

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF BEAUFORT, SOUTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2014



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF BEAUFORT, SOUTH CAROLINA
1911 BOUNDARY STREET, BEAUFORT, SOUTH CAROLINA 29902
PREPARED BY THE CITY FINANCE DEPARTMENT



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INTRODUCTORY SECTION





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November 21, 2013

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, 2014.

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

The City of Beaufort's financial statements have been audited by Mauldin & Jenkins, LLC a firm of licensed Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Beaufort for the fiscal year ended June 30, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Beaufort's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with U.S. GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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



Profile of the Government

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

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

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

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

Factors Affecting Financial Condition

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

Local economy

The City currently enjoys a relative stable economic environment. Unemployment in Beaufort County is 6.9%¹ that is less than the State average of 6.6%, and median household income tends to be higher than the State average. Revenues from real and personal property taxes decreased when compared to prior years. Revenues from building permits showed increased activity especially in remodeling but a small decrease in the number of new houses and commercial buildings. Business license revenue was lower in

¹ US Census Bureau Quick Facts



comparison to the prior year, a result of reclassification of businesses in the IRS Rate Class issued by the MASC. The City also receives Hospitality and Accommodations tax revenues, which both showed an increase this year. Some revenues are dependent upon collection by MASC or the State of South Carolina. These funds showed a slight decrease in collectibles due to a change in how the state identifies the jurisdiction the tax is collected for.

Long-term financial planning

The City has developed a Capital Improvement Plan that is tied with the City's Comprehensive Plan and Strategic Civic Master Plan. Each year of the plan is funded through the budget appropriation process with subsequent years estimated based on current year costs. The Comprehensive Plan and Civic Master Plan form to public and private investment in the City. This effort allows Council, businesses and citizens to plan more strategically those investments and neighborhood groups to better plan improvements as well. Using a long range planning process allows the City to plan for future needs as well as up or down-turns in the economy.

City initiatives

Work continues on the Boundary Street Master Plan, specifically a \$26 million dollar road project, funded in part by County Sales tax and a recently awarded Federal TIGER grant of \$12.6 million. The Redevelopment Plan and Form Based code that will be used to guide development along the Boundary Street corridor, seek to maximize private investment in this district and beyond.

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

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

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

Relevant financial policies

The City understands the significance of adopting financial policies to guide both short and long term planning to provide adequate resources to fund operations. The City adopted the following financial policies: Accounting to address the methods used and the manner in which revenues are collected/recognized and expenditures are disbursed/incurred; Budget to address the process used to



formulate, review and adopt the operating budget, capital improvements program and five year financial plan; Fund Balance and Net Position to guide the City in maintaining a financial operation with sound financial management principles; Investment and Deposits to serve as a guideline for managing all public funds entrusted to the City for safekeeping, and Revenue to ensure strong fiscal management practices using proper controls and general oversight.

Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beaufort for its comprehensive annual financial report (CAFR) for the past seven years, ending June 30, 2013. 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.

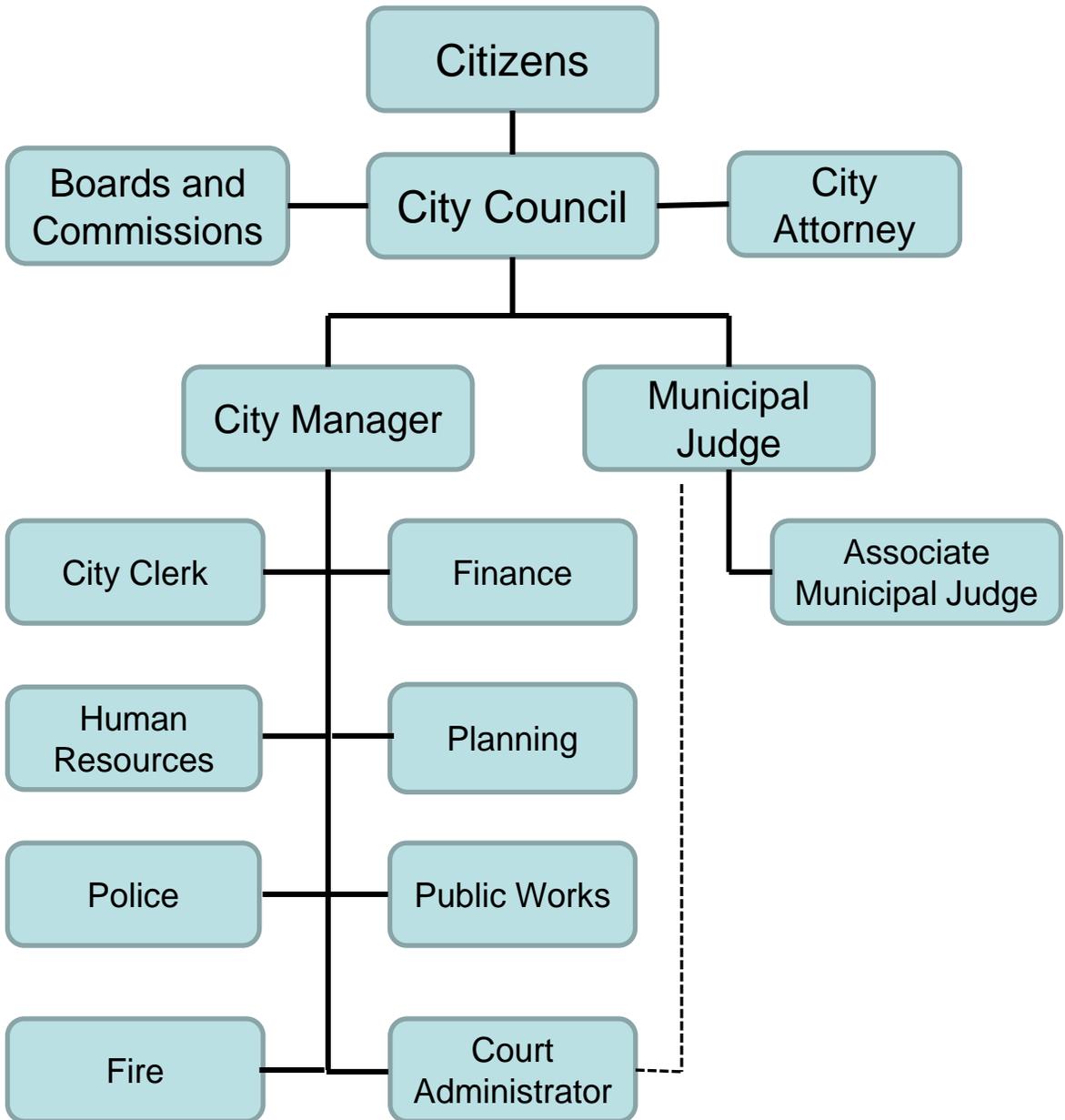
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City Manager's office and the Finance Department. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation 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

CITY OF BEAUFORT, SOUTH CAROLINA
ORGANIZATIONAL CHART



**CITY OF BEAUFORT, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2013**

CITY COUNCIL

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

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

ADMINISTRATION

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

City Manager
Finance Director
City Clerk
Accountant
Accounting Clerk
Accounting Clerk





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Beaufort
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013



Executive Director/CEO



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FINANCIAL SECTION



WATERFRONT PARK



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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Beaufort, South Carolina** (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Beaufort, South Carolina, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages C-1 through C-10) and the budgetary comparison information (on pages E-1 through E-4) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014, on our consideration of the City of Beaufort's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Beaufort's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
November 21, 2014



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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, 2014. Management encourages readers to consider the information presented within this discussion and analysis in conjunction with additional information presented as part of this report. Readers are directed to the transmittal letter, financial statements, notes to the financial statements and statistical information to enhance their understanding of the City's financial performance.

The basic financial statements contain three components:

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

This report presents the financial highlights for the fiscal year ending June 30, 2014 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 \$43,616,296 (net position). Of this amount \$6,314,601 (unrestricted net position) may be used to meet the government's ongoing obligations to citizen's and creditors.
- The government's total net position increased by \$2,577,410. The increase is primarily attributed to capital project resources of \$778,747 that have not yet been expended on currently active capital projects and an increase of \$1.7M of unspent tax increment district II property tax revenues that will be expended as part of the City's long-range capital improvement plan in future years.
- The City's total cash position at June 30, 2014, was \$20,585,424 compared to \$19,312,480 at June 30, 2013, an increase primarily due to the above noted increase in revenues. Of the total cash at June 30, 2014, \$2,236,050 is restricted for specific purposes, a \$105,888 decrease from the prior year associated with beginning construction phases of the new fire station at Mossy Oaks.
- The City's Government-wide total accounts payables, accrued expenses and refundable deposits at June 30, 2014 were \$1,582,272, an increase of \$440,311 from June 30, 2013.
- As of June 30, 2014, the City's long term indebtedness, including the liability for accrued vacation, had decreased a net of \$1,466,315 from June 30, 2013 as a result of normal debt payment activity. During the fiscal year the City expended \$757,289 for interest associated with its long-term indebtedness.
- The City received an upgrade in its bond rating from Standard & Poor's from AA- to AA and an Aa2 rating from Moody's Investors Services for general obligation debt.
- Property taxes support 40% of the governmental services to citizens and the community in fiscal year 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements:

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

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

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

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

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

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

Fund Financial Statements:

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

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

Governmental funds - Governmental funds, presented on pages D-3 and D-5, essentially account for the same functions as those reported under the government-wide statement of net position and statement of activities. However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the fiscal year and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating the City's near-term financing requirements and available resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund

balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages D-4 and D-6.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's net position totaled \$43,616,296 at June 30, 2014.

The following table presents a summary of the City's Net Position at June 30, 2014.

City of Beaufort's Net Position				
	2014	2013	Change	% Change
Current and other assets	\$ 21,842,467	\$ 20,401,550	\$ 1,440,917	7.06%
Capital assets	42,471,061	42,379,865	91,196	0.22%
Total assets	64,313,528	62,781,415	1,532,113	2.44%
Long-term liabilities	16,939,653	18,480,337	(1,540,684)	-8.34%
Other liabilities	3,757,579	3,262,192	495,387	15.19%
Total liabilities	20,697,232	21,742,529	(1,045,297)	6.85%
Net Position:				
Net investment in capital assets	26,411,278	24,959,681	1,451,597	5.82%
Restricted	10,890,417	8,978,528	1,911,889	21.29%
Unrestricted	6,314,601	7,100,677	(786,076)	-11.07%
Total net position	\$ 43,616,296	\$ 41,038,886	\$ 2,577,410	16.04%

The largest portion of the City's total net position (61%) reflect its net investment in capital assets such as land, buildings and equipment, less any related debt used to acquire those assets, that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (25%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (14%) of unrestricted net position 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 position for governmental-activities and the government as a whole.

Within the City's Governmental-wide financial statements, restricted net position increased \$1,911,889 or 21.29%. The increase is primarily due to the Tax Increment Financing (TIF) District II cash that is restricted by State Law to be used for only activities within the TIF District. As the City begins implementing its Capital Improvement plan to maximize the leveraging of resources necessary to achieve its long-term capital initiative, the use of these funds was minimized during the fiscal year.

