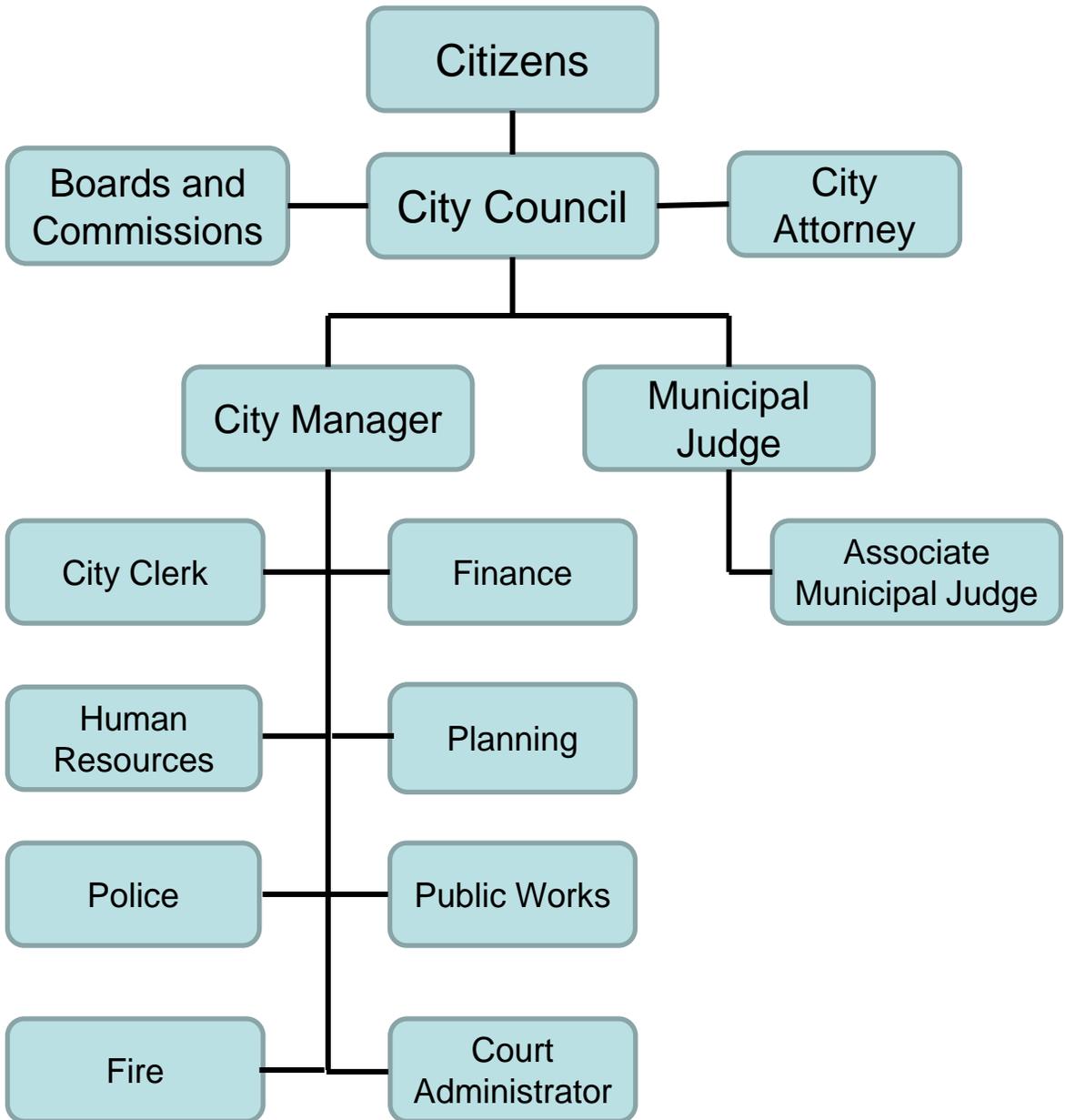
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF BEAUFORT, SOUTH CAROLINA
ORGANIZATIONAL CHART



**CITY OF BEAUFORT, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2011**

CITY COUNCIL

Billy Keyserling	Mayor
Donnie Ann Beer	Mayor, Pro Tem
Michael McFee	Councilman, At Large
George O'Kelley	Councilman, At Large
Michael Sutton	Councilman, At Large

ADMINISTRATION

Scott F. Dadson	City Manager
Kathy M. Todd, CPA	Finance Director
Ivette Burgess	City Clerk
Glenda Pinto	Accounting Clerk
Gerald Eller	Accounting Clerk

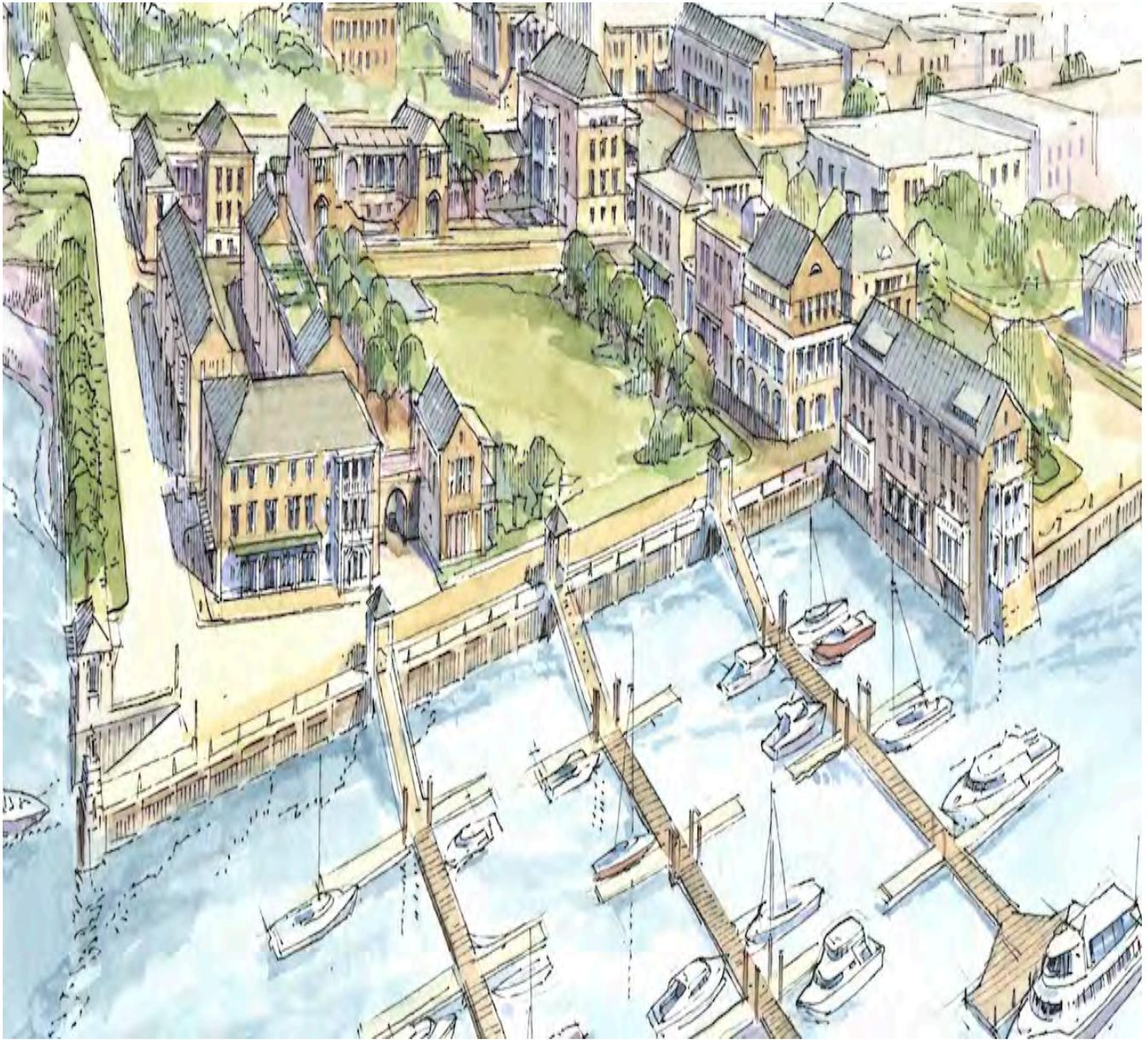


WATERFRONT PARK



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FINANCIAL



CIVIC MASTER PLAN – MARINA REDEVELOPMENT RENDERING



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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, 2011 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 City of Beaufort, South Carolina as of June 30, 2011, 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 also issued our report dated January 6, 2012, 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, listed in the table of contents, 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.

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

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beaufort, South Carolina's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, 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 financial statements. The supplementary data is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the 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 or provide any assurance on them.

McAbee, Talbert, Halliday & Co.

Spartanburg, South Carolina
January 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of the City of Beaufort, SC, we offer readers of the City of Beaufort's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. Management encourages readers to consider the information presented within this discussion and analysis in conjunction with additional information presented as part of this report. Readers are directed to the transmittal letter, financial statements, notes to the financial statements and statistical information to enhance their understanding of the City's financial performance.

The basic financial statements contain three components:

- 1) Government-wide financial statements including the Statement of Net Assets and the Statement of Activities which provide a broad, long-term overview of the City's finances.
- 2) Fund financial statements, including the balance sheets, that provide a greater level of detail of revenues and expenditures and focus on how well the City has performed in the short term in the most significant funds, and
- 3) Notes to the financial statements.

This report presents the financial highlights for the fiscal year ending June 30, 2011 and contains other supplementary information.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$36,127,175 (net assets). Of this amount \$6,172,876 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizen's and creditors.
- The government's total net assets increased by \$1,674,989 (which includes prior period adjustments of \$206,931). The increase is primarily attributed to \$541,368 increase in charges for services and approximately \$890,000 in property tax revenues in the governmental activities.
- The City's total cash position at June 30, 2011, was \$14,843,443 compared to \$17,374,309 at June 30, 2010, a decrease due to construction of the Municipal Center complex of \$2,530,866. Of the total cash at June 30, 2011, \$2,354,651 is restricted for specific purposes, a decrease of \$1,758,478 from the prior year.
- The City's Government-wide total accounts payables, accrued expenses and refundable deposits at June 30, 2011 were \$1,233,255 a decrease of \$171,143 from June 30, 2010.
- As of June 30, 2011, the City's long term indebtedness, including the liability for accrued vacation, had decreased \$1,566,598 from June 30, 2010. During the fiscal year the City expended \$900,702 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, Law enforcement, Fire and Emergency Services, Public Works, Culture and Recreation, Streets, Community and Economic Development and Interest on Long-Term Debt. Business-type activities in the City include solid waste and recycling collection services which was closed in the early part of the fiscal year.

The government-wide financial statements can be found on pages D-1 through D-3 listed in the table of contents of this report.

Fund Financial Statements:

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

The City has adopted Governmental Accounting Standard Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as part of its fiscal year 2011 reporting. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

Governmental funds - Governmental funds, presented on pages D-4 through 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.

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 through D-10.

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 proprietary fund. As a result of restructuring the City's funds the Solid Waste Fund was closed out to the General Fund during the initial months of fiscal year 2011.

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.

Notes to the Financial Statements - The notes provide additional information that are essential to a full understanding of the data provided in both government-wide and fund financial statements. Notes are presented beginning on page D-12.

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



PIGGLY WIGGLY REDEVELOPMENT RENDERING

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 \$36,127,176 at June 30, 2011.

The following table presents a summary of the City's Net Assets at June 30, 2011.

	City of Beaufort's Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 17,163,967	\$ 18,300,079	\$ -	\$ (74,681)	\$ 17,163,967	\$ 18,225,398
Capital assets	41,394,805	40,295,244	-	115,983	41,394,805	40,411,227
Total assets	<u>58,558,772</u>	<u>58,595,323</u>	<u>-</u>	<u>41,302</u>	<u>58,558,772</u>	<u>58,636,625</u>
Long-term liabilities	19,088,791	20,992,050	-	-	19,088,791	20,992,050
Other liabilities	3,342,806	3,179,749	-	12,640	3,342,806	3,192,389
Total liabilities	<u>22,431,597</u>	<u>24,171,799</u>	<u>-</u>	<u>12,640</u>	<u>22,431,597</u>	<u>24,184,439</u>
Net Assets:						
Invested in capital net of related debt	22,933,705	20,549,022	-	115,983	22,933,705	20,665,005
Restricted	7,020,594	177,855	-	-	7,020,594	177,855
Unrestricted	6,172,876	13,696,647	-	(87,321)	6,172,876	13,609,326
Total net assets	<u>\$ 36,127,175</u>	<u>\$ 34,423,524</u>	<u>\$ -</u>	<u>\$ 28,662</u>	<u>\$ 36,127,175</u>	<u>\$ 34,452,186</u>

The largest portion of the City's total net assets (63%) 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 (19%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (25%) of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

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

Within the City's Governmental-wide financial statements, restricted net assets increased \$6,842,740. The increase is primarily a result of a reclassification of the Tax Increment Financing (TIF) District I and II cash of \$4,375,056 that is restricted by State Law to be used for only activities within the TIF Districts and unspent bond proceeds of \$2,287,665 that are restricted by bond covenant. These accounts were presented within Unrestricted Net Assets during fiscal year 2010.

