



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF BEAUFORT, SOUTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2013



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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

PREPARED BY THE CITY FINANCE DEPARTMENT



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INTRODUCTORY SECTION



BOARDWALK AT WATERFRONT PARK



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November 4, 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, 2013.

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, 2013 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, 2013, 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 7.3%¹ that is less than the State average of 8.1%, and median household income tends to be higher than the State average. Revenues from real and personal property taxes held even with prior years. Property tax revenue from vehicle ownership were slightly higher than the prior year from 94.32% to 95.26%. Revenues from building permits showed increased activity especially in remodeling but a small decrease

¹ <http://dew.sc.gov/about-lmi.asp>



in the number of new houses and commercial buildings. Business license revenue was slightly higher in comparison to the prior year. The City also receives Hospitality and Accommodations tax revenues, which both showed an increase this year. Some revenues are dependent upon collection by MASC or the State of South Carolina. These funds showed a significant decrease in collectibles. Staff's investigation of these matters shows that there will be an eventual settlement on the collections albeit they will be in other fiscal years.

Long-term financial planning

The City 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.

The City has completed several streetscape projects and 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, which is set to be complete in the 2013 calendar year. 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.

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 six years, ending June 30, 2012. 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



Government Finance Officers Association

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

Presented to

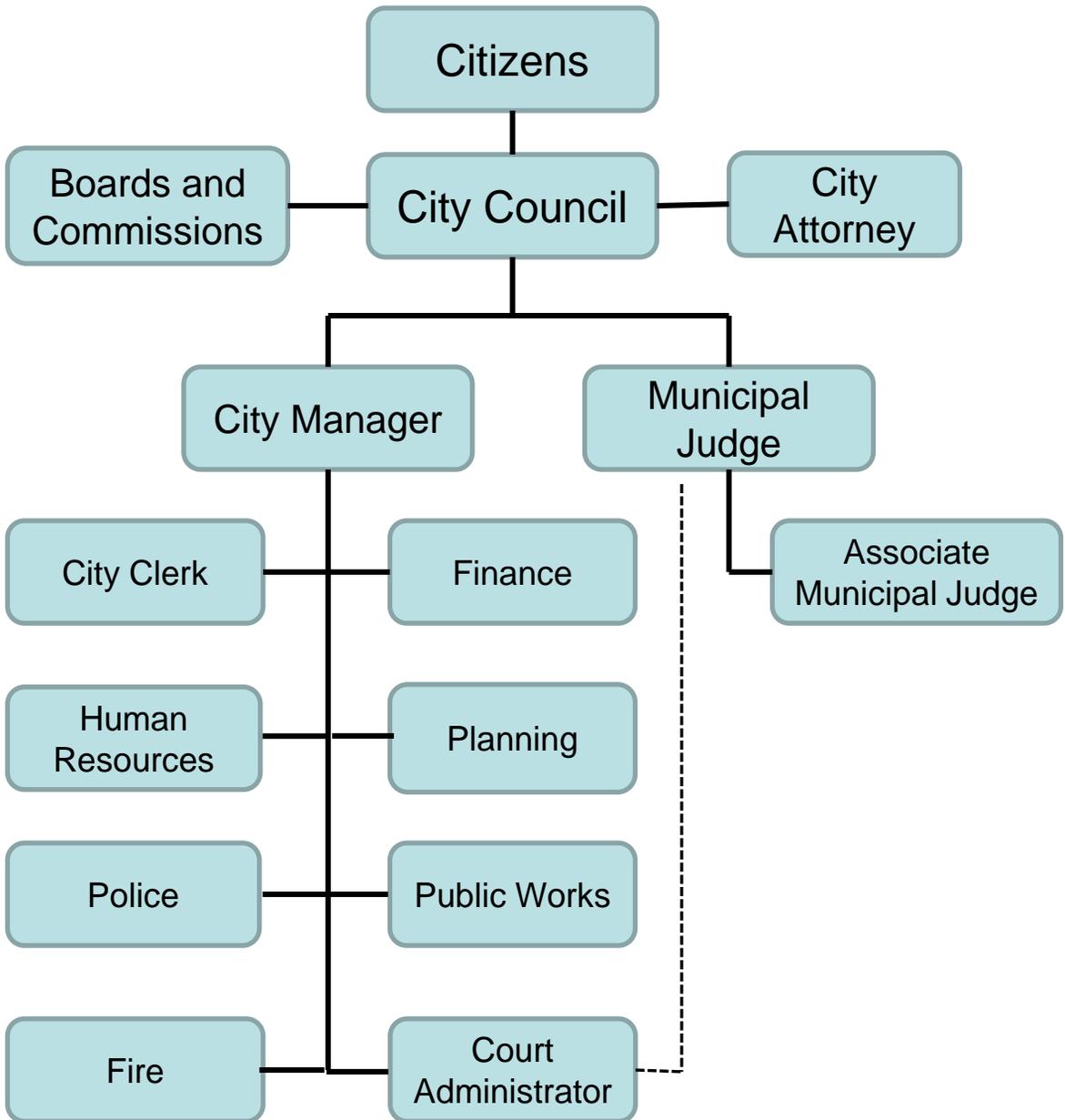
**City of Beaufort
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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

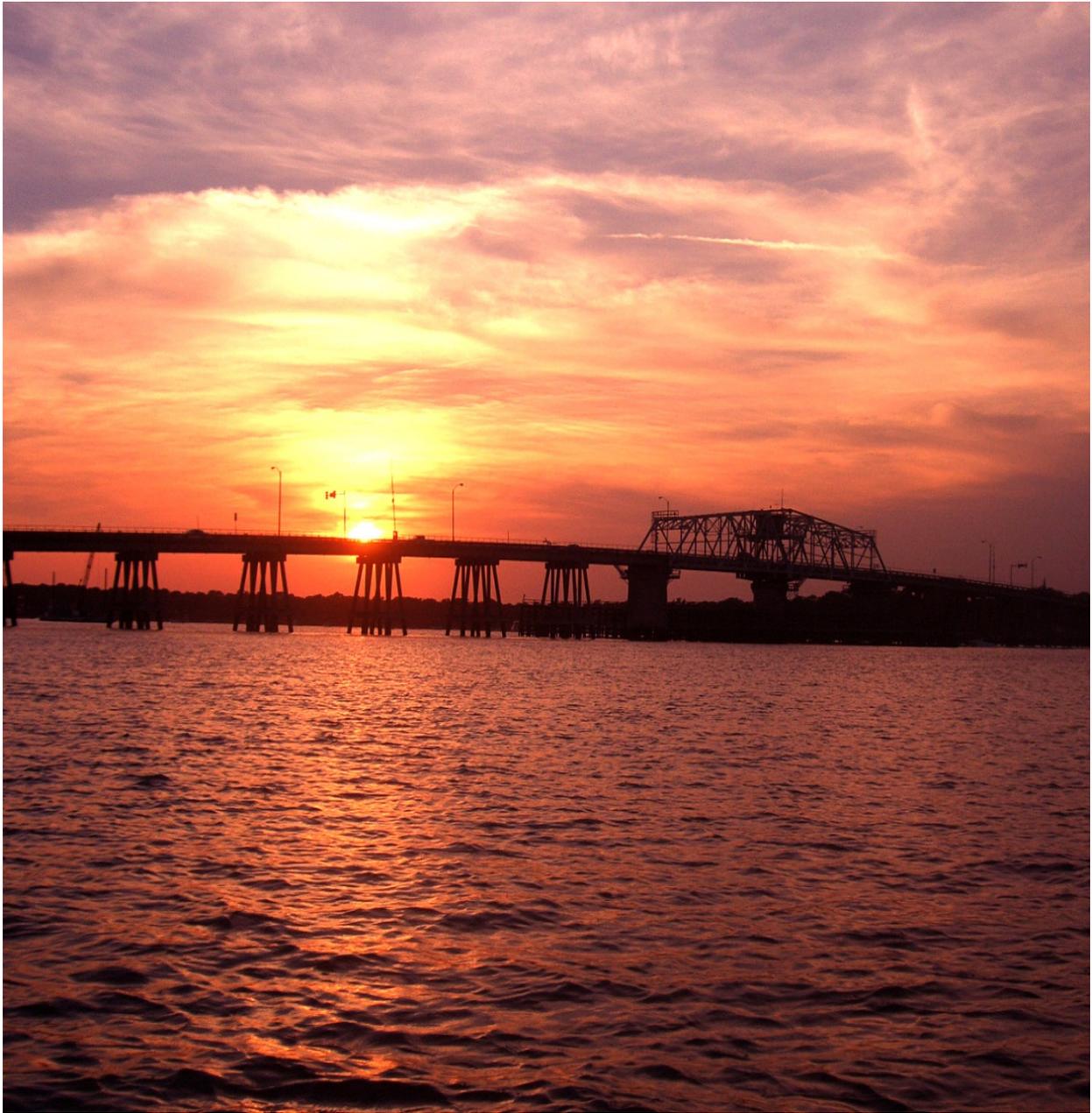
City Manager
Finance Director
City Clerk
Accountant
Accounting Clerk
Accounting Clerk





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FINANCIAL SECTION



OVERLOOKING THE INTRACOASTAL WATERWAY



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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, 2013, 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, 2013, 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.

Emphasis of Matter

As discussed in Note 1, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. Our opinion is not modified with respect to this matter.

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 statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards 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 the schedule of expenditures of federal awards 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 4, 2013, 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 4, 2013



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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, 2013. 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, 2013 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 \$41,038,886 (net position). Of this amount \$7,100,677 (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 \$2,899,958. The increase is primarily attributed to \$520,172 increase in capital grants resulting from the Boundary Street project in association with the TIGER III grant, the CDBG related to the Bladen and Duke Street Streetscape projects and approximately \$1.5M of unspent tax increment district II property tax revenues that will be expended as part of the City's long-range capital improvement plan
- The City's total cash position at June 30, 2013, was \$19,312,480 compared to \$16,433,691 at June 30, 2012, an increase due to the above noted increase in revenues and maintaining a zero growth in expenses between fiscal years. Of the total cash at June 30, 2013, \$2,341,638 is restricted for specific purposes, an insignificant decrease of \$11,674 from the prior year.
- The City's Government-wide total accounts payables, accrued expenses and refundable deposits at June 30, 2013 were \$1,477,300, a decrease of \$20,071 from June 30, 2012.
- As of June 30, 2013, the City's long term indebtedness, including the liability for accrued vacation, had decreased a net of \$1,353,824 from June 30, 2012 as a result of normal debt payment activity. During the fiscal year the City expended \$809,889 for interest associated with its long-term indebtedness.
- The City continues to maintain its AA- rating from Standard & Poor's and an Aa2 rating from Moody's Investors Services for general obligation debt.
- Property taxes support 39% of the governmental services to citizens and the community in fiscal year 2013.

