



Comprehensive Annual Financial Report

**City of Beaufort, South Carolina
June 30, 2018**



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**Comprehensive Annual Financial Report
City of Beaufort, South Carolina
For the Year Ended June 30, 2018**



**City of Beaufort, South Carolina
1911 Boundary Street
Beaufort, South Carolina 29902
Prepared by City Finance Department**



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Introductory Section





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December 5, 2018

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, 2018.

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, 2018 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, 2018, 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 2018 population of the City according to the U.S. Census update by the Lowcountry Council of Governments was 13,729.

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 stable economic environment despite an unemployment rate of 3.4%, which is below Beaufort County and the State average of 3.6%. and a median household income of \$42,630 which is about \$10,000 below the median income for the county. Nineteen percent (19%) of the City's population lives below the poverty level. This is slightly higher than the state average of 18.3%. However, future job growth over the next ten years is predicted to be more than 41% which should have a dramatic effect on the poverty level and increase the population's median household income. The City has a very strong tourist trade reputation. Renowned for its scenic location and for maintaining a historic character



by preservation of its antebellum architecture as well as its military establishments at Parris Island, Marine Corps Air Station, and the Naval Hospital, the City has seen a strong increase in its tourism industry. Most recently, the City has been featured in the New York Times, named “Best Small Southern Town” by Southern Living magazine, a “Top 25 Small City Arts Destination” by American Style, a “Top 50 Adventure Town” by National Geographic Adventure and one of the best college towns in America.

Revenues from building permits, new business licenses and Hospitality and Accommodations tax revenues continue to show steady growth. Several annexations this past year coupled with commercial and residential development have enabled the tax base to increase slightly that will poise the City for steady growth over the next several 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

The Boundary Street redevelopment plan, a major City project was completed on budget and ahead of schedule. This \$33M project is projected to attract a 5 to 1 ratio on investment when finish that will net approximately \$150 million in private investment in the City.

During fiscal year 2018, the City Council adopted five major goals: encourage sustainable economic growth, create a long-range plan and identify available revenue streams to address the City’s infrastructure, maintain a comprehensive communication plan, attract through tourism those that may relocate their office or businesses to the City, enhance infill development, and create and coordinate affordable housing opportunities. These goals will be woven into the budget process to better match the long- term strategic goals to the services the City provides. A sound financial plan with good controls and steady growth to generate new taxes and improve our revenues will insure the sustainability that is needed for the long-term health of the City.

Economic development was established as the number one goal. During the year the City established Beaufort Digital Corridor attracted five new start-up companies and had one new company build a new facility in the City’s industrial park. In addition, the City recently joined with the Beaufort County in creating an affiliation with the Southern Alliance, a regional development group located in Jasper County for creating new jobs and bring new businesses to the area.

The second goal was to create a long-term plan to identify available revenue streams to address the City’s infrastructure needs. This plan was started with the establishment of a reserve fund, the award of a \$1.0 million dollar grant, and a plan for long-term bonding for some of our short-term stormwater needs.



The third goal is to create and maintain a comprehensive proactive communications plan. The City has established a strong social media program that has increased its followers by over 35% in the last six months. In addition, a strong media program was developed for City Council meetings and for sending out information during the hurricanes that have affected our area over the last year. A strong communications program is critical to achieving success with the overall strategic plan.

Our fourth goal is through tourism - to attract those who wish to relocate their offices and businesses here to live, work, and play in our City. This goal is a long-term goal and requires coordination with various organizations throughout the City to help tell “our story” of why they should consider the City of Beaufort as the place they want to be.

The fifth goal is to initiate a plan to accommodate significant growth through infill development within the Northwest Quadrant and parts of the Old Commons sections of the City. A street by street program was developed, starting with Duke Street and is now in the process of moving to Washington Street and Greene Street. We have seen renovations and new home building taking place but most importantly we have seen community pride significantly improve. This program will continue through 2018 and we expect it to continue to expand to other streets and sections of the City over the next 3-5 years.

The sixth and final goal is to create and coordinate opportunities for affordable housing to be constructed within the City. The City decided to aggressively support this program by donating two properties; one to the Beaufort Housing Authority and the other to Habitat for Humanity. Together, these organizations have committed to build twelve units of affordable housing and have a significant impact on the number of units available to those in need.

In addition to the major goals, the City managed to work through three hurricanes in the last eighteen (18) months, begin developing programs to control stormwater, flooding, and the effects of sea level rise in various parts of the City. Furthermore, the City is addressing the needed maintenance and preservation of several City owned historic buildings.

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 eleven years, ending June 30, 2017. 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.

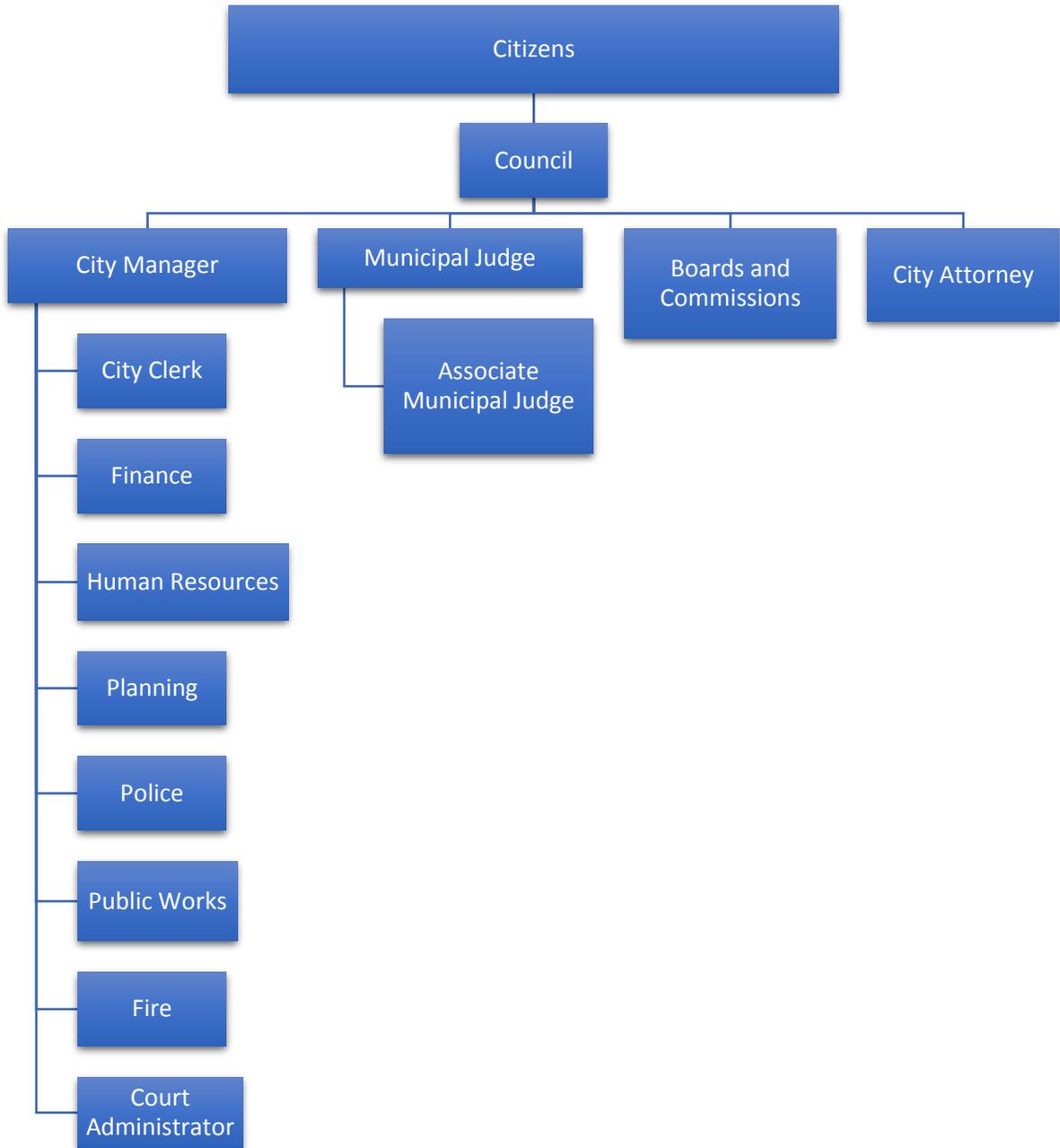
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the City Manager's office and the Finance Department. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation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

William A Prokop
City Manager

Kathy M. Todd, CPA
Finance Director

City of Beaufort, South Carolina Organization Chart



**CITY OF BEAUFORT, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2018**

CITY COUNCIL

Billy Keyserling
Michael McFee
Philip Cromer
Nan B. Sutton
Stephen Murray

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

ADMINISTRATION

William A. Prokop
Kathy M. Todd, CPA
Ivette Burgess

Alan Eisenman, CPA CGFO
Paul McGee
Gerald Eller
Charliese Rivers

City Manager
Finance Director
Human Resources
Director/City Clerk
Senior Accountant
Financial Systems Analyst
Accounting Clerk
Accounting Clerk





Government Finance Officers Association

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

Presented to

**City of Beaufort
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Financial Section





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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, 2018, 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages C-1 through C-9), the budgetary comparison information (on pages E-1 through E-3), the pension information for the City of Beaufort Retirement Plan (on pages E-4 and E-5), and the notes to the required supplementary information (on page E-6) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section; combining and individual nonmajor fund financial statements and schedules; schedules of revenues, expenditures and changes in fund balance - budget to actual; and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules; schedules of revenues, expenditures and changes in fund balance - budget to actual; the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96), and the 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 schedules; schedules of revenues, expenditures and changes in fund balance - budget to actual; the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96), 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 December 5, 2018, 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
December 5, 2018

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, 2018. 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, 2018 and contains other supplementary information.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$41,204,000 (net position). Unrestricted net position is reported as (\$4,373,517) due to the effects of reporting net pension liability in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is not an accurate representation of the City's financial position to meet the government's ongoing obligations to citizens and creditors. Excluding net pension liability (\$16,612,640) from net position, results in \$12,239,123 of unrestricted net position available to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position increased \$767,038. The net increase is primarily attributed to the completion of several capital projects that were added to capital assets and offset by the liability associated with the final close out of the Boundary Street project.
- The City's total cash position at June 30, 2018, was \$20,327,872 compared to \$23,337,169 at June 30, 2017, a decrease primarily due to the expending of capital lease proceeds on the Performance Energy Savings Contract of \$1.8M that were reported as restricted cash at June 30, 2017 and the use of cash for capital projects that were in progress during the year.
- The City's Government-wide total accounts payables, accrued expenses, refundable deposits and other payables at June 30, 2018 were \$5,782,716, an increase of \$4,401,076 from June 30, 2017. The increase is primarily due to a liability related to the Boundary Street project that was completed during the fiscal year.
- As of June 30, 2018, the City's long-term indebtedness, including the liability for accrued vacation and net pension liability, had increased a net of \$832,192 from June 30, 2017. Net pension liability contributed to a significant component of the net increase by \$1,459,093 and net reductions in debt

from normal debt payments of \$597,451. During the fiscal year the City expended \$397,273 for interest associated with its long-term indebtedness which was \$48,755 less than the interest paid during fiscal year 2017.