Net assets presented in the Governmental-wide financial statements increased by a net \$1,468,059 during the current fiscal year. The change in each individual fund presented in a Government-wide basis is as follows:

INDIVIDUAL FUNDS PRESENTED ON A GOVERNMENT-WIDE BASIS		
General Fund	\$ 197,205	
Tax Increments Financing District II	1,663,257	
Capital Projects	(358,864)	
Redevelopment Commission	(10,980)	
State Accomodations	3,535	
Drug Control and Prevention	(2,172)	
Tax Increment Financing District I	93,477	
Cemeteries	(1,280)	\$ 1,584,178
Business Type Activities		(116,120)
Change in Net Assets		<u>\$ 1,468,058</u>



GOVERNMENTAL ACTIVITIES

Governmental activities increased the City of Beaufort's net assets by \$1,584,179 accounting for 108 percent of the total growth in the net assets of the City.

City of Beaufort's Change in Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 8,851,486	\$ 7,871,925	\$ -	\$ 406,530	\$ 8,851,486	\$ 8,278,455
Operating grants and contributions	151,714	19,375	-	-	151,714	19,375
Capital grants and contributions	99,507	113,461	-	-	99,507	113,461
General revenues:						
Property taxes	7,021,915	6,756,173	-	-	7,021,915	6,756,173
Other taxes	2,204,266	1,546,615	-	-	2,204,266	1,546,615
Grants and contributions not restricted to specific purposes	350,621	356,371	-	-	350,621	356,371
Other	256,779	119,815	-	134	256,779	119,949
Total revenues	18,936,288	16,783,735	-	406,664	18,936,288	17,190,399
Expenses:						
General government	4,290,473	4,148,649	-	-	4,290,473	4,148,649
Law enforcement	3,991,398	3,659,126	-	-	3,991,398	3,659,126
Fire and emergency services	2,658,583	2,219,564	-	-	2,658,583	2,219,564
Public works	2,811,036	949,720	-	-	2,811,036	949,720
Culture and recreation	872,735	705,028	-	-	872,735	705,028
Streets	1,128,070	842,474	-	-	1,128,070	842,474
Community and economic development	815,096	443,722	-	-	815,096	443,722
Interest on long-term debt	900,702	945,058	-	-	900,702	945,058
Solid waste and recycling	-	-	137	468,760	137	468,760
Total expenses	17,468,093	13,913,341	137	468,760	17,468,230	14,382,101
Excess before transfers	1,468,195	2,870,394	(137)	(62,096)	1,468,058	2,808,298
Transfers	115,983	-	(115,983)	-	-	-
Change in net assets	1,584,178	2,870,394	(116,120)	(62,096)	1,468,058	2,808,298
Net assets, beginning	34,423,524	31,553,130	28,662	90,758	34,452,186	31,643,888
Prior period adjustment	119,473	-	87,458	-	206,931	-
Net assets, beginning, restated	34,542,997	31,553,130	116,120	90,758	34,659,117	31,643,888
Net assets, ending	\$ 36,127,175	\$ 34,423,524	\$ -	\$ 28,662	\$ 36,127,175	\$ 34,452,186

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

- Property taxes increased \$265,743 due primarily to redevelopment initiative within the TIF Districts that are being realized.
- Other taxes that include hospitality, local accommodation and state accommodation taxes increased \$657,651, or 43% over the prior year. \$470,230 of the increase is related to the reclassification of local accommodation taxes from charges for services where they were classified in the prior year. The remaining increase is attributable to a full year realization from the two new hotels that were placed in operation during the prior year.
- Charges for services increased \$979,561 or 12% above FY 2010. The City moved its Solid Waste services function from a business-type activity into the governmental activities, thereby increasing

governmental activities charges for services by \$771,344. In addition, Stormwater Utility fees increased by \$163,720 primarily as a result of annexations and growth in the tax digest.

- Operating Grants increased by \$132,339 due to additional federal and state grant activity for the police department and the parks department.

Significant changes in expenses within governmental activities are as follows:

- General Government increased by \$141,824 due primarily to increased legal fees on unresolved contractual litigation and consulting fees for professional services.
- Law Enforcement increased by \$332,272 and Fire & Emergency services increased by \$439,019. During fiscal year 2010 the City conducted a salary study and the results of the study were implemented in the public safety divisions. Salary and related benefits were the driving force behind the increases.
- Several factors affected the Public Works function during the year that resulted in an overall increase in expenses of \$1,861,316. The biggest factor was the Solid Waste department that was reported as a Business Type activity during fiscal year 2010 that was moved from a proprietary fund and into the governmental activities. This contributed \$797,592 or 43% of the total increase. In addition, the new City Hall was occupied during fiscal year 2011 that added additional maintenance costs for the facilities of approximately \$332,000. Lastly, the City reorganized personnel and enhanced the Stormwater department to conduct storm water projects internally. This contributed to increased personnel and personnel related costs approximating \$230,000 and enhanced its street sweeping contract to minimize storm drainage backup totaling approximately \$130,000.
- Community and Economic Development increased \$371,374. The largest component of that increase related to the operational costs of the Parking Services contract, totaling \$189,250 and the enhancement to the City's Codes Enforcement department of \$98,000.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds:

Governmental funds provide information on near-term inflows, outflows, and balances of available resources. The governmental funds include the General Fund, Redevelopment Commission Fund, Accommodation Tax Fund, Tax Increment Financing District I Fund (TIF I), Tax Increment Financing District II Fund (TIF II), Capital Projects Fund, Drug Control and Prevention Fund and Cemeteries Fund. The General Fund, TIF II Fund and Capital Projects Fund are reported as the City's major funds. The remaining governmental funds of the City are aggregated and presented as Other Governmental Funds. As of June 30, 2011, the City governmental funds reported combined fund balances of \$15,556,803 a decrease of \$1,077,346 from the prior year's balances.

The decrease of \$1,370,326 in the General Fund accounted for the largest component in the overall decrease in the City's Governmental Funds. The decrease in the General Fund is attributed to the prior year reservations for capital projects being utilized in the current year and transferred to the Capital Projects fund for Street projects and construction costs to complete the Municipal Center complex. Other Governmental Funds declined a net \$251,188 from the prior year reflecting \$222,687 in revitalization and redevelopment expenditures in the TIF I district.

45% (\$7,049,966) of the total Governmental Fund balance at June 30, 2011, is nonspendable or restricted in its use. \$7,013,348 of that amount is restricted by external parties through bond covenant (such as unspent bond proceeds) or state law governing the use of Tax Increment Financing District revenues. In addition 12% of the total Governmental Fund Balances is committed for a variety of purposes that are internally constrained by formal action of the City Council, such as for subsequent land acquisitions, replacement of rolling stock, redevelopment initiatives, contractual obligations, and law enforcement purposes. Assigned fund balance represents amounts that are constrained by the City's intent to be used for specific purposes. The total amount of Governmental Fund Balance assigned totals \$1,920,101 or 12%. This amount represents additional capital project initiatives and to eliminate a projected budgetary deficit in the subsequent year's budget. The remainder of the total Governmental Fund Balance of \$4,305,594 is unrestricted and unassigned and therefore available for spending at the City's discretion.

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

General Fund

At June 30, 2011 the General Fund had a fund balance of \$8,898,559 representing 57% of the total Governmental ending fund balance. Of the General Fund's June 30, 2011, fund balance 95% is *unrestricted* and of that amount 51% is *unrestricted and unassigned*. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted/unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance represents 27% of the General Fund's expenditures, while total fund balance represents 57% of that same amount.

General fund revenues increased \$1,555,902 or 11.02% from the prior year. Though there were slight decreases in property taxes (\$84,156) and Fines and forfeitures (\$97,242) all other revenue sources experienced increases. The increases are primarily attributed to the following:

- The most significant increase totaling \$924,752 was seen in charges for services. Of that amount the inclusion of solid waste charges to customers that were previously reported in the Solid Waste Proprietary Fund represented \$771,344 of this increase. In addition, there was a \$163,720 increase in Stormwater Utility fees as previously discussed.
- Franchise fees increased \$215,242 under the electric and gas franchise agreement with South Carolina Electric and Gas which is based on gross sales of the electric company.
- Intergovernmental revenues increased \$292,357. \$165,347 of that increase is due to shared services between the City and the Towns of Port Royal, Hilton, Head and Bluffton. In addition, the City was awarded additional grants for law enforcement purposes and capital improvements that were expended during the current year.
- Licenses and permits increased \$100,367 due to increase collections on business licenses resulting from a more aggressive effort at ensuring that all businesses that operate within the City adhere to the business license ordinance.
- Lastly, miscellaneous revenues increased \$129,537 due primarily to insurance reimbursements of property claims and proceeds from an auction held on retired capital assets.

The General Fund expenditures increased \$2,142,558 or 15.75% over fiscal year ended June 30, 2010. Significant increases were a result of the following:

- General government increased \$654,094. This increase is a result of:
 - \$139,827 that is related to the Burton Fire District agreement whereby the City reimburses the Fire District for fire and emergency services to properties annexed into the City.

- \$135,409 increase in janitorial services due to the City occupying the New City Hall during the year.
- \$125,209 increase in legal fees associated with several litigation issues that are unresolved.
- \$114,452 increase in information technology due to annual computer replacements and other technology related costs associated with the new city hall.
- Public Safety that includes both law enforcement and fire and emergency services increased \$981,356. This increase is related to implementation of salary equalization from the results of a salary study, the reinstatement of the position of Deputy Chief of Police, and the acquisitions of planned capital purchases such as police cars and two new quick response vehicles and a pumper truck. Capital acquisitions totaled \$920,600 or \$843,089 more than fiscal year 2010.
- Public services which include public works, streets, culture and recreation and community and economic development increased a net of \$501,358. The largest increase was related to the inclusion of solid waste in the general fund of \$797,592 that was reported in FY 2010 as a proprietary fund. In addition, there was a \$411,637 increase in stormwater management as the City initiated preventative maintenance on sewer and drainage infrastructure to minimize flooding through increased street sweeping and minor repairs and maintenance.

Tax Increment Financing District II Fund (TIF II)

Total revenues in this fund amounted to \$2,024,706 consisting of property tax on the incremental value of property located within the district (\$2,019,387) and interest (\$5,319). The City realized a \$488,151 increase in the property taxes within the district, resulting from the redevelopment initiatives. There was also an increase in capital redevelopment projects expenditures over the prior year totaling \$338,072. Lastly, the City is in the process of developing a Civic Master Plan which will help the City implement its 2009 Comprehensive Plan that will have a significant impact on Tax Increment Financing Districts. As a result, the TIF II fund expenditures increased \$184,214 towards meeting those objectives.

Capital Projects Fund

The Capital Project Fund expended \$2,112,137, or \$1,795,255 less than the fiscal year 2010. This decrease is a result of the completion of construction on the Municipal Complex, with the new city hall being placed in service. Other significant capital project activity during fiscal year 2011 included:

- Street projects in and around the Municipal Complex totaling \$855,859 that were funded by TIF II property taxes.
- Mast Arm Traffic Signal project totaling \$66,460 funded by TIF I property taxes.
- \$53,805 for the beginning engineering costs for the Boundary Street and Duke Street projects funded through federal grants and general fund.
- \$115,983 of net capital assets were transferred from the Business-type activities to the Governmental activities due to the closure of the Solid Waste fund and the recycling program operating within the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: The Statement of Net Assets presents capital assets in two groups: those assets subject to depreciation, such as equipment or operational facilities and those assets not subject to depreciation such as land and construction-in-progress. At June 30, 2011, the City's net capital assets for governmental activities

totaled \$41,394,805, a net increase of \$1,099,561 from fiscal year 2010. Capital assets include assets purchased and donated, land, buildings, system improvements and machinery and equipment.

Major capital asset addition during the year included the following:

- Completion of construction of the Municipal Complex (\$722,486).
- Street improvements (\$855,859)
- Additional Police patrol cars (\$248,063)
- Two Quick Response Vehicles and One Pumper Truck for the Fire Department (\$672,537)

Additional information on the City's capital assets can be found in Note 3.A to the Financial Statements beginning on page D-20.