Net position presented in the Governmental-wide financial statements increased by a net \$2,577,410 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	\$ (1,324,207)
Tax Increments Financing District II	2,152,566
Capital Projects	2,183,723
Redevelopment Commission	11,216
State Accommodations	66,584
Drug Control and Prevention	1,718
Tax Increment Financing District I	<u>(514,190)</u>
Change in Net Position	<u>\$ 2,577,410</u>

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City of Beaufort’s net position by \$2,899,958 accounting for 7.60% percent of the total growth in the net position of the City.



City of Beaufort's Change in Net Position				
	2014	2013	Change	% Change
Revenues:				
Program revenues:				
Charges for services	\$ 9,218,248	\$ 9,237,768	\$ (19,520)	-0.21%
Operating grants and contributions	18,470	80,580	(62,110)	-77.08%
Capital grants and contributions	278,243	975,950	(697,707)	-71.49%
General revenues:				
Property taxes	7,050,407	6,784,869	265,538	3.91%
Other taxes	2,878,095	2,745,227	132,868	4.84%
Other	592,955	305,546	287,409	94.06%
Total revenues	20,036,418	20,129,940	(93,522)	-0.46%
Expenses:				
General government	3,859,369	3,747,457	111,912	2.99%
Law enforcement	4,565,143	4,411,265	153,878	3.49%
Fire and emergency services	3,266,061	2,974,622	291,439	9.80%
Public works	1,809,920	2,414,961	(605,041)	-25.05%
Culture and recreation	1,050,775	801,117	249,658	31.16%
Streets	1,245,043	1,084,645	160,398	14.79%
Community and economic development	905,408	986,026	(80,618)	-8.18%
Interest on long-term debt	757,289	809,889	(52,600)	-6.49%
Total expenses	17,459,008	17,229,982	229,026	1.33%
Change in net position	2,577,410	2,899,958	(322,548)	-11.12%
Net position, beginning	41,038,916	38,230,330	2,808,586	7.35%
Prior period adjustment	-	(91,372)	91,372	-100.00%
Net position, beginning, restated	41,038,916	38,138,958	2,899,958	7.60%
Net position, ending	\$ 43,616,326	\$ 41,038,916	\$ 2,577,410	6.28%

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

- Capital Grants decreased by \$697,707 due to the completion of the CDBG funded Bladen Street and Duke Street Streetscape projects.
- Property taxes increased a net total of \$265,538 that is related to a slight increase in the debt mil to cover debt related payments but more importantly from the properties within the TIF II district that maintained their value during the TY 2013 reassessment process.
- Other taxes increased a total of \$132,868 as a result of the steady growth in the hotel and restaurant industries impacting the collections of hospitality, accommodation and state accommodation tax revenues.

Significant changes in expenses within governmental activities are as follows:

- All functions of the City experienced a modest growth of approximately 3% as a result of 2% cost of living increase and increases in retirement contribution rates and workers compensation contribution rates that impacted salary and benefit costs.
- Public Works decreased a net of \$605,041 or 25.05%. The largest contributing factor to the decrease

is related to TIF I which was fully expended as of FY 2014 for infrastructure related to the Street Lighting project within the TIF I District.

- Fire and Emergency Services increased \$291,439, or 9.8%. 3% is related to the COLA and benefit increased noted above and the balance is related to increased costs of overtime, and vehicle maintenance needs.
- Culture and Recreation increased \$249,658 or 31.16% primarily related to the maintenance costs of the Waterfront Park that were previously covered by TIF I resources.
- Streets increased \$160,398 of 14.79%. Of that increase \$56,000 was related to street sweeping costs in the downtown core district that were previously covered by the TIF I resources and the remaining portion of the increase is due to increased depreciation costs of two new street improvements made to Duke Street and Bladen Street.
- Community and economic development decreased \$80,618 as the result of the completion of Civic Master Plan's contractual services.

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, 2014, the City governmental funds reported combined fund balances of \$20,183,766 an increase of \$1,044,660 from the prior year's balances.

The increase of \$778,747 in the Capital Project Fund and \$1,711,367 in the Tax Increment Financing District II Fund accounted for the largest component in the overall increase in the City's Governmental Funds. The City implements that approach that all funding is available before the commencement of a capital project. The increase in fund balance within the Capital Project funds is related to unspent capital project funding related to currently active projects that are scheduled to be completed in the next fiscal year. The increase in the TIF II fund is primarily a result of TIF II revenues being reserved for the Boundary Street Project which is set to begin in FY 2015.

54% (\$10,890,417) of the total Governmental Fund balance at June 30, 2014, is nonspendable or restricted in its use. \$10,865,111 of that amount is restricted by external parties through bond covenant (such as unspent bond proceeds) or state law governing the use of Tax Increment Financing District revenues. In addition 13% of the total Governmental Fund Balances is committed for a variety of purposes that are internally constrained by formal action of the City Council, such as for subsequent land acquisitions, replacement of rolling stock, redevelopment initiatives, contractual obligations and law enforcement purposes. Assigned fund balance represents amounts that are constrained by the City's intent to be used for specific purposes. The total amount of Governmental Fund Balance assigned totals \$2,196,649 or 11%. This amount represents additional capital project initiatives that are obligated through the capital project budget. The remainder of the total Governmental Fund Balance of \$4,492,297 or 22% 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, 2014 the General Fund had a fund balance of \$8,739,983 representing 43% of the total Governmental ending fund balance. Of the General Fund's June 30, 2014 fund balance, 90% 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 of the General Fund represents 53% of that same amount.

General fund revenues increased a net \$388,159 or 2.4% from the prior year. Though there were slight increases in other taxes (\$72,754) and Franchise fees (\$71,676) other revenue sources experienced more significant increases. The increases are primarily attributed to the following:

- The most significant increase totaling \$254,870 was seen in charges for services. \$141,817 of this increase is the result of the increase in refuse collection fees that were approved by City Council, by Resolution, as part of the FY 2014 budget process. In addition, increases were seen through the cell tower lease, the marina lease and carriage tour fees and stormwater utility fees that comprise the balance of the increase.
- Property tax increased 3.9% or \$178,870 primarily due to the increase in debt service mil to sufficient to cover the debt service payment of the general obligation bonds of the City. In prior years, the shortfall of a lower debt mil was covered by the property tax revenues for operations. But due to a negative reassessment in property values, the debt mil was increased sufficient to cover the debt payment.
- Miscellaneous revenues increased \$225,469 or 81% due to the sale of the Fire departments ladder truck. The proceeds of the sale were committed by City Council to contribute toward the cost of a new and more efficient fire truck to be acquired in the subsequent fiscal year.

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

- Licenses, permits and fees saw a net decrease of \$347,446 from the prior year. This decrease is primarily the result of the implementation of new legislation that affected the Brokers Tax Collection Program and adjusting the business license rate class's based on the latest IRS guidelines.
- Lastly, interest income decreased \$1,631 due to increased banking fees and continual low interest rates experiences through the continual downturn in the financial markets.

The General Fund expenditures increased a net of \$1,105,606 or 7.2 % over fiscal year ended June 30, 2013. Significant increases were a result of the following:

- Salary and benefit contributed \$449,420 of the increase as a result of providing a COLA in the FY 2014 budget and increases to employee benefits primarily related to the State Retirement employer contributions;
- Capital acquisitions for the replacement of vehicles and equipment contributed to \$545,049 of the increase.

Tax Increment Financing District II Fund (TIF II)

Total revenues in this fund amounted to \$2,369,394 consisting of property tax on the incremental value of property located within the district and related investment income. The City realized a \$188,173 increase in the property taxes within the district. There was also a decrease in capital redevelopment projects expenditures over the prior year totaling \$123,948. The City is in the beginning phases of the Boundary

Street project that is funded through the Federal Highway grant Program – TIGER, the Beaufort County Sales Tax program and the TIF II. The use of the TIF II funds is not anticipated until the later phases of the project which resulted in capital spending again slowed in the current fiscal year.

Capital Projects Fund

The Capital Project Fund expended \$1,426,856 or \$125,403 less than fiscal year 2013. \$1,287,790 of the amount expended was a result of four projects: the Fire Station project totaling \$474,688 primarily related to the acquisition of the property for the new fire station and design costs, the Mooring Field project totaling \$152,766 which was primarily funded through the Federal Boating Infrastructure grant, the Street Light Replacement project totaling \$413,221 which was primarily funded by TIF I funds and the Boundary Street project totaling \$247,115.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: The Statement of Net Position presents capital assets in two groups: those assets subject to depreciation, such as equipment or operational facilities and those assets not subject to depreciation such as land and construction-in-progress. At June 30, 2014, the City's net capital assets totaled \$42,471,061, a net increase of \$91,196 from fiscal year 2013. Capital assets include assets purchased and donated, land, buildings, system improvements and machinery and equipment.

Major capital asset additions during the year included the following:

- Increase in Construction in Progress resulting from the four major projects noted above under the Capital Projects Fund totaling \$1,355,211.
- The closing of \$162,328 of prior year's construction in projects costs into depreciable assets as Mooring Field assets were put in operations.
- Additional additions for Police patrol cars & equipment (\$133,413); Public Works, including stormwater, streets and parks vehicles and equipment (\$314,193), a new HVAC unit for the Arsenal building (\$23,050) and other infrastructure additions of \$104,228.

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

Long-term debt: The long-term liabilities, including compensated absences, at June 30, 2014 totaled \$18,798,914.

The City's total indebtedness decreased a net \$1,466,315 from the previous year. Scheduled debt payments totaling \$1,461,024 contributed to the overall net decrease.

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 \$7,592,312.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule of the General Fund is provided as Required Supplementary Information beginning on page E-1. Additional budgetary comparison schedules of the special revenue funds can be found within other supplementary information beginning on page F-1. Budget columns are provided for both the original budget adopted for fiscal year 2014 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 \$454,297 in the General Fund appropriations between the original and final amended budget to adjust for the various contractual or capital acquisitions.

The total actual revenues for the General Fund \$16,869,315 exceeded final budgeted revenues of \$16,868,402 by \$913 as discussed previously on the increased general fund revenues.

The total actual expenditures of the General Fund were \$17,880,097. This amount was \$289,295 less than the final budgeted amount due to fiscally responsible spending in the departments.

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 building permits over the preceding two years. However, the building permit fees were slightly lower indicating that the value of construction or improvements was slightly lower than the preceding year. 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 latter 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 raised taxes associated with the debt mil to cover the debt payment as well as a deficit mil allowed by state law to cover the deficit in property tax revenues. The City did not raise any other taxes and fees, including business licenses rates or fees for the upcoming fiscal year.