- The City's bond rating from Standard & Poor's is AA and an Aa2 rating from Moody's Investors Services for general obligation debt.
- Property taxes support 28.7% of the governmental services to citizens and the community in fiscal year 2018.

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 deferred outflows of resources, liabilities and deferred inflows of resources, 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 \$41,204,000 at June 30, 2018.

The following table presents a summary of the City's Net Position at June 30, 2018.

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
Assets:				
Current and other assets	\$ 23,718,943	\$ 25,375,103	\$ (1,656,160)	-6.53%
Capital assets	<u>54,109,171</u>	<u>47,016,894</u>	<u>7,092,277</u>	<u>15.08%</u>
Total assets	<u>77,828,114</u>	<u>72,391,997</u>	<u>5,436,117</u>	<u>7.51%</u>
Deferred outflows of resources:				
Deferred loss on debt refunding	486,590	537,365	(50,775)	-9.45%
Deferred pension charges	<u>4,028,686</u>	<u>3,130,925</u>	<u>897,761</u>	<u>28.67%</u>
Total deferred outflows of resources	<u>4,515,276</u>	<u>3,668,290</u>	<u>846,986</u>	<u>23.09%</u>
Liabilities:				
Long-term liabilities	33,009,468	32,394,194	615,274	1.90%
Other liabilities	<u>7,755,258</u>	<u>3,137,264</u>	<u>4,617,994</u>	<u>147.20%</u>
Total liabilities	<u>40,764,726</u>	<u>35,531,458</u>	<u>5,233,268</u>	<u>14.73%</u>
Deferred inflows of resources:				
Deferred pension credits	<u>374,664</u>	<u>91,867</u>	<u>282,797</u>	<u>307.83%</u>
Net position:				
Net investment in capital assets	36,555,711	29,160,304	7,395,407	25.36%
Restricted	9,021,806	15,820,888	(6,799,082)	-42.98%
Unrestricted	<u>(4,373,517)</u>	<u>(4,544,230)</u>	<u>170,713</u>	<u>3.76%</u>
Total net position	<u>\$ 41,204,000</u>	<u>\$ 40,436,962</u>	<u>\$ 767,038</u>	<u>1.90%</u>

The largest portion of the City's total net position (88.7%) 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 (21.9%) represents resources that are subject to external restrictions on how they may be used and the remaining balance (a negative 10.6%) is reported as unrestricted net position.

At the end of the current fiscal year, the City reports a positive balance in net investment in capital assets and restricted net position. Unrestricted net position, was impacted by the required reporting of net pension liability under the City's participation in the State of South Carolina Employee Benefit Administrations retirement plans: the South Carolina Retirement Plan and the South Carolina Police Officers Retirement Plan. Even though the City ended the fiscal year with an increase in net position of \$767,038, the impact of pension liability on net position had a negative impact on unrestricted net position.

Within the City's Governmental-wide financial statements, restricted net position decreased \$6,799,082 or 42.98% which is primarily a result of the use of TIF II fund resources being expended and the completion of the energy savings project.

Net position presented in the Governmental-wide financial statements increased by a net \$767,038 during the current fiscal year.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City of Beaufort's net position by \$767,038 accounting for 1.9% percent of the total growth in the net position of the City.

	2018	2017	Change	% Change
Revenues:				
Program Revenues				
Charges for services	\$ 10,311,990	\$ 10,166,250	\$ 145,740	1.43%
Operating grants and contributions	755,781	454,443	301,338	66.31%
Capital grants and contributions	765,735	743,405	22,330	3.00%
General Revenues				
Taxes	9,937,739	11,535,590	(1,597,851)	-13.85%
Other	601,133	301,886	299,247	99.13%
Total Revenues	22,372,378	23,201,574	(829,196)	-3.57%
Expenses:				
General Government	3,431,077	4,180,995	(749,918)	-17.94%
Law Enforcement	5,661,110	5,463,466	197,644	3.62%
Fire and emergency	5,184,525	4,760,053	424,472	8.92%
Public works	2,562,450	2,380,597	181,853	7.64%
Culture and recreation	1,548,178	1,516,041	32,137	2.12%
Streets	1,424,964	1,278,386	146,578	11.47%
Community development	1,395,763	1,367,245	28,518	2.09%
Interest	397,273	446,028	(48,755)	-10.93%
Total Expenses	21,605,340	21,392,811	212,529	0.99%
Change in net position	767,038	1,808,763	(1,041,725)	-57.59%
Net position - beginning of year	40,436,962	38,628,199	1,808,763	4.68%
Net position - end of year	\$ 41,204,000	\$ 40,436,962	\$ 767,038	1.90%

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

- Operating Grants increased by \$301,338, or 66.31%. This increase was primarily due to receipt of the Staffing for Adequate Fire and Emergency Response (SAFER) Grant from the U.S. Department of Homeland Security which contributed \$279K of the increase.
- Taxes decreased or a net \$1,597,851 or 13.85% due to the completion of the TIF II tax collections that ended at the close of the prior fiscal year and the increment returning to each applicable taxing district.
- Other General Revenues increased \$299,247. \$162K of that increase is a result of higher interest rates on investments coupled with a better investment strategy that was implemented during the year.

Significant changes in expenses within governmental activities are as follows:

- All functions of the City maintained expenses at the same level as the preceding year. Significant changes were seen in the following areas:
 - Pension expense increased \$313K or a 58.8% increase over fiscal year 2017 as the State Retirement System increased contribution rates.
 - Salary and benefit costs increased \$1,137,797 or 10.9% over the prior fiscal year. Of that amount \$401K related to the hiring of an additional 15 fire fighters under the SAFER grant program. The balance was associated with increased pension expense costs and other benefit increases, such as Retirement.
 - Most operating costs decreased in comparison with the prior fiscal year. Depreciation expense saw an increase of \$238K as several capital projects were completed and put in service during the year.

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 Fund, Accommodation Tax Fund, Tax Increment Financing District II Fund (TIF II), Capital Projects Fund, Drug Control and Prevention Fund and Cemetery 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, 2018, the City governmental funds reported combined fund balances of \$18,081,684, a net decrease of \$5,822,471 from the prior year's balances.

Decreases in fund balance were reported in the General Fund, of \$964,709, the TIF II Fund of \$4,172,542, the Capital Projects Fund of \$543,284 and the Other Governmental Funds of \$141,936. The decrease in the General Fund is a result of planned use of committed fund balance for redevelopment and the acquisition of capital equipment and vehicles. Decreases in the TIF II are a result of transferring those resources to the Capital Projects Fund for TIF II related projects such as Greenlawn and Boundary Street Streetscape projects. The decrease in the Capital Projects funds are the result of capital project activity from other capital projects that were underway during the year.

49.9% (\$9,021,806) of the total Governmental Fund balance at June 30, 2018, is nonspendable or restricted in its use. \$9,001,112 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, 22.8% 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, future capital project initiatives and law enforcement purposes. The remainder of the total Governmental Fund Balance of \$4,944,888 or 27.3% 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, 2018 the General Fund had a fund balance of \$9,067,755 representing 50% of the total Governmental ending fund balance. Of the General Fund's June 30, 2018 fund balance, 86% is *unrestricted* and of that amount 63% 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 22.2% of the General Fund's expenditures, while total fund balance of the General Fund represents 40.8% of that same amount.

General fund revenues increased a net \$1,460,669 or 7.54% from the prior year. There was a slight increase (below 3%) in Franchise fees (\$12,474), however other revenue sources experienced more significant changes. The significant changes are primarily attributed to the following:

- Property Taxes reported a 10.56% increase totaling \$617,706. This increase is primarily related to the full assessed value of the TIF II district now being attributed to the General Fund as the TIF expired at the close of the prior year.
- Hospitality and accommodations taxes, as reported in Other Tax revenues reported an increase of \$120,724 or 4.42% increase from fiscal year 2017 and Licenses and permits increased \$147,489 or 3.68%. The City continues to see growth in this area as its presence as a tourist destination continues to grow and business strength is steadily growing as a result.
- Fines and forfeitures decreased \$64,497 over the prior year, or a decrease of 20.41%. These decreases were a result of changes in the judicial procedures issued down by the higher court which rescinded all bench warrants and thereby affected collections. There was also a decrease in Charges for Services of \$145,603 or 5.88% which was due to the receipt of development fees received in the prior year that were not applicable in the current year.
- Intergovernmental revenues increased \$532,582, or 32.02% over the prior fiscal year. This increase is a result of the City's continued pursuit of federal grants that leverage with City resources to achieve operational goals. \$279K of this increase is related to the SAFER Grant that the City, \$243K was received under the FEMA Public Assistance program related to Hurricane Matthew and Hurricane Irma and \$100K is attributed to the receipt of a parks grant used to enhance the Spanish Moss Trail.
- Investment earnings increase \$25,196 or 216.63% as interest rates recover and implementation of a revised investment strategy. Miscellaneous revenue increased \$214,598 or 109.71% as a result of energy credits received from the utility company from the implementation of energy efficiencies.

The General Fund expenditures increased a net of \$1,452,051 or 6.99 % over fiscal year ended June 30, 2017.

Significant changes were a result of the following:

- General Government decreased \$364,008 or 11.17% as a result of the final payment on a piece of property was made in the prior year. Streets also decreased by \$141,151 or 14.93% due to capital acquisition needs reflected in the prior year were not needed in the current year.
- Community Development increased \$67,249, or 8.93% over fiscal year 2017. This increase is a result of the hiring on one additional personnel and the payout of accrued leave balances associated with employees retiring during the year.
- Fire and Emergency services saw a \$531,030 increase over the prior year. \$265K of that increase was attributed to capital acquisitions and as was stated previously, \$279K was attributed to the increased personnel costs associated with the SAFER grant.
- Culture and Recreation costs increased \$393,673 related to the acquisition of capital equipment and the costs associated with the parks grant on the Southside Park – Spanish Moss Trail connector project.
- Public Works increased \$733,752 or 20.41%. Most of this increase (\$590K) is related to the costs expended for the implementation of the energy services performance contract project aimed at enhancing the City's utility equipment for long term energy savings. The remaining portion of the increase is related to the Engineering costs for the Stormwater Drainage Project Study and Analysis.

Tax Increment Financing District II Fund (TIF II)

Total revenues in this fund amounted to \$179,425 consisting primarily of interest earnings on investments. Significant expenditures are associated with other financing uses – transfers out to the capital projects fund for the cost of the Boundary Street project and the Greenlawn project.

Capital Projects Fund

The Capital Project Fund expended \$5,685,721 or \$3,658,555 more than fiscal year 2017. \$5,533,316 of the amount expended was a result of four projects: the Boundary Street project of \$4,497,165, the Day Dock project of \$544,230, the Waterfront Park Relieving Platform project of \$362,481 and the Greenlawn project of \$129,440. During fiscal year 2018, the City had thirteen (13) active capital projects that were underway and at various stages of completion.