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 \$41,038,886 at June 30, 2013.

The following table presents a summary of the City's Net Position at June 30, 2013.

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%

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 (22%) represents resources that are subject to external restrictions on how they may be used. The remaining balance (17%) 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 \$1,021,844 or 12.84%. The increase is primarily due to the Tax Increment Financing (TIF) District I and II cash that is restricted by State Law to be used for only activities within the TIF Districts. As the City fine tunes its Capital Improvement plan to maximize the leveraging of resources necessary to achieve its long-term capital initiative, the use of these funds was minimized during the fiscal year.

Net position presented in the Governmental-wide financial statements increased by a net \$2,899,958 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	\$ (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>

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.



WATERFRONT PARK BOARDWALK

City of Beaufort's Change in Net Position				
	2013	2012	Change	% Change
Revenues:				
Program revenues:				
Charges for services	\$ 9,237,768	\$ 8,987,921	\$ 249,847	2.78%
Operating grants and contributions	80,580	151,155	(70,575)	-46.69%
Capital grants and contributions	975,950	455,778	520,172	114.13%
General revenues:				
Property taxes	6,784,869	7,027,863	(242,994)	-3.46%
Other taxes	2,745,227	2,664,788	80,439	3.02%
Other	305,546	315,293	(9,747)	-3.09%
Total revenues	<u>20,129,940</u>	<u>19,602,798</u>	<u>527,142</u>	<u>2.69%</u>
Expenses:				
General government	3,747,457	4,162,370	(414,913)	-9.97%
Law enforcement	4,411,265	4,235,745	175,520	4.14%
Fire and emergency services	2,974,622	2,807,120	167,502	5.97%
Public works	2,414,961	2,586,474	(171,513)	-6.63%
Culture and recreation	801,117	752,264	48,853	6.49%
Streets	1,084,645	1,065,348	19,297	1.81%
Community and economic development	986,026	1,013,939	(27,913)	-2.75%
Interest on long-term debt	809,889	876,413	(66,524)	-7.59%
Total expenses	<u>17,229,982</u>	<u>17,499,673</u>	<u>(269,691)</u>	<u>-1.54%</u>
Excess before transfers	2,899,958	2,103,125	796,833	37.89%
Net position, beginning	38,230,300	36,127,175	2,103,125	5.82%
Prior period adjustment	(91,372)	-	(91,372)	-100.00%
Net position, beginning, restated	<u>38,138,928</u>	<u>36,127,175</u>	<u>2,011,753</u>	<u>5.57%</u>
Net position, ending	<u>\$ 41,038,886</u>	<u>\$ 38,230,300</u>	<u>\$ 2,808,586</u>	<u>7.35%</u>

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

- Operating grants and contributions decreased a net \$70,575, primarily due to the completion of the COPS Hiring Recovery Program grant that was awarded in fiscal year 2010 and fully expended during fiscal year 2013.
- Capital Grants increased by \$520,172. \$205,171 of that increase was due to additional federal grant activity for the CDBG funded Bladen Street and Duke Street Streetscape projects and the balance of \$315,001 was related to the Boundary Street project, funded in part through the Federal Highway Administration TIGER III Grant.
- Property taxes decreased a net total of \$242,994 that is primarily related to the completion of the TIF I district distribution of the increment back to the other taxing districts.

- Other taxes increased a total of \$80,439 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:

- General Government decreased \$414,913, or 9.97% from fiscal year 2012. Of that decrease \$230,000 is related to onetime non-department costs for economic development invested in the open land trust during fiscal year 2012 that was not expended in fiscal year 2013. In addition, capital project costs expended in fiscal year 2012 that were operational components of general government totaling approximately \$197,000 were not a component of capital project activity in fiscal year 2013.
- Both Law enforcement and Fire and Emergency Services increased \$175,520 and \$167,502, respectively as a result of increase in personal costs associated with the 3% COLA adjustment budgeted for in fiscal year 2013, increases to the State Retirement contribution for Public safety personnel, continued increases to fuel costs and increases to depreciation expense related to the acquisition of new vehicles that replaced fully depreciated vehicles.

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, 2013, the City governmental funds reported combined fund balances of \$19,139,106 an increase of \$1,477,904 from the prior year's balances.

The increase of \$385,325 in the Capital Project Fund and \$1,490,834 in the Tax Increment Financing District II Fund accounted for the largest component in the overall increase in the City's Governmental Funds. The increase in the both funds was primarily a result of continued decreased funding for capital projects as the overall City's Capital Improvement Plan is developed and integrated with the approved Civic Master Plan.

47% (\$9,010,881) of the total Governmental Fund balance at June 30, 2013, is nonspendable or restricted in its use. \$8,971,282 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 15% 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 \$2,314,080 or 12%. This amount represents additional capital project initiatives. The remainder of the total Governmental Fund Balance of \$4,922,304 or 26% 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, 2013 the General Fund had a fund balance of \$9,750,765 representing 51% of the total Governmental ending fund balance. Of the General Fund's June 30, 2013 fund balance, 91% is *unrestricted* and of that amount 50% is *unrestricted and unassigned*. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted/unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance represents 32% of the General Fund's expenditures, while total fund balance of the General Fund represents 63% of that same amount.

General fund revenues increased a net \$622,805 or 4% from the prior year. Though there were slight increases in intergovernmental revenues (\$78,433) and Fines and forfeitures (\$27,284) other revenue sources experienced more significant increases. The increases are primarily attributed to the following:

- The most significant increase totaling \$278,829 was seen in property tax revenues. This is primarily the result of the completion of the Tax Increment District I, previously reported in its own special revenue fund while the TIF was active. Now that the TIF is completed, only the City's portion is received and included in the General Fund.
- Charges for services increased 13% or \$244,179 primarily due to the increase in the Stormwater Fee charged during fiscal year 2013. City Council approved a fee increase from \$65 to \$105 during the current year's budgetary process.
- Franchise fees saw an increase of \$150,623 due primarily to increased utility and telecommunication fee's charged by the providers within the City.
- Other taxes increase \$114,919 over the prior year. As the hotel and restaurant industries in the City continue to show indications of recovery, there was a slight increase in the Hospitality fees collected of \$99,152 and the local accommodation fees collected of \$23,212.

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

- Licenses, permits and fees saw a net decrease of \$275,349 from the prior year. This decrease is primarily the result of the implementation of new legislation that affected the Brokers Tax Collection Program causing a decrease of \$297,764 in collections.
- Lastly, interest income decreased \$6,004 due to increased banking fees and continual low interest rates experiences through the continual downturn in the financial markets.

The General Fund expenditures decreased a net of \$1,151,507 or 6.9 % over fiscal year ended June 30, 2012. Significant decreases were a result of the following:

- General government decreased \$2,032,023. This decrease is a result of:
 - The capital acquisition on the Commerce Park that took place in fiscal year 2012 of \$1,850,000.
 - In fiscal year 2012, the City made a contribution toward Economic Development initiative of \$250,000 that was not expended in fiscal year 2013.
- Modest increases were experienced in the other functional expenditures from the prior year that are the result of the approved 3% COLA that was part of the fiscal year 2013 operating budget, the FICA tax for employer contributions was resumed to its full funding level, and the increases to the State Retirement contributions.

Tax Increment Financing District II Fund (TIF II)

Total revenues in this fund amounted to \$2,181,221 consisting of property tax on the incremental value of property located within the district. The City realized a slight increase of \$12,694 in the property taxes within the district. There was also a decrease in capital redevelopment projects expenditures over the prior year totaling \$163,496. The City is in the process of finalizing the Civic Master Plan, developing the Capital Improvement Plan and establishing Capital Project budgets that are integrated. As a result, capital spending was again slowed in the current fiscal year.

Capital Projects Fund

The Capital Project Fund expended \$1,552,259 or \$648,937 more than fiscal year 2012. \$1,421,485 of this increase was a result of three grant funded projects: the Duke Street Streetscape project totaling \$583,015 and the Bladen Street Streetscape project totaling \$398,484, both funded by Community Development Block Grants and matching funds from the City, and the Boundary Street Boulevard and Multi-Use Path redesign project totally \$396,678 that is funded by the FWHA TIGER grant and local resources. The remaining increase was a result of other capitalizable costs relating to retrofits to the Police Building and City Hall as well as the City's contribution toward the Mast Arm project.

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, 2013, the City's net capital assets totaled \$42,379,865, a net decrease of \$8,285 from fiscal year 2012. 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 three major projects noted above under the Capital Projects Fund totaling \$1,421,485.
- The closing of \$1,523,178 of prior year's construction in projects costs into depreciable assets as these assets were put in operations.
- Additional vehicles and equipment for Police patrol cars (\$91,900), Public Works (\$85,335), Planning (\$21,672) and other miscellaneous equipment of \$12,495.

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, 2013 totaled \$20,265,229.

The City's total indebtedness decreased a net \$1,353,824 from the previous year. Scheduled debt payments totaling \$1,409,204 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 \$7,751,468.

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 2013 as well as the final budget. A column for actual resources (revenues), appropriations (expenditures) and a column for any variances between final budget and actual are also provided. Resources and appropriations are discussed excluding transfers in or out.

During the year there was a net increase of \$1,134,549 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 \$16,478,227 exceeded final budgeted revenues of \$16,080,534 by \$397,693 as discussed previously on the increased general fund revenues.