The City adopted a general fund budget for fiscal year ended June 30, 2015 in the amount of \$17,547,537.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



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CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Total Governmental Activities
ASSETS	
Cash and investments.....	\$ 18,349,374
Receivables.....	1,238,983
Inventories.....	18,060
Restricted assets	
Cash and investments.....	2,236,050
Capital assets:	
Land, improvements, and construction in progress....	7,906,095
Other capital assets, net of depreciation.....	34,564,966
	\$ 64,313,528
Total assets	
LIABILITIES	
Accounts payable.....	\$ 1,066,481
Accrued liabilities.....	408,482
Accrued interest.....	316,046
Deposits and escrow.....	107,309
Long-term liabilities:	
Due within one year.....	1,859,261
Due in more than one year.....	16,939,653
	\$ 20,697,232
Total liabilities	
NET POSITION	
Net investment in capital assets.....	\$ 26,411,278
Restricted for:	
Perpetual care	
Nonexpendable.....	25,306
Capital projects.....	2,190,814
Redevelopment.....	7,482,450
Other purposes.....	1,191,847
Unrestricted.....	6,314,601
	\$ 43,616,296
Total net position	

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental activities:					
General government.....	\$ 3,859,369	\$ 5,627,566	\$ -	\$ -	\$ 1,768,197
Law enforcement.....	4,565,143	357,250	11,470	-	(4,196,423)
Fire and emergency services.....	3,266,061	746,261	-	-	(2,519,800)
Public works.....	1,809,920	1,825,726	-	-	15,806
Culture and recreation.....	1,050,775	255,046	7,000	-	(788,729)
Streets.....	1,245,043	-	-	278,243	(966,800)
Community and economic development....	905,408	406,399	-	-	(499,009)
Interest on long-term debt.....	757,289	-	-	-	(757,289)
Total	\$ 17,459,008	\$ 9,218,248	\$ 18,470	\$ 278,243	(7,944,047)
General revenues:					
Taxes:					
Property taxes, levied for general purposes.....					7,050,407
Other taxes.....					2,878,095
Unrestricted investment earnings.....					14,185
Miscellaneous.....					578,770
Total general revenues					10,521,457
Change in net position.....					2,577,410
Net position - beginning.....					41,038,886
Net position - ending.....					\$ 43,616,296

**CITY OF BEAUFORT, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Tax Increment Financing District II Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents.....	\$ 9,213,007	\$ 7,432,745	\$ 1,171,307	\$ 532,315	\$ 18,349,374
Taxes receivable.....	161,536	108,699	-	-	270,235
Other receivables.....	636,501	-	179,507	152,740	968,748
Inventory.....	18,060	-	-	-	18,060
Restricted cash and cash equivalents.....	-	-	2,190,814	45,236	2,236,050
Total assets	<u>\$ 10,029,104</u>	<u>\$ 7,541,444</u>	<u>\$ 3,541,628</u>	<u>\$ 730,291</u>	<u>\$ 21,842,467</u>
Liabilities					
Accounts payable.....	\$ 775,379	\$ -	\$ 200,727	\$ 90,375	\$ 1,066,481
Accrued liabilities.....	408,482	-	-	-	408,482
Deposits and escrow.....	87,825	-	-	19,484	107,309
Total liabilities	<u>1,271,686</u>	<u>-</u>	<u>200,727</u>	<u>109,859</u>	<u>1,582,272</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes.....	17,435	58,994	-	-	76,429
Total deferred inflows of resources	<u>17,435</u>	<u>58,994</u>	<u>-</u>	<u>-</u>	<u>76,429</u>
Fund balances:					
Nonspendable.....	18,060	-	-	7,246	25,306
Restricted.....	831,983	7,482,450	2,190,814	359,864	10,865,111
Committed for:					
Land acquisition.....	715,575	-	-	-	715,575
Vehicle and equipment replacement.....	867,501	-	-	-	867,501
Redevelopment.....	119,705	-	-	230,931	350,636
Capital Projects.....	648,300	-	-	-	648,300
Law enforcement.....	-	-	-	22,391	22,391
Assigned for:					
Subsequent year's budget.....	281,590	-	-	-	281,590
Capital Projects.....	764,972	-	1,150,087	-	1,915,059
Unassigned.....	4,492,297	-	-	-	4,492,297
Total fund balances	<u>8,739,983</u>	<u>7,482,450</u>	<u>3,340,901</u>	<u>620,432</u>	<u>20,183,766</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,029,104</u>	<u>\$ 7,541,444</u>	<u>\$ 3,541,628</u>	<u>\$ 730,291</u>	<u>\$ 21,842,467</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Total Governmental Fund Balances.....		\$ 20,183,766
Amounts reported for governmental activities in the statement of net position 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 \$16,147,940).....		
		42,471,061
Certain property tax collections are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.....		
		76,429
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.....	\$ (316,046)	
Due within one year.....	(1,859,260)	
Due in more than one year.....	<u>(16,939,654)</u>	<u>(19,114,960)</u>
Net Position of Governmental Activities		<u>\$ 43,616,296</u>

CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General	Tax Increment Financing District II Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes.....	\$ 4,729,689	\$ 2,364,772	\$ -	\$ -	\$ 7,094,461
Other taxes.....	2,241,378	-	-	368,493	2,609,871
Licenses, permits and fees.....	3,472,518	-	-	-	3,472,518
Franchise fees.....	2,029,367	-	-	-	2,029,367
Intergovernmental.....	1,108,455	-	278,243	-	1,386,698
Charges for services.....	2,449,695	-	-	160,493	2,610,188
Fines and forfeitures.....	284,171	-	-	243	284,414
Investment income.....	7,897	4,622	1,666	-	14,185
Miscellaneous.....	503,970	-	25,890	48,910	578,770
Total revenues	16,827,140	2,369,394	305,799	578,139	20,080,472
Expenditures:					
Current:					
General government.....	2,993,273	-	-	259,734	3,253,007
Law enforcement.....	4,548,688	-	-	3,210	4,551,898
Fire and emergency.....	3,122,874	-	-	-	3,122,874
Public works.....	1,930,812	154	12,430	23,877	1,967,273
Culture and recreation.....	802,188	-	-	-	802,188
Streets.....	797,182	-	-	-	797,182
Community and economic development..	695,856	-	-	193,502	889,358
Capital Outlay.....	-	-	1,414,426	-	1,414,426
Debt Service:					
Principal.....	984,862	476,162	-	-	1,461,024
Interest and other charges.....	686,459	90,123	-	-	776,582
Total expenditures	16,562,194	566,439	1,426,856	480,323	19,035,812
Excess (deficiency) of revenues over (under) expenditures	264,946	1,802,955	(1,121,057)	97,816	1,044,660
Other financing sources (uses):					
Transfers in.....	42,175	-	1,899,804	49,937	1,991,916
Transfers out.....	(1,317,903)	(91,588)	-	(582,425)	(1,991,916)
Total other financing sources (uses)	(1,275,728)	(91,588)	1,899,804	(532,488)	-
Net Changes in fund balances.....	(1,010,782)	1,711,367	778,747	(434,672)	1,044,660
Fund balances, beginning of year.....	9,750,765	5,771,083	2,562,154	1,055,104	19,139,106
Fund balances at end of year	\$ 8,739,983	\$ 7,482,450	\$ 3,340,901	\$ 620,432	\$ 20,183,766

**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, 2014**

Net change in Fund Balances - Total Governmental Funds \$ 1,044,660

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 depreciation and the net book value on disposition exceeded capital outlay in the current period:

Expenditures for capital assets.....	\$ 1,930,066	
Net book value on disposition of capital assets.....	(36,039)	
Less current year depreciation.....	<u>(1,802,831)</u>	91,196

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 position. Also, governmental funds report the effect of 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 payments.....	1,461,024	
Interest expense.....	<u>19,293</u>	1,480,317

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds..... (44,054)

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.....		5,291
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		<u><u>\$ 2,577,410</u></u>
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Change in Net Position of Governmental Activities

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
JUNE 30, 2014**

Assets	
Cash and cash equivalents.....	\$ 149,375
Total assets	<u>\$ 149,375</u>
Liabilities	
Due to others.....	\$ 149,375
Total Liabilities	<u>\$ 149,375</u>



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CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with U.S. generally accepted accounting principles (GAAP). U.S. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The City is a political subdivision of the State of South Carolina and operates under a Council-Manager form of government. The Council is composed of five members, including the Mayor, who are elected at-large to four-year staggered terms.

The financial reporting entity consists of (a) primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

The City's financial reporting entity comprises the following:

Primary Government: City of Beaufort

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

1. Blended Component Units

Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. The Redevelopment Commission is a blended component unit. The City of Beaufort City Council established the Redevelopment Commission (RDC) to research and recommends redevelopment projects within the City to City Council; coordinate, review and recommend redevelopment plans for projects to City Council and facilitate negotiations necessary for execution of the redevelopment plans authorized and directed by City Council. The City has the ability to impose its will on the RDC and it provides its services entirely to the City. In

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

addition, the RDC had limited financial activity in fiscal year 2014 and therefore separate financial statements were not prepared. Financial information for the RDC is included in the City of Beaufort, South Carolina's Comprehensive Annual Financial Report.

2. Discretely Presented Component Units

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

B. Government-wide and Fund Financial Statements

Financial information of the City is presented as follows:

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

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

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

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

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

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

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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.

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 four agency funds. The Firefighters fund accounts for the receipt of a 1% charge on fire insurance companies writing policies within the City limits for the welfare, training and recreational activities of firefighters. The Tricentennial fund accounts for donations from citizens toward activities commemorating the City's 300th anniversary and a monument. The Bond Court fund accounts for bond fees collected on behalf of Municipal Courts of municipal governments within Beaufort County. The Beaufort History Museum fund accounts for the proceeds received from the Olsen Trust and the Beaufort Historical Foundation to be used for the support of the Museum's collections and its ongoing operations and maintenance.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

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D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

The City has defined cash and cash equivalents to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City's cash and investment objectives are preservation of capital, liquidity and yield. To assist in achieving these objectives, the City maintains a cash pool that is available for use by the other funds. Investment earnings are allocated to each fund based on their average cash balances.

State statutes authorize the City to invest in obligations of or obligations guaranteed by the U.S. Government and agencies or corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers acceptances; repurchase agreements; and the Local Government Investment Pool ("Pool") of the State of South Carolina. Investments are reported at fair value.

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

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

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

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

2. Receivables and Payables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants and other similar intergovernmental revenues and local hospitality taxes since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting. Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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

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

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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 47.44 mills and the City's debt service tax rate is currently 19.17 mills for a total of 66.61 mills. The County of Beaufort bills and collects the City's property taxes.

During fiscal year 2009 the City entered into long-term agreements with eligible homeowners whereby the City received funds through the Community Redevelopment & Revitalization Program to make improvement to properties within the Northwest Quadrant of the City that were identified as very low and lower income households. The terms of the agreements covered a period of 10 to 15 years and totaled \$1,136,664. The loans are amortized over the life of the loan period as forgivable loans provided that the homeowner adheres to the restrictive covenants. As the collectability of the loans is remote, the City does not report the current balance within the basic financial statements. However, the unamortized balances of the forgivable loans at June 30, 2014 are \$531,456

3. Inventories

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

4. Capital Assets

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

All capital assets are valued at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are valued at their fair market value as of the date donated. Public domain ("infrastructure") capital assets acquired prior to July 1, 2002, consisting of roads, bridges, curbs, gutters, streets, and sidewalks, drainage systems, and lighting systems that were acquired or that received substantial improvements subsequent to July 1, 1980, are reported at estimated historical cost using deflated replacement cost. The City maintains a capitalization threshold of five thousand dollars (\$5,000). Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<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

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

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

6. Long-term Obligations

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

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

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

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. As of June 30, 2014, there are no amounts for arbitrage rebates.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any items that qualify for reporting in this category.

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In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables, and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

8. Equity Classifications

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

allocate, assign, modify, or rescind amounts to specific functions based on the intent expressed by the City Council. Therefore, through resolution, the City Council has authorized the City Manager to assign fund balance.