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, 2018, the City's net capital assets totaled \$54,109,171, a net increase of \$7,092,277 from fiscal year 2017. 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 Land and Construction in Progress resulting from the four major projects noted above under the Capital Projects Fund and other projects at various stages of progress totaling \$7,426,771.
- The closing of \$8,206,223 of current year and prior year's construction in project costs of the Waterfront Park Relieving Platform project, the Boundary Street project, the Day Dock project and several drainage projects.
- Purchased additional Police patrol cars & equipment of \$378,622; the acquisition of heavy equipment and vehicles of \$308,497 for the Public Works department and \$218,977 for the Fire Department exhaust system, vehicles and Extrication Tools.

Additional information on the City's capital assets can be found in Note 3.A to the Financial Statements beginning on page D-17.

Long-term debt: The long-term liabilities, including compensated absences and net pension liability, at June 30, 2018 totaled \$34,982,010.

The City's total indebtedness increased a net \$832,192 from the previous year. Scheduled debt payments totaling \$1,253,695 plus the addition of the capital lease for the vehicles and equipment of \$656,244 contributed to an overall net decrease in debt related instruments of \$597,451. Amortization on the premium related to the Series 2016 General Obligation Bond was \$127,588. Debt related to compensated absences realized an increase of \$98,138 and the Net Pension Liability saw an increase of \$1,459,093.

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 \$8,357,993 of which only \$1,564,226 is subject to that limitation or 18.72% of the 8% limit.

Additional information on the City's debt can be found in Note 3.C. in the notes to financial statements on page D-19.

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 2018 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 in the General Fund appropriations between the original and final amended budget to adjust for the various contractual obligations, capital acquisitions, and issuance of the capital lease.

The total actual revenues including other financing sources reported for the General Fund of \$21,550,426, was more than the final budgeted revenues of \$20,953,612 by \$596,814 due to increases in property tax resulting from the full value of the TIF II district now being reported as property tax revenue of the General Fund.

The total actual expenditures including other financing uses of the General Fund were \$22,515,135. This amount was \$978,895 less than the final budgeted amount due to fiscally responsible spending in the departments.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET

The City continues to face limited abilities for growth, both in population and jobs. This in turn results in anticipated future revenue shortfalls that will not keep up with anticipated increases in expenditures. Though there is an increase in tourism, the City's services are primarily supported by the 13,729 residents, yet serves over 65,000 persons each day. Mandates from the federal and state governments continue to place a strain on the limited resources of the City.

The City adopted a general fund budget for fiscal year ended June 30, 2019 in the amount of \$17,660,321.

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, 2018

		Total Governmental Activities
ASSETS		
Cash and cash equivalents	\$	8,658,310
Receivables		3,377,623
Inventories and other assets		13,448
Restricted assets		
Restricted cash and cash equivalents		11,669,562
Capital Assets:		
Land, improvements and construction in progress		10,423,554
Other capital assets, net of depreciation		43,685,617
Total assets		77,828,114
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding		486,590
Pension related deferred outflows		4,028,686
Total deferred outflows of resources		4,515,276
LIABILITIES		
Accounts payable		1,520,499
Accrued liabilities		338,297
Accrued interest		163,979
Deposits and escrow		194,453
Due to other governments		3,565,488
Long-term liabilities:		
Due within one year		1,972,542
Due in more than one year		
Debt and compensated absences		16,396,828
Net pension liability		16,612,640
Total liabilities		40,764,726
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows		374,664
Total deferred inflows of resources		374,664
NET POSITION		
Net Investment in capital assets		36,555,711
Restricted for:		
Perpetual care		
Nonexpendable		20,694
Capital projects		962,044
Redevelopment		6,669,289
Other purposes		1,369,779
Unrestricted		(4,373,517)
Total net position		\$ 41,204,000

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>
Primary government					
Governmental Activities					
General government	\$ 3,431,077	\$ 6,297,434	\$ -	\$ -	\$ 2,866,357
Law enforcement	5,661,110	340,292	79,489	-	(5,241,329)
Fire and emergency	5,184,525	1,083,165	280,980	-	(3,820,380)
Public works	2,562,450	1,683,612	41,785	-	(837,053)
Culture and recreation	1,548,178	248,557	353,527	-	(946,094)
Streets	1,424,964	-	-	765,735	(659,229)
Community and economic development	1,395,763	658,930	-	-	(736,833)
Interest on long-term debt	397,273	-	-	-	(397,273)
Total	<u>\$21,605,340</u>	<u>\$ 10,311,990</u>	<u>\$ 755,781</u>	<u>\$ 765,735</u>	<u>(9,771,834)</u>

General revenues:

Taxes:	
Property taxes, levied for general purposes	4,708,070
Property taxes, levied for debt service	1,501,812
Property taxes, levied for special purposes	47,147
Accommodations taxes	1,389,882
Hospitality taxes	1,941,180
Other taxes	349,648
Unrestricted investment earnings	190,527
Miscellaneous	410,606
Total general revenues	<u>10,538,872</u>
Change in net position	767,038
Net position - beginning	40,436,962
Net position - ending	<u>\$ 41,204,000</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>	<u>TIF II Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 7,631,142	\$ -	\$ 914,748	\$ 112,420	\$ 8,658,310
Taxes receivable, net	237,309	-	-	-	237,309
Other receivables	2,262,851	-	530,872	346,591	3,140,314
Due from other funds	467,777	-	-	-	467,777
Inventories and other assets	13,448	-	-	-	13,448
Restricted cash and cash equivalents	47,730	7,048,534	4,527,532	45,766	11,669,562
Total assets	<u>10,660,257</u>	<u>7,048,534</u>	<u>5,973,152</u>	<u>504,777</u>	<u>24,186,720</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	1,071,176	-	412,820	36,503	1,520,499
Due to other funds	-	379,245	-	88,532	467,777
Due to other governments	-	-	3,565,488	-	3,565,488
Accrued liabilities	334,804	-	-	3,493	338,297
Deposits and escrow	168,000	-	-	26,453	194,453
Total liabilities	<u>1,573,980</u>	<u>379,245</u>	<u>3,978,308</u>	<u>154,981</u>	<u>6,086,514</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	18,522	-	-	-	18,522
Total deferred inflows of resources	<u>18,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,522</u>
Fund balances:					
Nonspendable:					
Inventories	13,448	-	-	-	13,448
Cemetery	-	-	-	7,246	7,246
Restricted	1,260,156	6,669,289	962,044	109,623	9,001,112
Committed for:					
Land Acquisition	637,229	-	-	-	637,229
Vehicle and equipment replacement	840,604	-	-	-	840,604
Redevelopment	775,780	-	-	217,523	993,303
Capital Projects	595,650	-	1,032,800	-	1,628,450
Law enforcement	-	-	-	15,404	15,404
Unassigned	4,944,888	-	-	-	4,944,888
Total fund balances	<u>9,067,755</u>	<u>6,669,289</u>	<u>1,994,844</u>	<u>349,796</u>	<u>18,081,684</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,660,257</u>	<u>\$ 7,048,534</u>	<u>\$ 5,973,152</u>	<u>\$ 504,777</u>	<u>\$ 24,186,720</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018**

Total fund balance, governmental funds	\$	18,081,684
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental fund financial statement, but are reported in the governmental activities of the Statement of Net Position (net of accumulated depreciation of \$22,656,062).</p>		54,109,171
<p>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.</p>		18,522
<p>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.</p>		
Interest Payable	\$	(163,979)
Due within one year		(1,972,542)
Due in more than one year		(16,396,828)
		(18,533,349)
<p>Net pension liability is not due and payable in the current period and therefore is not reported in governmental funds.</p>		(16,612,640)
<p>Deferred outflows are not current financial resources and therefore not reported in the governmental fund financial statements, but are reported in the Statement of Net Position.</p>		4,515,276
<p>Deferred inflows are not due and payable in the current period and therefore not reported in governmental funds balance sheet.</p>		(374,664)
<p>Net Position of Governmental Activities in the Statement of Net Position</p>	\$	41,204,000

CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	TIF II Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 6,465,632	\$ 47,147	\$ -	\$ -	\$ 6,512,779
Other taxes	2,850,059	-	-	551,453	3,401,512
Franchise fees	2,147,811	-	-	-	2,147,811
Fines and forfeitures	251,583	-	-	3,948	255,531
Licenses and permits	4,153,137	-	-	-	4,153,137
Intergovernmental	2,195,643	-	765,735	-	2,961,378
Charges for services	2,331,961	-	-	262,886	2,594,847
Investment earnings	36,827	132,278	21,320	103	190,528
Miscellaneous	410,206	-	-	400	410,606
Total revenues	<u>20,842,859</u>	<u>179,425</u>	<u>787,055</u>	<u>818,790</u>	<u>22,628,129</u>
EXPENDITURES					
Current:					
General government	2,893,988	-	1,371	423,581	3,318,940
Law enforcement	5,413,761	-	-	115,074	5,528,835
Fire and emergency	4,807,043	-	-	-	4,807,043
Public works	4,329,484	125,783	-	-	4,455,267
Culture and recreation	1,409,268	-	-	-	1,409,268
Streets	804,064	-	-	-	804,064
Community and economic development	820,372	-	-	529,941	1,350,313
Debt Service:					
Principal	1,253,695	-	-	-	1,253,695
Interest and other charges	495,069	-	-	-	495,069
Capital Outlay	-	-	5,684,350	-	5,684,350
Total expenditures	<u>22,226,744</u>	<u>125,783</u>	<u>5,685,721</u>	<u>1,068,596</u>	<u>29,106,844</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,383,885)</u>	<u>53,642</u>	<u>(4,898,666)</u>	<u>(249,806)</u>	<u>(6,478,715)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of capital lease	656,244	-	-	-	656,244
Transfers in	51,323	-	4,355,382	159,193	4,565,898
Transfers out	(288,391)	(4,226,184)	-	(51,323)	(4,565,898)
Total other financing sources (uses)	<u>419,176</u>	<u>(4,226,184)</u>	<u>4,355,382</u>	<u>107,870</u>	<u>656,244</u>
Net change in fund balances	(964,709)	(4,172,542)	(543,284)	(141,936)	(5,822,471)
Fund balances - beginning	10,032,464	10,841,831	2,538,128	491,732	23,904,155
Fund balances - ending	<u>\$ 9,067,755</u>	<u>\$ 6,669,289</u>	<u>\$ 1,994,844</u>	<u>\$ 349,796</u>	<u>\$ 18,081,684</u>

**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, 2018**

Net change in fund balances - total governmental funds: \$ (5,822,471)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Expenditures of capital assets	\$	9,566,721	
Less: current year depreciation		(2,238,713)	7,328,008

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (235,731)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (255,748)

Governmental funds report bond and lease proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond and lease principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.