The total actual expenditures of the General Fund were \$16,346,947. This amount was \$402,248 less than the final budgeted amount due to the Public Works Street sweeper and other Stormwater Projects budgeted in FY 2013 but not received or started until FY 2014.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET

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

The City adopted a general fund budget for fiscal year ended June 30, 2014 in the amount of \$17,715,094.

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, 2013

	Total Governmental Activities
ASSETS	
Cash and investments.....	\$ 16,970,842
Receivables.....	1,056,717
Inventories.....	32,353
Restricted assets	
Cash and investments.....	2,341,638
Capital assets:	
Land, improvements, and construction in progress	6,713,212
Other capital assets, net of depreciation.....	35,666,653
Total assets	\$ 62,781,415
LIABILITIES	
Accounts payable.....	\$ 677,152
Accrued liabilities.....	361,505
Accrued interest.....	335,339
Deposits and escrow.....	103,304
Long-term liabilities:	
Due within one year.....	1,784,892
Due in more than one year.....	18,480,337
Total liabilities	\$ 21,742,529
NET POSITION	
Net investment in capital assets.....	\$ 24,959,681
Restricted for:	
Perpetual care	
Nonexpendable.....	7,246
Capital projects.....	2,291,437
Redevelopment.....	5,530,150
Other purposes.....	1,149,695
Unrestricted.....	7,100,677
Total net position	\$ 41,038,886

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	
					Governmental Activities	Total
Governmental activities:						
General government.....	\$ 3,747,457	\$ 5,873,092	\$ -	\$ -	\$ 2,125,635	\$ 2,125,635
Law enforcement.....	4,411,265	369,357	80,580	-	(3,961,328)	(3,961,328)
Fire and emergency services.....	2,974,622	731,719	-	-	(2,242,903)	(2,242,903)
Public works.....	2,414,961	1,669,220	-	-	(745,741)	(745,741)
Culture and recreation.....	801,117	196,107	-	-	(605,010)	(605,010)
Streets.....	1,084,645	-	-	975,950	(108,695)	(108,695)
Community and economic development.....	986,026	398,273	-	-	(587,753)	(587,753)
Interest on long-term debt.....	809,889	-	-	-	(809,889)	(809,889)
Total	\$ 17,229,982	\$ 9,237,768	\$ 80,580	\$ 975,950	(6,935,684)	(6,935,684)
General revenues:						
Taxes:						
Property taxes, levied for general purposes.....					6,784,869	6,784,869
Other taxes.....					2,745,227	2,745,227
Unrestricted investment earnings.....					11,052	11,052
Miscellaneous.....					294,494	294,494
Total general revenues					9,835,642	9,835,642
Change in net position.....					2,899,958	2,899,958
Net position - beginning, restated.....					38,138,928	38,138,928
Net position - ending.....					\$ 41,038,886	\$ 41,038,886

**CITY OF BEAUFORT, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General	Tax Increment Financing District II Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents.....	\$ 9,957,736	\$ 5,776,106	\$ 304,569	\$ 932,431	\$ 16,970,842
Taxes receivable.....	171,354	102,513	-	-	273,867
Other receivables.....	583,743	-	56,060	143,047	782,850
Inventory.....	32,353	-	-	-	32,353
Restricted cash and cash equivalents.....	-	-	2,291,437	50,201	2,341,638
Total assets	<u>\$ 10,745,186</u>	<u>\$ 5,878,619</u>	<u>\$ 2,652,066</u>	<u>\$ 1,125,679</u>	<u>\$ 20,401,550</u>
Liabilities					
Accounts payable.....	\$ 534,185	\$ 11,415	\$ 80,462	\$ 51,090	\$ 677,152
Accrued liabilities.....	361,505	-	-	-	361,505
Deposits and escrow.....	83,819	-	-	19,485	103,304
Total liabilities	<u>979,509</u>	<u>11,415</u>	<u>80,462</u>	<u>70,575</u>	<u>1,141,961</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes.....	14,912	96,121	9,450	-	120,483
Total deferred inflows of resources	<u>14,912</u>	<u>96,121</u>	<u>9,450</u>	<u>-</u>	<u>120,483</u>
Fund balances:					
Nonspendable.....	32,353	-	-	7,246	39,599
Restricted.....	851,451	5,221,447	2,291,437	606,947	8,971,282
Committed for:					
Land acquisition.....	726,093	-	-	-	726,093
Vehicle and equipment replacement.....	678,996	-	-	-	678,996
Redevelopment.....	119,705	-	-	219,715	339,420
Capital Projects.....	1,131,623	-	-	-	1,131,623
Law enforcement.....	-	-	-	15,709	15,709
Assigned for:					
Capital Projects.....	1,288,240	549,636	270,717	205,487	2,314,080
Unassigned.....	4,922,304	-	-	-	4,922,304
Total fund balances	<u>9,750,765</u>	<u>5,771,083</u>	<u>2,562,154</u>	<u>1,055,104</u>	<u>19,139,106</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,745,186</u>	<u>\$ 5,878,619</u>	<u>\$ 2,652,066</u>	<u>\$ 1,125,679</u>	<u>\$ 20,401,550</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013**

Total Governmental Fund Balances.....		\$ 19,139,106
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 \$15,234,516).....		42,379,865
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.....		120,483
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.....	\$ (335,339)	
Due within one year.....	(1,784,892)	
Due in more than one year.....	<u>(18,480,337)</u>	<u>(20,600,568)</u>
Net Position of Governmental Activities		<u><u>\$ 41,038,886</u></u>

CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General	Tax Increment Financing District II Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes.....	\$ 4,550,819	\$ 2,181,221	\$ -	\$ (5,054)	\$ 6,726,986
Other taxes.....	2,168,624	-	-	309,913	2,478,537
Licenses, permits and fees.....	3,819,964	-	-	-	3,819,964
Franchise fees.....	1,957,691	-	-	-	1,957,691
Intergovernmental.....	1,161,014	-	975,950	-	2,136,964
Charges for services.....	2,194,825	-	-	152,529	2,347,354
Fines and forfeitures.....	298,015	-	-	1,000	299,015
Investment income.....	9,528	-	1,524	-	11,052
Miscellaneous.....	278,501	-	11,283	4,710	294,494
Total revenues	16,438,981	2,181,221	988,757	463,098	20,072,057
Expenditures:					
Current:					
General government.....	2,873,777	-	1,550	233,733	3,109,060
Law enforcement.....	4,329,211	-	-	15,562	4,344,773
Fire and emergency.....	2,838,921	-	-	-	2,838,921
Public works.....	1,648,452	124,102	-	582,371	2,354,925
Culture and recreation.....	478,470	-	-	-	478,470
Streets.....	692,229	-	-	-	692,229
Community and economic development..	924,088	-	-	63,253	987,341
Capital Outlay.....	-	-	1,550,709	-	1,550,709
Debt Service:					
Principal.....	953,198	456,006	-	-	1,409,204
Interest and other charges.....	718,242	110,279	-	-	828,521
Total expenditures	15,456,588	690,387	1,552,259	894,919	18,594,153
Excess (deficiency) of revenues over (under) expenditures	982,393	1,490,834	(563,502)	(431,821)	1,477,904
Other financing sources (uses):					
Transfers in.....	39,246	-	948,827	-	988,073
Transfers out.....	(890,359)	-	-	(97,714)	(988,073)
Total other financing sources (uses)	(851,113)	-	948,827	(97,714)	-
Net Changes in fund balances.....	131,280	1,490,834	385,325	(529,535)	1,477,904
Fund balances, beginning of year.....	9,619,485	4,280,249	2,176,829	1,584,639	17,661,202
Fund balances at end of year	\$ 9,750,765	\$ 5,771,083	\$ 2,562,154	\$ 1,055,104	\$ 19,139,106

**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, 2013**

Net change in Fund Balances - Total Governmental Funds \$ 1,477,904

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.....	\$ 1,762,112	
Net book value on disposition of capital assets.....	(16,773)	
Less current year depreciation.....	<u>(1,753,624)</u>	(8,285)

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.....	1,409,204	
Interest expense.....	<u>18,632</u>	1,427,836

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds..... 57,883

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.....		(55,380)
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		<u><u>\$ 2,899,958</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, 2013

Assets	
Cash and cash equivalents.....	\$ 255,319
Total assets	<u>\$ 255,319</u>
Liabilities	
Due to others.....	\$ 255,319
Total Liabilities	<u>\$ 255,319</u>



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CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 renovate, revitalize and regenerate distressed areas of the City by researching and recommending redevelopment projects within the City; coordinating, reviewing and recommending redevelopment plans for projects to City Council and facilitating negotiations necessary for execution of the redevelopment plans. The City Council appoints the governing body of the RDC and the RDC

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

has no ability to issue debt or otherwise carry out its activities without the participation and agreement of the City or appropriation of funds by the City Council. The operations of the RDC are included in the governmental activities of the government-wide financial statements as a separate special revenue fund. Separate financial statements are not published for the RDC which follows the same accounting policies as the City of Beaufort.

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

CITY OF BEAUFORT, SOUTH CAROLINA
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liability is incurred, as under accrual accounting. However, debt service expenditures, as well as, expenditures related to compensated absences and claims and judgments, are reported only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Property taxes, sales tax, grants from other governments, and interest on investments are susceptible to accrual. Revenues from fines, forfeits and penalties, and franchise fees become measurable and available when cash is received by the City and are recognized as revenue at that time.

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.

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

D. Assets, Liabilities and Net 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 modified accrual. 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.

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

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

During fiscal year 2009 the City entered into long-term agreements with eligible homeowners whereby the City received funds through the Community Redevelopment & Revitalization Program to make improvement to properties within the Northwest Quadrant of the City that were identified as very low and lower income households. The terms of the agreements covered a period of 10 to 15 years and totaled \$1,136,664. 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, 2013 are \$645,122.

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:

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

5. Compensated Absences

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

Sick leave accrues at a rate of 96 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, 2013, there are no amounts for arbitrage rebates.

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7. Deferred Outflows/Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2012. These new standards establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

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.

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).