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

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

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

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

9. Use of Estimates

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

**CITY OF BEAUFORT, SOUTH CAROLINA
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JUNE 30, 2014**

NOTE 3 – DETAILED NOTES ON FUNDS AND ACTIVITIES

A. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance June 30, 2013	Additions	Deletions	Transfers	Ending Balance June 30, 2014
Non-depreciable assets:					
Land	\$ 6,202,151	\$ -	\$ -	\$ -	\$ 6,202,151
Construction in progress	511,061	1,355,211	-	(162,328)	1,703,944
	<u>6,713,212</u>	<u>1,355,211</u>	<u>-</u>	<u>(162,328)</u>	<u>7,906,095</u>
Depreciable assets:					
Infrastructure	19,863,852	104,229	(4,400)	162,328	20,126,009
Buildings and improvements	23,641,131	23,050	-	-	23,664,181
Machinery, Furniture and equipment	7,396,186	447,576	(921,047)	-	6,922,715
	<u>50,901,169</u>	<u>574,855</u>	<u>(925,447)</u>	<u>162,328</u>	<u>50,712,905</u>
Subtotal assets	<u>57,614,381</u>	<u>1,930,066</u>	<u>(925,447)</u>	<u>-</u>	<u>58,619,000</u>
Accumulated depreciation:					
Infrastructure	(5,362,152)	(667,284)	4,400	-	(6,025,036)
Buildings and improvements	(4,298,036)	(698,114)	-	-	(4,996,150)
Machinery, Furniture and equipment	(5,574,328)	(437,433)	885,008	-	(5,126,753)
	<u>(15,234,516)</u>	<u>(1,802,831)</u>	<u>889,408</u>	<u>-</u>	<u>(16,147,939)</u>
Total Governmental Activities	<u>\$ 42,379,865</u>	<u>\$ 127,235</u>	<u>\$ (36,039)</u>	<u>\$ -</u>	<u>\$ 42,471,061</u>

Depreciation expense was charged to governmental activities as follows:

<u>Function</u>	
General Government	\$ 630,026
Law Enforcement	148,550
Fire and Emergency	125,521
Culture and Recreation	342,782
Public Works	91,694
Streets	447,982
Community and Economic Development	16,276
	<u>\$ 1,802,831</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
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B. Interfund Transactions and Balances

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

	<u>Transfers In</u>	<u>Transfers out</u>
General	\$ 42,175	\$ 1,317,903
TIF II	-	91,588
Capital Projects	1,899,804	-
Nonmajor governmental	49,937	582,425
Total Transfers	<u>\$ 1,991,916</u>	<u>\$ 1,991,916</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. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group.

C. Long-term Debt

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

	Beginning Balance June 30, 2013	Additions	Deletions	Ending Balance June 30, 2014	Due with One Year
Tax increment bond	\$ 2,034,819	\$ -	\$ (476,162)	\$ 1,558,657	\$ 497,221
General obligation bonds	14,355,000	-	(800,000)	13,555,000	830,000
Revenue bonds	3,321,802	-	(184,862)	3,136,940	191,776
Compensated absences	553,608	359,523	(364,814)	548,317	340,264
	<u>\$ 20,265,229</u>	<u>\$ 359,523</u>	<u>\$ (1,825,838)</u>	<u>\$ 18,798,914</u>	<u>\$ 1,859,261</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
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Tax increment bonds payable at June 30, 2014 were comprised of the following issues:

\$4,000,000 Tax Increment Financing Bonds, Series 2002, dated June 25, 2002. Annual maturities of \$189,236 to \$339,681 and an annual interest rate of 4.83% maturing in 2017. Bonds were issued to finance the Municipal Complex construction costs.	\$ 972,812
\$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.	585,845
	\$ 1,558,657

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

Year Ended June 30,	Principal	Interest	Total
2015	\$ 497,221	\$ 69,015	\$ 566,236
2016	519,223	47,012	566,235
2017	542,213	24,022	566,235
	\$ 1,558,657	\$ 140,049	\$ 1,698,706

General Obligation Bonds

On June 11, 2008, the City issued \$15 million of general obligation bonds at interest rates ranging from 3.5% to 5.0% maturing on February 1, 2028. Semi-annual interest payments are due on February 1 and August 1. The proceeds of these bonds are restricted for the construction of the Municipal Complex and addition to the Central Fire Station. In April 2009, the City deferred expending proceeds from these bonds for any additional renovation to the Central Fire Station pending a further needs assessment. As of June 30, 2014, plans to construct a new Fire Station were underway. The balance at June 30, 2014 was \$12,030,000.

On May 29, 2012, the City issued \$1,850,000 of general obligation bonds, series 2012, at an interest rate of 2.11% maturing on June 1, 2022. Semi-annual interest payments are due on December 1 and June 1. The proceeds of these bonds were used to defray the cost of capital improvements within the City. The balance at June 30, 2014 was \$1,525,000.

CITY OF BEAUFORT, SOUTH CAROLINA
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Annual debt service requirement to maturity for the general obligation bond is as follows:

Year Ended June 30,	Principal	Interest	Total
2015	\$ 830,000	\$ 536,517	\$ 1,366,517
2016	855,000	509,831	1,364,831
2017	885,000	478,938	1,363,938
2018	920,000	439,890	1,359,890
2019	955,000	399,236	1,354,236
2020 - 2024	4,935,000	1,453,092	6,388,092
2025 - 2028	4,175,000	458,759	4,633,759
	<u>\$ 13,555,000</u>	<u>\$ 4,276,263</u>	<u>\$ 17,831,263</u>

Revenue Bonds

On July 27, 2011, the City issued \$3,500,000 of hospitality and accommodations fee revenue bond, series 2011, at an interest rate of 3.74% maturing on July 27, 2026. The proceeds of the bonds were used to refund the lease purchase obligations of the City dated May 18, 2005 and July 25, 2007 totaling \$2,330,881 and \$1,114,429, respectively, which were entered into for the purpose of designing and constructing improvements to the City's waterfront park and paying the cost of issuance. Annual interest payments of the Series 2011 bonds are due on July 27. The balance of the Series 2011 bonds at June 30, 2014 was \$3,136,940.

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

Year Ended June 30,	Principal	Interest	Total
2015	\$ 191,776	\$ 117,322	\$ 309,098
2016	198,949	110,149	309,098
2017	206,389	102,708	309,097
2018	214,108	94,989	309,097
2019	222,116	86,982	309,098
2020 - 2024	1,241,577	303,912	1,545,489
2025 - 2027	862,025	65,268	927,293
	<u>\$ 3,136,940</u>	<u>\$ 881,330</u>	<u>\$ 4,018,270</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, 2014, \$41,143 bonds outstanding are considered defeased.

**CITY OF BEAUFORT, SOUTH CAROLINA
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D. Restricted Net Position

Net position restricted by external groups such as creditors, grantors, contributors or laws and regulations of other governments as June 30, 2014 consisted of \$7,482,450 for redevelopment projects within the two Tax Increment Financing Districts (TIF II), and \$2,190,841 of remaining debt proceeds for the construction of a new fire station. In addition, restricted net position for other purposes as of June 30, 2014 consisted of various restrictions through enabling legislation or by external groups such as creditors, grantors, contributors or laws and regulations of other governments as follows:

	Restricted Net Position - Other Purposes		
	Through Enabling Legislation	By External Groups	Total
Tourism & Development Advisory Committee	\$ 334,112	\$ -	\$ 334,112
Victim Rights	123,310	-	123,310
Drug Prevention	25,752	-	25,752
Utility Franchise Agreement	-	399,575	399,575
Debt Service Reserve	-	309,098	309,098
	\$ 483,174	\$ 708,673	\$ 1,191,847

E. Restricted Fund Balance

Restricted fund balance at June 30, 2014 consists of:

- \$399,575 for utilities under a franchise agreement, \$309,098 for debt service reserve requirements and \$123,310 for Victim’s Rights in the General Fund.
- \$7,482,450 for the purpose of redevelopment within the TIF II District.
- \$2,190,814 represents unspent bond funds for construction of a fire station within the Capital Projects fund.
- The other governmental funds restricted fund balance consists of \$334,112 for Tourism and Development and \$25,752 for drug prevention and education.

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.

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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, 2014 for SCRS and SCPORS is 10.60% and 12.84%, respectively. The employees' contribution rate is 7.5% for SCRS and 7.84% for 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:

SCRS

Year Ended June 30,	Employee Contributions	Percentage of Covered Payroll	Employer Contributions	Percentage of Covered Payroll	Total Contributions
2014	\$ 169,167	7.50%	\$ 235,707	10.60%	\$ 404,874
2013	151,473	7.00%	229,375	10.60%	380,848
2012	128,861	6.50%	186,055	9.39%	314,916

SCPORS

Year Ended June 30,	Employee Contributions	Percentage of Covered Payroll	Employer Contributions	Percentage of Covered Payroll	Total Contributions
2014	\$ 353,941	7.84%	\$ 561,611	12.84%	\$ 915,552
2013	302,367	7.00%	531,302	12.30%	833,669
2012	274,124	6.50%	479,212	11.36%	753,336

Included in 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

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Insurance Reserve Fund Trust Account. By statutory requirement, these funds are used to pay claims and operating expenses of the SCIRF.

Workers' Compensation

Workers' Compensation coverage is maintained through the South Carolina Municipal Insurance Trust (SCMIT) fund, a public entity risk pool operating as a common risk management and insurance program for workers' compensation. The Municipal Association of South Carolina administers the program in conformance with standard industry practices. The program is regulated by the SC Workers' Compensation Commission. The City pays an annual premium to SCMIT. The City carries a \$15,000 deductible under the plan. Claims below the deductible are managed by the City. If the City's losses exceed the annual premium, it is assessed an additional 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, 2014, the City paid the Burton Fire District \$188,561.

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, 2014, the City paid the Fire District \$103,335 for compensated services.

In addition, various other claims and potential claims against the City exist at June 30, 2014. Although the City attorney has no estimate of the potential effects of these claims and potential claims, the impact could be material to the overall financial statements.



