



**CITY OF BEAUFORT, SC
OVERVIEW OF THE CITY'S
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2015**

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

- Introductory Section – begins on Page A -1
 - ✓ Transmittal Letter – Opportunity for Management to offer more “subjective information” than would be acceptable for the MD & A.
 - ✓ FY 2014 Government Finance Officers Association Certificate of Achievement in for Excellence in Financial Reporting.
 - ❖ This is the seventh year that the City has been awarded this prestigious national award recognizing its conformance with the highest standards for preparation of state and local government financial reports.
 - ❖ The City has applied under this award program for its FY 2015 CAFR.
 - ✓ Organizational Chart
 - ✓ List of Principal Officials
- Financial Section – begins on Page B – 1
 - ✓ Independent Auditor’s Report
 - ❖ Our Independent Auditing Firm of Mauldin & Jenkins issued an Unmodified audit report – a clean opinion.
 - ❖ The financial statements are considered to present fairly the financial position and results of operations as of and for the year ended June 30, 2015.
 - ❖ Required Supplementary Information contained in the Management’s Discussion and Analysis starting on Page C-1 and the budgetary comparison information starting on Page E-1 are required by auditing standards, but no opinion is expressed and no assurance is provided on that respective information.

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- ❖ The opinion covers other information such as combining and individual nonmajor fund financial statements (starting on page F-1) and the expenditures of federal awards (Page H – 5), in relation to the basic financial statements as a whole are fairly stated in all material respects.
- ❖ Lastly, the opinion refers to additional reports issued by the auditor covering its compliance with provisions of laws, regulations, contracts and grant agreements. These reports can be found at Page H-1 and H-3.
- ✓ Management's Discussion and Analysis – begins on page C – 1
 - ❖ A narrative introduction, overview and analysis of the basic financial statements.
 - ❖ Readers are encouraged to consider the information presented in the MD&A in conjunction with transmittal letter, financial statements, notes to the financial statements and statistical information to enhance their understanding of the City's overall financial performance.
- ✓ Government – Wide Financial Statements – begins on page D -1
 - ❖ Statement of Net Position and the Statement of Activities
 - ❖ Assets plus Deferred Outflows = Liabilities plus Deferred Inflows plus Net Position.
 - ❖ Note disclosure on Deferred Outflows and Deferred Inflows can be found on page D-14.
 - ❖ The City had one item that arises on the fund financial statements that qualifies for reporting a Deferred Inflow on the Balance Sheet of the Governmental Fund Financial Statement on page D-3. The governmental funds report *Unavailable Revenue* from property taxes and other receivables that are deferred, recognized as an inflow of resources in which amounts become available.
 - ❖ Implementation of GASB 68, Financial Accounting and reporting for Pensions, resulted in items reported in deferred outflows of resources and deferred inflows of resources, on the Statement of Net Position on page D-1, as well as a restatement of beginning net position disclosed in the notes to the financial statements on page D-30. Pension note disclosure is also noted on pages D-21 through D-29.

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❖ Government-wide financial statements begin on page D -1. The Statement of Net Position, formally called the Balance Sheet provides a broad, long-term overview of the City's finances on a full accrual basis, much like a business. This Statement is followed by the Statement of Activities.

❑ Capital assets and long term debt are included.

❖ A snap shot of the Statement of Net Position is as follows:

City of Beaufort's Net Position				
	2015	2014	Change	% Change
Current, other assets and deferred outflows	\$ 23,768,788	\$ 21,842,467	\$ 1,926,321	8.82%
Capital assets	43,772,858	42,471,061	1,301,797	3.07%
Total assets and deferred outflows	<u>\$ 67,541,646</u>	<u>\$ 64,313,528</u>	<u>\$ 3,228,118</u>	<u>5.02%</u>
Long-term liabilities	29,082,333	16,939,653	12,142,680	71.68%
Other liabilities and deferred inflows	3,365,225	3,757,579	(392,354)	-10.44%
Total liabilities and deferred inflows	<u>32,447,558</u>	<u>20,697,232</u>	<u>11,750,326</u>	<u>56.77%</u>
Net Position:				
Net investment in capital assets	28,179,673	26,411,278	1,768,395	6.70%
Retricted	10,487,290	10,890,417	(403,127)	-3.70%
Unrestricted	(3,572,875)	6,314,601	(9,887,476)	-156.58%
Total net position	<u>\$ 35,094,088</u>	<u>\$ 43,616,296</u>	<u>\$ (8,522,208)</u>	<u>-19.54%</u>

❖ 80% of the Net Position reflects the City's net investment in capital assets such as land, buildings, equipment and infrastructure, less any unspent debt proceeds used to acquire those assets.

❖ 30% of the Net Position reflects City resources that are subject to external restrictions through federal or state legislation, grant provisions, or debt instruments.

❖ A negative 10% of the Net Position is unrestricted and a result of the implementation of GASB 68.

