



CITY OF BEAUFORT, SC
OVERVIEW OF THE CITY'S
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2013

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

- Introductory Section – begins on Page A -1
 - ✓ Transmittal Letter – Opportunity for Management to offer more “subjective information” than would be acceptable for the MD & A.
 - ✓ FY 2012 Government Finance Officers Association Certificate of Achievement in for Excellence in Financial Reporting.
 - ❖ This is the sixth year that the City has been awarded this prestigious national award recognizing its conformance with the highest standards for preparation of state and local government financial reports.
 - ❖ The City has applied under this award program for its FY 2013 CAFR.
 - ✓ Organizational Chart
 - ✓ List of Principal Officials
- Financial Section – begins on Page B – 1
 - ✓ Independent Auditor’s Report
 - ❖ Our Independent Auditing Firm of Mauldin & Jenkins issued an Unmodified audit report – a clean opinion.
 - ❖ The financial statements are considered to present fairly the financial position and results of operations as of and for the year ended June 30, 2013.
 - ❖ Required Supplementary Information contained in the Management’s Discussion and Analysis starting on Page C-1 and the budgetary comparison information starting on Page E-1 are required by auditing standards, but no opinion is expressed and no assurance is provided on that respective information.

OVERVIEW OF THE CAFR (Cont'd)

- ❖ The opinion covers other information such as combining and individual nonmajor fund financial statements (starting on page F-1) and the expenditures of federal awards (Page H – 5), in relation to the basic financial statements as a whole are fairly stated in all material respects.
- ❖ Lastly, the opinion refers to additional reports issued by the auditor covering its compliance with provisions of laws, regulations, contracts and grant agreements. These reports can be found at Page H-1 and H-3.
- ✓ Management's Discussion and Analysis – begins on page C – 1
 - ❖ A narrative introduction, overview and analysis of the basic financial statements.
 - ❖ Readers are encouraged to consider the information presented in the MD&A in conjunction with transmittal letter, financial statements, notes to the financial statements and statistical information to enhance their understanding of the City's overall financial performance.
- ✓ Government – Wide Financial Statements – begins on page D -1
 - ❖ Statement of Net Position and the Statement of Activities
 - ❖ Change in Accounting Principle applied in FY 2013 with the implementation of Government Accounting Standards Board (GASB) Statements No. 63 and 65.
 - ❖ Statement of Net Assets is now referred to as the Statement of Net Position. Net Assets is referred to Net Position and modifies the Statement of Net Position presentation to include Deferred Outflows and Deferred Inflows.
 - ❖ $\text{Assets plus Deferred Outflows} = \text{Liabilities plus Deferred Inflows plus Net Position.}$
 - ❖ Note disclosure on Deferred Outflows and Deferred Inflows can be found on page D-14.
 - ❖ The City had one item that arises on the fund financial statements that qualifies for reporting a Deferred Inflow on the Balance Sheet of the Governmental Fund Financial Statement on page D-3. The governmental funds report *Unavailable Revenue* from property taxes and other receivables that are deferred, recognized as an inflow of resources in which amounts become available.

OVERVIEW OF THE CAFR (Cont'd)

- ❖ Government-wide financial statements begin on page D -1. The Statement of Net Position, formally called the Balance Sheet provides a broad, long-term overview of the City's finances on a full accrual basis, much like a business. This Statement is followed by the Statement of Activities.
 - ❑ Capital assets and long term debt are included.
- ❖ A snap shot of the Statement of Net Position is as follows:

City of Beaufort's Net Position				
	2013	2012	Change	% Change
Current and other assets	\$ 20,401,550	\$ 18,958,574	\$ 1,442,976	7.61%
Capital assets	42,379,865	42,388,150	(8,285)	-0.02%
Total assets	62,781,415	61,346,724	1,434,691	2.34%
Long-term liabilities	18,480,337	19,918,023	(1,437,686)	-7.22%
Other liabilities	3,262,192	3,198,401	63,791	1.99%
Total liabilities	21,742,529	23,116,424	(1,373,895)	-5.22%
Net Position:				
Net investment in capital assets	24,959,681	23,444,154	1,515,527	6.46%
Restricted	8,978,528	7,956,684	1,021,844	12.84%
Unrestricted	7,100,677	6,738,090	362,587	5.38%
Total net position	\$ 41,038,886	\$ 38,138,928	\$ 2,899,958	24.69%