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REQUIRED SUPPLEMENTARY INFORMATION (RSI)

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

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Property taxes.....	\$ 5,042,356	\$ 5,042,356	\$ 4,729,689	\$ (312,667)
Other taxes.....	1,915,000	1,915,000	2,241,378	326,378
Licenses and permits.....	3,913,350	3,913,350	3,472,518	(440,832)
Franchise fees.....	1,839,587	1,839,587	2,029,367	189,780
Intergovernmental revenues.....	1,127,000	1,137,717	1,108,455	(29,262)
Charges for services.....	2,274,642	2,274,642	2,449,695	175,053
Fines and forfeitures.....	337,500	337,500	284,171	(53,329)
Investment income.....	12,000	12,000	7,897	(4,103)
Miscellaneous revenue.....	70,000	360,000	503,970	143,970
Total revenues	<u>16,531,435</u>	<u>16,832,152</u>	<u>16,827,140</u>	<u>(5,012)</u>
Expenditures:				
Current:				
General government				
City council.....	179,018	159,018	144,238	14,780
City manager.....	360,866	359,607	336,121	23,486
Finance.....	586,843	593,893	557,733	36,160
Human Resources.....	225,791	227,050	227,050	-
Information Technology.....	360,698	293,874	292,474	1,400
Court and legal.....	464,218	464,218	441,836	22,382
Non-departmental.....	890,000	993,821	993,821	-
	<u>3,067,435</u>	<u>3,091,482</u>	<u>2,993,273</u>	<u>98,208</u>
Law enforcement				
Police.....	4,271,658	4,262,607	4,191,004	71,603
School resource officers.....	250,814	258,333	258,333	-
Crossing guards.....	22,027	30,091	30,091	-
Victims rights.....	65,075	69,260	69,260	-
	<u>4,609,574</u>	<u>4,620,291</u>	<u>4,548,688</u>	<u>71,603</u>
Fire and emergency				
City of Beaufort fire.....	2,338,609	3,122,874	3,122,874	-
	<u>2,925,284</u>	<u>3,122,874</u>	<u>3,122,874</u>	<u>-</u>
Public works				
Administration.....	436,387	456,937	456,937	-
Maintenance.....	79,114	76,441	71,742	4,699
Stormwater.....	919,764	760,233	690,230	70,003
Solid waste.....	712,857	712,857	711,903	954
	<u>2,148,122</u>	<u>2,006,469</u>	<u>1,930,812</u>	<u>75,657</u>
Streets				
Streets.....	626,486	586,486	570,163	16,323
Traffic control/building maintenance.....	282,083	232,903	227,019	5,884
	<u>908,569</u>	<u>819,389</u>	<u>797,182</u>	<u>22,207</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and recreation				
Parks.....	\$ 799,512	\$ 802,185	\$ 802,188	(3)
Community and economic development				
Planning.....	\$ 781,090	\$ 668,431	\$ 646,809	\$ 21,622
Office of Civic Investment.....	30,000	49,047	49,047	-
	<u>811,090</u>	<u>717,477</u>	<u>695,856</u>	<u>21,622</u>
Total current	<u>15,269,585</u>	<u>15,180,166</u>	<u>14,890,873</u>	<u>289,293</u>
Debt service:				
Principal.....	800,000	984,862	984,862	-
Interest.....	871,322	686,460	686,459	1
Total debt service	<u>1,671,322</u>	<u>1,671,322</u>	<u>1,671,321</u>	<u>1</u>
Total expenditures	<u>16,940,907</u>	<u>16,851,488</u>	<u>16,562,194</u>	<u>289,294</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(409,472)</u>	<u>(19,336)</u>	<u>264,946</u>	<u>284,282</u>
Other financing sources (uses):				
Transfers in.....	36,250	36,250	42,175	5,925
Transfers out.....	<u>(774,187)</u>	<u>(1,317,903)</u>	<u>(1,317,903)</u>	<u>-</u>
Total financing sources (uses)	<u>(737,937)</u>	<u>(1,281,653)</u>	<u>(1,275,728)</u>	<u>5,925</u>
Net change in fund balance.....	(1,147,409)	(1,300,990)	(1,010,782)	290,207
Fund balance, beginning of year	<u>9,750,765</u>	<u>9,750,765</u>	<u>9,750,765</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,603,356</u>	<u>\$ 8,449,775</u>	<u>\$ 8,739,983</u>	<u>\$ 290,207</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING DISTRICT II – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes.....	\$ 2,000,000	\$ 2,000,000	\$ 2,364,772	\$ 364,772
Investment income.....	-	-	4,622	4,622
Total revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,369,394</u>	<u>369,394</u>
Expenditures:				
Current:				
Public works.....	-	5,013	154	4,859
Total current	<u>-</u>	<u>5,013</u>	<u>154</u>	<u>4,859</u>
Debt service:				
Principal.....	476,162	476,162	476,162	-
Interest.....	90,074	90,124	90,123	1
Total debt service	<u>566,236</u>	<u>566,286</u>	<u>566,285</u>	<u>1</u>
Total expenditures	<u>566,236</u>	<u>571,299</u>	<u>566,439</u>	<u>4,860</u>
Excess (deficiency) of revenues over (under) expenditures	1,433,764	1,428,701	1,802,955	374,254
Net change in fund balance.....	1,433,764	1,428,701	1,711,367	282,666
Fund balance, beginning of year	5,771,083	5,771,083	5,771,083	-
Fund balance, end of year	<u>\$ 7,204,847</u>	<u>\$ 7,199,784</u>	<u>\$ 7,482,450</u>	<u>\$ 282,666</u>

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014

BUDGETARY INFORMATION

I. Budgets and Budgetary Accounting

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

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

Fund	Original Budget	Supplemental Increases	Supplemental Decreases	Final Budget
General Fund	\$ 17,715,094	\$ 454,297	\$ -	\$ 18,169,391
Tax Increment Financing II	566,236	5,063	-	571,299



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SUPPLEMENTARY INFORMATION



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NONMAJOR GOVERNMENTAL FUNDS AND AGENCY FUNDS
FUND DESCRIPTION

SPECIAL REVENUE FUNDS:

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

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

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

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

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

PERMANENT FUND:

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

FIDUCIARY FUNDS - AGENCY FUNDS:

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

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

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

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

**CITY OF BEAUFORT, SOUTH CAROLINA
 COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
 JUNE 30, 2014**

	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.....	\$ 247,688	\$ 254,922	\$ 22,459	\$ -
Other receivables.....	17,935	134,805	-	-
Restricted cash.....	-	-	45,236	-
Total assets	<u>\$ 265,623</u>	<u>\$ 389,727</u>	<u>\$ 67,695</u>	<u>\$ -</u>
Liabilities and equity				
Liabilities:				
Accounts payable.....	\$ 34,692	\$ 55,615	\$ 68	\$ -
Escrow.....	-	-	19,484	-
Total liabilities	<u>34,692</u>	<u>55,615</u>	<u>19,552</u>	<u>-</u>
Fund Balance:				
Nonspendable.....	-	-	-	-
Restricted.....	-	334,112	25,752	-
Committed for:				
Law enforcement.....	-	-	22,391	-
Redevelopment.....	230,931	-	-	-
Total fund balance	<u>230,931</u>	<u>334,112</u>	<u>48,143</u>	<u>-</u>
Total liabilities and equity	<u>\$ 265,623</u>	<u>\$ 389,727</u>	<u>\$ 67,695</u>	<u>\$ -</u>

<u>Permanent Fund</u>		
<u>Cemetery</u>		<u>Total</u>
<u>Fund</u>		<u>Other Governmental</u>
		<u>Funds</u>
\$ 7,246	\$	532,315
-		152,740
-		45,236
<u>\$ 7,246</u>	<u>\$</u>	<u>730,291</u>
\$ -	\$	90,375
-		19,484
<u>-</u>	<u>\$</u>	<u>109,859</u>
7,246		7,246
-		359,864
-		22,391
-		230,931
<u>7,246</u>		<u>620,432</u>
<u>\$ 7,246</u>	<u>\$</u>	<u>730,291</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, 2014

	Special Revenue Funds			
	Redevelopment Commission Fund	State Accomodation Tax Fund	Drug Control and Prevention Fund	Tax Increment Financing District I Fund
Revenues:				
Other taxes.....	\$ -	\$ 368,493	\$ -	\$ -
Charges for services.....	160,493	-	-	-
Fines and forfeitures.....	-	-	243	-
Miscellaneous revenue.....	44,225	-	4,685	-
Total revenues	<u>204,718</u>	<u>368,493</u>	<u>4,928</u>	<u>-</u>
Expenditures:				
Current:				
General government.....	-	259,734	-	-
Law enforcement.....	-	-	3,210	-
Public works.....	-	-	-	23,877
Community and economic development.....	193,502	-	-	-
Total expenditures	<u>193,502</u>	<u>259,734</u>	<u>3,210</u>	<u>23,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,216</u>	<u>108,759</u>	<u>1,718</u>	<u>(23,877)</u>
Other financing sources (uses):				
Transfers in.....	-	-	-	49,937
Transfers out.....	-	(42,175)	-	(540,250)
Total other financing sources (uses)	<u>-</u>	<u>(42,175)</u>	<u>-</u>	<u>(490,313)</u>
Net change in fund balance.....	11,216	66,584	1,718	(514,190)
Fund balance, beginning of year.....	219,715	267,528	46,425	514,190
Fund balance - end of year	<u>\$ 230,931</u>	<u>\$ 334,112</u>	<u>\$ 48,143</u>	<u>\$ -</u>

<u>Permanent Fund</u>	
<u>Cemetary Fund</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ 368,493
-	160,493
-	243
-	48,910
<u>-</u>	<u>578,139</u>
-	259,734
-	3,210
-	23,877
-	193,502
<u>-</u>	<u>480,323</u>
<u>-</u>	<u>97,816</u>
-	49,937
<u>-</u>	<u>(582,425)</u>
<u>-</u>	<u>(532,488)</u>
-	(434,672)
<u>7,246</u>	<u>1,055,104</u>
<u>\$ 7,246</u>	<u>\$ 620,432</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
REDEVELOPMENT COMMISSION SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Charges for services.....	\$ 150,000	\$ 150,000	\$ 160,493	\$ 10,493
Miscellaneous revenue.....	50,000	50,000	44,225	(5,775)
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>204,718</u>	<u>4,718</u>
Expenditures:				
Current:				
Community and economic development	200,000	200,000	193,502	6,498
Total total expenditures	<u>200,000</u>	<u>200,000</u>	<u>193,502</u>	<u>6,498</u>
Net change in fund balance.....	-	-	11,216	11,216
Fund balance, beginning of year.....	<u>219,715</u>	<u>219,715</u>	<u>219,715</u>	<u>-</u>
Fund balance - end of year	<u>\$ 219,715</u>	<u>\$ 219,715</u>	<u>\$ 230,931</u>	<u>\$ 11,216</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATE ACCOMODATIONS TAX SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other taxes.....	\$ 250,000	\$ 303,000	\$ 368,493	\$ 65,493
Investment income.....	231	231	-	(231)
Total revenues	<u>250,231</u>	<u>303,231</u>	<u>368,493</u>	<u>65,262</u>
Expenditures:				
Current:				
General government.....	213,981	260,981	259,734	1,247
Total expenditures	<u>213,981</u>	<u>260,981</u>	<u>259,734</u>	<u>1,247</u>
Excess (deficiency) of revenues over (under) expenditures	<u>36,250</u>	<u>42,250</u>	<u>108,759</u>	<u>66,509</u>
Other financing sources (uses):				
Transfers out.....	(36,250)	(42,250)	(42,175)	75
Total other financing sources (uses)	<u>(36,250)</u>	<u>(42,250)</u>	<u>(42,175)</u>	<u>75</u>
Net change in fund balance.....	-	-	66,584	66,584
Fund balance, beginning of year.....	267,528	267,528	267,528	-
Fund balance - end of year	<u>\$ 267,528</u>	<u>\$ 267,528</u>	<u>\$ 334,112</u>	<u>\$ 66,584</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
TAX INCREMENT FINANCING DISTRICT I SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property taxes.....	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Public works.....	25,000	26,027	23,877	2,150
Total expenditures	<u>25,000</u>	<u>26,027</u>	<u>23,877</u>	<u>2,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,000)</u>	<u>(26,027)</u>	<u>(23,877)</u>	<u>2,150</u>
Other financing sources (uses):				
Transfers in.....	-	50,000	49,937	(63)
Transfers out.....	<u>(540,250)</u>	<u>(540,250)</u>	<u>(540,250)</u>	<u>-</u>
Total other financing sources (uses)	<u>(540,250)</u>	<u>(490,250)</u>	<u>(490,313)</u>	<u>(63)</u>
Net change in fund balance.....	(565,250)	(516,277)	(514,190)	2,087
Fund balance, beginning of year.....	<u>514,190</u>	<u>514,190</u>	<u>514,190</u>	<u>-</u>
Fund balance - end of year	<u>\$ (51,060)</u>	<u>\$ (2,087)</u>	<u>\$ -</u>	<u>\$ 2,087</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Beginning Balance at June 30, 2013	Additions	Deletions	Ending Balance at June 30, 2014
<u>Trustee Fire Fund:</u>				
Assets				
Cash.....	\$ 101,559	\$ 61,972	\$ 163,531	\$ -
Liabilities				
Due to others.....	\$ 101,559	\$ 61,972	\$ 163,531	\$ -
<u>Beaufort 300 Fund:</u>				
Assets				
Cash.....	\$ 39,001	\$ 40	\$ 2,434	\$ 36,607
Liabilities				
Due to others.....	\$ 39,001	\$ 40	\$ 2,434	\$ 36,607
<u>Municipal Bond Court Fund:</u>				
Assets				
Cash.....	\$ 5,030	\$ 301,252	\$ 299,114	\$ 7,168
Liabilities				
Due to others.....	\$ 5,030	\$ 301,252	\$ 299,114	\$ 7,168
<u>Beaufort History Museum:</u>				
Assets				
Cash.....	\$ 109,729	\$ -	\$ 4,129	\$ 105,600
Liabilities				
Due to others.....	\$ 109,729	\$ -	\$ 4,129	\$ 105,600
<u>Total Agency Funds</u>				
Assets				
Cash.....	<u>\$ 255,319</u>	<u>\$ 363,264</u>	<u>\$ 469,208</u>	<u>\$ 149,375</u>
Liabilities				
Due to others.....	<u>\$ 255,319</u>	<u>\$ 363,264</u>	<u>\$ 469,208</u>	<u>\$ 149,375</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, 2014**