Long-term debt: The long-term liabilities, including compensated absences, at June 30, 2011 totaled \$20,964,340. The entire amount is attributed to governmental activities.

The City's total indebtedness decreased a net \$1,566,598 from the previous year. The City did not issue any new debt during the year.

The City maintains an AA- rating from Standard & Poor's and an Aa2 rating from Moody's Investors Services for general obligation debt.

South Carolina Statutes prohibit a municipality from issuing general obligation debt which in the aggregate principal amount exceeds 8% of the assessed value of taxable property in the municipality. However, general obligation debt approved by voter referendum is not charged against the 8% limit. The City's general obligation debt was approved by referendum and therefore exempt from the 8% debt limit. The current debt limitation for the City is \$7,297,861.

Additional information on the City's debt can be found in Note 3.C. in the notes to financial statements on page D-21.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule of the General Fund is provided as Required Supplementary Information beginning on page E-1. Additional budgetary comparison schedules of the special revenue funds can be found within other supplementary information beginning on page F-1. Budget columns are provided for both the original budget adopted for fiscal year 2011 as well as the final budget. A column for actual resources (revenues), appropriations (expenditures), and a column for any variances between final budget and actual are also provided. Resources and appropriations are discussed excluding transfers in or out.

During the year there was a net increase of \$1,078,210 in the General Fund revenues between the original and final amended budget to adjust for increases in business license revenues, state shared revenues and the award of federal and state grants that were not originally planned for.

The total actual revenues for the General Fund \$15,680,008 exceeded final budgeted revenues of \$15,418,655 by \$261,356 as discussed previously on the increased general fund revenues.

The total actual expenditures of the General Fund were \$15,745,162. This amount was \$159,161 less than the final budgeted amount. The City amended its original budget by a net \$3,194,454 for a final appropriated general fund budget of \$17,582,053. Of the net increase to the original budget, \$1,652,730 represents the use of prior year reserves for capital projects that were utilized during the completion of the Municipal Complex. Additional one-time amendments were approved to complete other City initiatives that were funded by increased revenue.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET

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

The City adopted a general fund budget for fiscal year ended June 30, 2012 in the amount of \$15,377,122.

REQUESTS FOR INFORMATION

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



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BASIC FINANCIAL STATEMENTS



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CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments.....	\$ 12,488,792	\$ -	\$ 12,488,792
Receivables.....	2,186,375	-	2,186,375
Inventories.....	29,371	-	29,371
Deferred charges.....	104,778	-	104,778
Restricted assets			
Cash and investments.....	2,354,651	-	2,354,651
Capital assets:			
Land, improvements, and construction in progress	4,419,464	-	4,419,464
Other capital assets, net of depreciation.....	36,975,341	-	36,975,341
Total assets	<u>58,558,772</u>	<u>-</u>	<u>58,558,772</u>
LIABILITIES			
Accounts payable.....	861,478	-	861,478
Accrued liabilities.....	285,555	-	285,555
Accrued interest.....	234,002	-	234,002
Deposits and escrow.....	86,222	-	86,222
Long-term liabilities:			
Due within one year.....	1,875,549	-	1,875,549
Due in more than one year.....	19,088,791	-	19,088,791
Total liabilities	<u>22,431,597</u>	<u>-</u>	<u>22,431,597</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	22,933,705	-	22,933,705
Restricted for:			
Perpetual care			
Nonexpendable.....	7,246	-	7,246
Capital projects.....	2,029,593	-	2,029,593
Redevelopment.....	4,367,710	-	4,367,710
Other purposes.....	616,045	-	616,045
Unrestricted.....	6,172,876	-	6,172,876
Total net assets	<u>\$ 36,127,175</u>	<u>\$ -</u>	<u>\$ 36,127,175</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government.....	\$ 4,290,473	\$ 5,794,265	\$ -	\$ -
Law enforcement.....	3,991,398	397,476	151,714	-
Fire and emergency services.....	2,658,583	719,101	-	-
Public works.....	2,811,036	1,326,839	-	-
Culture and recreation.....	872,735	227,226	-	-
Streets.....	1,128,070	-	-	99,507
Community and economic development....	815,096	386,579	-	-
Interest on long-term debt.....	900,702	-	-	-
Total governmental activities	<u>17,468,093</u>	<u>8,851,486</u>	<u>151,714</u>	<u>99,507</u>
Business-type activities:				
Solid Waste Fund.....	137	-	-	-
Total business-type activities	<u>137</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 17,468,230</u></u>	<u><u>\$ 8,851,486</u></u>	<u><u>\$ 151,714</u></u>	<u><u>\$ 99,507</u></u>

General revenues:

Taxes:

Property taxes, levied for general purposes.....
Property taxes, levied for specific purposes.....
Other taxes.....
Grants and contributions - unrestricted
Unrestricted investment earnings.....
Miscellaneous.....
Transfers.....
Total general revenues
Change in net assets.....
Net assets - beginning, restated.....
Net assets - ending.....

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business- Type Activities	Total
\$ 1,503,792		\$ 1,503,792
(3,442,208)		(3,442,208)
(1,939,482)		(1,939,482)
(1,484,197)		(1,484,197)
(645,509)		(645,509)
(1,028,563)		(1,028,563)
(428,517)		(428,517)
(900,702)		(900,702)
<u>(8,365,386)</u>		<u>(8,365,386)</u>
-	\$ (137)	(137)
-	(137)	(137)
<u>(8,365,386)</u>	<u>(137)</u>	<u>(8,365,523)</u>
4,238,134	-	4,238,134
2,783,781	-	2,783,781
2,204,266	-	2,204,266
350,621	-	350,621
59,760	-	59,760
197,019	-	197,019
115,983	(115,983)	-
<u>9,949,564</u>	<u>(115,983)</u>	<u>9,833,581</u>
1,584,178	(116,120)	1,468,058
34,542,997	116,120	34,659,117
<u>\$ 36,127,175</u>	<u>\$ -</u>	<u>\$ 36,127,175</u>

CITY OF BEAUFORT, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Tax Increment Financing District II Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents.....	\$ 7,862,159	\$ 3,122,621	\$ 93,318	\$ 1,410,694	\$ 12,488,792
Taxes receivable.....	214,480	122,178	-	11,948	348,606
Other receivables.....	1,723,739	-	-	114,030	1,837,769
Inventory.....	29,371	-	-	-	29,371
Restricted cash and cash equivalents.....	-	-	2,287,665	66,986	2,354,651
Total assets	<u>\$ 9,829,749</u>	<u>\$ 3,244,799</u>	<u>\$ 2,380,983</u>	<u>\$ 1,603,658</u>	<u>\$ 17,059,189</u>
Liabilities and fund balances					
Liabilities					
Accounts payable.....	\$ 441,752	\$ 5,145	\$ 351,390	\$ 63,191	\$ 861,478
Accrued liabilities.....	285,555	-	-	-	285,555
Deposits and escrow.....	71,034	-	-	15,188	86,222
Deferred revenue.....	132,849	122,293	-	13,989	269,131
Total liabilities	<u>931,190</u>	<u>127,438</u>	<u>351,390</u>	<u>92,368</u>	<u>1,502,386</u>
Fund balances:					
Nonspendable.....	29,371	-	-	7,246	36,617
Restricted.....	401,702	3,117,361	2,029,593	1,464,692	7,013,348
Unrestricted					
Committed for:					
Land acquisition.....	1,283,577	-	-	-	1,283,577
Vehicle and equipment replacement.....	279,656	-	-	-	279,656
Redevelopment.....	184,705	-	-	23,387	208,092
Capital Projects.....	493,852	-	-	-	493,852
Law enforcement.....	-	-	-	15,965	15,965
Assigned for:					
Subsequent year's budget.....	720,001	-	-	-	720,001
Capital Projects.....	1,200,100	-	-	-	1,200,100
Unassigned.....	4,305,595	-	-	-	4,305,595
Total fund balances	<u>8,898,559</u>	<u>3,117,361</u>	<u>2,029,593</u>	<u>1,511,290</u>	<u>15,556,803</u>
Total liabilities and fund balances	<u>\$ 9,829,749</u>	<u>\$ 3,244,799</u>	<u>\$ 2,380,983</u>	<u>\$ 1,603,658</u>	<u>\$ 17,059,189</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011**

Total Governmental Fund Balances.....		\$ 15,556,803
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds (net of accumulated depreciation of \$12,400,115).....		41,394,805
Governmental funds report the effect of bond issue costs when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.....		104,778
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds.....		269,131
Long-term and related liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		
Interest payable.....	\$ (234,002)	
Due within one year.....	(1,875,549)	
Due in more than one year.....	(19,088,791)	(21,198,342)
Net Assets of Governmental Activities		\$ 36,127,175

CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General	Tax Increment Financing District II Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes.....	\$ 4,244,462	\$ 2,019,387	\$ -	\$ 764,394	\$ 7,028,243
Other taxes.....	1,929,468	-	-	274,798	2,204,266
Licenses, permits and fees.....	3,757,187	-	-	-	3,757,187
Franchise fees.....	1,920,867	-	-	-	1,920,867
Intergovernmental.....	1,388,943	-	5,000	-	1,393,943
Charges for services.....	1,952,709	-	-	178,270	2,130,979
Fines and forfeitures.....	249,339	-	-	1,013	250,352
Investment income.....	50,364	5,319	1,541	2,536	59,760
Miscellaneous.....	186,669	-	-	10,350	197,019
Total revenues	15,680,008	2,024,706	6,541	1,231,361	18,942,616
Expenditures:					
Current:					
General government.....	2,987,524	-	365,405	271,439	3,624,368
Law enforcement.....	4,146,028	-	-	13,662	4,159,690
Fire and emergency.....	3,205,094	-	-	-	3,205,094
Public works.....	1,843,288	212,942	-	644,538	2,700,768
Culture and recreation.....	598,139	-	-	1,299	599,438
Streets.....	728,460	-	-	-	728,460
Community and economic development..	609,587	-	-	189,250	798,837
Capital Outlay.....	-	-	1,746,732	-	1,746,732
Debt Service:					
Principal.....	888,339	418,051	-	234,382	1,540,772
Interest and other charges.....	738,703	148,507	-	28,593	915,803
Total expenditures	15,745,162	779,500	2,112,137	1,383,163	20,019,962
Excess (deficiency) of revenues over (under) expenditures	(65,154)	1,245,206	(2,105,596)	(151,802)	(1,077,346)
Other financing sources (uses):					
Transfers in.....	372,558	-	2,406,335	25,000	2,803,893
Transfers out.....	(1,677,730)	(1,001,777)	-	(124,386)	(2,803,893)
Total other financing sources (uses)	(1,305,172)	(1,001,777)	2,406,335	(99,386)	-
Net Changes in fund balances.....	(1,370,326)	243,429	300,739	(251,188)	(1,077,346)
Fund balances, beginning of year, restated....	10,268,885	2,873,932	1,728,854	1,762,478	16,634,149
Fund balances at end of year	\$ 8,898,559	\$ 3,117,361	\$ 2,029,593	\$ 1,511,290	\$ 15,556,803

**CITY OF BEAUFORT, SOUTH CAROLINA
RECONCILIATION OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net change in Fund Balances - Total Governmental Funds		\$ (1,077,346)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlays.....	\$ 2,756,894	
Depreciation expense.....	<u>(1,699,657)</u>	1,057,237
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets.....		42,324
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt repayment.....	1,540,772	
Amortiation of deferred charges.....	(13,407)	
Interest expense.....	<u>15,101</u>	1,542,466
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....		(6,328)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences.....		25,825
Change in Net Assets of Governmental Activities		<u>\$ 1,584,178</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF FUND NET ASSET
PROPRIETARY FUND
JUNE 30, 2011**

	Solid Waste Fund
ASSETS	
Current assets:	
Cash and cash equivalents.....	\$ -
Accounts receivable - net.....	-
Total current assets	-
Capital assets:	
Land, improvements, and construction in progress.....	-
Other capital assets, net of depreciation.....	-
Total capital assets	-
Total assets	-
LIABILITIES	
Current liabilities:	
Accounts payable.....	-
Total current liabilities	-
Total liabilities	-
NET ASSETS	
Invested in capital assets, net of related debt.....	-
Unrestricted.....	-
Total net assets	\$ -

CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSET
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Solid Waste Fund
Operating revenues	
Charges for services.....	\$ -
Total operating revenues	-
Operating expenses	
Other supplies and expenses.....	137
Total operating expenses	137
Income before transfers	(137)
Transfers out.....	(115,983)
Change in net assets	(116,120)
Net assets, beginning of year, restated.....	116,120
Net assets, end of year	\$ -

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Solid Waste Fund
Cash flows from operating activities:	
Cash received from customers.....	\$ -
Cash payments to suppliers for goods and services.....	(12,637)
Net cash provided (used) by operating activities	(12,637)
Cash flows from noncapital financing activities:	
Cash borrowed from other funds.....	12,637
Net cash provided (used) by noncapital financing activities	12,637
Net increase (decrease) in cash and cash equivalents	\$ -
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -
Operating income (loss)	\$ (137)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation.....	\$ -
Change in assets and liabilities:	
Decrease (increase) in accounts receivables.....	140
(Decrease) Increase in accounts payable and accrued liabilities	(12,640)
Total adjustments	(12,500)
Net cash provided (used) by operating activities	\$ (12,637)

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
JUNE 30, 2011**

Assets	
Cash and cash equivalents.....	\$ 94,700
Total assets	<u>\$ 94,700</u>
Liabilities	
Due to others.....	\$ 94,700
Total liabilities	<u>\$ 94,700</u>



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CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with U.S. generally accepted accounting principles (GAAP). U.S. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide 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 standalone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

The City's financial reporting entity comprises the following:

Primary Government: City of Beaufort

The City has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. All funds, organizations, institutions, agencies, departments, and officers that are not legally separate of the primary government, for financial reporting purposes, are part of the primary government and are included in the financial statements of the City.