Repayment of debt	\$	1,253,695	
Amortization of deferred loss on refunding		(50,775)	
Amortization of premium on general obligation bonds		127,588	
Capital lease proceeds		(656,244)	674,264

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Compensated absences	(98,138)
Accrued interest not reflected on Governmental funds	20,983
Change in pension expense	(844,129)

Change in net position of governmental activities	\$ <u>767,038</u>
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**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2018**

Assets

Cash and cash equivalents		\$ 78,513
	Total assets	<u>\$ 78,513</u>

Liabilities

Due to others		\$ 78,513
	Total liabilities	<u>\$ 78,513</u>



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CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 City has no blended component units.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

2. Discretely Presented Component Units

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

B. Government-wide and Fund Financial Statements

Financial information of the City is presented as follows:

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

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

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

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

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

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

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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 projects 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 five 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 Beaufort 300 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. The Beaufort Pride of Place fund accounts for donations from citizens and visitors towards improving and beautifying the City.

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.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 the modified accrual basis of accounting. Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 54.66 mills and the City's debt service tax rate of 18.91 mills for a total of 73.57 mills. The County of Beaufort bills and collects the City's property taxes on behalf of the City.

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, 2018 are \$157,457.

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 acquisition 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:

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

<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 400 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, up to a maximum of 160 hours, will be paid to the employee or their estate. 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 effective interest 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 premiums on debt issuances are reported as other financing sources.

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, 2018, there are no amounts for arbitrage rebates.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

7. Deferred Outflows/Inflows of Resources

As defined by GASB Concept Statement No. 4, "Elements of Financial Statements", deferred outflows/inflows of resources are the consumption/acquisition of net assets/position by the government that are applicable to a future reporting period.

In addition to assets, the Statement of Net Position and the Balance Sheet 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 currently has two types of deferred outflows of resources: (1) The City reports *deferred refunding charges* in its Statement of Net Position. Deferred refunding charges is the difference between the reacquisition price and the net carrying amount of the defeased debt, are amortize over the life of the refunding bonds, which has the same maturity as the bonds that were refunded. Amortization of deferred refunding charges is included in interest expense. (2) The City also reports *deferred pension charges* in its Statement of Net Position in connection with the City Pension Plan and their participation in the South Carolina Retirement System and the South Carolina Public Safety Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports *unavailable revenue* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (revenue) in the period the amounts become available. (2) The City also reports *deferred pension credits* in its Statement of Net Position in connection with the City Pension Plan and their participation in the South Carolina Retirement System and the South Carolina Public Safety Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

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* consists 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.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

- *Unrestricted net position* consists of all other net positions that do not meet the definition of “restricted” or “net investment in capital assets”.

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

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

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

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

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

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

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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.

10. Tax Abatement Agreements

During the year ended June 30, 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures. This statement requires the City to disclose information for any tax abatement agreements either entered into by the City, or agreements entered into by other governments that reduce the City's tax revenues. As of June 30, 2018, the City did not have any such agreements, either entered into by the City or by other governments that exceeded the quantitative threshold for disclosure.

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 Fund and State Accommodations Tax Fund

All annual appropriations lapse at fiscal year-end.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 – DETAILED NOTES ON FUNDS AND ACTIVITIES

A. Capital Assets

Capital asset activity for the year ended June 30, 2018 is as follows:

	Beginning Balance				Ending Balance June 30, 2018
	June 30, 2017	Additions	Deletions	Transfers	
Non-depreciable assets:					
Land	\$ 7,185,510	\$ -	\$ (79,115)	\$ -	\$ 7,106,395
Construction in progress	3,019,373	7,426,771	(156,616)	(6,972,369)	3,317,159
	<u>10,204,883</u>	<u>7,426,771</u>	<u>(235,731)</u>	<u>(6,972,369)</u>	<u>10,423,554</u>
Depreciable assets:					
Infrastructure	23,306,678	152,264	-	6,930,359	30,389,301
Buildings and improvements	26,612,155	1,081,590	-	42,010	27,735,755
Machinery, Furniture and equipment	7,342,801	906,096	(32,274)	-	8,216,623
	<u>57,261,634</u>	<u>2,139,950</u>	<u>(32,274)</u>	<u>6,972,369</u>	<u>66,341,679</u>
Subtotal assets	<u>67,466,517</u>	<u>9,566,721</u>	<u>(268,005)</u>	<u>-</u>	<u>76,765,233</u>
Accumulated depreciation:					
Infrastructure	(8,335,749)	(1,019,521)	-	-	(9,355,270)
Buildings and improvements	(6,820,272)	(773,921)	-	-	(7,594,193)
Machinery, Furniture and equipment	(5,293,602)	(445,271)	32,274	-	(5,706,599)
	<u>(20,449,623)</u>	<u>(2,238,713)</u>	<u>32,274</u>	<u>-</u>	<u>(22,656,062)</u>
Total Governmental Activities	<u>\$ 47,016,894</u>	<u>\$ 7,328,008</u>	<u>\$ (235,731)</u>	<u>\$ -</u>	<u>\$ 54,109,171</u>

Depreciation expense was charged to governmental activities as follows:

<u>Function</u>	
General Government	\$ 577,694
Law Enforcement	146,174
Fire and Emergency	271,207
Culture and Recreation	401,464
Public Works	125,180
Streets	705,635
Community and Economic Development	11,359
	<u>\$ 2,238,713</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

B. Interfund Transactions and Balances

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

	Transfers In	Transfers out
General	\$ 51,323	\$ 288,391
TIF II	-	4,226,184
Capital Projects	4,355,382	-
Other governmental	159,193	51,323
Total Transfers	\$ 4,565,898	\$ 4,565,898

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.

A summary of interfund due to and due from by fund type is as follows:

	Due from	Due to
General	\$ 467,777	\$ -
TIF II	-	379,245
Other governmental	-	88,532
Total Due to and Due From Other Funds	\$ 467,777	\$ 467,777

Interfund receivables and payables in the fund financial statements and internal balances in the government-wide financial statements arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

C. Long-term Debt

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

	Beginning Balance June 30, 2017	Additions	Deletions	Ending Balance June 30, 2018	Due with One Year
General obligation bonds	\$ 11,480,000	\$ -	\$ (960,000)	\$ 10,520,000	\$ 1,005,000
Premium on general obligation bonds	922,638	-	(127,588)	795,050	-
Revenue bonds	2,539,826	-	(214,108)	2,325,718	222,115
Lease finance agreement	242,745	-	(79,587)	163,158	80,907
Capital leases	3,093,290	656,244	-	3,749,534	271,801
Compensated absences	717,772	637,192	(539,054)	815,910	392,719
Net pension liability	15,153,547	3,615,120	(2,156,027)	16,612,640	-
	<u>\$ 34,149,818</u>	<u>\$ 4,908,556</u>	<u>\$ (4,076,364)</u>	<u>\$ 34,982,010</u>	<u>\$ 1,972,542</u>

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

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. A new Fire Station was placed in service in January 2016. The general obligation bonds matured and were fully paid in fiscal year 2018.

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, 2018 was \$815,000.

On April 6, 2016, the City issued \$9,785,000 of general obligation refunding and improvement bonds series 2016 at interest rates ranging from 2.0% to 5.0% maturing on February 1, 2031. Semi-annual interest payments are due on February 1 and August 1. The proceeds of these bonds were used to advance refund \$9,250,000 outstanding general obligation bonds series 2008 maturing on February 1, 2019 through February 1, 2028 and \$886,000 for closing costs and funding for improvements to sidewalks, streets, parks, City marina and City municipal court and fire station facilities. The bonds were sold at a premium of \$1,027,436 and were issued to take advantage of lower interest rates. The proceeds of the refunding bonds were deposited in an irrevocable trust with an escrow agent to provide for the optional redemption on and after February 1, 2026. The City decreased its aggregated debt service payments by \$778,444 over the next 15 years and obtained an economic gain (the difference between the present value of the old and new debt service payments) of \$695,581. The balance at June 30, 2018 was \$9,705,000.

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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
2019	\$ 1,005,000	\$ 354,597	\$ 1,359,597
2020	1,040,000	326,138	1,366,138
2021	1,065,000	305,118	1,370,118
2022	1,100,000	275,038	1,375,038
2023	910,000	243,950	1,153,950
2024 - 2028	5,190,000	633,900	5,823,900
2029 - 2032	210,000	12,600	222,600
	<u>\$ 10,520,000</u>	<u>\$ 2,151,341</u>	<u>\$ 12,671,341</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, 2018 was \$2,325,718.

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

Year Ended June 30,	Principal	Interest	Total
2019	\$ 222,115	\$ 86,983	\$ 309,098
2020	230,423	78,675	309,098
2021	239,041	70,057	309,098
2022	247,981	61,117	309,098
2023	257,255	51,843	309,098
2024 - 2027	1,128,903	107,489	1,236,392
	<u>\$ 2,325,718</u>	<u>\$ 456,164</u>	<u>\$ 2,781,882</u>

Lease Finance Agreement

A capital lease was entered on November 5, 2014 for a fire truck. The cost of the fire truck was capitalized at \$774,917 and \$398,041 of the total cost of the fire truck was financed through the capital lease. The lease is for a period of 60 months and yearly payments of \$83,616 are required. Payments are due on November 5th. The balance at June 30, 2018 was \$163,158. The following is a schedule of future lease payments at June 30, 2018.

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Year Ended June 30,	Principal	Interest	Total
2019	\$ 80,907	\$ 2,709	\$ 83,616
2020	82,251	1,365	83,616
	<u>\$ 163,158</u>	<u>\$ 4,074</u>	<u>\$ 167,232</u>

Capital Leases

A capital lease was entered on April 27, 2017, as part of an energy service performance contract, to upgrade equipment in an effort to increase energy efficiency in City-owned buildings. The carrying value of assets acquired under the capital lease is \$3,093,290 and recorded in construction in progress at June 30, 2018. The capital lease is for \$3,093,290 at an interest rate of 2.611% maturing on July 1, 2032. Payments are due on July 1st and will be paid by the City's future energy savings. The balance at June 30, 2018 was \$3,093,290.

A capital lease was entered on August 14, 2017 to upgrade various City vehicles and equipment. The capital lease is for \$656,244 at an interest rate of 1.94% maturing on August 14, 2022. Payments are due annually on August 14nd and the balance at June 30, 2018 was \$656,244.

The assets acquired through outstanding capital leases as of June 30, 2018 are as follows:

	Governmental Activities
Assets:	
Construction in progress	\$ 3,093,290
Vehicles and equipment	584,300
Less: Accumulated depreciation	(52,197)
	<u>\$ 3,625,393</u>

The following is a schedule of future lease payments at June 30, 2018.