Court Fines	
Fines collected.....	\$ 236,213
Fines retained.....	(236,213)
Court fines remitted to State Treasurer	<u>\$ -</u>
Court Assessments	
Assessments collected.....	\$ 346,939
Assessments retained.....	(27,157)
	<u>\$ 319,782</u>
Court Surcharges	
Surcharges collected.....	\$ 12,904
Surcharges retained.....	(12,904)
	<u>\$ -</u>
Funds Restricted for Victims' Services	
Funds restricted for victims' services - beginning of year...	(94,363)
Court assessments allocated to victims' services.....	27,157
Court surcharges allocated to victims' services.....	12,904
Victims services expenditures.....	(69,008)
Funds restricted for victims' services - end of year	<u>\$ (123,310)</u>

STATISTICAL SECTION





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STATISTICAL SECTION

DESCRIPTION

This part of the City of Beaufort's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Contents Page

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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



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

	Fiscal Year Ending June 30,				
	2014	2013	2012	2011	2010
Governmental Activities					
Net Investment in capital assets	\$ 26,411,278	\$ 24,959,681	\$ 23,444,154	\$ 22,933,705	\$ 20,549,022
Restricted	10,890,417	8,978,528	7,956,684	7,020,594	177,855
Unrestricted	6,314,601	7,100,677	6,829,462	6,172,876	13,696,647
Total Governmental Activities	<u>\$ 43,616,296</u>	<u>\$ 41,038,886</u>	<u>\$ 38,230,300</u>	<u>\$ 36,127,175</u>	<u>\$ 34,423,524</u>
Business-type Activities					
Net Investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ 115,983
Unrestricted	-	-	-	-	(87,321)
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,662</u>
Primary Government					
Net Investment in capital assets	\$ 26,411,278	\$ 24,959,681	\$ 23,444,154	\$ 22,933,705	\$ 20,665,005
Restricted	10,890,417	8,978,528	7,956,684	7,020,594	177,855
Unrestricted	6,314,601	7,100,677	6,829,462	6,172,876	13,609,326
Total Primary Government	<u>\$ 43,616,296</u>	<u>\$ 41,038,886</u>	<u>\$ 38,230,300</u>	<u>\$ 36,127,175</u>	<u>\$ 34,452,186</u>

	Fiscal Year Ending June 30,				
	2009	2008	2007	2006	2005
Governmental Activities					
Net Investment in capital assets	\$ 18,394,352	\$ 17,798,882	\$ 17,833,449	\$ 16,184,497	\$ 13,980,588
Restricted	173,063	564,836	3,083,990	2,137,979	1,622,228
Unrestricted	12,985,715	11,517,247	8,086,841	8,074,358	8,874,585
Total Governmental Activities	<u>\$ 31,553,130</u>	<u>\$ 29,880,965</u>	<u>\$ 29,004,280</u>	<u>\$ 26,396,834</u>	<u>\$ 24,477,401</u>
Business-type Activities					
Net Investment in capital assets	\$ 120,738	\$ 207,894	\$ 99,977	\$ 55,369	\$ 197,827
Unrestricted	(29,981)	(40,157)	148,734	133,585	(52,450)
Total Business-type Activities	<u>\$ 90,757</u>	<u>\$ 167,737</u>	<u>\$ 248,711</u>	<u>\$ 188,954</u>	<u>\$ 145,377</u>
Primary Government					
Net Investment in capital assets	\$ 18,515,090	\$ 18,006,776	\$ 17,933,426	\$ 16,239,866	\$ 14,178,415
Restricted	173,063	564,836	3,083,990	2,137,979	1,622,228
Unrestricted	12,955,734	11,477,090	8,235,575	8,207,943	8,822,135
Total Primary Government	<u>\$ 31,643,887</u>	<u>\$ 30,048,702</u>	<u>\$ 29,252,991</u>	<u>\$ 26,585,788</u>	<u>\$ 24,622,778</u>

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

	2014	2013	2012	Fiscal Year Ending 2011
Expenses				
Governmental activities				
General government	\$ 4,764,777	\$ 4,733,483	\$ 4,162,370	\$ 4,290,473
Public safety	7,831,204	7,385,887	7,042,865	6,649,981
Public services	4,105,738	4,300,723	5,418,025	5,626,937
Interest on long-term debt	757,289	809,889	876,413	900,702
Total governmental activities	<u>17,459,008</u>	<u>17,229,982</u>	<u>17,499,673</u>	<u>17,468,093</u>
Business-type activities				
Solid waste	-	-	-	137
Total Primary Government Expenses	<u>\$ 17,459,008</u>	<u>\$ 17,229,982</u>	<u>\$ 17,499,673</u>	<u>\$ 17,468,230</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 6,033,965	\$ 6,271,365	\$ 6,001,517	\$ 5,794,265
Public safety	1,103,511	1,101,076	979,521	1,116,577
Public services	2,080,772	1,865,327	2,006,883	1,940,644
Operating grants and contributions	18,470	80,580	151,155	151,714
Capital grants and contributions	278,243	975,950	455,778	99,507
Total governmental activities	<u>9,514,961</u>	<u>10,294,298</u>	<u>9,594,854</u>	<u>9,102,707</u>
Business-type activities				
Charges for services	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government Revenues	<u>\$ 9,514,961</u>	<u>\$ 10,294,298</u>	<u>\$ 9,594,854</u>	<u>\$ 9,102,707</u>
Net (Expense)/Revenue				
Governmental activities	\$ (7,944,047)	\$ (6,935,684)	\$ (7,904,819)	\$ (8,365,386)
Business-type activities	-	-	-	(137)
Total Primary Government Net Expense	<u>\$ (7,944,047)</u>	<u>\$ (6,935,684)</u>	<u>\$ (7,904,819)</u>	<u>\$ (8,365,523)</u>
General Revenues and Other				
Changes in Net Assets				
Governmental activities				
Taxes	\$ 9,928,502	\$ 9,530,096	\$ 9,692,651	\$ 9,226,181
Grants and contributions not restricted to specific programs	-	-	-	350,621
Gain (loss) on sale of capital assets	-	-	-	-
Interest income	14,185	11,052	18,055	59,760
Miscellaneous	578,770	294,494	297,238	197,019
Transfers	-	-	-	115,983
Total governmental activities	<u>\$ 10,521,457</u>	<u>\$ 9,835,642</u>	<u>\$ 10,007,944</u>	<u>\$ 9,949,564</u>
Business-type activities				
Interest income	-	-	-	-
Transfers	-	-	-	(115,983)
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,983)</u>
Total Primary Government	<u>\$ 10,521,457</u>	<u>\$ 9,835,642</u>	<u>\$ 10,007,944</u>	<u>\$ 9,833,581</u>
Change in Net Position				
Governmental activities	\$ 2,577,410	\$ 2,899,958	\$ 2,103,125	\$ 1,584,178
Business-type activities	-	-	-	(116,120)
Total Primary Government	<u>\$ 2,577,410</u>	<u>\$ 2,899,958</u>	<u>\$ 2,103,125</u>	<u>\$ 1,468,058</u>