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- *Committed* represents amounts that can only be used for specific purposes as determined through formal action through adoption of a resolution of the City Council, the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless City Council removes the constraints by taking the same formal action to modify or rescind the commitment. Committed fund balances include non-liquidated encumbrances for capital projects at year-end that are carried forward to the next fiscal year. Committed fund balance differ from restricted fund balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned* represents amounts that are constrained by the City's intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Council adopted the Fund Balance Policy by Resolution that delegates the authority the City Manager to allocate, assign, modify, or rescind amounts to specific functions based on the intent expressed by the City Council. The governing body approves the appropriation; however, the budget ordinance authorizes the City Manager to modify the appropriations by resource or appropriation within a functional area or fund.

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

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

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

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

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.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

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

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

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

All annual appropriations lapse at fiscal year-end.

NOTE 3 – DETAILED NOTES ON FUNDS AND ACTIVITIES

A. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance				Ending Balance
	June 30, 2012	Additions	Deletions	Transfers	June 30, 2013
Non-depreciable assets:					
Land	\$ 6,202,151	\$ -	\$ -	\$ -	\$ 6,202,151
Construction in progress	612,754	1,421,485	-	(1,523,178)	511,061
	<u>6,814,905</u>	<u>1,421,485</u>	<u>-</u>	<u>(1,523,178)</u>	<u>6,713,212</u>
Depreciable assets:					
Infrastructure	18,275,305	65,369	-	1,523,178	19,863,852
Buildings and improvements	23,570,150	70,981	-	-	23,641,131
Machinery, Furniture and equipment	7,736,880	204,277	(544,971)	-	7,396,186
	<u>49,582,335</u>	<u>340,627</u>	<u>(544,971)</u>	<u>1,523,178</u>	<u>50,901,169</u>
Subtotal assets	<u>56,397,240</u>	<u>1,762,112</u>	<u>(544,971)</u>	<u>-</u>	<u>57,614,381</u>
Accumulated depreciation:					
Infrastructure	(4,753,537)	(608,615)	-	-	(5,362,152)
Buildings and improvements	(3,600,080)	(697,956)	-	-	(4,298,036)
Machinery, Furniture and equipment	(5,655,473)	(447,053)	528,198	-	(5,574,328)
	<u>(14,009,090)</u>	<u>(1,753,624)</u>	<u>528,198</u>	<u>-</u>	<u>(15,234,516)</u>
Total Governmental Activities	<u>\$ 42,388,150</u>	<u>\$ 8,488</u>	<u>\$ (16,773)</u>	<u>\$ -</u>	<u>\$ 42,379,865</u>

CITY OF BEAUFORT, SOUTH CAROLINA
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Depreciation expense was charged to governmental activities as follows:

Function		
General Government	\$	637,365
Law Enforcement		135,212
Fire and Emergency		146,884
Culture and Recreation		339,821
Public Works		85,695
Streets		390,665
Community and Economic Development		17,982
	\$	1,753,624

B. Interfund Transactions and Balances

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

	Transfers In	Transfers out
General	\$ 39,246	\$ 890,359
Capital Projects	948,827	-
Nonmajor governmental	-	97,714
Total Transfers	\$ 988,073	\$ 988,073

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		Additions	Deletions	Ending Balance	Due with One
	June 30, 2012				June 30, 2013	Year
Tax increment bond	\$ 2,490,825	\$ -	\$ (456,006)	\$ 2,034,819	\$ 476,162	
General obligation bonds	15,130,000	-	(775,000)	14,355,000	800,000	
Revenue bonds	3,500,000	-	(178,198)	3,321,802	184,862	
Compensated absences	498,228	355,953	(300,573)	553,608	323,868	
	\$ 21,619,053	\$ 355,953	\$ (1,709,777)	\$ 20,265,229	\$ 1,784,892	

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

**CITY OF BEAUFORT, SOUTH CAROLINA
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Tax Increment Bonds

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

Tax increment bonds payable at June 30, 2013 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.	\$ 1,267,672
\$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.	767,147
	\$ 2,034,819

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 476,162	\$ 90,073	\$ 566,235
2015	497,221	69,015	566,236
2016	519,223	47,012	566,235
2017	542,213	24,022	566,235
	\$ 2,034,819	\$ 230,122	\$ 2,264,941

General Obligation Bonds

On June 11, 2008, the City issued \$15 million of general obligation bonds at interest rates ranging from 3.5% to 5.0% maturing on February 1, 2028. Semi-annual interest payments are due on February 1 and August 1. The proceeds of these bonds are restricted for the construction of the Municipal Complex and addition to the Central Fire Station. In April 2009, the City deferred expending proceeds from these bonds for any additional renovation to the Central Fire Station pending a further needs assessment. The balance at June 30, 2013 was \$12,665,000.

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, 2013 was \$1,690,000.

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
2014	\$ 800,000	\$ 562,224	\$ 1,362,224
2015	830,000	536,517	1,366,517
2016	855,000	509,831	1,364,831
2017	885,000	478,938	1,363,938
2018	920,000	439,890	1,359,890
2019 - 2023	4,955,000	1,635,888	6,590,888
2024 - 2028	5,110,000	675,199	5,785,199
	<u>\$ 14,355,000</u>	<u>\$ 4,838,487</u>	<u>\$ 19,193,487</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, 2013 was \$3,321,802.

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 184,862	\$ 124,235	\$ 309,097
2015	191,776	117,322	309,098
2016	198,949	110,149	309,098
2017	206,389	102,708	309,097
2018	214,108	94,989	309,097
2019 - 2023	1,196,816	348,672	1,545,488
2024 - 2028	1,128,902	107,489	1,236,391
	<u>\$ 3,321,802</u>	<u>\$ 1,005,564</u>	<u>\$ 4,327,366</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, 2013, \$130,596 bonds outstanding are considered defeased.

CITY OF BEAUFORT, SOUTH CAROLINA
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D. Restricted Net Position

Net position restricted through enabling legislation as of June 30, 2013 consisted of \$267,528 for the Tourism and Development Advisory Committee, \$94,363 for Victims Rights and \$30,716 for drug prevention and education. Net position restricted by external groups such as creditors, grantors, contributors or laws and regulations of other governments as June 30, 2013 consisted of \$447,990 for utilities under a franchise agreement, \$5,530,151 for redevelopment projects within the two Tax Increment Financing Districts (TIF I and TIF II), \$309,098 for debt service reserve requirements and \$2,291,437 of remaining debt proceeds for the construction of a new fire station.

E. Restricted Fund Balance

Restricted fund balance at June 30, 2013 consists of:

- \$447,990 for utilities under a franchise agreement, \$309,098 for debt service reserve requirements and \$94,363 for Victim's Rights in the General Fund.
- \$5,221,447 for the purpose of redevelopment within the TIF II District.
- \$2,291,437 represents unspent bond funds for construction of a fire station within the Capital Projects fund.
- The other governmental funds restricted fund balance consists of \$267,528 for Tourism and Development, \$30,716 for drug prevention and education and \$308,703 for redevelopment within the TIF I District.

NOTE 4 – OTHER INFORMATION

A. Employee Pension and Other Benefit Plans

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

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

Both employees and the City are required to contribute to the Plans at rates established under authority of Title 9 of the South Carolina Code of Laws. The City's contributions are actuarially determined, and are communicated to and paid by the City as a percentage of the employees' annual earnings. The City's required contributions for June 30, 2013 for SCRS and SCPORS is 10.60% and 12.30%, respectively. The employees' contribution rate is 7.0% for both the SCRS and SCPORS.

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

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JUNE 30, 2013**

SCRS

Year Ended June 30,	Employee Contributions	Percentage of Covered Payroll	Employer Contributions	Percentage of Covered Payroll	Total Contributions
2013	\$ 151,473	7.00%	\$ 229,375	10.60%	\$ 380,848
2012	128,861	6.50%	186,055	9.39%	314,916
2011	134,182	6.50%	193,841	9.24%	328,023

SCPORS

Year Ended June 30,	Employee Contributions	Percentage of Covered Payroll	Employer Contributions	Percentage of Covered Payroll	Total Contributions
2013	\$ 302,367	7.00%	\$ 531,302	12.30%	\$ 833,669
2012	274,124	6.50%	479,212	11.36%	753,336
2011	269,305	6.50%	475,706	11.13%	745,011

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

Workers' Compensation

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

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013, the City paid the Burton Fire District \$197,832.

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, 2013, the City paid the Fire District \$112,678 for compensated services.

In addition, various other claims and potential claims against the City exist at June 30, 2013. 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.

D. Change in Accounting Principle

The City has determined that a restatement to beginning net position of the Governmental Activities was required to recognize the change in accounting principle for implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, through which bond issuance costs are written off as of June 30, 2012. This adjustment resulted in changes to beginning net position of Governmental Activities as follows:

Net position, as previously reported	\$ 38,230,300
Recognition of bond issuance costs in accordance with GASB 65	<u>(91,372)</u>
Net position, as restated	<u>\$ 38,138,928</u>