- ❖ 61% of the Net Position reflects the City's net investment in capital assets such as land, buildings, equipment and infrastructure, less any unspent debt proceeds used to acquire those assets.
- ❖ 22% of the Net Position reflects City resources that are subject to external restrictions through federal or state legislation, grant provisions, or debt instruments.
- ❖ 17% of the Net Position is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

OVERVIEW OF THE CAFR (Cont'd)

- ❖ The significant increase to Restricted Net Position of \$1,021,844 or 12.84% is primarily due to the increase in unspent resources from TIF II. Use of these resources was minimized during FY 2013, as the City fine tuned its Capital Improvement Plan to maximize the leveraging of resources that will be necessary to achieve its long-term capital initiatives.
- ❖ Net position increased \$2,899,958 during FY 2013 as represented from the following chart and each individuals fund contribution.

INDIVIDUAL FUNDS PRESENTED ON A GOVERNMENT-WIDE BASIS	
General Fund	\$ (453,381)
Tax Increments Financing District II	1,946,840
Capital Projects	1,936,034
Redevelopment Commission	89,276
State Accomodations	36,934
Drug Control and Prevention	(9,852)
Tax Increment Financing District I	(645,893)
Change in Net Position	<u>\$ 2,899,958</u>

- ❖ Key elements of significant changes in revenues and expenses are explained on page C – 6.
- ✓ Fund Financial Statements – begin on page D – 3.
 - ❖ Governmental funds provide information of near term inflows, outflows and balances of available resources.
 - ❖ The General Fund, Tax Increment Financing District II Fund and the Capital Projects Fund are considered major funds for reporting purposes.
 - ❖ Nonmajor Funds: the Redevelopment Commission Fund, State Accommodation Tax Fund, Tax Increment Financing District I Fund, the Drug Control & Prevention Fund and the Cemeteries Fund are aggregated and presented as Other Governmental Funds.

OVERVIEW OF THE CAFR (Cont'd)

- ❖ Combined Fund Balance totaled \$19,139,106 or an increase of \$1,477,904. Increases in the TIF II fund of \$1,490,834 and \$385,325 from the Capital Projects Fund are the largest components in the overall increase.
 - ❑ This is primarily a result of the fund usage being minimized as the Capital Improvement Plan was developed and integrated with the approved Civic Master Plan, for enhanced effectiveness in capital planning.
- ❖ 47% of the total \$19M Fund balance is non spendable or restricted by external parties.
- ❖ 15% of the total Governmental Funds fund balance is committed by formal action of the City Council for land acquisition, replacement of rolling stock capital, redevelopment initiatives, contractual obligations and law enforcement purposes.
- ❖ 12% of the total Governmental Fund fund balance is assigned to specific purposes constrained by the City's intent for their uses.
- ❖ The balance of \$4,922,304 or 26% of the total governmental fund – fund balance is unrestricted and unassigned and therefore available for spending at the City's discretion.
 - ❑ This balance meets the 25% minimum fund balance target of the expenditures and recurring transfers as set forth by the City's Fund Balance Policy.

✓ General Fund

- ❖ Fund balance increased a net \$131,280.
- ❖ Revenues increased a net \$622,805 or 4% over the prior year.
 - ❑ Significant increases were recognized in Property taxes (\$278,829), primarily a result of the completion of TIF I and the taxes received from that district are now reported in the General Fund rather than its own Special Revenue fund. In addition, there was a \$244,179 increase in charges for services due primarily to the increase in Stormwater fees and an increase of \$150,623 in Franchise Fees due primarily to increased utility and telecommunications fee's charged by providers within the City.

OVERVIEW OF THE CAFR (Cont'd)