Year Ended June 30,	Principal	Interest	Total
2019	\$ 271,801	\$ 107,855	\$ 379,656
2020	293,771	87,247	381,018
2021	304,498	80,440	384,938
2022	313,128	73,370	386,498
2023	310,077	66,092	376,169
2024 - 2028	1,037,820	241,459	1,279,279
2029 - 2032	1,218,439	98,576	1,317,015
	<u>\$ 3,749,534</u>	<u>\$ 755,039</u>	<u>\$ 4,504,573</u>

D. Restricted Net Position

Net position restricted by external groups such as creditors, grantors, contributors or laws and

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regulations of other governments as June 30, 2018 consisted of \$6,669,289 for redevelopment projects from the Tax Increment Financing District (TIF II), \$459,290 for active capital projects involving TIF II projects and \$502,754 of unspent stormwater funds toward future stormwater projects. In addition, restricted net position for other purposes as of June 30, 2018 consisted of various restrictions through enabling legislation or by external groups such as creditors, grantors, contributors or laws and regulations of other governments as follows:

	Restricted Net Position - Other Purposes		
	Through Enabling Legislation	By External Groups	Total
Tourism & Development Advisory Committee	90,310	\$ -	\$ 90,310
Stormwater Utility	396,526	-	396,526
Drug Prevention	19,313	-	19,313
Utility Franchise Agreement	-	554,532	554,532
Debt Service Reserve	-	309,098	309,098
	\$ 506,149	\$ 863,630	\$ 1,369,779

E. Restricted Fund Balance

Restricted fund balance at June 30, 2018 consists of:

- \$554,532 for utilities under a franchise agreement, \$396,526 of unspent stormwater utility funds and \$309,098 for debt service reserve requirements in the General Fund.
- \$6,669,289 for the purpose of redevelopment within the TIF II District.
- \$459,290 for the purpose of redevelopment in the TIF II district and \$502,754 of unspent stormwater Utility funds for active stormwater utility projects reported within the Capital Projects fund.
- The other governmental funds restricted fund balance consists of \$90,310 for Tourism and Development and \$19,313 for drug prevention and education.

NOTE 4 – OTHER INFORMATION

A. Employee Pension and Other Benefit Plans

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources

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related to pensions, and pension expense, information about the fiduciary net pension of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as that are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- **South Carolina Retirement System** - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees, teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- **South Carolina Police Officers Retirement System** - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per

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year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

- **South Carolina Retirement System (SCRS)** - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- **South Carolina Police Officers Retirement System (PORS)** - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may

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increase the percentage rate in SCRS and PORS employer and employee contribution rates on the basis of the actual valuations, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; this increase is not limited to one- half of one percent per year.

If the most recent annual actuarial valuation of the Systems for funding purposes show a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July 1st, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funding ratio of less than ninety percent, then effective on the following July 1st, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funding ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation’s ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eighty-five.

- Required employee contribution rates¹ for fiscal year 2017-2018 are as follows:

	Fiscal Year 2018	Fiscal Year 2017
South Carolina Retirement System		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
South Carolina Police Officers Retirement System		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

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- Required employer contribution rates¹ for fiscal year 2017-2018 are as follows:

South Carolina Retirement System

Employee Class Two	13.41%	11.41%
Employee Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%

South Carolina Police Officers Retirement System

Employee Class Two	15.84%	13.84%
Employee Class Three	15.84%	13.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2017, the net pension liability for the South Carolina Retirement System, the South Carolina Police Officers Retirement System and the City's portion of the net pension liability of each plan is as follows:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>City's Portion of Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 48,244,437,494	\$25,732,829,268	\$ 22,511,608,226	\$ 5,658,068	53.3%
PORS	7,013,684,001	4,274,123,178	2,739,560,823	10,954,572	60.9%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB No. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon the 30 year capital market assumptions. The long-term expected rates of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted at the beginning of fiscal year 2017. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial

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purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

As of June 30, 2017, the change in net pension liability for the SCRS and the PORS plans is calculated as follows:

Change in the Net Pension Liability	SCRS	PORS
Total Pension liability		
Service Cost	\$ 202,092	\$ 666,401
Interest	833,959	1,891,620
Difference between actual and expected experience	13,719	20,169
Assumption Changes	439,003	1,332,326
Benefit Payments	<u>(762,847)</u>	<u>(1,506,715)</u>
Net Change in Total Pension Liability	725,926	2,403,801
Total Pension Liability - Beginning 6/30/2016	11,399,831	25,641,706
Total Pension Liability - Ending 6/30/2017 (a)	<u>\$ 12,125,757</u>	<u>\$ 28,045,507</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 293,778	\$ 767,774
Contributions - Member	207,743	511,195
Refunds of contributions to members	(26,433)	(79,829)
Retirement benefits	(730,714)	(1,411,485)
Death benefits	(5,700)	(15,401)
Net investment income	701,544	1,823,063
Administrative Expense	(3,385)	(8,594)
Net transfers to affiliated systems	<u>(390)</u>	<u>5,108</u>
Net Change in Plan Fiduciary Net Position	436,443	1,591,831
Plan Fiduciary Net Position - Beginning 6/30/2016	6,031,246	15,499,104
Plan Fiduciary Net Position - Ending 6/30/2017 (b)	<u>\$ 6,467,689</u>	<u>\$ 17,090,935</u>
Net Pension Liability 6/30/2017 (a) - (b)	<u>\$ 5,658,068</u>	<u>\$ 10,954,572</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the South Carolina Retirement System and South Carolina Police Officers Retirement System plans, respectively, from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
South Carolina Retirement System		
Difference between expected and actual experience	\$ 25,224	\$ 3,136
Assumption changes	331,219	-
Net difference between projected and actual earnings on pension plan investments	157,935	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	155,270	51,862
Employer contributions subsequent to the measurement date	353,532	-
Total	<u>\$ 1,023,180</u>	<u>\$ 54,998</u>
South Carolina Police Officers Retirement System		
Difference between expected and actual experience	\$ 97,684	\$ -
Assumption changes	1,039,690	-
Net difference between projected and actual earnings on pension plan investments	710,005	319,666
Changes in proportion and differences between employer contributions and proportionate share of contributions	308,195	-
Employer contributions subsequent to the measurement date	849,932	-
Total	<u>\$ 3,005,506</u>	<u>\$ 319,666</u>

City contributions subsequent to the measurement date were \$353,532 for the South Carolina Retirement System plan and \$849,932 for the South Carolina Police Officers Retirements System plan are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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	SCRS	PORS
Year ended June 30:		
2018	\$ 170,834	\$ 557,543
2019	273,873	731,407
2020	209,979	502,932
2021	(40,036)	44,026

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year ended June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2017, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

¹ Includes inflation of 2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2017, total pension liability are as follows:

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Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC females multiplied by 111%

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.01%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the sensitivity of the net pension liability to changes in the discount rate.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 7,292,472	\$ 5,658,068	\$ 4,666,368
PORS	14,790,904	10,954,572	7,932,940

Pension Expense

For the year ended June 30, 2018, the City recognized its proportionate share of collective pension expense of \$573,499 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$16,105 for a total of \$589,604 for the SCRS plan. Additionally, for the year ended June 30, 2018, the City recognized its proportionate share of collective pension expense of \$1,352,674 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$109,150 for a total of \$1,461,824 for the PORS plan.

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 amount to fully reimburse the insurer for the losses. If the premium exceeds the losses, the City receives a refund.

**CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, the City paid the Burton Fire District \$207,823.

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, 2018, the City paid the Fire District \$154,855 for compensated services.

In addition, the City is involved in several pending litigations, the nature of which varies. While these cases may have future financial effect, management, based on advice of legal counsel, believes that all but one outcome will not be material to the basic financial statements. A total of \$92,000 is believed by management and its legal counsel to be probable and is recorded as a claims and judgment payable within the basic financial statements as of June 30, 2018.

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. It also contains the schedule of proportionate share of the net pension liability and schedule of contributions for South Carolina Retirement System and South Carolina Police Officers Retirement System. 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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 6,498,844	\$ 6,498,844	6,465,632	\$ (33,212)
Other taxes	2,925,000	2,925,000	2,850,059	(74,941)
Franchise fees	2,230,243	2,230,243	2,147,811	(82,432)
Fines and forfeitures	267,500	267,500	251,583	(15,917)
Licenses and permits	3,923,150	3,923,150	4,153,137	229,987
Intergovernmental	1,372,415	1,791,449	2,195,643	404,194
Charges for services	2,388,091	2,388,091	2,331,961	(56,130)
Investment earnings	20,000	20,000	36,827	16,827
Miscellaneous	145,000	204,775	410,206	205,431
Total revenues	<u>19,770,243</u>	<u>20,249,052</u>	<u>20,842,859</u>	<u>593,807</u>
Expenditures:				
Current:				
General government				
City council	164,538	178,290	178,289	1
City manager	457,377	489,743	489,743	-
Finance	772,917	726,799	709,657	17,142
Human resources	177,131	177,131	176,005	1,126
Information technology	490,806	490,806	458,402	32,404
Court and legal	496,630	496,630	475,938	20,692
Non-departmental	575,729	575,729	405,954	169,775
	<u>3,135,128</u>	<u>3,135,128</u>	<u>2,893,988</u>	<u>241,140</u>
Law enforcement				
Police	5,171,592	5,173,601	5,044,411	129,190
School resource officers	270,694	270,694	264,318	6,376
Crossing guards	25,488	25,488	26,722	(1,234)
Victims rights	78,253	78,253	78,310	(57)
	<u>5,546,027</u>	<u>5,548,036</u>	<u>5,413,761</u>	<u>134,275</u>
Fire and emergency				
City of Beaufort fire	4,835,617	4,989,450	4,807,043	182,407
	<u>4,835,617</u>	<u>4,989,450</u>	<u>4,807,043</u>	<u>182,407</u>
Public works				
Administration	574,419	577,285	562,840	14,445
Maintenance	688,496	2,510,239	2,411,936	98,303
Stormwater	700,780	700,780	631,634	69,146
Solid waste	724,030	724,030	723,074	956
	<u>2,687,725</u>	<u>4,512,334</u>	<u>4,329,484</u>	<u>182,850</u>
Culture and recreation				
Parks	1,281,497	1,502,585	1,409,268	93,317
	<u>1,281,497</u>	<u>1,502,585</u>	<u>1,409,268</u>	<u>93,317</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Streets				
Streets	759,634	760,434	646,685	113,749
Traffic control/building maintenance	181,110	181,223	157,379	23,844
	<u>940,744</u>	<u>941,657</u>	<u>804,064</u>	<u>137,593</u>
Community and economic development				
Planning	819,357	827,723	820,372	7,351
	<u>819,357</u>	<u>827,723</u>	<u>820,372</u>	<u>7,351</u>
Total current	<u>19,246,095</u>	<u>21,456,913</u>	<u>20,477,980</u>	<u>978,933</u>
Debt service:				
Principal	1,174,109	1,257,726	1,253,695	4,031
Interest	491,000	491,000	495,069	(4,069)
Total debt service	<u>1,665,109</u>	<u>1,748,726</u>	<u>1,748,764</u>	<u>(38)</u>
Total expenditures	<u>20,911,204</u>	<u>23,205,639</u>	<u>22,226,744</u>	<u>978,895</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,140,961)</u>	<u>(2,956,587)</u>	<u>(1,383,885)</u>	<u>1,572,702</u>
Other financing sources (uses):				
Issuance of capital lease	656,560	656,560	656,244	(316)
Transfers in	48,000	48,000	51,323	3,323
Transfers out	(288,391)	(288,391)	(288,391)	-
Total financing sources (uses)	<u>416,169</u>	<u>416,169</u>	<u>419,176</u>	<u>3,007</u>
Net change in fund balance	(724,792)	(2,540,418)	(964,709)	1,575,709
Fund balance, beginning of year	10,032,464	10,032,464	10,032,464	-
Fund balance, end of year	<u>\$ 9,307,672</u>	<u>\$ 7,492,046</u>	<u>9,067,755</u>	<u>\$ 1,575,709</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
BUDGETARY COMPARISON SCHEDULE
TAX INCREMENT FINANCING DISTRICT II – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ -	\$ -	\$ 47,147	\$ 47,147
Investment income	-	-	132,278	132,278
Total revenues	<u>-</u>	<u>-</u>	<u>179,425</u>	<u>179,425</u>
Expenditures:				
Public works	-	-	125,783	(125,783)
Total expenditures	<u>-</u>	<u>-</u>	<u>125,783</u>	<u>(125,783)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>53,642</u>	<u>305,208</u>
Other financing sources (uses):				
Transfers out	-	-	(4,226,184)	4,226,184
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,226,184)</u>	<u>4,226,184</u>
Net change in fund balance	-	-	(4,172,542)	4,172,542
Fund balance, beginning of year	10,841,831	10,841,831	10,841,831	-
Fund balance, end of year	<u>\$ 10,841,831</u>	<u>\$ 10,841,831</u>	<u>\$ 6,669,289</u>	<u>\$ 4,172,542</u>