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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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes.....	\$ 4,638,989	\$ 4,638,989	\$ 4,550,819	\$ (88,170)
Other taxes.....	1,875,000	1,875,000	2,168,624	293,624
Licenses and permits.....	3,716,701	3,716,701	3,819,964	103,263
Franchise fees.....	1,798,046	1,832,412	1,957,691	125,279
Intergovernmental revenues.....	1,134,809	1,134,809	1,161,014	26,205
Charges for services.....	1,870,871	2,152,615	2,194,825	42,210
Fines and forfeitures.....	303,300	303,300	298,015	(5,285)
Investment income.....	50,000	50,000	9,528	(40,472)
Miscellaneous revenue.....	162,000	340,458	278,501	(61,957)
Total revenues	<u>15,549,716</u>	<u>16,044,284</u>	<u>16,438,981</u>	<u>394,697</u>
Expenditures:				
Current:				
General government				
City council.....	176,674	148,823	148,823	-
City manager.....	536,169	359,772	359,772	-
Finance.....	553,122	528,140	528,140	-
Human Resources.....	38,335	217,271	215,227	2,044
Information Technology.....	365,086	287,009	287,009	-
Court and legal.....	401,812	409,461	405,534	3,927
Non-departmental.....	735,000	929,067	929,272	(205)
	<u>2,806,198</u>	<u>2,879,543</u>	<u>2,873,777</u>	<u>5,766</u>
Law enforcement				
Police.....	4,070,403	4,007,587	4,006,121	1,466
School resource officers.....	234,252	237,480	232,860	4,620
Crossing guards.....	39,173	39,565	28,922	10,643
Victims rights.....	60,145	61,308	61,308	-
	<u>4,403,973</u>	<u>4,345,940</u>	<u>4,329,211</u>	<u>16,729</u>
Fire and emergency				
City of Beaufort fire.....	2,153,339	2,159,613	2,159,613	-
Town of Port Royal fire.....	752,715	691,301	679,308	11,993
	<u>2,906,054</u>	<u>2,850,914</u>	<u>2,838,921</u>	<u>11,993</u>
Public works				
Administration.....	362,662	365,954	365,954	-
Maintenance.....	69,676	71,837	71,837	-
Stormwater.....	608,546	842,503	516,888	325,615
Solid waste.....	628,400	693,775	693,773	2
	<u>1,669,284</u>	<u>1,974,069</u>	<u>1,648,452</u>	<u>325,617</u>
Streets				
Streets.....	513,923	538,236	532,705	5,531
Traffic control/building maintenance.....	160,685	162,063	159,524	2,539
	<u>674,608</u>	<u>700,299</u>	<u>692,229</u>	<u>8,070</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and recreation				
Parks.....	\$ 520,160	\$ 478,471	\$ 478,470	1
Community and economic development				
Planning.....	\$ 715,710	\$ 725,448	\$ 691,376	\$ 34,072
Office of Civic Investment.....	194,000	232,712	232,712	-
	<u>909,710</u>	<u>958,160</u>	<u>924,088</u>	<u>34,072</u>
Total current	<u>13,889,987</u>	<u>14,187,396</u>	<u>13,785,148</u>	<u>402,248</u>
Debt service:				
Principal.....	813,198	953,198	953,198	-
Interest.....	657,465	718,242	718,242	-
Total debt service	<u>1,470,663</u>	<u>1,671,440</u>	<u>1,671,440</u>	<u>-</u>
Total expenditures	<u>15,360,650</u>	<u>15,858,836</u>	<u>15,456,588</u>	<u>402,248</u>
Excess (deficiency) of revenues over (under) expenditures	<u>189,066</u>	<u>185,448</u>	<u>982,393</u>	<u>796,945</u>
Other financing sources (uses):				
Transfers in.....	36,250	36,250	39,246	2,996
Transfers out.....	<u>(254,000)</u>	<u>(890,359)</u>	<u>(890,359)</u>	<u>-</u>
Total financing sources (uses)	<u>(217,750)</u>	<u>(854,109)</u>	<u>(851,113)</u>	<u>2,996</u>
Net change in fund balance.....	(28,684)	(668,661)	131,280	799,941
Fund balance, beginning of year	<u>9,619,485</u>	<u>9,619,485</u>	<u>9,619,485</u>	<u>-</u>
Fund balance, end of year	<u>\$ 9,590,801</u>	<u>\$ 8,950,824</u>	<u>\$ 9,750,765</u>	<u>\$ 799,941</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING DISTRICT II – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes.....	\$ 2,075,438	\$ 2,075,438	\$ 2,181,221	\$ 105,783
Investment income.....	200	200	-	(200)
Total revenues	<u>2,075,638</u>	<u>2,075,638</u>	<u>2,181,221</u>	<u>105,583</u>
Expenditures:				
Current:				
Public works.....	125,000	125,000	124,102	898
Total current	<u>125,000</u>	<u>125,000</u>	<u>124,102</u>	<u>898</u>
Debt service:				
Principal.....	456,007	456,007	456,006	1
Interest.....	110,229	110,229	110,279	(50)
Total debt service	<u>566,236</u>	<u>566,236</u>	<u>566,285</u>	<u>(49)</u>
Total expenditures	<u>691,236</u>	<u>691,236</u>	<u>690,387</u>	<u>849</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,384,402</u>	<u>1,384,402</u>	<u>1,490,834</u>	<u>106,432</u>
Net change in fund balance.....	1,384,402	1,384,402	1,490,834	106,432
Fund balance, beginning of year	4,280,249	4,280,249	4,280,249	-
Fund balance, end of year	<u>\$ 5,664,651</u>	<u>\$ 5,664,651</u>	<u>\$ 5,771,083</u>	<u>\$ 106,432</u>

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013

BUDGETARY INFORMATION

I. Budgets and Budgetary Accounting

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

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

Fund	Original Budget	Supplemental Increases	Supplemental Decreases	Final Budget
General Fund	\$ 15,614,650	\$ 1,163,225	\$ (28,680)	\$ 16,749,195
Tax Increment Financing II	691,236	-	-	691,236



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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, 2013**

	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.....	\$ 206,188	\$ 178,165	\$ 15,802	\$ 525,030
Other receivables.....	15,385	127,662	-	-
Restricted cash.....	-	-	50,201	-
Total assets	<u>\$ 221,573</u>	<u>\$ 305,827</u>	<u>\$ 66,003</u>	<u>\$ 525,030</u>
Liabilities and equity				
Liabilities:				
Accounts payable.....	\$ 1,858	\$ 38,299	\$ 93	\$ 10,840
Escrow.....	-	-	19,485	-
Total liabilities	<u>1,858</u>	<u>38,299</u>	<u>19,578</u>	<u>10,840</u>
Fund Balance:				
Nonspendable.....	-	-	-	-
Restricted.....	-	267,528	30,716	308,703
Committed for:				
Law enforcement.....	-	-	15,709	-
Redevelopment.....	219,715	-	-	-
Assigned for Capital Projects.....	-	-	-	205,487
Total fund balance	<u>219,715</u>	<u>267,528</u>	<u>46,425</u>	<u>514,190</u>
Total liabilities and equity	<u>\$ 221,573</u>	<u>\$ 305,827</u>	<u>\$ 66,003</u>	<u>\$ 525,030</u>

<u>Permanent Fund</u>		
<u>Cemetary</u>		<u>Total</u>
<u>Fund</u>		<u>Other Governmental</u>
		<u>Funds</u>
\$ 7,246	\$ 932,431	
-	143,047	
-	50,201	
<u>\$ 7,246</u>	<u>\$ 1,125,679</u>	
\$ -	\$ 51,090	
-	19,485	
-	70,575	
7,246	7,246	
-	606,947	
-	15,709	
-	219,715	
-	205,487	
<u>7,246</u>	<u>1,055,104</u>	
<u>\$ 7,246</u>	<u>\$ 1,125,679</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, 2013

	Special Revenue Funds			
	Redevelopment Commission Fund	State Accomodation Tax Fund	Drug Control and Prevention Fund	Tax Increment Financing District I Fund
Revenues:				
Property taxes.....	\$ -	\$ -	\$ -	\$ (5,054)
Other taxes.....	-	309,913	-	-
Charges for services.....	152,529	-	-	-
Fines and forfeitures.....	-	-	1,000	-
Miscellaneous revenue.....	-	-	4,710	-
Total revenues	<u>152,529</u>	<u>309,913</u>	<u>5,710</u>	<u>(5,054)</u>
Expenditures:				
Current:				
General government.....	-	233,733	-	-
Law enforcement.....	-	-	15,562	-
Public works.....	-	-	-	582,371
Community and economic development.....	63,253	-	-	-
Total expenditures	<u>63,253</u>	<u>233,733</u>	<u>15,562</u>	<u>582,371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>89,276</u>	<u>76,180</u>	<u>(9,852)</u>	<u>(587,425)</u>
Other financing sources (uses):				
Transfers out.....	-	(39,246)	-	(58,468)
Total other financing sources (uses)	<u>-</u>	<u>(39,246)</u>	<u>-</u>	<u>(58,468)</u>
Net change in fund balance.....	89,276	36,934	(9,852)	(645,893)
Fund balance, beginning of year.....	130,439	230,594	56,277	1,160,083
Fund balance - end of year	<u>\$ 219,715</u>	<u>\$ 267,528</u>	<u>\$ 46,425</u>	<u>\$ 514,190</u>