- ✓ General Fund (Cont'd)
 - ❑ Significant decreases in revenues were realized under license, permits and fees at approximately \$275,349 primarily a result of the implementation of new federal legislation affecting the Brokers Tax Collection program.
 - ❖ Expenditures decreased a net \$1,151,507 or 6.9% over FY 2012. Though there were modest increases due to the implementation of a 3% COLA during the FY 2013 budget cycle, significant expenditure activity relating to land acquisition and economic development contributions incurred in FY 2012 were not factors in the FY 2013 expenditures.
- ✓ TIF II Fund
 - ❖ Realization of a modest increase of \$12,694 over FY 2012 in property tax collections from the TIF II District.
 - ❖ Decrease in TIF II expenditures from the prior year of \$163,496 as the Capital Improvement Plan was being developed and finalized as was mentioned previously.
- ✓ Capital Project Fund
 - ❖ Expenditure activity was \$648,937 more than FY 2012 which was primarily related to three projects that are Federally funded through grants: the completion of the Duke Street Phase I Streetscape project, the completion of the Bladen Street Streetscape project both funded in part by the HUD Community Development Block Grants, and the Boundary Street Redevelopment project funded in part by the Federal TIGER Grant and the County Transportation Tax.
- ✓ The Notes to the Financial Statements begin on page D – 8.
- ✓ Budgetary Comparison Schedules for the General Fund and the Tax Increment Financing District II Fund can be found beginning on page E -1.
- ✓ Supplementary Information containing combining financial statements for the Non major funds along with Budgetary comparison schedules for those non major funds that are budgeted follow along beginning on page F – 1.

OVERVIEW OF THE CAFR (Cont'd)

- ✓ State Mandated Schedule related to Municipal Fines Assessments and Surcharges can be found on page F – 9
- ✓ The Statistical Section – beginning on page G – 1 – is an important source of trend information regarding the governments economic condition. It is designed to meet five objectives:
 - ❖ Provide information on financial trends: G-2 through G-7
 - ❖ Provide information on revenue capacity: G-8 through G-13
 - ❖ Provide information of debt capacity: G-14 through G-18
 - ❖ Provide demographic and economic information: G-19 through G-20
 - ❖ Provide operating information: G-21 through G-23
- ✓ Compliance Section – begins on page H – 1
 - ❖ Contains the Independent Auditors 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*.
 - ❖ Also contains the Independent Auditor's report on Compliance with each Major Program and on Internal Controls over Compliance Required by OMB Circular A-133 – the Single Audit Act or Federal Compliance.
 - ❖ Based on the required auditing procedures there were no deficiencies in internal control identified, no instances of non compliance with the provisions of laws, regulations, contracts and grant agreements identified or required to be communicated and the auditor's expressed a clean opinion on the City's compliance with federal requirements that could have a direct and material effect of the major programs.
 - ❖ The Schedule of Expenditure of Federal Awards can be found on page H – 5.
 - ❑ The City expended \$977,949 in direct federal expenditures on various projects, of which the major federal programs were the CDBG funded projects for Bladen Street Streetscape, Duke Street Phase I Streetscape and Duke Street Phase II Streetscape totaling \$661,447.

REQUIRED COMMUNICATIONS BY THE AUDITORS

- Auditors are required to communicate with the governing body. This required communication includes:
 - ✓ Their responsibility under *Government Auditing Standards* and *Auditing Standards Generally Accepted in the United States of America*.
 - ✓ The City Management is ultimately responsible for the appropriateness of accounting policies. They did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance and that the City's policies relative to the timing of recording transactions are consistent with GAAP and typical government organizations.
 - ✓ That they considered managements judgments and accounting estimates in evaluating the City's significant accounting policies as disclosed in the Notes to the Financial Statements.
 - ✓ There were no difficulties encountered in dealing with management through the performance of the audit.
 - ✓ There were no audit adjustments posed or passed by the auditors.
 - ✓ There were no disagreements with management over the application of significant accounting principles, the basis for management's judgment on significant matters, the scope of the audit or significant disclosures to be included in the financial statements.
 - ✓ The City's Management provided them written representation relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information they requested during the audit. Written representation was provided without any problem.

REQUIRED COMMUNICATIONS BY THE AUDITORS

- ✓ There were no significant issues discussed with management that would have affected the risk of material misstatement of the financial statements.
- ✓ That the auditors are independent of the City and all related organizations.

FUTURE GOVERNMENT ACCOUNTING STANDARDS THAT WILL IMPACT THE CITY

- GASB Statement No. 66, Technical Corrections effective for the City's fiscal year ending June 30, 2014.
- GASB Statement No. 67, Financial Reporting for Pension Plans effective for the City's fiscal year ending June 30, 2014.
 - ✓ This Statement may impact the information contained in the Pension Footnote disclosure.
- GASB Statement No. 68, Accounting and Reporting for Pensions effective for the City's fiscal year ending June 30, 2015.
 - ✓ This Statement will have significant impact on the Statement of Net Position.
 - ✓ Will require Cost Sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost sharing plan.
 - ✓ Will require more extensive note disclosure and Required Supplementary Information.

QUESTIONS??