CITY OF BEAUFORT, SOUTH CAROLINA
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30

South Carolina Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's portion of the net pension liability	0.025134%	0.024068%	0.024341%	0.024845%
City's portionate share of the net pension liability	\$ 5,658,068	\$ 5,140,889	\$ 4,616,388	\$ 4,277,485
City's covered-employee payroll	\$ 2,428,511	\$ 2,089,001	\$ 2,282,245	\$ 2,255,560
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	232.99%	246.09%	202.27%	187.42%
Plan fiduciary net position as a percentage of the total pension liability	53.34%	52.91%	56.99%	59.90%

South Carolina Police Officers Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's portion of the net pension liability	0.39987%	0.39475%	0.37724%	0.37597%
City's portionate share of the net pension liability	\$ 10,954,572	\$ 10,012,658	\$ 8,221,932	\$ 7,197,673
City's covered-employee payroll	\$ 5,331,851	\$ 4,645,640	\$ 4,668,346	\$ 4,514,553
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	205.46%	215.53%	176.12%	154.18%
Plan fiduciary net position as a percentage of the total pension liability	60.94%	60.4%	64.57%	67.50%

Notes:

- ¹ The assumptions used in the preparation of the above scheduled are disclosed in Note 4.a. to the financial statements.
- ² The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

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

South Carolina Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 293,149	\$ 257,776	\$ 248,765	\$ 239,090
Contributions in relation to the contractually required contribution	<u>293,149</u>	<u>257,776</u>	<u>248,765</u>	<u>239,090</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,782,490	\$ 2,428,511	\$ 2,089,001	\$ 2,282,245
Contributions as a percentage of covered-employee payroll	10.54%	10.61%	11.91%	10.48%

South Carolina Police Officers Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 766,808	\$ 691,465	\$ 620,025	\$ 580,619
Contributions in relation to the contractually required contribution	<u>766,808</u>	<u>691,465</u>	<u>620,025</u>	<u>580,619</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,575,979	\$ 5,331,851	\$ 4,645,640	\$ 4,668,346
Contributions as a percentage of covered-employee payroll	13.75%	12.97%	13.35%	12.44%

Notes:

³ The assumptions used in the preparation of the above scheduled are disclosed in Note 4.a. to the financial statements.

⁴ The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

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	\$ 21,199,595	\$ 2,294,435	\$ -	\$ 23,494,030

SUPPLEMENTARY INFORMATION

OTHER GOVERNMENTAL AND AGENCY FUNDS DESCRIPTIONS

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 Fund – This fund was established to account for the activity of redevelopment initiatives of the City.

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.

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 – This fund was established 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 businesses 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.

The Beaufort Pride of Place – This fund was established to account for the donations from citizens and visitors towards improving and beautifying the City.

**CITY OF BEAUFORT, SOUTH CAROLINA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Special Revenue Funds			Permanent Fund	Total-Other Governmental Funds
	Redevelopment Fund	State Accommodations Tax Fund	Drug Control and Prevention Fund	Cemetery Fund	
ASSETS					
Cash and cash equivalents	\$ 89,770	\$ -	\$ 15,404	\$ 7,246	\$ 112,420
Other receivables	131,203	215,388	-	-	346,591
Restricted cash and cash equivalents	-	-	45,766	-	45,766
Total assets	220,973	215,388	61,170	7,246	504,777
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	3,223	33,280	-	-	36,503
Due to other funds	-	88,532	-	-	88,532
Other accrued expenses	227	3,266	-	-	3,493
Deposits and escrow	-	-	26,453	-	26,453
Total liabilities	3,450	125,078	26,453	-	154,981
Fund balances:					
Nonspendable:					
Cemetery	-	-	-	7,246	7,246
Restricted		90,310	19,313	-	109,623
Committed for:					
Redevelopment	217,523	-	-	-	217,523
Law enforcement	-	-	15,404	-	15,404
Total fund balances	217,523	90,310	34,717	7,246	349,796
Total liabilities and fund balances	\$ 220,973	\$ 215,388	\$ 61,170	\$ 7,246	\$ 504,777

CITY OF BEAUFORT, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			Permanent Fund	Total-Other Governmental Funds
	Redevelopment Fund	State		Cemetery Fund	
		Accommodations Tax Fund	Drug Control and Prevention Fund		
REVENUES					
Other taxes	\$ -	\$ 551,453	\$ -	\$ -	\$ 551,453
Fines and forfeitures	-	-	3,948	-	3,948
Charges for services	262,886	-	-	-	262,886
Investment earnings	-	-	103	-	103
Miscellaneous	-	-	400	-	400
Total revenues	<u>262,886</u>	<u>551,453</u>	<u>4,451</u>	<u>-</u>	<u>818,790</u>
EXPENDITURES					
Current:					
General government	-	423,581	-	-	423,581
Law enforcement	-	105,284	9,790	-	115,074
Community and economic development	529,941	-	-	-	529,941
Total expenditures	<u>529,941</u>	<u>528,865</u>	<u>9,790</u>	<u>-</u>	<u>1,068,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(267,055)</u>	<u>22,588</u>	<u>(5,339)</u>	<u>-</u>	<u>(249,806)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	159,193	-	-	-	159,193
Transfers out	-	(51,323)	-	-	(51,323)
Total other financing sources (uses)	<u>159,193</u>	<u>(51,323)</u>	<u>-</u>	<u>-</u>	<u>107,870</u>
Net change in fund balances	(107,862)	(28,735)	(5,339)	-	(141,936)
Fund balances - beginning	325,385	119,045	40,056	7,246	491,732
Fund balances - ending	<u>\$ 217,523</u>	<u>\$ 90,310</u>	<u>\$ 34,717</u>	<u>\$ 7,246</u>	<u>\$ 349,796</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
REDEVELOPMENT SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 257,000	\$ 257,000	\$ 262,886	\$ 5,886
Total revenues	<u>257,000</u>	<u>257,000</u>	<u>262,886</u>	<u>5,886</u>
Expenditures:				
Community and economic development	416,193	416,193	529,941	(113,748)
Total expenditures	<u>416,193</u>	<u>416,193</u>	<u>529,941</u>	<u>(113,748)</u>
Deficiency of revenues under expenditures	<u>(159,193)</u>	<u>(159,193)</u>	<u>(267,055)</u>	<u>(107,862)</u>
Other financing sources:				
Transfers in	159,193	159,193	159,193	-
Total other financing sources	<u>159,193</u>	<u>159,193</u>	<u>159,193</u>	<u>-</u>
Net change in fund balance	-	-	(107,862)	(107,862)
Fund balance, beginning of year	325,385	325,385	325,385	-
Fund balance, end of year	<u>\$ 325,385</u>	<u>\$ 325,385</u>	<u>\$ 217,523</u>	<u>\$ (107,862)</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATE ACCOMMODATIONS TAX SPECIAL REVENUE FUND
BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other taxes	\$ 496,776	\$ 496,776	\$ 551,453	\$ 54,677
Total revenues	<u>496,776</u>	<u>496,776</u>	<u>551,453</u>	<u>54,677</u>
Expenditures:				
General government	342,903	342,903	423,581	(80,678)
Law enforcement	105,284	105,284	105,284	-
Total expenditures	<u>448,187</u>	<u>448,187</u>	<u>528,865</u>	<u>(80,678)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,589</u>	<u>48,589</u>	<u>22,588</u>	<u>(26,001)</u>
Other financing uses:				
Transfers out	<u>(48,589)</u>	<u>(48,589)</u>	<u>(51,323)</u>	<u>2,734</u>
Total other financing uses	<u>(48,589)</u>	<u>(48,589)</u>	<u>(51,323)</u>	<u>2,734</u>
Net change in fund balance	-	-	(28,735)	(28,735)
Fund balance, beginning of year	119,045	119,045	119,045	-
Fund balance, end of year	<u>\$ 119,045</u>	<u>\$ 119,045</u>	<u>\$ 90,310</u>	<u>\$ (28,735)</u>

**CITY OF BEAUFORT, SOUTH CAROLINA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Beginning Fund Balance at June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Fund Balance at June 30, 2018</u>
<u>Trustee Fire Fund</u>				
Assets				
Cash	\$ -	\$ 69,864	\$ 69,864	\$ -
Liabilities				
Due to others	\$ -	\$ 69,864	\$ 69,864	\$ -
<u>Beaufort 300 Fund</u>				
Assets				
Cash	\$ 11,463	\$ -	\$ -	\$ 11,463
Liabilities				
Due to others	\$ 11,463	\$ -	\$ -	\$ 11,463
<u>Municipal Bond Court Fund</u>				
Assets				
Cash	\$ 4,617	\$ 364,083	\$ 365,408	\$ 3,292
Liabilities				
Due to others	\$ 4,617	\$ 365,408	\$ 364,083	\$ 3,292
<u>Beaufort History Museum</u>				
Assets				
Cash	\$ 105,600	\$ -	\$ 50,000	\$ 55,600
Liabilities				
Due to others	\$ 105,600	\$ 50,000	\$ -	\$ 55,600
<u>Beaufort Pride of Place</u>				
Assets				
Cash	\$ 3,733	\$ 5,275	\$ 850	\$ 8,158
Liabilities				
Due to others	\$ 3,733	\$ 850	\$ 5,275	\$ 8,158
<u>Total Agency Funds</u>				
Assets				
Cash	\$ 125,413	\$ 439,222	\$ 486,122	\$ 78,513
Liabilities				
Due to others	\$ 125,413	\$ 486,122	\$ 439,222	\$ 78,513

**CITY OF BEAUFORT, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96)
STATE MANDATED SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	<u>General Sessions</u>	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
Court Fines and Assessments:				
Court fines and assessments collected	N/A	N/A	\$ 516,534	\$ 516,534
Court fines and assessments remitted to State Treasurer	N/A	N/A	297,524	297,524
Total Court Fines and Assessments retained	<u>N/A</u>	<u>N/A</u>	\$ 219,010	\$ 219,010
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained	N/A	N/A	5,683	5,683
Assessments retained	N/A	N/A	24,026	24,026
Total Surcharges and Assessments retained for victim services	<u>N/A</u>	<u>N/A</u>	29,709	29,709