<u>Permanent Fund</u>		
<u>Cemetery</u>		<u>Total Other</u>
<u>Fund</u>		<u>Governmental</u>
		<u>Funds</u>
\$ -	\$	(5,054)
-		309,913
-		152,529
-		1,000
-		4,710
-		<u>463,098</u>
-		233,733
-		15,562
-		582,371
-		63,253
-		<u>894,919</u>
-		<u>(431,821)</u>
-		(97,714)
-		<u>(97,714)</u>
-		(529,535)
7,246		<u>1,584,639</u>
<u>\$ 7,246</u>	<u>\$</u>	<u>1,055,104</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
REDEVELOPMENT COMMISSION SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services.....	\$ 140,000	\$ 140,000	\$ 152,529	\$ 12,529
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>152,529</u>	<u>12,529</u>
Expenditures:				
Current:				
Community and economic development	73,305	73,305	63,253	10,052
Total total expenditures	<u>73,305</u>	<u>73,305</u>	<u>63,253</u>	<u>10,052</u>
Net change in fund balance.....	66,695	66,695	89,276	22,581
Fund balance, beginning of year.....	130,439	130,439	130,439	-
Fund balance - end of year	<u>\$ 130,439</u>	<u>\$ 197,134</u>	<u>\$ 219,715</u>	<u>\$ 22,581</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATE ACCOMODATIONS TAX SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Other taxes.....	\$ 250,000	\$ 250,000	\$ 309,913	\$ 59,913
Investment income.....	231	231	-	(231)
Total revenues	<u>250,231</u>	<u>250,231</u>	<u>309,913</u>	<u>59,682</u>
Expenditures:				
Current:				
General government.....	67,500	67,500	233,733	(166,233)
Total expenditures	<u>67,500</u>	<u>67,500</u>	<u>233,733</u>	<u>(166,233)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>182,731</u>	<u>182,731</u>	<u>76,180</u>	<u>(106,551)</u>
Other financing sources (uses):				
Transfers out.....	(36,250)	(36,250)	(39,246)	(2,996)
Total other financing sources (uses)	<u>(36,250)</u>	<u>(36,250)</u>	<u>(39,246)</u>	<u>(2,996)</u>
Net change in fund balance.....	146,481	146,481	36,934	(109,547)
Fund balance, beginning of year.....	<u>230,594</u>	<u>230,594</u>	<u>230,594</u>	<u>-</u>
Fund balance - end of year	<u>\$ 377,075</u>	<u>\$ 377,075</u>	<u>\$ 267,528</u>	<u>\$ (109,547)</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
TAX INCREMENT FINANCING DISTRICT I SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property taxes.....	\$ -	\$ -	\$ (5,054)	\$ (5,054)
Total revenues	<u>-</u>	<u>-</u>	<u>(5,054)</u>	<u>(5,054)</u>
Expenditures:				
Current:				
Public works.....	477,189	555,828	582,371	(26,543)
Total expenditures	<u>477,189</u>	<u>555,828</u>	<u>582,371</u>	<u>(26,543)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(477,189)</u>	<u>(555,828)</u>	<u>(587,425)</u>	<u>(31,597)</u>
Other financing sources (uses):				
Transfers out.....	-	(59,000)	(58,468)	532
Total other financing sources (uses)	<u>-</u>	<u>(59,000)</u>	<u>(58,468)</u>	<u>532</u>
Net change in fund balance.....	(477,189)	(614,828)	(645,893)	(31,065)
Fund balance, beginning of year.....	1,160,083	1,160,083	1,160,083	-
Fund balance - end of year	<u>\$ 682,894</u>	<u>\$ 545,255</u>	<u>\$ 514,190</u>	<u>\$ (31,065)</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Beginning Balance at June 30, 2012	Additions	Deletions	Ending Balance at June 30, 2013
<u>Trustee Fire Fund:</u>				
Assets				
Cash.....	\$ 45,490	\$ 61,976	\$ 5,907	\$ 101,559
Liabilities				
Due to others.....	\$ 45,490	\$ 61,976	\$ 5,907	\$ 101,559
<u>Beaufort 300 Fund:</u>				
Assets				
Cash.....	\$ 67,485	\$ -	\$ 28,484	\$ 39,001
Liabilities				
Due to others.....	\$ 67,485	\$ -	\$ 28,484	\$ 39,001
<u>Municipal Bond Court Fund:</u>				
Assets				
Cash.....	\$ 6,348	\$ 246,311	\$ 247,629	\$ 5,030
Liabilities				
Due to others.....	\$ 6,348	\$ 246,311	\$ 247,629	\$ 5,030
<u>Beaufort History Museum:</u>				
Assets				
Cash.....	\$ -	\$ 109,729	\$ -	\$ 109,729
Liabilities				
Due to others.....	\$ -	\$ 109,729	\$ -	\$ 109,729
<u>Total Agency Funds</u>				
Assets				
Cash.....	<u>\$ 119,323</u>	<u>\$ 418,016</u>	<u>\$ 282,020</u>	<u>\$ 255,319</u>
Liabilities				
Due to others.....	<u>\$ 119,323</u>	<u>\$ 418,016</u>	<u>\$ 282,020</u>	<u>\$ 255,319</u>



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STATE MANDATED SCHEDULE



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**CITY OF BEAUFORT, SOUTH CAROLINA
SCHEDULE OF MUNICIPAL FINES, ASSESSMENTS AND SURCHARGES
STATE MANDATED SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Court Fines	
Fines collected.....	\$ 247,985
Fines retained.....	(247,985)
Court fines remitted to State Treasurer	<u>\$ -</u>
Court Assessments	
Assessments collected.....	\$ 365,282
Assessments retained.....	(28,866)
	<u>\$ 336,416</u>
Court Surcharges	
Surcharges collected.....	\$ 11,257
Surcharges retained.....	(11,257)
	<u>\$ -</u>
Funds Restricted for Victims' Services	
Funds restricted for victims' services - beginning of year...	(73,178)
Court assessments allocated to victims' services.....	28,866
Court surcharges allocated to victims' services.....	11,257
Victims services expenditures.....	(61,308)
Funds restricted for victims' services - end of year	<u>\$ (94,363)</u>



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STATISTICAL SECTION



FORMER CITY HALL CONVERTED FOR ECONOMIC REDEVELOPMENT



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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,				
	2013	2012	2011	2010	2009
Governmental Activities					
Net Investment in capital assets	\$ 24,959,681	\$ 23,444,154	\$ 22,933,705	\$ 20,549,022	\$ 18,394,352
Restricted	8,978,528	7,956,684	7,020,594	177,855	173,063
Unrestricted	7,100,677	6,829,462	6,172,876	13,696,647	12,985,715
Total Governmental Activities	<u>\$ 41,038,886</u>	<u>\$ 38,230,300</u>	<u>\$ 36,127,175</u>	<u>\$ 34,423,524</u>	<u>\$ 31,553,130</u>
Business-type Activities					
Net Investment in capital assets	\$ -	\$ -	\$ -	\$ 115,983	\$ 120,738
Unrestricted	-	-	-	(87,321)	(29,981)
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,662</u>	<u>\$ 90,757</u>
Primary Government					
Net Investment in capital assets	\$ 24,959,681	\$ 23,444,154	\$ 22,933,705	\$ 20,665,005	\$ 18,515,090
Restricted	8,978,528	7,956,684	7,020,594	177,855	173,063
Unrestricted	7,100,677	6,829,462	6,172,876	13,609,326	12,955,734
Total Primary Government	<u>\$ 41,038,886</u>	<u>\$ 38,230,300</u>	<u>\$ 36,127,175</u>	<u>\$ 34,452,186</u>	<u>\$ 31,643,887</u>

	Fiscal Year Ending June 30,				
	2008	2007	2006	2005	2004
Governmental Activities					
Net Investment in capital assets	\$ 17,798,882	\$ 17,833,449	\$ 16,184,497	\$ 13,980,588	\$ 11,270,519
Restricted	564,836	3,083,990	2,137,979	1,622,228	1,059,558
Unrestricted	11,517,247	8,086,841	8,074,358	8,874,585	9,755,757
Total Governmental Activities	<u>\$ 29,880,965</u>	<u>\$ 29,004,280</u>	<u>\$ 26,396,834</u>	<u>\$ 24,477,401</u>	<u>\$ 22,085,834</u>
Business-type Activities					
Net Investment in capital assets	\$ 207,894	\$ 99,977	\$ 55,369	\$ 197,827	\$ -
Unrestricted	(40,157)	148,734	133,585	(52,450)	-
Total Business-type Activities	<u>\$ 167,737</u>	<u>\$ 248,711</u>	<u>\$ 188,954</u>	<u>\$ 145,377</u>	<u>\$ -</u>
Primary Government					
Net Investment in capital assets	\$ 18,006,776	\$ 17,933,426	\$ 16,239,866	\$ 14,178,415	\$ 11,270,519
Restricted	564,836	3,083,990	2,137,979	1,622,228	1,059,558
Unrestricted	11,477,090	8,235,575	8,207,943	8,822,135	9,755,757
Total Primary Government	<u>\$ 30,048,702</u>	<u>\$ 29,252,991</u>	<u>\$ 26,585,788</u>	<u>\$ 24,622,778</u>	<u>\$ 22,085,834</u>

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

	Fiscal Year Ending			
	2013	2012	2011	2010
Expenses				
Governmental activities				
General government	\$ 4,733,483	\$ 4,162,370	\$ 4,290,473	\$ 4,934,814
Public safety	7,385,887	7,042,865	6,649,981	5,878,690
Public services	4,300,723	5,418,025	5,626,937	2,154,779
Interest on long-term debt	809,889	876,413	900,702	945,058
Total governmental activities	<u>17,229,982</u>	<u>17,499,673</u>	<u>17,468,093</u>	<u>13,913,341</u>
Business-type activities				
Solid waste	-	-	137	468,760
Total Primary Government Expenses	<u>\$ 17,229,982</u>	<u>\$ 17,499,673</u>	<u>\$ 17,468,230</u>	<u>\$ 14,382,101</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 6,271,365	\$ 6,001,517	\$ 5,794,265	\$ 5,639,476
Public safety	1,101,076	979,521	1,116,577	1,173,266
Public services	1,865,327	2,006,883	1,940,644	1,059,183
Operating grants and contributions	80,580	151,155	151,714	19,375
Capital grants and contributions	975,950	455,778	99,507	113,461
Total governmental activities	<u>10,294,298</u>	<u>9,594,854</u>	<u>9,102,707</u>	<u>8,004,761</u>
Business-type activities				
Charges for services	-	-	-	406,530
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>406,530</u>
Total Primary Government Revenues	<u>\$ 10,294,298</u>	<u>\$ 9,594,854</u>	<u>\$ 9,102,707</u>	<u>\$ 8,411,291</u>
Net (Expense)/Revenue				
Governmental activities	\$ (6,935,684)	\$ (7,904,819)	\$ (8,365,386)	(5,908,580)
Business-type activities	-	-	(137)	(62,230)
Total Primary Government Net Expense	<u>\$ (6,935,684)</u>	<u>\$ (7,904,819)</u>	<u>\$ (8,365,523)</u>	<u>\$ (5,970,810)</u>
General Revenues and Other				
Changes in Net Assets				
Governmental activities				
Taxes	\$ 9,530,096	\$ 9,692,651	\$ 9,226,181	\$ 8,302,788
Grants and contributions not restricted to specific programs	-	-	350,621	356,371
Gain (loss) on sale of capital assets	-	-	-	-
Interest income	11,052	18,055	59,760	72,833
Miscellaneous	294,494	297,238	197,019	46,982
Transfers	-	-	115,983	-
Total governmental activities	<u>\$ 9,835,642</u>	<u>\$ 10,007,944</u>	<u>\$ 9,949,564</u>	<u>\$ 8,778,974</u>
Business-type activities				
Interest income	-	-	-	134
Transfers	-	-	(115,983)	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>(115,983)</u>	<u>134</u>
Total Primary Government	<u>\$ 9,835,642</u>	<u>\$ 10,007,944</u>	<u>\$ 9,833,581</u>	<u>\$ 8,779,108</u>
Change in Net Position				
Governmental activities	\$ 2,899,958	\$ 2,103,125	\$ 1,584,178	\$ 2,870,394
Business-type activities	-	-	(116,120)	(62,096)
Total Primary Government	<u>\$ 2,899,958</u>	<u>\$ 2,103,125</u>	<u>\$ 1,468,058</u>	<u>\$ 2,808,298</u>