1. Blended Component Units

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

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

2. Discretely Presented Component Units

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

B. Government-wide and Fund Financial Statements

Financial information of the City is presented as follows:

- *Government-wide financial statements* consist of a statement of net assets and a statement of activities.
- *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.

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

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 only

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 *Tax Increment Financing District II Fund (TIF II)*, a special revenue fund, is used to account for property tax proceeds generated in the TIF II district. These funds are restricted for expenditures and capital improvement projects that benefit the TIF district.
- The *Capital Projects Fund* accounts for the activity related to capital project of the City.

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. The Solid Waste Fund was closed during fiscal year 2011 and all activity was reported as a department of the General Fund.

Additionally, the City reports the following fund types:

Governmental Funds:

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

Fiduciary Fund:

- *Fiduciary Funds (Agency)* are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. Therefore, the fiduciary financial statements are excluded from the government-wide financial statements. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has two agency funds. The Firefighters fund accounts for the receipt of a 1% charge on fire insurance companies writing policies within the City limits for the welfare, training and recreational activities of firefighters. The Tricentennial fund accounts for donations from citizens toward activities commemorating the City's 300th anniversary and a monument.

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

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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. The Solid Waste fund was closed in FY 2011 and all activity was reported within the General Fund.

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. Investments are reported at fair value.

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's policy is to require banks with which the City maintains deposits to collateralize funds in excess of FDIC coverage.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The City has no investment policy that would further limit its investment choices from those authorized by state statute as described above.

Concentration of credit risk is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer.

2. Receivables and Payables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants and other similar intergovernmental revenues and local

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

hospitality taxes since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual. Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Accounts receivable comprise the majority of proprietary fund receivables.

No allowance for doubtful accounts has been recorded for accounts receivable because the City expects all current receivables to be collected. The current taxes receivable is reported net of estimated uncollectible taxes and property tax appeals.

Property taxes are levied each fall on the assessed valuation of property located in the City as of the preceding January 1. The books are open to collection on September 1. The first penalty, calculated at 15 percent, is applicable to payments made after the original January 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 45.0 mills and the City's debt service tax rate is currently 15.62 mills for a total of 60.62 mills. The County of Beaufort bills and collects the City's property taxes.

During fiscal year 2009 the City entered into long-term agreements with eligible homeowners whereby the City received funds through the Community Redevelopment & Revitalization Program to make improvement to properties within the Northwest Quadrant of the City that were identified as very low and lower income households. The terms of the agreements covered a period of 10 to 15 years and totaled \$1,135,664. The loans are amortized over the life of the loan period as forgivable loans provided that the homeowner adheres to the restrictive covenants. As the collectability of the loans is remote, the City does not report the current balance within the basic financial statements. However, the unamortized balance of the forgivable loans at June 30, 2011 are \$877,496.

3. Inventories

Inventories, which consist of fuel for vehicles and equipment, are valued using a weighted average method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

Capital assets are assets, which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. 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

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

July 1, 1980, are reported at estimated historical cost using deflated replacement cost. The City maintains a capitalization threshold of five thousand dollars (\$5,000). Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

5. Compensated Absences

The City accrues accumulated vacation and sick leave and associated employee-related costs for employees by a prescribed formula based on length of service. Vacation pay, which may be accumulated up to 360 hours, is payable upon separation of employment based on their hourly rate of pay earned at the time of termination or retirement.

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.

6. 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.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. As of June 30, 2011, there are no amounts for arbitrage rebates.

7. Equity Classifications

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

- *Invested in capital assets, net of related debt* consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- *Restricted net assets* consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

- *Nonspendable* includes amounts that cannot be spent because they are not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.
- *Restricted* represents constraints placed on the use of these resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or imposed by law (through constitutional provisions or enabling legislation).
- *Committed* represents amounts that can only be used for specific purposes as determined through formal action (resolution or ordinance) of the City Council, the City’s highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless City Council removes the constraints by taking the same action. Committed fund balances include non-liquidated encumbrances for capital projects at year-end that are carried forward to the next fiscal year. Committed fund balance differ from restricted fund balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned* represents amounts that are constrained by the City’s intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. Intent is expressed by the City Manager, the appointed official to which the Council has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all amounts that are reported in the governmental funds

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

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

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

8. Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

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

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

Special revenue funds – Redevelopment Commission Fund, Accommodations Tax Fund, Tax Increment Financing District I Fund (TIF I).

All annual appropriations lapse at fiscal year-end.

For the year ended June 30, 2011, expenditures exceeded appropriations in the Accommodations Tax Special Revenue Fund by \$39,069 and the Tax Increment Financing District I Special Revenue fund by \$222,687. These over expenditures were funded by available fund balance.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 – DETAILED NOTES ON FUNDS AND ACTIVITIES

A. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance June 30, 2010	Additions	Deletions	Transfers	Ending Balance June 30, 2011
Non-depreciable assets:					
Land	\$ 5,117,477	\$ -	\$ -	\$ (882,296)	\$ 4,235,181
Construction in progress	8,880,549	1,745,702	-	(10,441,968)	184,283
	<u>13,998,026</u>	<u>1,745,702</u>	<u>-</u>	<u>(11,324,264)</u>	<u>4,419,464</u>
Depreciable assets:					
Infrastructure	17,328,012	-	-	862,809	18,190,821
Buildings and improvements	13,468,224	-	-	10,033,442	23,501,666
Machinery, Furniture and equipment	6,769,246	1,011,192	(1,195,974)	1,098,505	7,682,969
	<u>37,565,482</u>	<u>1,011,192</u>	<u>(1,195,974)</u>	<u>11,994,756</u>	<u>49,375,456</u>
Subtotal assets	<u>51,563,508</u>	<u>2,756,894</u>	<u>(1,195,974)</u>	<u>670,492</u> ⁽¹⁾	<u>53,794,920</u>
Accumulated depreciation:					
Infrastructure	(3,567,602)	(586,188)	-	-	(4,153,790)
Buildings and improvements	(2,224,897)	(683,412)	-	-	(2,908,309)
Machinery, Furniture and equipment	(5,475,765)	(430,057)	1,122,315	(554,509)	(5,338,016)
	<u>(11,268,264)</u>	<u>(1,699,657)</u>	<u>1,122,315</u>	<u>(554,509)</u> ⁽¹⁾	<u>(12,400,115)</u>
Total Governmental Activities	<u>\$ 40,295,244</u>	<u>\$ 1,057,237</u>	<u>\$ (73,659)</u>	<u>\$ 115,983</u>	<u>\$ 41,394,805</u>

⁽¹⁾ Assets from the Solid Waste Enterprise fund were transferred to the Governmental Activities following the closure of the fund. Net book value of the assets transferred totaled \$115,983.

Depreciation expense was charged to governmental activities as follows:

Function	
General Government	\$ 584,503
Law Enforcement	94,749
Fire and Emergency	127,026
Culture and Recreation	337,885
Public Works	139,625
Streets	399,610
Community and Economic Development	16,259
	<u>\$ 1,699,657</u>

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

B. Interfund Transactions and Balances

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

	<u>Transfers In</u>	<u>Transfers out</u>
Major governmental:		
General	\$ 372,558	\$ 1,677,730
TIF II	-	1,001,777
Capital Project	2,406,335	-
Nonmajor governmental	25,000	124,386
Major enterprise:		
Solid Waste	-	115,983
Total Transfers	<u>\$ 2,803,893</u>	<u>\$ 2,919,876</u>

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. The General Fund transferred funds that were reserved in prior years for capital projects to the Capital Projects Fund as those projects were completed during the current fiscal year. In addition, TIF II transferred resources to the Capital Projects Fund to fund those projects benefitting the TIF II district. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group.

C. Long-term Debt

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

	<u>Beginning</u>			<u>Ending Balance</u>	<u>Due with One</u>
	<u>Balance June 30,</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>	<u>Year</u>
Tax increment bond	\$ 3,822,817	\$ -	\$ (652,434)	\$ 3,170,383	\$ 679,558
General obligation bonds	14,450,000	-	(575,000)	13,875,000	595,000
Lease finance agreement	3,758,649	-	(313,339)	3,445,310	325,809
Compensated absences	499,472	240,650	(266,475)	473,647	275,182
	<u>\$ 22,530,938</u>	<u>\$ 240,650</u>	<u>\$ (1,807,248)</u>	<u>\$ 20,964,340</u>	<u>\$ 1,875,549</u>

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

Tax Increment Bonds

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

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Tax increment bonds payable at June 30, 2011 were comprised of the following issues:

<p>\$1,100,000 Tax Increment Financing Bonds, Series 1997, dated January 29, 1997. Annual maturities of \$60,610 to \$87,591 and an annual interest rate of 5.33% maturing in 2012. Bonds were issued to finance the streetscape improvement construction costs within the Downtown Redevelopment Project Area.</p>	\$ 87,591
<p>\$1,400,000 Tax Increment Financing Bonds, Series 2000, dated February 14, 2000. Annual maturities of \$84,551 to \$155,252 and an annual interest rate of 5.68% maturing in 2012. Bonds were issued to finance the streetspace improvement construction costs within the Downtown Redevelopment Project Area.</p>	155,252
<p>\$4,000,000 Tax Increment Financing Bonds, Series 2002, dated June 25, 2002. Annual maturities of \$189,236 to \$339,681 and an annual interest rate of 4.83% maturing in 2017. Bonds were issued to finance the Municipal Complex construction costs.</p>	1,817,259
<p>\$2,000,000 Tax Increment Financing Bonds, Series 2004, dated December 22, 2004. Annual maturities of \$134,947 to \$202,532 and an annual interest rate of 3.76% maturing in 2017. Bonds were issued to finance the Municipal Complex construction costs.</p>	1,110,281
	\$ 3,170,383

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

Year Ended	Principal	Interest	Total
June 30,			
2012	\$ 679,558	\$ 143,007	\$ 822,565
2013	456,006	110,229	566,235
2014	476,162	90,073	566,235
2015	497,221	69,015	566,236
2016	519,223	47,012	566,235
2017	542,213	24,022	566,235
	\$ 3,170,383	\$ 483,358	\$ 3,653,741

General Obligation Bonds

On June 11, 2008, the City issued \$15 million of general obligation bonds at interest rates ranging from 3.5% to 5.0% maturing on February 1, 2028. Semi-annual interest payments are due on February 1 and August 1. The proceeds of these bonds are restricted for the construction of the Municipal Complex and addition to the Central Fire Station. In April 2009, the City deferred expending proceeds from these bonds for any additional renovation to the Central Fire Station pending a further needs assessment. The balance at June 30, 2011 was \$13,875,000.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

Year Ended June 30,	Principal	Interest	Total
2012	\$ 595,000	\$ 568,915	\$ 1,163,915
2013	615,000	548,090	1,163,090
2014	635,000	526,565	1,161,565
2015	660,000	481,240	1,141,240
2016	680,000	454,040	1,134,040
2017 - 2021	3,825,000	1,911,450	5,736,450
2022 - 2026	4,680,000	1,135,644	5,815,644
2027 - 2028	2,185,000	143,235	2,328,235
	<u>\$ 13,875,000</u>	<u>\$ 5,769,179</u>	<u>\$ 19,644,179</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. 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.