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

<u>VICTIM SERVICE FUNDS COLLECTED</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Carryforward from Previous Year – Beginning Balance	\$ (210,583)	N/A	\$ (210,583)
<u>Victim Service Revenue:</u>			
Victim Service Fines Retained by City/County Treasurer	-	N/A	-
Victim Service Assessments Retained by City/County Treasurer	24,026	N/A	24,026
Victim Service Surcharges Retained by City/County Treasurer	5,683	N/A	5,683
Interest Earned	-	N/A	-
Grant Funds Received			
Grant from:	-	N/A	-
General Funds Transferred to Victim Service Fund	-	N/A	-
Contribution Received from Victim Service Contracts:			
(1) Town of	-	N/A	-
(2) Town of	-	N/A	-
(3) City of	-	N/A	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ (180,874)	N/A	\$ (180,874)

**CITY OF BEAUFORT, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96)
STATE MANDATED SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Expenditures for Victim Service Program:</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	\$ 75,311	N/A	\$ 75,311
Operating Expenditures	2,999	N/A	2,999
Victim Service Contract(s):			
(1) Entity's Name	-	N/A	-
(2) Entity's Name	-	N/A	-
Victim Service Donation(s):			
(1) Domestic Violence Shelter:	-	N/A	-
(2) Rape Crisis Center:	-	N/A	-
(3) Other local direct crime victims service agency:	-	N/A	-
Transferred to General Fund	-	N/A	-
Total Expenditures from Victim Service Fund/Program (B)	78,310	N/A	78,310
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	(259,184)	N/A	(259,184)
Less: Prior Year Fund Deficit Repayment	-	N/A	-
Carryforward Funds – End of Year	\$ (259,184)	N/A	\$ (259,184)



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Statistical Section





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STATISTICAL SECTION

DESCRIPTION

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

Contents Page

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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



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

	Fiscal Year Ending June 30,				
	2018	2017	2016	2015	2014
Governmental Activities					
Net Investment in capital assets	\$ 36,555,711	\$ 29,160,304	\$ 29,112,934	\$ 28,179,673	\$ 26,411,278
Restricted	9,021,806	15,820,888	13,175,311	10,487,290	10,890,417
Unrestricted	(4,373,517)	(4,544,230)	(3,660,046)	(3,572,875)	6,314,601
Total Governmental Activities	<u>\$ 41,204,000</u>	<u>\$ 40,436,962</u>	<u>\$ 38,628,199</u>	<u>\$ 35,094,088</u>	<u>\$ 43,616,296</u>
Business-type Activities					
Net Investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	-	-	-	-	-
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary Government					
Net Investment in capital assets	\$ 36,555,711	\$ 29,160,304	\$ 29,112,934	\$ 28,179,673	\$ 26,411,278
Restricted	9,021,806	15,820,888	13,175,311	10,487,290	10,890,417
Unrestricted	(4,373,517)	(4,544,230)	(3,660,046)	(3,572,875)	6,314,601
Total Primary Government	<u>\$ 41,204,000</u>	<u>\$ 40,436,962</u>	<u>\$ 38,628,199</u>	<u>\$ 35,094,088</u>	<u>\$ 43,616,296</u>

	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>

Notes:

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

The City of Beaufort implemented GASB Statement No. 68, Financial Accounting and Reporting for Pensions, in fiscal year 2015.

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

	Fiscal Year Ending			
	2018	2017	2016	2015
Expenses				
Governmental activities				
General government	\$ 4,826,840	\$ 5,548,240	\$ 4,623,201	\$ 4,598,349
Public safety	10,845,635	10,223,519	8,565,972	8,171,466
Public services	5,535,592	5,175,024	4,879,267	4,700,664
Interest on long-term debt	397,273	446,028	709,655	718,125
Total governmental activities	<u>21,605,340</u>	<u>21,392,811</u>	<u>18,778,095</u>	<u>18,188,604</u>
Business-type activities				
Solid waste	-	-	-	-
Total Primary Government Expenses	<u>\$ 21,605,340</u>	<u>\$ 21,392,811</u>	<u>\$ 18,778,095</u>	<u>\$ 18,188,604</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 6,956,364	\$ 6,974,204	\$ 6,576,756	\$ 6,223,870
Public safety	1,423,457	1,280,293	1,229,528	1,143,215
Public services	1,932,169	1,911,753	2,001,627	2,070,558
Operating grants and contributions	755,781	454,443	91,013	79,673
Capital grants and contributions	765,735	743,405	337,963	588,062
Total governmental activities	<u>11,833,506</u>	<u>11,364,098</u>	<u>10,236,887</u>	<u>10,105,378</u>
Business-type activities				
Charges for services	-	-	-	-
Total business-type activities	-	-	-	-
Total Primary Government Revenues	<u>\$ 11,833,506</u>	<u>\$ 11,364,098</u>	<u>\$ 10,236,887</u>	<u>\$ 10,105,378</u>
Net (Expense)/Revenue				
Governmental activities	\$ (9,771,834)	\$ (10,028,713)	\$ (8,541,208)	\$ (8,083,226)
Business-type activities	-	-	-	-
Total Primary Government Net Expense	<u>\$ (9,771,834)</u>	<u>\$ (10,028,713)</u>	<u>\$ (8,541,208)</u>	<u>\$ (8,083,226)</u>
General Revenues and Other				
Changes in Net Position				
Governmental activities				
Taxes	\$ 9,937,739	\$ 11,535,590	\$ 11,321,774	\$ 10,508,203
Grants and contributions not restricted to specific programs	-	-	-	270,576
Gain (loss) on sale of capital assets	-	-	504,685	-
Interest income	190,527	28,747	20,645	24,419
Miscellaneous	410,606	273,139	228,215	188,173
Transfers	-	-	-	-
Total governmental activities	<u>\$ 10,538,872</u>	<u>\$ 11,837,476</u>	<u>\$ 12,075,319</u>	<u>\$ 10,991,371</u>
Business-type activities				
Interest income	-	-	-	-
Transfers	-	-	-	-
Total business-type activities	-	-	-	-
Total Primary Government	<u>\$ 10,538,872</u>	<u>\$ 11,837,476</u>	<u>\$ 12,075,319</u>	<u>\$ 10,991,371</u>
Change in Net Position				
Governmental activities	\$ 767,038	\$ 1,808,763	\$ 3,534,111	\$ 2,908,145
Business-type activities	-	-	-	-
Total Primary Government	<u>\$ 767,038</u>	<u>\$ 1,808,763</u>	<u>\$ 3,534,111</u>	<u>\$ 2,908,145</u>

June 30,

	2014	2013	2012	2011	2010	2009
\$	4,764,777	\$ 4,733,483	\$ 4,162,370	\$ 4,290,473	\$ 4,934,814	\$ 3,872,550
	7,831,204	7,385,887	7,042,865	6,649,981	5,878,690	6,838,457
	4,105,738	4,300,723	5,418,025	5,626,937	2,154,779	2,751,483
	757,289	809,889	876,413	900,702	945,058	986,027
	<u>17,459,008</u>	<u>17,229,982</u>	<u>17,499,673</u>	<u>17,468,093</u>	<u>13,913,341</u>	<u>14,448,517</u>
	-	-	-	137	468,760	907,248
\$	<u>17,459,008</u>	<u>17,229,982</u>	<u>17,499,673</u>	<u>17,468,230</u>	<u>14,382,101</u>	<u>15,355,765</u>
\$	6,033,965	\$ 6,271,365	\$ 6,001,517	\$ 5,794,265	\$ 5,639,476	\$ 5,414,561
	1,103,511	1,101,076	979,521	1,116,577	1,173,266	1,340,610
	2,080,772	1,865,327	2,006,883	1,940,644	1,059,183	1,213,863
	18,470	80,580	151,155	151,714	19,375	630,554
	278,243	975,950	455,778	99,507	113,461	47,509
	<u>9,514,961</u>	<u>10,294,298</u>	<u>9,594,854</u>	<u>9,102,707</u>	<u>8,004,761</u>	<u>8,647,097</u>
	-	-	-	-	406,530	828,366
	-	-	-	-	406,530	828,366
\$	<u>9,514,961</u>	<u>10,294,298</u>	<u>9,594,854</u>	<u>9,102,707</u>	<u>8,411,291</u>	<u>9,475,463</u>
\$	(7,944,047)	\$ (6,935,684)	(7,904,819)	(8,365,386)	(5,908,580)	(5,801,420)
	-	-	-	(137)	(62,230)	(78,882)
\$	<u>(7,944,047)</u>	<u>(6,935,684)</u>	<u>(7,904,819)</u>	<u>(8,365,523)</u>	<u>(5,970,810)</u>	<u>(5,880,302)</u>
\$	9,928,502	\$ 9,530,096	\$ 9,692,651	\$ 9,226,181	\$ 8,302,788	\$ 6,549,669
	-	-	-	350,621	356,371	-
	-	-	-	-	-	-
	14,185	11,052	18,055	59,760	72,833	388,183
	578,770	294,494	297,238	197,019	46,982	535,733
	-	-	-	115,983	-	-
\$	<u>10,521,457</u>	<u>9,835,642</u>	<u>10,007,944</u>	<u>9,949,564</u>	<u>8,778,974</u>	<u>7,473,585</u>
	-	-	-	-	134	1,902
	-	-	-	(115,983)	-	-
	-	-	-	(115,983)	134	1,902
\$	<u>10,521,457</u>	<u>9,835,642</u>	<u>10,007,944</u>	<u>9,833,581</u>	<u>8,779,108</u>	<u>7,475,487</u>
\$	2,577,410	\$ 2,899,958	\$ 2,103,125	\$ 1,584,178	\$ 2,870,394	\$ 1,672,165
	-	-	-	(116,120)	(62,096)	(76,980)
\$	<u>2,577,410</u>	<u>2,899,958</u>	<u>2,103,125</u>	<u>1,468,058</u>	<u>2,808,298</u>	<u>1,595,185</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,				
	2018	2017	2016	2015	2014
General Fund					
Nonspendable	\$ 13,448	\$ 25,027	\$ 15,294	\$ 10,898	\$ 18,060
Restricted	1,260,156	2,844,003	1,004,485	734,779	831,983
Unrestricted:					
Committed	2,849,263	1,362,123	1,999,845	2,258,084	2,351,081
Assigned	-	101,421	326,952	491,562	1,046,562
Unassigned	4,944,888	5,699,890	5,428,629	4,642,101	4,492,297
Total General Fund	<u>\$ 9,067,755</u>	<u>\$ 10,032,464</u>	<u>\$ 8,775,205</u>	<u>\$ 8,137,424</u>	<u>\$ 8,739,983</u>
All Other Governmental Funds					
Nonspendable	\$ 7,246	\$ 138,449	\$ 7,246	\$ 7,246	\$ 7,246
Restricted	7,740,956	13,235,318	12,148,286	11,270,823	10,033,128
Unrestricted:					
Committed	1,265,727	497,924	961,369	1,254,287	253,322
Assigned	-	-	-	-	1,150,087
Total All Other Governmental Funds	<u>\$ 9,013,929</u>	<u>\$ 13,871,691</u>	<u>\$ 13,116,901</u>	<u>\$ 12,532,356</u>	<u>\$ 11,443,783</u>