June 30,

	2009	2008	2007	2006	2005	2004
\$	3,872,550	\$ 3,663,029	\$ 3,168,904	\$ 2,614,245	\$ 2,421,356	\$ 2,726,000
	6,838,457	7,534,013	7,268,743	7,122,843	6,558,737	6,228,307
	2,751,483	3,783,759	3,138,718	3,132,219	3,392,079	2,860,334
	986,027	537,830	445,493	421,287	346,181	325,051
	<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>	<u>12,139,692</u>
	907,248	1,034,216	182,500	182,311	97,708	-
\$	<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>	<u>12,139,692</u>
\$	5,414,561	\$ 5,848,191	\$ 5,467,699	\$ 1,911,368	\$ 1,890,472	\$ 1,789,746
	1,340,610	1,613,016	1,574,618	815,131	884,564	816,610
	1,213,863	1,263,085	1,882,335	1,819,948	1,743,540	1,769,333
	630,554	1,315,290	484,642	219,756	163,225	186,686
	47,509	200,000	376,928	1,113,692	-	43,890
	<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>	<u>4,606,265</u>
	828,366	863,442	242,258	218,228	169,846	-
	-	-	-	7,660	73,239	-
	<u>828,366</u>	<u>863,442</u>	<u>242,258</u>	<u>225,888</u>	<u>243,085</u>	<u>-</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>	<u>4,606,265</u>
	(5,801,420)	(5,279,049)	(4,235,636)	(7,410,699)	(8,036,552)	(7,533,427)
	(78,882)	(170,774)	59,758	43,577	145,377	-
\$	<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>	<u>(7,533,427)</u>
\$	6,549,669	\$ 5,561,557	\$ 6,156,980	\$ 10,231,550	\$ 9,869,486	\$ 8,625,818
	-	-	-	354,945	350,664	336,681
	-	-	-	(1,886,214)	10,108	(164,337)
	388,183	494,489	640,115	629,851	197,861	110,619
	535,733	188,436	73,025	-	-	-
	-	(88,748)	-	-	-	-
	<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>	<u>8,908,781</u>
	1,902	1,052	-	-	-	-
	-	88,748	-	-	-	-
	<u>1,902</u>	<u>89,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>	<u>8,908,781</u>
\$	1,672,165	\$ 876,685	\$ 2,634,484	\$ 1,919,433	\$ 2,391,567	\$ 1,375,354
	(76,980)	(80,974)	59,758	43,577	145,377	-
\$	<u>1,595,185</u>	<u>795,711</u>	<u>2,694,242</u>	<u>1,963,010</u>	<u>2,536,944</u>	<u>1,375,354</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,				
	2013	2012	2011 ²	2010	2009
General Fund					
Nonspendable	\$ 32,353	\$ 24,084	\$ 29,371	\$ -	\$ -
Restricted	851,451	802,609	401,702	-	-
Unrestricted:					
Committed	2,656,417	2,308,806	2,241,790	-	-
Assigned	1,288,240	2,111,886	1,920,101	-	-
Unassigned	4,922,304	4,372,100	4,305,595	-	-
Reserved	-	-	-	\$ 4,701,267	\$ 3,616,302
Unreserved	-	-	-	5,584,949	4,389,144
Total General Fund	<u>\$ 9,750,765</u>	<u>\$ 9,619,485</u>	<u>\$ 8,898,559</u>	<u>\$ 10,286,216</u>	<u>\$ 8,005,446</u>
All Other Governmental Funds					
Nonspendable	\$ 7,246	\$ 7,246	\$ 7,246	\$ -	\$ -
Restricted	8,119,831	7,146,829	6,611,646	-	-
Unrestricted:					
Committed	235,424	132,519	39,352	-	-
Assigned	1,025,840	755,123	-	-	-
Reserved ¹	-	-	-	\$ 5,776,593	\$ 8,788,940
Unreserved - reported in:					
Special revenue funds	-	-	-	17,137	1,962,148
Debt service funds	-	-	-	434,731	-
Capital project funds	-	-	-	-	1,013,365
Total All Other Governmental Funds	<u>\$ 9,388,341</u>	<u>\$ 8,041,717</u>	<u>\$ 6,658,244</u>	<u>\$ 6,228,461</u>	<u>\$ 11,764,453</u>

	Fiscal Year Ending June 30,				
	2008	2007	2006	2005	2004
General Fund					
Reserved	\$ 2,805,417	\$ 1,752,335	\$ 1,831,318	\$ 1,491,634	\$ 698,004
Unreserved	5,956,711	6,186,563	4,939,215	4,785,171	4,327,111
Total General Fund	<u>\$ 8,762,128</u>	<u>\$ 7,938,898</u>	<u>\$ 6,770,533</u>	<u>\$ 6,276,805</u>	<u>\$ 5,025,115</u>
All Other Governmental Funds					
Reserved ¹	\$ 7,427,873	\$ 7,470,422	\$ 3,160,252	\$ 2,193,870	\$ 1,292,601
Unreserved - reported in:					
Special revenue funds	2,070,737	2,196,364	1,653,815	3,083,441	2,985,898
Debt service funds	-	-	-	-	-
Capital project funds	9,560,422	(1,871,799)	4,325,176	7,680,376	2,647,507
Total All Other Governmental Funds	<u>\$ 19,059,032</u>	<u>\$ 7,794,987</u>	<u>\$ 9,139,243</u>	<u>\$ 12,957,687</u>	<u>\$ 6,926,006</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				
	2013	2012	2011	2010	2009
Revenues					
Taxes	\$ 9,205,523	\$ 9,673,157	\$ 9,232,509	\$ 8,027,329	\$ 7,000,262
Licenses and permits	3,819,964	4,095,313	3,757,187	3,656,820	3,756,425
Fines and forfeitures	299,015	274,429	250,352	348,144	385,123
Franchise fees	1,957,691	1,807,068	1,920,867	1,705,625	1,626,607
Intergovernmental	2,136,964	1,528,859	1,393,943	466,832	944,439
Charges for services	2,347,354	2,115,210	2,130,979	2,198,566	1,547,779
Interest	11,052	18,055	59,760	35,601	389,000
Miscellaneous	294,494	273,210	197,019	69,357	495,479
	<u>20,072,057</u>	<u>19,785,301</u>	<u>18,942,616</u>	<u>16,508,274</u>	<u>16,145,114</u>
Expenditures					
Current					
General government	4,096,401	5,376,872	3,624,368	3,029,450	3,767,168
Public safety	7,183,694	6,909,072	7,364,784	6,369,766	6,579,706
Public services	3,525,624	4,567,254	4,827,503	2,567,787	2,152,374
	<u>14,805,719</u>	<u>16,853,198</u>	<u>15,816,655</u>	<u>11,967,003</u>	<u>12,499,248</u>
Debt service					
Principal	1,409,204	1,274,558	1,540,772	1,474,109	1,190,013
Interest	828,521	756,444	915,803	974,288	767,228
	<u>2,237,725</u>	<u>2,031,002</u>	<u>2,456,575</u>	<u>2,448,397</u>	<u>1,957,241</u>
Capital outlay	1,550,709	701,392	1,746,732	5,347,980	9,741,886
	<u>18,594,153</u>	<u>19,585,592</u>	<u>20,019,962</u>	<u>19,763,380</u>	<u>24,198,375</u>
Excess (Deficiency) of Revenues					
Over Expenditures	1,477,904	199,709	(1,077,346)	(3,255,106)	(8,053,261)
Other Financing Sources (Uses)					
Debt issued	-	5,350,000	-	-	-
Debt repaid	-	(3,445,310)	-	-	-
Transfers in	988,073	645,032	2,803,893	32,615	934,832
Transfers out	(988,073)	(645,032)	(2,803,893)	(32,615)	(934,832)
	<u>-</u>	<u>1,904,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 1,477,904</u>	<u>\$ 2,104,399</u>	<u>\$ (1,077,346)</u>	<u>\$ (3,255,106)</u>	<u>\$ (8,053,261)</u>
Debt Service as a Percentage of					
Noncapital Expenditures	13.29%	12.05%	14.23%	16.98%	13.54%

June 30,				
2008	2007	2006	2005	2004
\$ 7,935,021	\$ 8,355,064	\$ 8,179,692	\$ 8,231,121	\$ 7,054,920
4,221,588	3,856,942	3,781,587	3,318,078	3,159,593
741,467	732,582	845,215	933,004	825,094
-	-	-	-	-
1,758,475	1,071,677	1,887,305	712,170	741,215
1,362,025	1,861,446	1,827,788	2,104,661	1,759,902
-	-	-	-	-
579,483	706,412	657,926	213,681	146,659
16,598,059	16,584,123	17,179,513	15,512,715	13,687,383
3,561,903	3,066,948	2,811,478	2,856,979	2,613,573
7,342,514	7,590,695	6,477,706	6,115,582	5,784,350
3,108,721	2,946,203	2,591,819	2,161,910	2,146,896
14,013,138	13,603,846	11,881,003	11,134,471	10,544,819
1,262,002	1,044,779	1,295,662	810,348	931,199
607,639	437,603	485,754	89,322	492,052
1,869,641	1,482,382	1,781,416	899,670	1,423,251
5,323,092	3,021,391	7,149,238	1,671,076	1,380,947
21,205,871	18,107,619	20,811,657	13,705,217	13,349,017
(4,607,812)	(1,523,496)	(3,632,144)	1,807,498	338,366
16,697,087	1,173,277	307,428	5,781,873	520,410
-	-	-	-	-
112,252	616,644	1,633,242	37,464	82,332
(112,252)	(616,644)	(1,633,242)	(37,464)	(82,332)
16,697,087	1,173,277	307,428	5,781,873	520,410
\$ 12,089,275	\$ (350,219)	\$ (3,324,716)	\$ 7,589,371	\$ 858,776
11.77%	9.83%	13.04%	7.48%	11.89%