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

Year Ended June 30,	Principal	Interest	Total
2012	\$ 325,809	\$ 137,193	\$ 463,002
2013	338,776	124,226	463,002
2014	352,261	110,741	463,002
2015	366,285	96,717	463,002
2016	380,868	82,134	463,002
2017 - 2020	1,681,311	170,698	1,852,009
	<u>\$ 3,445,310</u>	<u>\$ 721,709</u>	<u>\$ 4,167,019</u>

Extinguished Debt

In prior years, the City defeased certain water and sewer bonds by placing the sufficient resources in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the City's financial statements. On June 30, 2011, \$1,433,000 bonds outstanding are considered defeased.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

D. Restricted Net Assets

Net assets restricted through enabling legislation as of June 30, 2011 consisted of \$162,545 for the Tourism and Development Advisory Committee and \$51,798 for drug prevention and education. Net assets restricted by external groups such as creditors, grantors, contributors or laws and regulations of other governments as June 30, 2011 consisted of \$401,701 for utilities under a franchise agreement, \$4,367,710 for redevelopment projects within the two Tax Increment Financing Districts (TIF I and TIF II), and \$2,029,593 of remaining debt proceeds for the construction of a new fire station.

NOTE 4 – OTHER INFORMATION

A. Employee Pension and Other Benefit Plans

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

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

Both employees and the City are required to contribute to the Plans at rates established under authority of Title 9 of the South Carolina Code of Laws. The City’s contributions are actuarially determined, and are communicated to and paid by the City as a percentage of the employees’ annual earnings. The City’s required contributions for June 30, 2011 for SCRS and SCPORS is 9.39% and 11.36%, respectively. The employees’ contribution rate is 6.5% for both the SCRS and SCPORS.

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

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

SCRS

Year Ended June 30,	Employee Contributions	Percent of Covered Payroll	Employer Contributions	Percentage of Covered Payroll	Total Contributions
2011	\$ 134,182	6.50%	\$ 193,841	9.24%	\$ 328,023
2010	136,489	6.50%	190,245	9.24%	326,734
2009	167,662	6.50%	233,695	9.24%	401,357

SCPORS

Year Ended June 30,	Employee Contributions	Percent of Covered Payroll	Employer Contributions	Percentage of Covered Payroll	Total Contributions
2011	\$ 269,305	6.50%	\$ 475,706	11.13%	\$ 745,011
2010	245,403	6.50%	384,504	10.65%	629,907
2009	254,756	6.50%	403,690	10.65%	658,446

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

B. Risk Management

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

SC Insurance Reserve Fund

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

Workers' Compensation

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

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

managed by the City. If the City's losses exceed the annual premium, it is assessed an additional amount to fully reimburse the insurer for the losses. If the premium exceeds the losses, the City receives a refund.

Self Insurance

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

C. Commitments and Contingencies

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

On September 2, 2010 the City entered into an agreement with the Burton Fire District extending fire suppression and emergency response services through December 31, 2017. The services are to be paid for annually with the amount based upon the Fire District's total millage rate times the assessed value of the City's annexed properties within the District times 19%. For the year ended June 30, 2011, the City paid the Burton Fire District \$195,456.

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, 2011, the City paid the Fire District \$104,058 for compensated services.

In addition, various other claims and potential claims against the City exist at June 30, 2011. 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.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

D. Prior Period Adjustment

During fiscal year June 30, 2011 the City made certain adjustments and corrections to fund balances and net assets as follows:

	<u>General Fund</u>	Tax Increment <u>Financing II</u>	Nonmajor <u>Funds</u>	Governmental <u>Activities</u>
Beginning Balance at July 1, 2010	\$ 10,286,215	\$ 2,813,818	\$ 1,685,789	\$ 34,423,524
Property Tax receivable and deferred revenue from prior years	6,992	60,114	(26,368)	40,738
Redevelopment commission beginning fund balance excluded from presentation in prior year	-	-	9,367	9,367
Prior year expenditure accrual	21,872	-	-	21,872
Transfers related to Solid Waste fund closure	(87,458)	-	-	(87,458)
Prior year revenue accrual	41,264	-	102,276	143,540
Funds held in escrow that were previously reported as revenues and expenditures			(8,586)	(8,586)
Restated Beginning Balances	<u>\$ 10,268,885</u>	<u>\$ 2,873,932</u>	<u>\$ 1,762,478</u>	<u>\$ 34,542,997</u>

E. Subsequent Event

On July 26, 2011, the City issued \$3,500,000 of Hospitality Fee Revenue Bonds, Series 2011. The proceeds of the Bonds are to be used to refund the Lease Finance Agreement. The Bonds were issued at an annual interest rate of 3.74% and annual payments of \$309,098 commencing July 27, 2012 through July 27, 2026.

On September 21, 2011, the City into an agreement with Lady's Island/St. Helena Fire District for fire protection in annexed areas of Lady's Island. The City will pay to Lady's Island/St. Helena Fire District, on an annual basis, 80% of the Lady's Island/St. Helena Fire District millage rate as applied to the tax assessment of all properties on Lady's Island which have been or are hereafter annexed by the City.

The City was notified on December 15, 2011, that it was awarded \$12.6M under the TIGER grant of the United States Department of Transportation for the Boundary Street Redevelopment project.

F. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparison purposes to conform to the presentation in the current year financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Required Supplementary information is presented in accordance with GASB Statement No. 34. It contains the budget and actual comparison schedule for the City's General Fund and Major Special Revenue Fund – Tax Increment Financing II Fund. The notes to the required supplementary information disclose relevant budgetary information.

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes.....	\$ 4,478,404	\$ 4,478,404	\$ 4,244,462	\$ (233,942)
Other taxes.....	1,866,000	1,866,000	1,929,468	63,468
Licenses and permits.....	3,177,200	3,677,200	3,757,187	79,987
Franchise fees.....	1,666,046	1,715,623	1,920,867	205,244
Intergovernmental revenues.....	922,818	1,339,212	1,388,943	49,731
Charges for services.....	1,860,677	1,915,392	1,952,709	37,317
Fines and forfeitures.....	322,800	322,800	249,339	(73,461)
Investment income.....	35,000	35,001	50,364	15,363
Miscellaneous revenue.....	11,500	69,024	186,669	117,645
Total revenues	<u>14,340,445</u>	<u>15,418,655</u>	<u>15,680,008</u>	<u>261,353</u>
Expenditures:				
Current:				
General government				
City council.....	171,818	287,818	287,634	184
City manager.....	617,700	647,700	634,528	13,172
Finance.....	475,980	539,150	538,693	457
Information Technology.....	353,131	393,936	393,774	162
Court and legal.....	384,698	384,698	350,501	34,197
Non-departmental.....	710,810	782,943	782,394	549
	<u>2,714,137</u>	<u>3,036,245</u>	<u>2,987,524</u>	<u>48,721</u>
Law enforcement				
Police.....	3,693,861	3,844,373	3,843,783	590
School resource officers.....	216,662	216,662	214,599	2,063
Crossing guards.....	36,900	36,900	28,789	8,111
Victims rights.....	59,281	59,281	58,857	424
	<u>4,006,704</u>	<u>4,157,216</u>	<u>4,146,028</u>	<u>11,188</u>
Fire and emergency				
City of Beaufort fire.....	1,925,245	2,691,726	2,618,226	73,500
Town of Port Royal fire.....	709,110	609,110	586,868	22,242
	<u>2,634,355</u>	<u>3,300,836</u>	<u>3,205,094</u>	<u>95,742</u>
Public works				
Administration.....	339,828	358,828	358,987	(159)
Maintenance.....	67,277	67,277	66,197	1,080
Stormwater.....	500,630	621,001	620,512	489
Solid waste.....	788,184	798,184	797,592	592
	<u>1,695,919</u>	<u>1,845,290</u>	<u>1,843,288</u>	<u>2,002</u>
Streets				
Streets.....	514,532	547,532	546,996	536
Traffic control/building maintenance.....	148,322	181,322	181,464	(142)
	<u>662,854</u>	<u>728,854</u>	<u>728,460</u>	<u>394</u>
Culture and recreation				
Parks.....	\$ 530,292	\$ 598,544	\$ 598,139	\$ 405

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community and economic development				
Planning.....	\$ 516,296	\$ 610,296	\$ 609,587	\$ 709
Total current	<u>12,760,557</u>	<u>14,277,281</u>	<u>14,118,120</u>	<u>159,161</u>
Debt service:				
Principal.....	888,339	888,339	888,339	-
Interest.....	738,703	738,703	738,703	-
Total debt service	<u>1,627,042</u>	<u>1,627,042</u>	<u>1,627,042</u>	<u>-</u>
Total expenditures	<u>14,387,599</u>	<u>15,904,323</u>	<u>15,745,162</u>	<u>159,161</u>
Other financing sources (uses):				
Transfers in.....	47,154	372,558	372,558	-
Transfers out.....	-	(1,677,730)	(1,677,730)	-
Total financing sources (uses)	<u>47,154</u>	<u>(1,305,172)</u>	<u>(1,305,172)</u>	<u>-</u>
Net change in fund balance.....	-	(1,790,839)	(1,370,326)	420,513
Fund balance, beginning of year, restated	10,268,885	10,268,885	10,268,885	-
Fund balance, end of year	<u>\$ 10,268,885</u>	<u>\$ 8,478,046</u>	<u>\$ 8,898,559</u>	<u>\$ 420,513</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING DISTRICT II – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes.....	\$ 1,680,167	\$ 2,019,387	\$ 2,019,387	\$ -
Investment income.....	10,000	10,000	5,319	(4,681)
Total revenues	<u>1,690,167</u>	<u>2,029,387</u>	<u>2,024,706</u>	<u>(4,681)</u>
Expenditures:				
Current:				
Public works.....	1,000,000	258,118	212,942	45,176
Total current	<u>1,000,000</u>	<u>258,118</u>	<u>212,942</u>	<u>45,176</u>
Debt service:				
Principal.....	418,323	418,323	418,051	272
Interest.....	147,962	147,962	148,507	(545)
Total debt service	<u>566,285</u>	<u>566,285</u>	<u>566,558</u>	<u>(273)</u>
Total expenditures	<u>1,566,285</u>	<u>824,403</u>	<u>779,500</u>	<u>44,903</u>
Excess (deficiency) of revenues over (under) expenditures	<u>123,882</u>	<u>1,204,984</u>	<u>1,245,206</u>	<u>40,222</u>
Other financing sources (uses):				
Transfers out.....	(123,882)	(1,204,984)	(1,001,777)	203,207
Total financing sources (uses)	<u>(123,882)</u>	<u>(1,204,984)</u>	<u>(1,001,777)</u>	<u>203,207</u>
Net change in fund balance.....	-	-	243,429	243,429
Fund balance, beginning of year, restated	<u>2,873,932</u>	<u>2,873,932</u>	<u>2,873,932</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,873,932</u>	<u>\$ 2,873,932</u>	<u>\$ 3,117,361</u>	<u>\$ 243,429</u>

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011

BUDGETARY INFORMATION

I. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with U.S. Generally Accepted Accounting Principles. The level of budgetary control (the level at which expenditures may not exceed appropriations) is at the fund level.

II. Budget Amendments were approved during the year amending the original budget. The following schedule presents the original adopted budget, supplemental increases, supplemental decreases, and the final approved budget.