June 30,

	2010	2009	2008	2007	2006	2005
\$	4,934,814	\$ 3,872,550	\$ 3,663,029	\$ 3,168,904	\$ 2,614,245	\$ 2,421,356
	5,878,690	6,838,457	7,534,013	7,268,743	7,122,843	6,558,737
	2,154,779	2,751,483	3,783,759	3,138,718	3,132,219	3,392,079
	945,058	986,027	537,830	445,493	421,287	346,181
	<u>13,913,341</u>	<u>14,448,517</u>	<u>15,518,631</u>	<u>14,021,858</u>	<u>13,290,594</u>	<u>12,718,353</u>
	468,760	907,248	1,034,216	182,500	182,311	97,708
\$	<u>14,382,101</u>	<u>15,355,765</u>	<u>16,552,847</u>	<u>14,204,358</u>	<u>13,472,905</u>	<u>12,816,061</u>
\$	5,639,476	\$ 5,414,561	\$ 5,848,191	\$ 5,467,699	\$ 1,911,368	\$ 1,890,472
	1,173,266	1,340,610	1,613,016	1,574,618	815,131	884,564
	1,059,183	1,213,863	1,263,085	1,882,335	1,819,948	1,743,540
	19,375	630,554	1,315,290	484,642	219,756	163,225
	113,461	47,509	200,000	376,928	1,113,692	-
	<u>8,004,761</u>	<u>8,647,097</u>	<u>10,239,582</u>	<u>9,786,222</u>	<u>5,879,895</u>	<u>4,681,801</u>
	406,530	828,366	863,442	242,258	218,228	169,846
	-	-	-	-	7,660	73,239
	<u>406,530</u>	<u>828,366</u>	<u>863,442</u>	<u>242,258</u>	<u>225,888</u>	<u>243,085</u>
\$	<u>8,411,291</u>	<u>9,475,463</u>	<u>11,103,024</u>	<u>10,028,480</u>	<u>6,105,783</u>	<u>4,924,886</u>
	(5,908,580)	(5,801,420)	(5,279,049)	(4,235,636)	(7,410,699)	(8,036,552)
	(62,230)	(78,882)	(170,774)	59,758	43,577	145,377
\$	<u>(5,970,810)</u>	<u>(5,880,302)</u>	<u>(5,449,823)</u>	<u>(4,175,878)</u>	<u>(7,367,122)</u>	<u>(7,891,175)</u>
\$	8,302,788	\$ 6,549,669	\$ 5,561,557	\$ 6,156,980	\$ 10,231,550	\$ 9,869,486
	356,371	-	-	-	354,945	350,664
	-	-	-	-	(1,886,214)	10,108
	72,833	388,183	494,489	640,115	629,851	197,861
	46,982	535,733	188,436	73,025	-	-
	-	-	(88,748)	-	-	-
	<u>8,778,974</u>	<u>7,473,585</u>	<u>6,155,734</u>	<u>6,870,120</u>	<u>9,330,132</u>	<u>10,428,119</u>
	134	1,902	1,052	-	-	-
	-	-	88,748	-	-	-
	<u>134</u>	<u>1,902</u>	<u>89,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>8,779,108</u>	<u>7,475,487</u>	<u>6,245,534</u>	<u>6,870,120</u>	<u>9,330,132</u>	<u>10,428,119</u>
\$	2,870,394	\$ 1,672,165	\$ 876,685	\$ 2,634,484	\$ 1,919,433	\$ 2,391,567
	(62,096)	(76,980)	(80,974)	59,758	43,577	145,377
\$	<u>2,808,298</u>	<u>1,595,185</u>	<u>795,711</u>	<u>2,694,242</u>	<u>1,963,010</u>	<u>2,536,944</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,				
	2014	2013	2012	2011 ²	2010
General Fund					
Nonspendable	\$ 18,060	\$ 32,353	\$ 24,084	\$ 29,371	\$ -
Restricted	831,983	851,451	802,609	401,702	-
Unrestricted:					
Committed	2,351,081	2,656,417	2,308,806	2,241,790	-
Assigned	1,046,562	1,288,240	2,111,886	1,920,101	-
Unassigned	4,492,297	4,922,304	4,372,100	4,305,595	-
Reserved	-	-	-	-	\$ 4,701,267
Unreserved	-	-	-	-	5,584,949
Total General Fund	<u>\$ 8,739,983</u>	<u>\$ 9,750,765</u>	<u>\$ 9,619,485</u>	<u>\$ 8,898,559</u>	<u>\$ 10,286,216</u>
All Other Governmental Funds					
Nonspendable	\$ 7,246	\$ 7,246	\$ 7,246	\$ 7,246	\$ -
Restricted	10,033,128	8,119,831	7,146,829	6,611,646	-
Unrestricted:					
Committed	253,322	235,424	132,519	39,352	-
Assigned	1,150,087	1,025,840	755,123	-	-
Reserved ¹	-	-	-	-	\$ 5,776,593
Unreserved - reported in:					
Special revenue funds	-	-	-	-	17,137
Debt service funds	-	-	-	-	434,731
Capital project funds	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 11,443,783</u>	<u>\$ 9,388,341</u>	<u>\$ 8,041,717</u>	<u>\$ 6,658,244</u>	<u>\$ 6,228,461</u>
	Fiscal Year Ending June 30,				
	2009	2008	2007	2006	2005
General Fund					
Reserved	\$ 3,616,302	\$ 2,805,417	\$ 1,752,335	\$ 1,831,318	\$ 1,491,634
Unreserved	4,389,144	5,956,711	6,186,563	4,939,215	4,785,171
Total General Fund	<u>\$ 8,005,446</u>	<u>\$ 8,762,128</u>	<u>\$ 7,938,898</u>	<u>\$ 6,770,533</u>	<u>\$ 6,276,805</u>
All Other Governmental Funds					
Reserved ¹	\$ 8,788,940	\$ 7,427,873	\$ 7,470,422	\$ 3,160,252	\$ 2,193,870
Unreserved - reported in:					
Special revenue funds	1,962,148	2,070,737	2,196,364	1,653,815	3,083,441
Debt service funds	-	-	-	-	-
Capital project funds	1,013,365	9,560,422	(1,871,799)	4,325,176	7,680,376
Total All Other Governmental Funds	<u>\$ 11,764,453</u>	<u>\$ 19,059,032</u>	<u>\$ 7,794,987</u>	<u>\$ 9,139,243</u>	<u>\$ 12,957,687</u>

Note:

¹ The permanent fund is considered 100% reserved.

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

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

	Fiscal Year Ending				
	2014	2013	2012	2011	2010
Revenues					
Taxes	\$ 9,704,332	\$ 9,205,523	\$ 9,673,157	\$ 9,232,509	\$ 8,027,329
Licenses and permits	3,472,518	3,819,964	4,095,313	3,757,187	3,656,820
Fines and forfeitures	284,414	299,015	274,429	250,352	348,144
Franchise fees	2,029,367	1,957,691	1,807,068	1,920,867	1,705,625
Intergovernmental	1,386,698	2,136,964	1,528,859	1,393,943	466,832
Charges for services	2,610,188	2,347,354	2,115,210	2,130,979	2,198,566
Interest	14,185	11,052	18,055	59,760	35,601
Miscellaneous	578,770	294,494	273,210	197,019	69,357
	<u>20,080,472</u>	<u>20,072,057</u>	<u>19,785,301</u>	<u>18,942,616</u>	<u>16,508,274</u>
Expenditures					
Current					
General government	4,142,365	4,096,401	5,376,872	3,624,368	3,029,450
Public safety	7,674,772	7,183,694	6,909,072	7,364,784	6,369,766
Public services	3,566,643	3,525,624	4,567,254	4,827,503	2,567,787
	<u>15,383,780</u>	<u>14,805,719</u>	<u>16,853,198</u>	<u>15,816,655</u>	<u>11,967,003</u>
Debt service					
Principal	1,461,024	1,409,204	1,274,558	1,540,772	1,474,109
Interest	776,582	828,521	756,444	915,803	974,288
	<u>2,237,606</u>	<u>2,237,725</u>	<u>2,031,002</u>	<u>2,456,575</u>	<u>2,448,397</u>
Capital outlay	<u>1,414,426</u>	<u>1,550,709</u>	<u>701,392</u>	<u>1,746,732</u>	<u>5,347,980</u>
	<u>19,035,812</u>	<u>18,594,153</u>	<u>19,585,592</u>	<u>20,019,962</u>	<u>19,763,380</u>
Excess (Deficiency) of Revenues					
Over Expenditures	<u>1,044,660</u>	<u>1,477,904</u>	<u>199,709</u>	<u>(1,077,346)</u>	<u>(3,255,106)</u>
Other Financing Sources (Uses)					
Debt issued	-	-	5,350,000	-	-
Debt repaid	-	-	(3,445,310)	-	-
Transfers in	1,991,916	988,073	645,032	2,803,893	32,615
Transfers out	(1,991,916)	(988,073)	(645,032)	(2,803,893)	(32,615)
	<u>-</u>	<u>-</u>	<u>1,904,690</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 1,044,660</u>	<u>\$ 1,477,904</u>	<u>\$ 2,104,399</u>	<u>\$ (1,077,346)</u>	<u>\$ (3,255,106)</u>
Debt Service as a Percentage of					
Noncapital Expenditures	13.08%	13.29%	12.05%	14.23%	16.98%

June 30,

2009	2008	2007	2006	2005
\$ 7,000,262	\$ 7,935,021	\$ 8,355,064	\$ 8,179,692	\$ 8,231,121
3,756,425	4,221,588	3,856,942	3,781,587	3,318,078
385,123	741,467	732,582	845,215	933,004
1,626,607	-	-	-	-
944,439	1,758,475	1,071,677	1,887,305	712,170
1,547,779	1,362,025	1,861,446	1,827,788	2,104,661
389,000	-	-	-	-
495,479	579,483	706,412	657,926	213,681
16,145,114	16,598,059	16,584,123	17,179,513	15,512,715
3,767,168	3,561,903	3,066,948	2,811,478	2,856,979
6,579,706	7,342,514	7,590,695	6,477,706	6,115,582
2,152,374	3,108,721	2,946,203	2,591,819	2,161,910
12,499,248	14,013,138	13,603,846	11,881,003	11,134,471
1,190,013	1,262,002	1,044,779	1,295,662	810,348
767,228	607,639	437,603	485,754	89,322
1,957,241	1,869,641	1,482,382	1,781,416	899,670
9,741,886	5,323,092	3,021,391	7,149,238	1,671,076
24,198,375	21,205,871	18,107,619	20,811,657	13,705,217
(8,053,261)	(4,607,812)	(1,523,496)	(3,632,144)	1,807,498
-	16,697,087	1,173,277	307,428	5,781,873
-	-	-	-	-
934,832	112,252	616,644	1,633,242	37,464
(934,832)	(112,252)	(616,644)	(1,633,242)	(37,464)
-	16,697,087	1,173,277	307,428	5,781,873
\$ (8,053,261)	\$ 12,089,275	\$ (350,219)	\$ (3,324,716)	\$ 7,589,371
13.54%	11.77%	9.83%	13.04%	7.48%



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

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

Notes:

Schedule includes governmental funds

Source:

City records

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

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

Note:

¹ Information is not available

Source:

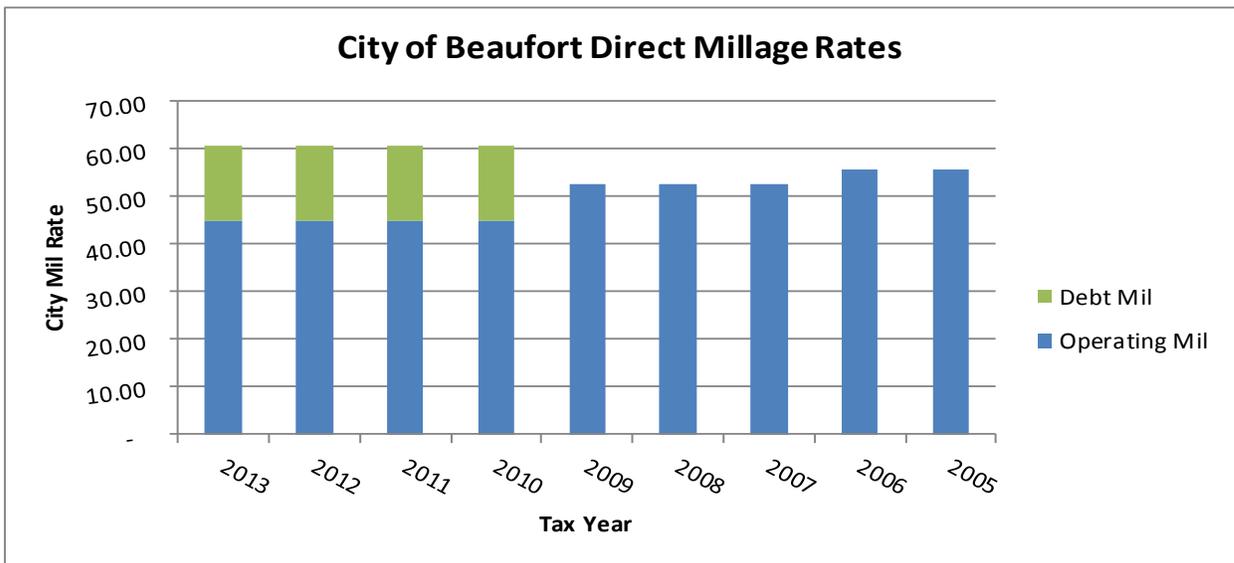
Beaufort County Tax Assessor

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

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

Tax Year	Direct		Overlapping		Total Direct and Overlapping Rates
	City	School District	County		
2013	66.61	129.15	56.30		252.06
2012	60.62	119.26	48.52		228.40
2011	60.62	118.26	47.54		226.42
2010	60.62	116.59	47.54		224.75
2009	60.62	114.69	45.96		221.27
2008	52.80	130.60	51.90		235.30
2007	52.80	122.80	47.40		223.00
2006	52.80	108.70	44.60		206.10
2005	55.80	96.50	45.10		197.40
2004	55.80	94.20	44.10		194.10