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- ❖ Restricted Net Position decreased by \$403,127 as a result of restricted resources being utilized as planned on active capital projects.
- ❖ Net position increased \$2,908,145 during FY 2015, however with the restatement of beginning net position due to the recognition of pension liability impacted unrestricted net position negatively by a net deficit change of \$9,887,476.
- ❖ Key elements of significant changes in revenues and expenses are explained beginning on pages C - 5 & C - 6.
- ✓ Fund Financial Statements – begin on page D – 3.
 - ❖ Governmental funds provide information of near term inflows, outflows and balances of available resources.
 - ❖ The General Fund, Tax Increment Financing District II Fund and the Capital Projects Fund are considered major funds for reporting purposes.
 - ❖ Nonmajor Funds: the Redevelopment Commission Fund, State Accommodation Tax Fund, Tax Increment Financing District I Fund, the Drug Control & Prevention Fund and the Cemeteries Fund are aggregated and presented as Other Governmental Funds.
 - ❖ Combined Fund Balance totaled \$20,669,780 or an increase of \$486,014. Planned decreases in fund balance of \$602,559 in the General Fund and \$124,840 in the TIF II Fund, along with an increase in fund balance of \$1,303,968 reported in the Capital Projects Fund represent the largest components to the net increase.
 - ❑ Unexpended funding on active capital projects is what comprises the increase in fund balance in the Capital Projects Fund.
 - ❖ 58% of the total \$20M Fund balance is non spendable or restricted by external parties.
 - ❖ 17% of the total Governmental Funds fund balance is committed by formal action of the City Council for land acquisition, replacement of rolling stock capital, redevelopment initiatives, contractual obligations and law enforcement purposes.
 - ❖ 2% of the total Governmental Fund fund balance is assigned to specific purposes constrained by the City's intent for their uses.

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- ❖ The balance of \$4,642,101 or 22% of the total governmental fund – fund balance is unrestricted and unassigned and therefore available for spending at the City's discretion.

- ❑ This balance meets the 25% minimum fund balance target of the expenditures and recurring transfers as set forth by the City's Fund Balance Policy.

✓ General Fund

- ❖ Fund balance decreased a net \$602,559 which is \$740,938 less than what was planned for in the FY 2015 budget.

- ❖ Revenues increased a net \$769,475 or 4.57% over the prior year.

- ❑ Property taxes increased \$544,627 or 11.52% over fiscal year 2014 due to the adoption of the 3.72 deficit mil to recover \$257K of lost property taxes from the deflation of taxable assessed value since reassessment. The balance is a result of a 29% increase in taxable assessed values of personal property.

- ❑ Hospitality and Local Accommodations Taxes increased \$156K or 6.97% over the prior year.

- ❑ Other revenue increases are discussed in the Management Discussion and Analysis on page C – 7.

- ❖ General Fund expenditures increased a net \$1,132,678 or 6.84% over fiscal year 2014.

- ❑ \$613K of that increase was due to a settlement of a long outstanding legal claim along with increases in legal fees associated with the City's defense in the claims.

- ❑ \$198K represented increased in employee salaries as employees met longevity milestones.

- ❑ \$148K of the increase is associated with employee benefits as the State Retirement System increased the employer required contribution and federally mandated fees associated with the Affordable Care Act.

- ❑ Other Expenditure increases are discussed in the MD&A on page C-7.

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- ✓ TIF II Fund
 - ❖ Realization of a modest increase of \$94,167 over FY 2014 in property tax collections from the TIF II District.
 - ❖ Planned expenditures related to debt payments and the transfer of \$2M to the Capital Projects fund for the acquisition of property, preliminary planning and engineering on the Greenlawn Drive infrastructure improvement, completion of the street light improvement project and Boundary Street.
- ✓ Capital Project Fund
 - ❖ Expenditure activity was \$856,500 more than FY 2014.
- ✓ The Notes to the Financial Statements begin on page D – 8.
- ✓ Budgetary Comparison Schedules for the General Fund and the Tax Increment Financing District II Fund can be found beginning on page E -1.
- ✓ Supplementary Information containing combining financial statements for the Non major funds along with Budgetary comparison schedules for those non major funds that are budgeted follow along beginning on page F – 1.

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- ✓ State Mandated Schedule related to Municipal Fines Assessments and Surcharges can be found on page F – 6
- ✓ The Statistical Section – beginning on page G – 1 – is an important source of trend information regarding the governments economic condition. It is designed to meet five objectives:
 - ❖ Provide information on financial trends: G-2 through G-7
 - ❖ Provide information on revenue capacity: G-8 through G-13
 - ❖ Provide information of debt capacity: G-14 through G-18
 - ❖ Provide demographic and economic information: G-19 through G-20
 - ❖ Provide operating information: G-21 through G-23
- ✓ Compliance Section – begins on page H – 1
 - ❖ Contains the Independent 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*.
 - ❖ Contains the Independent Auditor's report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
 - ❖ Based on the required auditing procedures there were no deficiencies in internal control identified, no instances of non compliance with the provisions of laws, regulations, contracts and grant agreements identified or required to be disclosed.

REQUIRED COMMUNICATIONS BY THE AUDITORS

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

REQUIRED COMMUNICATIONS BY THE AUDITORS

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

QUESTIONS??