Fund	Original Budget	Supplemental Increases	Supplemental Decreases	Final Budget
General Fund	\$ 14,387,599	\$ 3,588,974	\$ (394,520)	\$ 17,582,053
Tax Increment Financing II	1,690,167	1,091,102	(751,882)	2,029,387



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SUPPLEMENTARY INFORMATION



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NONMAJOR GOVERNMENTAL FUNDS AND AGENCY FUNDS
FUND DESCRIPTION

SPECIAL REVENUE FUNDS:

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

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

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

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

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

PERMANENT FUND:

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

FIDUCIARY FUNDS - AGENCY FUNDS:

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

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

CITY OF BEAUFORT, SOUTH CAROLINA
BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds			
	Redevelopment Commission Fund	State Accomodation Tax Fund	Drug Control and Prevention Fund	Tax Increment Financing District I Fund
Assets				
Cash and cash equivalents.....	\$ 23,031	\$ 104,401	\$ 23,581	\$ 1,252,435
Taxes receivable.....	-	-	-	11,948
Other receivables.....	11,556	102,474	-	-
Restricted cash.....	-	-	66,986	-
Total assets	<u>\$ 34,587</u>	<u>\$ 206,875</u>	<u>\$ 90,567</u>	<u>\$ 1,264,383</u>
Liabilities and equity				
Liabilities:				
Accounts payable.....	\$ 11,200	\$ 44,330	\$ 7,616	\$ 45
Escrow.....	-	-	15,188	-
Deferred revenue.....	-	-	-	13,989
Total liabilities	<u>11,200</u>	<u>44,330</u>	<u>22,804</u>	<u>14,034</u>
Fund Balance:				
Nonspendable.....	-	-	-	-
Restricted.....	-	162,545	51,798	1,250,349
Committed.....	23,387	-	15,965	-
Total fund balance	<u>23,387</u>	<u>162,545</u>	<u>67,763</u>	<u>1,250,349</u>
Total liabilities and equity	<u>\$ 34,587</u>	<u>\$ 206,875</u>	<u>\$ 90,567</u>	<u>\$ 1,264,383</u>

<u>Permanent Fund</u>		
<u>Cemetery Fund</u>		<u>Total Other Governmental Funds</u>
\$ 7,246	\$	1,410,694
-		11,948
-		114,030
-		66,986
<u>\$ 7,246</u>	<u>\$</u>	<u>1,603,658</u>
\$ -	\$	63,191
-		15,188
-		13,989
<u>-</u>	<u>\$</u>	<u>92,368</u>
7,246		7,246
-		1,464,692
-		39,352
<u>7,246</u>	<u></u>	<u>1,511,290</u>
<u>\$ 7,246</u>	<u>\$</u>	<u>1,603,658</u>

CITY OF BEAUFORT, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds			
	Redevelopment Commission Fund	State Accomodation Tax Fund	Drug Control and Prevention Fund	Tax Increment Financing District I Fund
Revenues:				
Property taxes.....	\$ -	\$ -	\$ -	\$ 764,394
Other taxes.....	-	274,798	-	-
Charges for services.....	178,270	-	-	-
Fines and forfeitures.....	-	-	1,013	-
Investment income.....	-	176	127	2,214
Miscellaneous revenue.....	-	-	10,350	-
Total revenues	<u>178,270</u>	<u>274,974</u>	<u>11,490</u>	<u>766,608</u>
Expenditures:				
Current:				
General government.....	-	271,439	-	-
Law enforcement.....	-	-	13,662	-
Public works.....	-	-	-	644,538
Culture and recreation.....	-	-	-	-
Community and economic development.....	189,250	-	-	-
Debt Services:				
Principal.....	-	-	-	234,382
Interest.....	-	-	-	28,593
Total total expenditures	<u>189,250</u>	<u>271,439</u>	<u>13,662</u>	<u>907,513</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,980)</u>	<u>3,535</u>	<u>(2,172)</u>	<u>(140,905)</u>
Other financing sources (uses):				
Transfers in.....	25,000	-	-	-
Transfers out.....	-	(42,604)	-	(81,782)
Total other financing sources (uses)	<u>25,000</u>	<u>(42,604)</u>	<u>-</u>	<u>(81,782)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses...	14,020	(39,069)	(2,172)	(222,687)
Fund balance, beginning of year, restated.....	9,367	201,614	69,935	1,473,036
Fund balance - end of year	<u>\$ 23,387</u>	<u>\$ 162,545</u>	<u>\$ 67,763</u>	<u>\$ 1,250,349</u>

<u>Permanent Fund</u>	
<u>Cemetery Fund</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ 764,394
-	274,798
-	178,270
-	1,013
19	2,536
-	10,350
<u>19</u>	<u>1,231,361</u>
-	271,439
-	13,662
-	644,538
1,299	1,299
-	189,250
-	234,382
-	28,593
<u>1,299</u>	<u>1,383,163</u>
<u>(1,280)</u>	<u>(151,802)</u>
-	25,000
-	(124,386)
-	(99,386)
(1,280)	(251,188)
<u>8,526</u>	<u>1,762,478</u>
<u>\$ 7,246</u>	<u>\$ 1,511,290</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
REDEVELOPMENT COMMISSION SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services.....	\$ 324,000	\$ 324,000	\$ 178,270	\$ (145,730)
Total revenues	<u>324,000</u>	<u>324,000</u>	<u>178,270</u>	<u>(145,730)</u>
Expenditures:				
Current:				
Community and economic development.....	324,000	326,916	189,250	137,666
Total current	<u>324,000</u>	<u>326,916</u>	<u>189,250</u>	<u>137,666</u>
Total expenditures	<u>324,000</u>	<u>326,916</u>	<u>189,250</u>	<u>137,666</u>
Excess (deficiency) of revenues over (under) expenditures	-	(2,916)	(10,980)	(8,064)
Other financing sources (uses):				
Transfers in.....	-	25,000	25,000	-
Total other financing sources (uses)	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance.....	-	22,084	14,020	(8,064)
Fund balance, beginning of year	<u>9,367</u>	<u>9,367</u>	<u>9,367</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,367</u>	<u>\$ 31,451</u>	<u>\$ 23,387</u>	<u>\$ (8,064)</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATE ACCOMODATIONS TAX SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other taxes.....	\$ 275,000	\$ 275,000	\$ 274,798	\$ (202)
Investment income.....	225	225	176	(49)
Total revenues	<u>275,225</u>	<u>275,225</u>	<u>274,974</u>	<u>(251)</u>
Expenditures:				
Current:				
General government.....	237,725	237,725	271,439	(33,714)
Total expenditures	<u>237,725</u>	<u>237,725</u>	<u>271,439</u>	<u>(33,714)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,500</u>	<u>37,500</u>	<u>3,535</u>	<u>(33,965)</u>
Other financing sources (uses):				
Transfers out.....	(37,500)	(37,500)	(42,604)	(5,104)
Total financing sources (uses)	<u>(37,500)</u>	<u>(37,500)</u>	<u>(42,604)</u>	<u>(5,104)</u>
Net change in fund balance.....	-	-	(39,069)	(39,069)
Fund balance, beginning of year, restated	<u>201,614</u>	<u>201,614</u>	<u>201,614</u>	<u>-</u>
Fund balance, end of year	<u>\$ 201,614</u>	<u>\$ 201,614</u>	<u>\$ 162,545</u>	<u>\$ (39,069)</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
TAX INCREMENT FINANCING DISTRICT I SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes.....	\$ 627,302	\$ 627,302	\$ 764,394	\$ 137,092
Investment income.....	5,000	5,000	2,214	(2,786)
Total revenues	<u>632,302</u>	<u>632,302</u>	<u>766,608</u>	<u>134,306</u>
Expenditures:				
Current:				
Public works.....	651,713	651,713	644,538	7,175
Total current	<u>651,713</u>	<u>651,713</u>	<u>644,538</u>	<u>7,175</u>
Debt service:				
Principal.....	232,225	232,225	234,382	(2,157)
Interest.....	26,379	26,379	28,593	(2,214)
Total debt service	<u>258,604</u>	<u>258,604</u>	<u>262,975</u>	<u>(4,371)</u>
Total expenditures	<u>910,317</u>	<u>910,317</u>	<u>907,513</u>	<u>2,804</u>
Excess (deficiency) of revenues over (under) e	<u>(278,015)</u>	<u>(278,015)</u>	<u>(140,905)</u>	<u>137,110</u>
Other financing sources (uses):				
Transfers in.....	741,017	741,017	-	(741,017)
Transfers out.....	(463,002)	(463,002)	(81,782)	381,220
Total financing sources (uses)	<u>278,015</u>	<u>278,015</u>	<u>(81,782)</u>	<u>(359,797)</u>
Net change in fund balance.....	-	-	(222,687)	(222,687)
Fund balance, beginning of year, restated	<u>1,473,036</u>	<u>1,473,036</u>	<u>1,473,036</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,473,036</u>	<u>\$ 1,473,036</u>	<u>\$ 1,250,349</u>	<u>\$ (222,687)</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Beginning Balance at June 30, 2010	Additions	Deletions	Ending Balance at June 30, 2011
<u>Trustee Fire Fund:</u>				
Assets				
Cash	\$ 143,782	\$ 59,704	\$ 158,000	\$ 45,486
Liabilities				
Due to others	\$ 143,782	\$ 59,704	\$ 158,000	\$ 45,486
<u>Beaufort 300 Fund:</u>				
Assets				
Cash	\$ -	\$ 65,958	\$ 16,744	\$ 49,214
Liabilities				
Due to others	\$ -	\$ 65,958	\$ 16,744	\$ 49,214
<u>Total Agency Funds</u>				
Assets				
Cash.....	\$ 143,782	\$ 125,662	\$ 174,744	\$ 94,700
Total Assets	<u>\$ 143,782</u>	<u>\$ 125,662</u>	<u>\$ 174,744</u>	<u>\$ 94,700</u>
Liabilities				
Due to others.....	\$ 143,782	\$ 125,662	\$ 174,744	\$ 94,700
Total Liabilities	<u>\$ 143,782</u>	<u>\$ 125,662</u>	<u>\$ 174,744</u>	<u>\$ 94,700</u>



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STATE MANDATED SCHEDULE

**CITY OF BEAUFORT, SOUTH CAROLINA
 SCHEDULE OF MUNICIPAL FINES, ASSESSMENTS AND SURCHARGES
 STATE MANDATED SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2011**

Court Fines	
Fines collected.....	\$ 209,353
Fines retained.....	(209,353)
Court fines remitted to State Treasurer	<u>\$ -</u>
 Court Assessments	
Assessments collected.....	\$ 306,889
Assessments retained.....	(24,379)
	<u>\$ 282,510</u>
 Court Surcharges	
Surcharges collected.....	\$ 9,629
Surcharges retained.....	(9,629)
	<u>\$ -</u>
 Funds Restricted for Victims' Services	
Funds restricted for victims' services - beginning of year...	(27,737)
Court assessments allocated to victims' services.....	24,379
Court surcharges allocated to victims' services.....	9,629
Victims services expenditures.....	(58,857)
Funds restricted for victims' services - end of year	<u>\$ (52,586)</u>

STATISTICAL



CIVIC MASTER PLAN – POST OFFICE BLOCK RENDERING



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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

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Source: unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant years.



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CITY OF BEAUFORT, SOUTH CAROLINA
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(Accrual Basis of Accounting)

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

	Fiscal Year Ending June 30,			
	2006	2005	2004	2003
Governmental Activities				
Invested in capital assets, net of related debt	\$ 16,184,497	\$ 13,980,588	\$ 11,270,519	\$ 10,919,840
Restricted	2,137,979	1,622,228	1,059,558	863,009
Unrestricted	8,074,358	8,874,585	9,755,757	8,927,631
Total Governmental Activities	\$ 26,396,834	\$ 24,477,401	\$ 22,085,834	\$ 20,710,480
Business-type Activities				
Invested in capital assets, net of related debt	\$ 55,369	\$ 197,827	\$ -	\$ -
Unrestricted	133,585	(52,450)	-	-
Total Business-type Activities	\$ 188,954	\$ 145,377	\$ -	\$ -
Primary Government				
Invested in capital assets, net of related debt	\$ 16,239,866	\$ 14,178,415	\$ 11,270,519	\$ 10,919,840
Restricted	2,137,979	1,622,228	1,059,558	863,009
Unrestricted	8,207,943	8,822,135	9,755,757	8,927,631
Total Primary Government	\$ 26,585,788	\$ 24,622,778	\$ 22,085,834	\$ 20,710,480

Notes:

The City of Beaufort implemented GASB 34 fiscal year ended June 30, 2003, therefore information prior to June 30, 2003 is not available.