Tax Year	Total Direct - City		
	Operating Mil	Debt Mil	Total Direct
2013	47.44	19.17	66.61
2012	45.00	15.62	60.62
2011	45.00	15.62	60.62
2010	45.00	15.62	60.62
2009	45.00	15.62	60.62
2008	52.80	-	52.80
2007	52.80	-	52.80
2006	52.80	-	52.80
2005	55.80	-	55.80
2004	55.80	-	55.80



Source:
City staff

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

Taxpayer ²	2014			2005		
	Taxable Assessed	Rank	% of Total City Net Assessed Value	Taxable Assessed	Rank	% of Total City Net Assessed Value
	Value ²			Value		
South Carolina Electric & Gas, Co.	\$ 1,952,990	1	2.02%			
Ribaut Holdings, LLC	1,058,620	2	1.09%			
Hargray CATV Company, Inc.	952,830	3	0.98%			
WalMart Real Estate Business Trust	855,560	4	0.88%			
303 Associates, LLC	836,070	5	0.86%			
Beaufort Plaza Inc.	801,240	6	0.83%			
USPG Portfolio Two, LLC	782,580	7	0.81%			
Lowes Home Center, Inc.	713,870	8	0.74%			
Mitul Enterprises, LP	698,740	9	0.72%			
Beaufort Venture LLC	611,340	10	0.63%			
				\$ -	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>\$ 9,263,840</u>		<u>9.56%</u>	<u>\$ -</u>		<u>0.00%</u>

Note:

¹ Information is not available

Source:

² Information obtained from the Beaufort County Tax Assessor

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

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

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	Revenue Bonds	Capital Leases	Capital Leases			
2014	\$ 1,558,657	\$ 13,555,000	\$ 3,136,940	\$ -	\$ -	\$ 18,250,597	5.06%	\$ 1,407
2013	2,034,819	14,355,000	3,321,802	-	-	19,711,621	5.29%	1,541
2012	2,490,825	15,130,000	3,500,000	-	-	21,120,825	5.76%	1,685
2011	3,170,383	13,875,000	-	3,445,310	-	20,490,693	6.03%	1,658
2010	3,758,649	14,450,000	-	3,822,816	-	22,031,465	7.15%	1,818
2009	4,443,419	15,000,000	-	4,626,306	177,527	24,247,252	5.86%	1,798
2008	5,039,694	15,000,000	-	5,170,612	207,757	25,418,063	0.00% ¹	2,101
2007	5,610,473	-	-	4,429,024	22,199	10,061,696	0.00% ¹	836
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

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.

**CITY OF BEAUFORT, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2014**

	<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	\$ 207,847,814	7.40%	\$ 15,389,191
Revenue Bonds	4,940,000	7.40%	365,761
Premiums	16,037,931	7.40%	1,187,459
Beaufort County School District			
General obligation bonded debt	284,485,621	25.34%	72,088,656
Installment purchase revenue bond	33,030,000	25.34%	8,369,802
Overlapping Other Debt			
Beaufort County, South Carolina			
Revenue bond debt	5,685,000	7.68%	<u>436,608</u>
Subtotal - Overlapping Debt			<u>97,837,477</u>
City of Beaufort Direct Debt			<u>18,250,597</u>
Total Direct and Overlapping Debt			<u><u>\$ 116,088,074</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*

**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
2014	\$ 13,555,000		\$ 13,555,000	14.28%	\$ 1,045
2013	14,355,000	-	14,355,000	14.82%	1,123
2012	15,130,000	-	15,130,000	16.27%	1,207
2011	13,875,000	-	13,875,000	15.21%	1,122
2010	14,450,000	-	14,450,000	15.84%	1,192
2009	15,000,000	-	15,000,000	0.00%	1,112 ¹
2008	15,000,000	-	15,000,000	0.00%	1,240 ¹
2007	-	-	-	0.00%	- ¹
2006	-	-	-	0.00%	- ¹
2005	85,000	-	85,000	0.15%	7

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**

	2014	2013	2012	2011	2010	2009
Total Assessed Value of Taxable property	\$ 94,903,900	\$ 96,893,350	\$ 92,969,109	\$ 91,223,264	\$ 92,745,648	\$ 66,420,899
Less Exemptions for Bond Purposes	-	-	-	-	-	-
Net Assessed Value for Bond Purposes	<u>\$ 94,903,900</u>	<u>\$ 96,893,350</u>	<u>\$ 92,969,109</u>	<u>\$ 91,223,264</u>	<u>\$ 92,745,648</u>	<u>\$ 66,420,899</u>
Debt Limit Percentage	8%	8%	8%	8%	8%	8%
Debt Limit	\$ 7,592,312	\$ 7,751,468	\$ 7,437,529	\$ 7,297,861	\$ 7,419,652	\$ 5,313,672
Total Net Debt Applicable to Limit General obligation bonds (net of set aside)	<u>1,525,000</u>	<u>1,690,000</u>	<u>1,850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<u>\$ 6,067,312</u>	<u>\$ 6,061,468</u>	<u>\$ 5,587,529</u>	<u>\$ 7,297,861</u>	<u>\$ 7,419,652</u>	<u>\$ 5,313,672</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	20.09%	21.80%	24.87%	0.00%	0.00%	0.00%

Note:

1 Information is not available.

Source:

Beaufort County Tax Assessor

Fiscal Year Ending	June 30,		
<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 66,317,911	\$ 66,272,623	\$ 57,457,498	\$ 54,813,779
-	-	-	-
<u>\$ 66,317,911</u>	<u>\$ 66,272,623</u>	<u>\$ 57,457,498</u>	<u>\$ 54,813,779</u>
8%	8%	8%	8%
\$ 5,305,433	\$ 5,301,810	\$ 4,596,600	\$ 4,385,102
-	-	85,000	160,000
<u>\$ 5,305,433</u>	<u>\$ 5,301,810</u>	<u>\$ 4,511,600</u>	<u>\$ 4,225,102</u>
0.00%	0.00%	1.85%	3.65%

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

Fiscal Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^a	Unemployment Rate ^a
2014	12,967	\$ 360,352,930	\$ 27,790	6.90%
2013	12,788	372,667,896	29,142	7.90%
2012	12,534	366,707,238	29,257	8.80%
2011	12,361	339,606,114	27,474	8.80%
2010	12,120	307,872,240	25,402 ^c	6.20%
2009	13,487	413,255,167	30,641	9.10%
2008	12,098	413,255,167	26,399	5.10%
2007	12,029	565,844,160	47,040	4.40%
2006	12,156	507,196,944	41,724	4.70%
2005	12,054	473,818,632	39,308	4.80%

Sources:

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

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

c *Obtained from City of Beaufort Comprehensive Plan*

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

Employers	December 31, 2012			December 31, 2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Department of Defense	7,352	1	12.33%	-	-	-
Beaufort County School District	3,159	2	5.30%	3,400	1	20.31%
Beaufort Memorial Hospital	1,404	3	1.89%	1,164	3	6.95%
Beaufort County	1,128	4	2.36%	1,750	2	10.45%
Marine Corps Community Services	789	5	1.32%	-	-	-
Hilton Head Health System, LP	700	6	1.17%	600	6	3.58%
Care Core National, LLC	419	7	0.70%	-	-	-
Wal-mart Associates, Inc.	400	8	0.67%	520	7	3.11%
Hargray Communications Group, Inc.	361	9	0.53%	-	-	-
Technical College of the Low Country	318	10	0.61%	-	-	-
Marine Corps Recruit Depot (Civilian Personnel)	-	-	-	882	4	5.27%
Marine Corps Air Station (Civilian Personnel)	-	-	-	700	5	4.18%
Hilton Head Marriott Golf and Beach Resort	-	-	-	520	8	3.11%
The Westin Resort	-	-	-	450	9	2.69%
Crowne Plaza Resort	-	-	-	430	10	2.57%
	<u>16,030</u>		<u>26.89%</u>	<u>10,416</u>		<u>62.22%</u>

Source:

Beaufort Regional Chamber of Commerce

Note:

No new data for December 31, 2013 and December 31, 2004 was available at the time of issuance.

**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	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government	23	24	22	20	21	21	37	30	32	33
Public safety	97	98	91	92	84	90	99	92	91	90
Public services	28	25	22	18	19	25	29	38	32	33
	<u>148</u>	<u>147</u>	<u>135</u>	<u>130</u>	<u>124</u>	<u>136</u>	<u>165</u>	<u>160</u>	<u>155</u>	<u>156</u>

Source:

City personnel records

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

	Fiscal Year Ending June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Safety										
Police										
Arrests	963	1,233	1,215	1,016	1,071	1,207	1,291	1,500	1,488	1,711
Fire										
Number of emergency calls	2,327	2,582	1,886	2,351	1,711	1,747	1,747	1,712	1,721	1,733
Inspections	242	181	92	127	165	531	426	739	536	802
Public Services										
Parks										
Number of parks	24	24	24	24	28	28	28	28	28	27
Solid Waste¹										
Garbage removed (tons)	-	-	-	-	-	5,615	5,431	3,063	5,735	5,697
Recycling removed (tons)	-	-	-	-	-	420	526	240	382	375
Complaints										
Missed garbage	40	25	16	40	116	N/A	N/A	N/A	N/A	N/A
Missed recycling	21	20	40	43	91	N/A	N/A	N/A	N/A	N/A
Missed yard waste	31	22	13	35	49	N/A	N/A	N/A	N/A	N/A
Planning										
Building permits issued	1,315	1,248	1,147	N/A						
Building permit fees	\$ 245,906	\$ 246,214	\$ 276,966	N/A						
Certificate of occupancy	34	37	45	N/A						
Certificate of completion	44	37	39	N/A						

Source:

City records

Note:

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

N/A - data is not available.

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

	Fiscal Year Ending June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Public Services										
Parks	24	24	24	24	28	28	28	28	28	27

Source:
City records

COMPLIANCE SECTION





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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Beaufort, South Carolina (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Beaufort, South Carolina's basic financial statements, and have issued our report thereon dated November 21, 2014.

Internal Control Over Financial Reporting

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

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

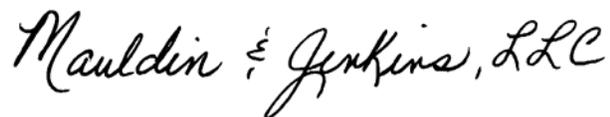
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Macon, Georgia
November 21, 2014

CITY OF BEAUFORT, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

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

Federal Awards

There was no audit of major federal award programs as of June 30, 2014 due to the total amount of federal expenditures being less than \$500,000 during the fiscal year 2014.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.