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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
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
2004	3,795,547	1,529,375	1,503,213	226,785	7,054,920

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
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:

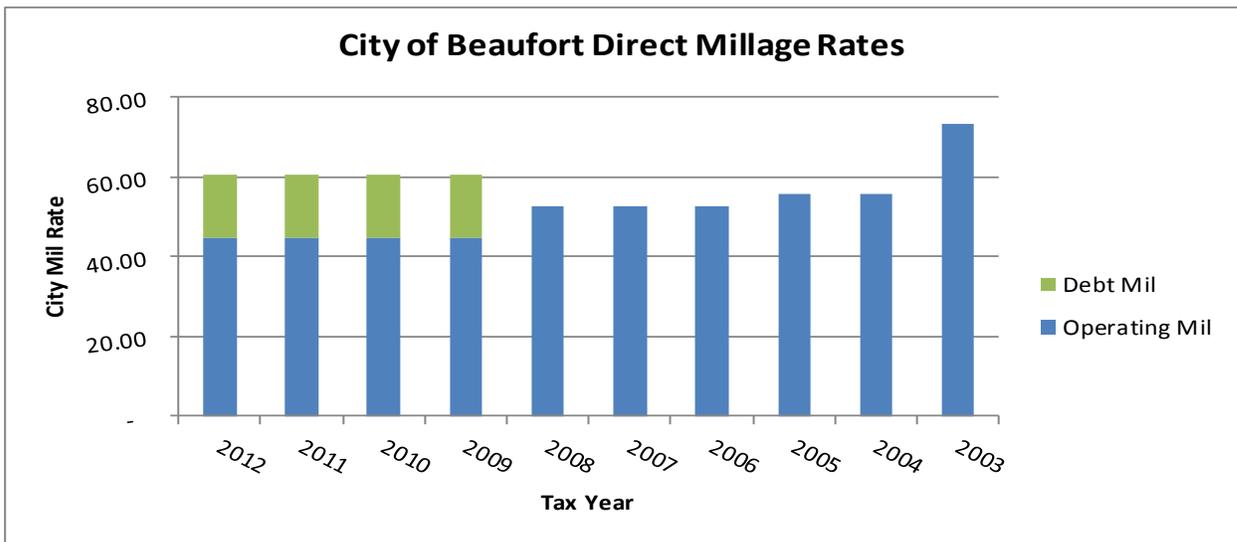
Beaufort County Tax Assessor

Total		Ratio of Total Assessed to Total Estimated Value	Total Direct Rate
Assessed Value	Estimated Market Value		
\$ 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	
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
2003	73.40	130.40	58.00	261.80

Tax Year	Total Direct - City		
	Operating Mil	Debt Mil	Total Direct
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
2003	73.40	-	73.40



Source:
City staff

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

Taxpayer ²	2013			2003		
	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.	\$ 1,864,470	1	1.92%			
Ribaut Holdings, LLC	1,186,600	2	1.22%			
Hargray CATV Company, Inc.	1,123,060	3	1.16%			
USPG Portfolio Two, LLC	1,090,280	4	1.13%			
303 Associates, LLC	895,010	5	0.92%			
WalMart Real Estate Business Trust	859,500	6	0.89%			
Beaufort Plaza Inc.	739,200	7	0.76%			
SNH SE Properties Trust	720,580	8	0.74%			
Mitul Enterprises, LP	679,600	9	0.70%			
Lowes Home Center, Inc.	629,820	10	0.65%			
				\$ -	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>\$ 9,788,120</u>		<u>10.10%</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
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			
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
2004	5,051,573	160,000	-	772,034	-	5,983,607	1.31%	493

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, 2013**

	<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	\$ 219,235,000	7.68%	\$ 16,837,248
Beaufort County School District			
General obligation bonded debt	315,919,621	25.34%	80,054,032
Installment purchase revenue bond	34,155,000	25.34%	8,654,877
Overlapping Other Debt			
Beaufort County, South Carolina			
Revenue bond debt	5,685,000	7.68%	<u>436,608</u>
Subtotal - Overlapping Debt			<u>105,982,765</u>
City of Beaufort Direct Debt			<u>19,711,621</u>
Total Direct and Overlapping Debt			<u><u>\$ 125,694,386</u></u>

Note:

¹ *Percentage of overlapping debt of the County was estimated by comparing the City's population to the total County estimated population from the U.S. Census Bureau. The percentage for overlapping debt of the School District was estimated by comparing the student population of schools residing within the City limits to the total school population for the 2011-2012 academic year.*

**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
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
2004	160,000	-	160,000	0.29%	13

Notes:

¹ Subsequent information needed to calculate is not available.

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

Sources:

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

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

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

	Fiscal Year Ending					
	2013	2012	2011	2010	2009	2008
Total Assessed Value of Taxable property	\$ 96,893,350	\$ 92,969,109	\$ 91,223,264	\$ 92,745,648	\$ 66,420,899	\$ 66,317,911
Less Exemptions for Bond Purposes	-	-	-	-	-	-
Net Assessed Value for Bond Purposes	<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>	<u>\$ 66,317,911</u>
Debt Limit Percentage	8%	8%	8%	8%	8%	8%
Debt Limit	\$ 7,751,468	\$ 7,437,529	\$ 7,297,861	\$ 7,419,652	\$ 5,313,672	\$ 5,305,433
Total Net Debt Applicable to Limit General obligation bonds (net of set aside)	<u>1,690,000</u>	<u>1,850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal Debt Margin	<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>	<u>\$ 5,305,433</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	21.80%	24.87%	0.00%	0.00%	0.00%	0.00%

Note:

1 Information is not available.

Source:

Beaufort County Tax Assessor

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

**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
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 ^d	6.20%
2009	13,487	413,255,167	30,641	9.10%
2008	12,098	413,255,167	26,399	5.10%
2007	12,029	565,844,160	47,040	4.40%
2006	12,156	507,196,944	41,724	4.70%
2005	12,054	473,818,632	39,308	4.80%
2004	12,136	455,330,584	37,519	4.90%

Sources:

a Obtained from www.City-Data.com

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

c Bureau of Economic Analysis, U.S. Department of Commerce and the Office of Research & Statistics for South Carolina

d Obtained from 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

**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	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government	21	21	20	21	21	37	30	32	33	29
Public safety	84	84	92	84	90	99	92	91	90	90
Public services	18	18	18	19	25	29	38	32	33	32
	<u>123</u>	<u>123</u>	<u>130</u>	<u>124</u>	<u>136</u>	<u>165</u>	<u>160</u>	<u>155</u>	<u>156</u>	<u>151</u>

Source:
City personnel records

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

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Safety										
Police										
Arrests	1,233	1,215	1,016	1,071	1,207	1,291	1,500	1,488	1,711	1,284
Fire										
Number of emergency calls	2,582	1,886	2,351	1,711	1,747	1,747	1,712	1,721	1,733	1,494
Inspections	181	92	127	165	531	426	739	536	802	300
Public Services										
Parks										
Number of parks	24	24	24	28	28	28	28	28	27	26
Solid Waste¹										
Garbage removed (tons)	-	-	-	-	5,615	5,431	3,063	5,735	5,697	7,092
Recycling removed (tons)	-	-	-	-	420	526	240	382	375	318
Complaints										
Missed garbage	25	16	40	116	N/A	N/A	N/A	N/A	N/A	N/A
Missed recycling	20	40	43	91	N/A	N/A	N/A	N/A	N/A	N/A
Missed yard waste	22	13	35	49	N/A	N/A	N/A	N/A	N/A	N/A
Planning										
Building permits issued	1,248	1,147	N/A							
Building permit fees	\$ 246,214	\$ 276,966	N/A							
Certificate of occupancy	37	45	N/A							
Certificate of completion	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,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
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	28	28	28	28	28	27	26

Source:
City records

COMPLIANCE SECTION



WATERFRONT PARK



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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, 2013, 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 4, 2013. As referenced in our report, the City implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2012.

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.

The image shows a handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC". The signature is written in black ink and is positioned to the right of the date and location information.

Macon, Georgia
November 4, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

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

Report on Compliance For Each Major Federal Program

We have audited the City of Beaufort, South Carolina's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis of our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Macon, Georgia
November 4, 2013

**CITY OF BEAUFORT, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
State Administered CDBG Cluster			
(Passed through South Carolina Department of Commerce)			
Community Development Block Grant	14.228	4-V-10-002	\$ 476,395
Community Development Block Grant	14.228	4-W-09-002	180,052
Community Development Block Grant	14.228	4-V-12-004	5,000
Total U.S. Department of Housing and Urban Development			<u>661,447</u>
<u>U.S. Department of Transportation</u>			
Federal Highway Administration			
(Passed through Beaufort County, South Carolina)			
FY 2011 TIGER Discretionary Grant	20.933	TR3-20	233,897
Total U.S. Department of Transportation			<u>233,897</u>
<u>U.S. Department of Justice</u>			
COPS Hiring Recovery Program - ARRA	16.710	2009RKWX0740	69,301
Bulletproof Vest Partnership Program	16.607	BVPFY2011	2,565
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant - Formula	16.738	2012-DJ-BX-0296	10,739
Total U.S. Department of Justice			<u>82,605</u>
Total Expenditures of Federal Awards			<u>\$ 977,949</u>

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Measurement Focus

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

Program Type Determination

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

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The City did not qualify as a low-risk auditee for the fiscal year ended June 30, 2013.

Amount Provided to Subrecipients

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

CITY OF BEAUFORT, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

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

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

Noncompliance material to financial statements noted? yes no

Federal Awards

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

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

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

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

Identification of major program:

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

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

Auditee qualified as low-risk auditee? yes no

CITY OF BEAUFORT, SOUTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

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

None reported.