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

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

	Fiscal Year Ending June 30,			
	2011	2010	2009	2008
Expenses				
Governmental activities				
General government	\$ 4,290,473	\$ 4,934,814	\$ 3,872,550	\$ 3,663,029
Public safety	6,649,981	5,878,690	6,838,457	7,534,013
Public services	5,626,937	2,154,779	2,751,483	3,783,759
Interest on long-term debt	900,702	945,058	986,027	537,830
Total governmental activities	<u>17,468,093</u>	<u>13,913,341</u>	<u>14,448,517</u>	<u>15,518,631</u>
Business-type activities				
Solid waste	137	468,760	907,248	1,034,216
Total Primary Government Expenses	<u>\$ 17,468,230</u>	<u>\$ 14,382,101</u>	<u>\$ 15,355,765</u>	<u>\$ 16,552,847</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 5,794,265	\$ 5,639,476	\$ 5,414,561	\$ 5,848,191
Public safety	1,116,577	1,173,266	1,340,610	1,613,016
Public services	1,940,644	1,059,183	1,213,863	1,263,085
Operating grants and contributions	151,714	19,375	630,554	1,315,290
Capital grants and contributions	99,507	113,461	47,509	200,000
Total governmental activities	<u>9,102,707</u>	<u>8,004,761</u>	<u>8,647,097</u>	<u>10,239,582</u>
Business-type activities				
Charges for services	-	406,530	828,366	863,442
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>-</u>	<u>406,530</u>	<u>828,366</u>	<u>863,442</u>
Total Primary Government Revenues	<u>\$ 9,102,707</u>	<u>\$ 8,411,291</u>	<u>\$ 9,475,463</u>	<u>\$ 11,103,024</u>
Net (Expense)/Revenue				
Governmental activities	\$ (8,365,386)	(5,908,580)	(5,801,420)	(5,279,049)
Business-type activities	(137)	(62,230)	(78,882)	(170,774)
Total Primary Government Net Expense	<u>\$ (8,365,523)</u>	<u>\$ (5,970,810)</u>	<u>\$ (5,880,302)</u>	<u>\$ (5,449,823)</u>
General Revenues and Other				
Changes in Net Assets				
Governmental activities				
Taxes	\$ 9,226,181	\$ 8,302,788	\$ 6,549,669	\$ 5,561,557
Grants and contributions not restricted to specific programs	350,621	356,371	-	-
Gain (loss) on sale of capital assets	-	-	-	-
Interest income	59,760	72,833	388,183	494,489
Miscellaneous	197,019	46,982	535,733	188,436
Transfers	115,983	-	-	(88,748)
Total governmental activities	<u>\$ 9,949,564</u>	<u>8,778,974</u>	<u>7,473,585</u>	<u>6,155,734</u>
Business-type activities				
Interest income	-	134	1,902	1,052
Transfers	(115,983)	-	-	88,748
Total business-type activities	<u>(115,983)</u>	<u>134</u>	<u>1,902</u>	<u>89,800</u>
Total Primary Government	<u>\$ 9,833,581</u>	<u>\$ 8,779,108</u>	<u>\$ 7,475,487</u>	<u>\$ 6,245,534</u>
Change in Net Assets				
Governmental activities	\$ 1,584,178	\$ 2,870,394	\$ 1,672,165	\$ 876,685
Business-type activities	(116,120)	(62,096)	(76,980)	(80,974)
Total Primary Government	<u>\$ 1,468,058</u>	<u>\$ 2,808,298</u>	<u>\$ 1,595,185</u>	<u>\$ 795,711</u>

	2007	2006	2005	2004	2003
\$	3,168,904	\$ 2,614,245	\$ 2,421,356	\$ 2,726,000	\$ 2,681,118
	7,268,743	7,122,843	6,558,737	6,228,307	6,259,869
	3,138,718	3,132,219	3,392,079	2,860,334	2,455,678
	445,493	421,287	346,181	325,051	358,269
	<u>14,021,858</u>	<u>13,290,594</u>	<u>12,718,353</u>	<u>12,139,692</u>	<u>11,754,934</u>
	182,500	182,311	97,708	-	-
\$	<u>14,204,358</u>	<u>13,472,905</u>	<u>12,816,061</u>	<u>12,139,692</u>	<u>11,754,934</u>
\$	5,467,699	\$ 1,911,368	\$ 1,890,472	\$ 1,789,746	\$ 1,683,250
	1,574,618	815,131	884,564	816,610	710,564
	1,882,335	1,819,948	1,743,540	1,769,333	1,745,669
	484,642	219,756	163,225	186,686	171,674
	376,928	1,113,692	-	43,890	1,512,816
	<u>9,786,222</u>	<u>5,879,895</u>	<u>4,681,801</u>	<u>4,606,265</u>	<u>5,823,973</u>
	242,258	218,228	169,846	-	-
	-	7,660	73,239	-	-
	<u>242,258</u>	<u>225,888</u>	<u>243,085</u>	<u>-</u>	<u>-</u>
\$	<u>10,028,480</u>	<u>6,105,783</u>	<u>4,924,886</u>	<u>4,606,265</u>	<u>5,823,973</u>
	(4,235,636)	(7,410,699)	(8,036,552)	(7,533,427)	(5,930,961)
	59,758	43,577	145,377	-	-
\$	<u>(4,175,878)</u>	<u>(7,367,122)</u>	<u>(7,891,175)</u>	<u>(7,533,427)</u>	<u>(5,930,961)</u>
\$	6,156,980	\$ 10,231,550	\$ 9,869,486	\$ 8,625,818	\$ 7,991,671
	-	354,945	350,664	336,681	333,775
	-	(1,886,214)	10,108	(164,337)	-
	640,115	629,851	197,861	110,619	162,549
	73,025	-	-	-	33,080
	-	-	-	-	-
	<u>6,870,120</u>	<u>9,330,132</u>	<u>10,428,119</u>	<u>8,908,781</u>	<u>8,521,075</u>
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
\$	<u>6,870,120</u>	<u>9,330,132</u>	<u>10,428,119</u>	<u>8,908,781</u>	<u>8,521,075</u>
\$	2,634,484	\$ 1,919,433	\$ 2,391,567	\$ 1,375,354	\$ 2,590,114
	59,758	43,577	145,377	-	-
\$	<u>2,694,242</u>	<u>1,963,010</u>	<u>2,536,944</u>	<u>1,375,354</u>	<u>2,590,114</u>



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

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

	Fiscal Year Ending June 30,				
	2006	2005	2004	2003	2002
General Fund					
Reserved	\$ 1,831,318	\$ 1,491,634	\$ 698,004	\$ 461,874	\$ 1,931,997
Unreserved	4,939,215	4,785,171	4,327,111	3,446,796	2,666,804
Total General Fund	<u>\$ 6,770,533</u>	<u>\$ 6,276,805</u>	<u>\$ 5,025,115</u>	<u>\$ 3,908,670</u>	<u>\$ 4,598,801</u>
All Other Governmental Funds					
Reserved ¹	\$ 3,160,252	\$ 2,193,870	\$ 1,292,601	\$ 1,618,553	\$ 1,136,922
Unreserved - reported in:					
Special revenue funds	1,653,815	3,083,441	2,985,898	2,563,640	1,312,832
Debt service funds	-	-	-	-	-
Capital project funds	4,325,176	7,680,376	2,647,507	3,001,481	4,001,507
Total All Other Governmental Funds	<u>\$ 9,139,243</u>	<u>\$ 12,957,687</u>	<u>\$ 6,926,006</u>	<u>\$ 7,183,674</u>	<u>\$ 6,451,261</u>

Note:

¹ The permanent fund is considered 100% reserved.

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

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

	Fiscal Year Ending June 30,				
	2011	2010	2009	2008	2007
Revenues					
Taxes	\$ 9,232,509	\$ 8,027,329	\$ 7,000,262	\$ 7,935,021	\$ 8,355,064
Licenses and permits	3,757,187	3,656,820	3,756,425	4,221,588	3,856,942
Fines and forfeitures	250,352	348,144	385,123	741,467	732,582
Franchise fees	1,920,867	1,705,625	1,626,607	-	-
Intergovernmental	1,393,943	466,832	944,439	1,758,475	1,071,677
Charges for services	2,130,979	2,198,566	1,547,779	1,362,025	1,861,446
Interest	59,760	35,601	389,000	-	-
Miscellaneous	197,019	69,357	495,479	579,483	706,412
	<u>18,942,616</u>	<u>16,508,274</u>	<u>16,145,114</u>	<u>16,598,059</u>	<u>16,584,123</u>
Expenditures					
Current					
General government	3,624,368	3,029,450	3,767,168	3,561,903	3,066,948
Public safety	7,364,784	6,369,766	6,579,706	7,342,514	7,590,695
Public services	4,827,503	2,567,787	2,152,374	3,108,721	2,946,203
	<u>15,816,655</u>	<u>11,967,003</u>	<u>12,499,248</u>	<u>14,013,138</u>	<u>13,603,846</u>
Debt service					
Principal	1,540,772	1,474,109	1,190,013	1,262,002	1,044,779
Interest	915,803	974,288	767,228	607,639	437,603
	<u>2,456,575</u>	<u>2,448,397</u>	<u>1,957,241</u>	<u>1,869,641</u>	<u>1,482,382</u>
Capital outlay	<u>1,746,732</u>	<u>5,347,980</u>	<u>9,741,886</u>	<u>5,323,092</u>	<u>3,021,391</u>
	<u>20,019,962</u>	<u>19,763,380</u>	<u>24,198,375</u>	<u>21,205,871</u>	<u>18,107,619</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>(1,077,346)</u>	<u>(3,255,106)</u>	<u>(8,053,261)</u>	<u>(4,607,812)</u>	<u>(1,523,496)</u>
Other Financing Sources (Uses)					
Debt issued	-	-	-	16,697,087	1,173,277
Transfers in	2,803,893	32,615	934,832	112,252	616,644
Transfers out	<u>(2,803,893)</u>	<u>(32,615)</u>	<u>(934,832)</u>	<u>(112,252)</u>	<u>(616,644)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,697,087</u>	<u>1,173,277</u>
Net Change in Fund Balances	<u>\$ (1,077,346)</u>	<u>\$ (3,255,106)</u>	<u>\$ (8,053,261)</u>	<u>\$ 12,089,275</u>	<u>\$ (350,219)</u>
Debt Service as a Percentage of					
Noncapital Expenditures	14.23%	16.98%	13.54%	11.77%	9.83%

2006	2005	2004	2003	2002
\$ 8,179,692	\$ 8,231,121	\$ 7,054,920	\$ 6,597,762	\$ 6,358,572
3,781,587	3,318,078	3,159,593	2,890,576	2,821,883
845,215	933,004	825,094	733,435	656,509
-	-	-	-	-
1,887,305	712,170	741,215	2,205,036	870,026
1,827,788	2,104,661	1,759,902	1,732,871	1,638,836
-	-	-	-	-
657,926	213,681	146,659	185,368	139,160
17,179,513	15,512,715	13,687,383	14,345,048	12,484,986
2,811,478	2,856,979	2,613,573	2,402,988	1,956,728
6,477,706	6,115,582	5,784,350	5,851,889	5,650,708
2,591,819	2,161,910	2,146,896	1,835,443	2,329,738
11,881,003	11,134,471	10,544,819	10,090,320	9,937,174
1,295,662	810,348	931,199	450,097	826,575
485,754	89,322	492,052	171,817	188,470
1,781,416	899,670	1,423,251	621,914	1,015,045
7,149,238	1,671,076	1,380,947	3,808,878	2,232,086
20,811,657	13,705,217	13,349,017	14,521,112	13,184,305
(3,632,144)	1,807,498	338,366	(176,064)	(699,319)
307,428	5,781,873	520,410	146,638	4,172,951
1,633,242	37,464	82,332	1,517,159	208,912
(1,633,242)	(37,464)	(82,332)	(1,517,159)	(208,912)
307,428	5,781,873	520,410	146,638	4,172,951
\$ (3,324,716)	\$ 7,589,371	\$ 858,776	\$ (29,426)	\$ 3,473,632
13.04%	7.48%	11.89%	5.81%	9.27%



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

Fiscal Year Ending June 30	Property Tax	Accommodations and Hospitality Taxes	Franchise Fees	Utiliy Fee	Total
2011	\$ 7,028,243	\$ 2,204,266	\$ 1,920,867	\$ 492,783	\$ 11,646,159
2010	6,480,714	2,006,439	1,705,625	329,063	10,521,841
2009	5,229,710	1,770,552	1,626,607	324,556	8,951,425
2008	4,452,306	1,582,273	1,591,321	309,121	7,935,021
2007	4,745,640	1,704,323	1,567,576	337,525	8,355,064
2006	4,564,478	1,868,649	1,476,820	269,745	8,179,692
2005	4,660,769	1,762,416	1,492,050	315,886	8,231,121
2004	3,795,547	1,529,375	1,503,213	226,785	7,054,920
2003	3,606,387	1,348,794	1,404,465	238,116	6,597,762
2002	3,433,315	1,306,073	1,396,550	222,634	6,358,572

Notes:

Schedule includes governmental funds

Utility fee was not collected prior to fiscal year ended June 30, 2002

Source:

City records

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

Calendar Year	Real Property		Personal Property		Motor Vehicles	
	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value
2010	\$ 79,048,200	\$ 2,210,411,620	\$ 7,598,310	\$ 77,111,460	\$ 4,576,754	\$ 67,199,907
2009	80,652,264	\$ 2,214,679,490	7,516,630	\$ 77,111,460	4,576,754	\$ 67,199,607
2008	58,607,445	- ¹	8,802,047	- ¹	- ¹	- ¹
2007	58,641,479	- ¹	8,802,047	- ¹	4,673,420	- ¹
2006	54,774,704	- ¹	6,412,826	- ¹	5,085,093	- ¹
2005	45,164,506	- ¹	6,976,863	- ¹	5,316,129	- ¹
2004	43,473,227	- ¹	6,117,614	- ¹	5,222,938	- ¹
2003	43,452,696	824,529,336	6,396,868	121,238,694	6,077,100	- ¹
2002	28,316,410	537,313,283	6,146,565	116,633,112	6,104,543	- ¹
2001	27,701,910	492,916,548	6,493,076	115,535,160	5,679,097	- ¹

Note:

¹ Information is not available

Source:

Beaufort County Tax Assessor

<u>Assessed Value</u>	<u>Total Estimated Market Value</u>	<u>Ratio of Total Assessed to Total Estimated Value</u>	<u>Total Direct Rate</u>
\$ 91,223,264	\$ 2,354,722,987	3.87%	60.62
\$ 92,745,648	\$ 2,358,990,557	3.93%	60.62
67,409,492	- ¹	0.00%	52.80
72,116,946	- ¹	0.00%	52.80
66,272,623	- ¹	0.00%	52.80
57,457,498	- ¹	0.00%	52.80
54,813,779	- ¹	0.00%	55.80
55,926,664	945,768,030	5.91%	55.80
40,567,518	653,946,395	6.20%	73.40
39,874,083	608,451,708	6.55%	73.40

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

Calendar Year	Direct	Overlapping		
	City	School District	County	Total
2010	60.62	116.59	47.54	224.75
2009	60.62	114.69	45.96	221.27
2008	52.80	0.00 ¹	0.00 ¹	52.80
2007	52.80	0.00 ¹	0.00 ¹	52.80
2006	52.80	0.00 ¹	0.00 ¹	52.80
2005	52.80	108.70	49.10	210.60
2004	55.80	96.50	49.60	201.90
2003	55.80	94.20	48.60	198.60
2002	73.40	130.40	64.00	267.80
2001	73.40	129.20	60.00	262.60

Note:

¹ Information is not available

Source:

City staff

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

Taxpayer ²	2011			2002		
	Taxable Assessed	Rank	% of Total City Net Assessed Value	Taxable Assessed	Rank	% of Total City Net Assessed Value
	Value ²			Value		
Hargray CATV Company, Inc.	\$ 1,457,220	1	1.60%			
South Carolina Electric & Gas Co	1,355,970	2	1.49%			
Ribaut Holdings, LLC	1,294,550	3	1.42%			
303 Associates, LLC	900,190	4	0.99%			
WalMart Real Estate Business Trust	859,500	5	0.94%			
United Telephone Co.	758,420	6	0.83%			
Beaufort Plaza Inc.	742,120	7	0.81%			
Cross Creek Apartment Holdings	704,440	8	0.77%			
Mitul Enterprises, LP	679,600	9	0.74%			
Lowes Home Center, Inc.	674,520	10	0.74%			
				\$ -	1	0.00% ¹
				-	2	0.00% ¹
				-	3	0.00% ¹
				-	4	0.00% ¹
				-	5	0.00% ¹
				-	6	0.00% ¹
				-	7	0.00% ¹
				-	8	0.00% ¹
				-	9	0.00% ¹
				-	10	0.00% ¹
	<u>\$ 9,426,530</u>		<u>10.33%</u>	<u>\$ -</u>		<u>0.00%</u>

Note:

¹ Information is not available

Source:

² Information obtained from the Beaufort County Tax Assessor

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

Calendar Year ¹	Collected Within the Calendar Year of Levy			Collections for Subsequent Years	Total Collections to Date	
	Total Tax Levy ²	Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 7,454,125	\$ 7,114,512	95.44%	\$ - ³	\$ 7,114,512	95.44%
2009	5,684,836	5,278,031	92.84%	- ³	5,278,031	92.84%
2008	- ³	- ³	0.00%	- ³	- ³	0.00%
2007	- ³	- ³	0.00%	- ³	- ³	0.00%
2006	- ³	- ³	0.00%	- ³	- ³	0.00%
2005	3,908,087	2,642,905	67.63%	50,794	2,693,699	68.93%
2004	3,614,571	2,622,310	72.55%	147,211	2,769,521	76.62%
2003	3,653,424	2,399,569	65.68%	118,038	2,517,607	68.91%
2002	2,764,914	2,345,670	84.84%	135,143	2,480,813	89.72%
2001	2,585,879	2,090,800	80.85%	233,714	2,324,514	89.89%
2000	2,338,882	2,015,293	86.16%	118,576	2,133,869	91.23%

Notes:

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

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

³ Information is not available

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

Fiscal Year Ending June 30,	Governmental Activities			Business-type Activities	Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	Tax Increment Bonds	General Obligation Bonds	Capital Leases	Capital Leases			
2011	\$ 3,170,383	\$ 13,875,000	\$ 3,445,310	\$ -	\$ 20,490,693	6.03%	\$ 1,658
2010	3,758,649	14,450,000	3,822,816	-	22,031,465	7.15%	1,818
2009	4,443,419	15,000,000	4,626,306	177,527	24,247,252	5.86%	1,797
2008	5,039,694	15,000,000	5,170,612	207,757	25,418,063	0.00% ¹	2,101
2007	5,610,473	-	4,429,024	22,199	10,061,696	0.00% ¹	836
2006	6,157,013	-	3,912,964	-	10,069,977	0.00% ¹	828
2005	6,680,390	85,000	4,292,821	-	11,058,211	2.33%	917
2004	5,051,573	160,000	772,034	-	5,983,607	1.31%	493
2003	5,595,547	230,000	557,650	-	6,383,197	1.45%	505
2002	5,759,104	295,000	624,111	-	6,678,215	1.64%	555

Notes:

¹ Subsequent information needed to calculate is not available.

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

Sources:

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

**CITY OF BEAUFORT, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2011**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt Repaid with Property Taxes			
Beaufort County, South Carolina			
General obligation bonded debt	\$ 200,555,000	7.80%	\$ 15,643,290
Beaufort County School District			
General obligation bonded debt	340,263,303	18.84%	64,105,606
Installment purchase revenue bond	36,245,000	18.84%	6,828,558
Overlapping Other Debt			
Beaufort County, South Carolina			
Revenue bond debt	58,470,000	7.80%	<u>4,560,660</u>
Subtotal - Overlapping Debt			<u>91,138,114</u>
City of Beaufort Direct Debt			<u>20,490,693</u>
Total Direct and Overlapping Debt			<u><u>\$ 111,628,807</u></u>

Note:

¹ *Percentage of overlapping debt of the County was estimated by comparing the City's population to the total County estimated population from the U.S. Census Bureau. The percentage for overlapping debt of the School District was estimated by comparing the student population of schools residing within the City limits to the total school population for the 2009-2010 academic year.*

Sources:

Beaufort County Finance Department
Beaufort County School District

**CITY OF BEAUFORT, SOUTH CAROLINA
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt Outstanding	Percentage of Estimated Actual Taxable Value of Property ^a	Per Capita ^b
2011	\$ 13,875,000	\$ -	\$ 13,875,000	15.21%	\$ 1,122
2010	14,450,000	-	14,450,000	15.58%	1,192
2009	15,000,000	-	15,000,000	0.00%	1,276 ¹
2008	15,000,000	-	15,000,000	0.00%	1,240 ¹
2007	-	-	-	0.00%	- ¹
2006	-	-	-	0.00%	- ¹
2005	85,000	-	85,000	0.15%	7
2004	160,000	-	160,000	0.29%	13
2003	230,000	-	230,000	0.41%	19
2002	295,000	-	295,000	0.73%	23
2001	360,000	-	360,000	0.90%	30

Notes:

¹ Subsequent information needed to calculate is not available.

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

Sources:

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

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

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

	Fiscal Year Ending June 30,				
	2011	2010	2009	2008	2007
Total Assessed Value of Taxable property	\$ 91,223,264	\$ 92,745,648	\$ - ¹	\$ - ¹	\$ 54,774,704
Less Exemptions for Bond Purposes	-	-	-	-	-
Net Assessed Value for Bond Purposes	<u>\$ 91,223,264</u>	<u>\$ 92,745,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,774,704</u>
Debt Limit Percentage	8%	8%	8%	8%	8%
Debt Limit	\$ 7,297,861	\$ 7,419,652	\$ -	\$ -	\$ 4,381,976
Total Net Debt Applicable to Limit General obligation bonds (net of set aside)	-	-	-	-	-
Legal Debt Margin	<u>\$ 7,297,861</u>	<u>\$ 7,419,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,381,976</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%

Note:

1 Information is not available.

Source:

Beaufort County Tax Assessor

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 45,164,506	\$ 43,473,227	\$ 43,452,696	\$ 28,316,410	\$ 27,701,910
-	-	-	-	-
<u>\$ 45,164,506</u>	<u>\$ 43,473,227</u>	<u>\$ 43,452,696</u>	<u>\$ 28,316,410</u>	<u>\$ 27,701,910</u>
8%	8%	8%	8%	8%
\$ 3,613,160	\$ 3,477,858	\$ 3,476,216	\$ 2,265,313	\$ 2,216,153
<u>85,000</u>	<u>160,000</u>	<u>230,000</u>	<u>295,000</u>	<u>360,000</u>
<u>\$ 3,528,160</u>	<u>\$ 3,317,858</u>	<u>\$ 3,246,216</u>	<u>\$ 1,970,313</u>	<u>\$ 1,856,153</u>
2.35%	4.60%	6.62%	13.02%	16.24%

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

Fiscal Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2011	12,361	\$ 339,606,114	\$ 27,474	8.80%
2010	12,120	307,872,240	25,402 ^e	6.20%
2009	13,487	413,255,167	30,641	9.10%
2008	12,098	413,255,167	26,399	5.10%
2007	12,029	565,844,160	47,040	4.40%
2006	12,156	507,196,944	41,724	4.70%
2005	12,054	473,818,632	39,308	4.80%
2004	12,136	455,330,584	37,519	4.90%
2003	12,637	440,171,984	34,832	4.70%
2002	12,027	408,388,812	33,956	4.20%

Sources:

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

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

Employers	December 31, 2010			December 31, 2004 ¹		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Department of Defense	10,149	1	17.03%	-	-	-
Beaufort County School District	2,361	2	3.96%	3,400	1	20.31%
Beaufort Memorial Hospital	1,350	3	1.89%	1,164	3	6.95%
Beaufort County	1,127	4	2.26%	1,750	2	10.45%
Marine Corps Community Services	850	5	1.43%	-	-	-
Hilton Head Health System, LP	530	6	0.89%	600	6	3.58%
Wal-mart Associates, Inc.	400	7	0.67%	520	7	3.11%
Care Core National, LLC	400	8	0.67%	-	-	-
Hargray Communications Group, Inc.	361	9	0.53%	-	-	-
Technical College of the Low Country	318	10	0.61%	-	-	-
Marine Corps Recruit Depot (Civilian Personnel)	-	-	-	882	4	5.27%
Marine Corps Air Station (Civilian Personnel)	-	-	-	700	5	4.18%
Hilton Head Marriott Golf and Beach Resort	-	-	-	520	8	3.11%
The Westin Resort	-	-	-	450	9	2.69%
Crowne Plaza Resort	-	-	-	430	10	2.57%
	<u>17,846</u>		<u>29.94%</u>	<u>10,416</u>		<u>62.22%</u>

Source:

Beaufort Regional Chamber of Commerce

Note:

¹ Information not available prior to December 31, 2004 and includes employers within the County.

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

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

Function	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government	20	21	21	37	30	32	33	29	22	21
Public safety	92	84	90	99	92	91	90	90	98	97
Public services	18	19	25	29	38	32	33	32	31	31
	<u>130</u>	<u>124</u>	<u>136</u>	<u>165</u>	<u>160</u>	<u>155</u>	<u>156</u>	<u>151</u>	<u>151</u>	<u>149</u>

Source:
City personnel records

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

	Fiscal Year Ending June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Safety										
Police										
Arrests	1,016	1,071	1,207	1,291	1,500	1,488	1,711	1,284	1,288	1,472
Fire										
Number of emergency calls	2,351	1,711	1,747	1,747	1,712	1,721	1,733	1,494	1,456	1,437
Inspections	127	165	531	426	739	536	802	300	309	360
Public Services										
Parks										
Number of parks	24	28	28	28	28	28	27	26	23	23
Solid Waste¹										
Garbage removed (tons)	-	-	5,615	5,431	3,063	5,735	5,697	7,092	5,836	5,865
Recycling removed (tons)	-	-	420	526	240	382	375	318	329	320
Complaints										
Missed garbage	40	116								
Missed recycling	43	91								
Missed yard waste	35	49								

Source:

City records

Note:

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

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

	Fiscal Year Ending June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Public Services										
Parks	28	28	28	28	28	28	27	26	23	23

Source:
City records

COMPLIANCE



CIVIC MASTER PLAN – WHITEHALL PLANTATION RENDERING



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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, 2011, which collectively comprise the City of Beaufort, South Carolina's basic financial statements and have issued our report thereon dated January 6, 2012. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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*.

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We noted certain matters that we reported to management of City of Beaufort, South Carolina, in a separate letter dated January 6, 2012.

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.

McAbee, Talbert, Halliday & Co.

Spartanburg, South Carolina
January 6, 2012