	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>

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			
	2018	2017	2016	2015
Revenues				
Taxes	\$ 9,914,291	\$ 11,171,205	\$ 10,914,651	\$ 10,528,206
Licenses and permits	4,153,137	4,005,648	3,791,718	3,689,739
Fines and forfeitures	255,531	316,080	331,234	272,105
Franchise fees	2,147,811	2,135,337	2,134,882	2,095,821
Intergovernmental	2,961,378	2,406,466	1,586,691	1,795,770
Charges for services	2,594,847	2,760,528	2,662,939	2,522,518
Interest	190,528	28,747	20,644	24,420
Miscellaneous	410,606	518,139	205,929	206,372
	<u>22,628,129</u>	<u>23,342,150</u>	<u>21,648,688</u>	<u>21,134,951</u>
Expenditures				
Current				
General government	4,669,253	5,036,337	4,751,391	3,934,440
Public safety	10,335,878	9,510,579	8,212,557	8,811,868
Public services	6,668,599	5,586,442	3,903,168	3,817,730
	<u>21,673,730</u>	<u>20,133,358</u>	<u>16,867,116</u>	<u>16,564,038</u>
Debt service				
Principal	1,253,695	1,751,889	1,650,181	1,518,996
Interest	495,069	513,263	673,649	722,904
	<u>1,748,764</u>	<u>2,265,152</u>	<u>2,323,830</u>	<u>2,241,900</u>
Capital outlay				
	<u>5,684,350</u>	<u>2,024,881</u>	<u>2,915,195</u>	<u>2,241,040</u>
	<u>29,106,844</u>	<u>24,423,391</u>	<u>22,106,141</u>	<u>21,046,978</u>
Excess (Deficiency) of Revenues				
Over (under) Expenditures	<u>(6,478,715)</u>	<u>(1,081,241)</u>	<u>(457,453)</u>	<u>87,973</u>
Other Financing Sources (Uses)				
Debt issued	656,244	3,093,290	10,812,436	398,041
Debt repaid	-	-	(9,850,831)	-
Transfers in	4,565,898	540,966	262,478	3,020,814
Transfers out	(4,565,898)	(540,966)	(262,478)	(3,020,814)
Sale of capital asset	-	-	718,174	-
	<u>656,244</u>	<u>3,093,290</u>	<u>1,679,779</u>	<u>398,041</u>
Net Change in Fund Balances	<u>\$ (5,822,471)</u>	<u>\$ 2,012,049</u>	<u>\$ 1,222,326</u>	<u>\$ 486,014</u>
Debt Service as a Percentage of				
Noncapital Expenditures	8.95%	10.90%	12.60%	12.53%

June 30,

2014	2013	2012	2011	2010	2009
\$ 9,704,332	\$ 9,205,523	\$ 9,673,157	\$ 9,232,509	\$ 8,027,329	\$ 7,000,262
3,472,518	3,819,964	4,095,313	3,757,187	3,656,820	3,756,425
284,414	299,015	274,429	250,352	348,144	385,123
2,029,367	1,957,691	1,807,068	1,920,867	1,705,625	1,626,607
1,386,698	2,136,964	1,528,859	1,393,943	466,832	944,439
2,610,188	2,347,354	2,115,210	2,130,979	2,198,566	1,547,779
14,185	11,052	18,055	59,760	35,601	389,000
578,770	294,494	273,210	197,019	69,357	495,479
<u>20,080,472</u>	<u>20,072,057</u>	<u>19,785,301</u>	<u>18,942,616</u>	<u>16,508,274</u>	<u>16,145,114</u>
4,142,365	4,096,401	5,376,872	3,624,368	3,029,450	3,767,168
7,674,772	7,183,694	6,909,072	7,364,784	6,369,766	6,579,706
3,566,643	3,525,624	4,567,254	4,827,503	2,567,787	2,152,374
<u>15,383,780</u>	<u>14,805,719</u>	<u>16,853,198</u>	<u>15,816,655</u>	<u>11,967,003</u>	<u>12,499,248</u>
1,461,024	1,409,204	1,274,558	1,540,772	1,474,109	1,190,013
776,582	828,521	756,444	915,803	974,288	767,228
<u>2,237,606</u>	<u>2,237,725</u>	<u>2,031,002</u>	<u>2,456,575</u>	<u>2,448,397</u>	<u>1,957,241</u>
1,414,426	1,550,709	701,392	1,746,732	5,347,980	9,741,886
<u>19,035,812</u>	<u>18,594,153</u>	<u>19,585,592</u>	<u>20,019,962</u>	<u>19,763,380</u>	<u>24,198,375</u>
<u>1,044,660</u>	<u>1,477,904</u>	<u>199,709</u>	<u>(1,077,346)</u>	<u>(3,255,106)</u>	<u>(8,053,261)</u>
-	-	5,350,000	-	-	-
-	-	(3,445,310)	-	-	-
1,991,916	988,073	645,032	2,803,893	32,615	934,832
(1,991,916)	(988,073)	(645,032)	(2,803,893)	(32,615)	(934,832)
-	-	-	-	-	-
-	-	1,904,690	-	-	-
<u>\$ 1,044,660</u>	<u>\$ 1,477,904</u>	<u>\$ 2,104,399</u>	<u>\$ (1,077,346)</u>	<u>\$ (3,255,106)</u>	<u>\$ (8,053,261)</u>
13.08%	13.29%	12.05%	14.23%	16.98%	13.54%



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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
2018	\$ 6,512,779	\$ 3,401,512	\$ 2,147,811	\$ 850,118	\$ 12,912,220
2017	7,942,496	3,228,709	2,135,337	841,600	14,148,142
2016	7,875,593	3,039,058	2,134,882	873,156	13,922,689
2015	7,733,254	2,794,952	2,095,821	838,743	13,462,770
2014	7,094,461	2,609,871	2,029,367	834,110	12,567,809
2013	6,726,986	2,478,537	1,957,691	812,001	11,975,215
2012	7,234,394	2,438,763	1,807,068	489,438	11,969,663
2011	7,028,243	2,204,266	1,920,867	492,783	11,646,159
2010	6,480,714	2,006,439	1,705,625	329,063	10,521,841
2009	5,229,710	1,770,552	1,626,607	324,556	8,951,425

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
2017	\$ 89,157,710	\$ 1,952,490,873	\$ 8,263,730	\$ 83,272,150	\$ 7,053,470	\$ 110,345,230
2016	85,258,330	1,885,138,973	9,736,180	94,616,310	5,414,210	6,116,900
2015	83,901,990	1,865,267,573	9,573,500	92,564,700	6,449,130	101,101,920
2014	82,703,400	1,845,332,873	9,152,060	88,410,360	5,750,780	91,439,120
2013	82,506,450	1,847,349,573	7,092,170	68,374,850	5,305,280	84,049,400
2012	83,949,050	2,210,221,600	7,872,140	77,954,460	5,072,160	78,995,310
2011	83,048,790	2,199,598,304	6,346,940	64,695,720	3,573,379	59,283,380
2010	79,048,200	2,210,411,620	7,598,310	77,111,460	4,576,754	67,199,907
2009	80,652,264	2,214,679,490	7,516,630	77,111,460	4,576,754	67,199,607
2008	58,944,688	1,392,239,126	7,476,211	26,102,574	- ¹	- ¹

Note:

¹ Information is not available

Source:

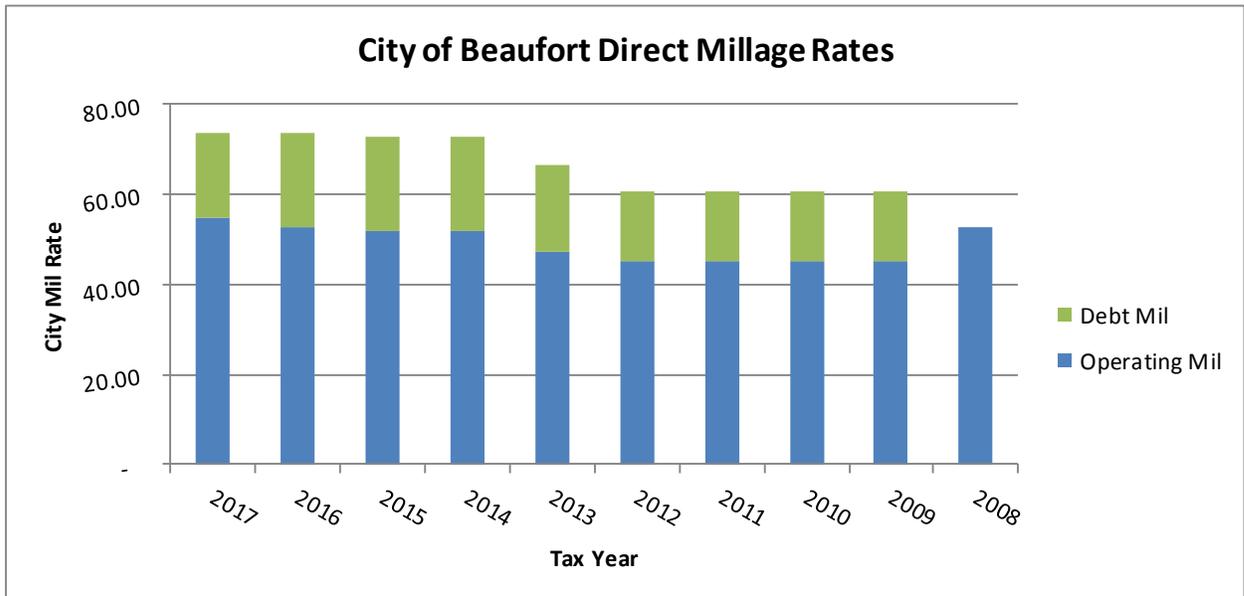
Beaufort County Tax Assessor

	<u>Total</u>		
<u>Assessed</u>	<u>Estimated</u>	<u>Ratio of Total</u>	<u>Total</u>
<u>Value</u>	<u>Market Value</u>	<u>Assessed to Total</u>	<u>Direct</u>
		<u>Estimated Value</u>	<u>Rate</u>
\$ 104,474,910	\$ 2,146,108,253	4.87%	73.57
100,408,720	1,985,872,183	5.06%	73.57
99,924,620	2,058,934,193	4.85%	72.61
97,606,240	2,025,182,353	4.82%	72.62
94,903,900	1,999,773,823	4.75%	66.61
96,893,350	2,367,171,370	4.09%	60.62
92,969,109	2,323,577,404	4.00%	60.62
91,223,264	2,354,722,987	3.87%	60.62
92,745,648	2,358,990,557	3.93%	60.62
66,420,899	1,418,341,700	4.68%	52.80

**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	
2017	73.57	145.21	63.39	282.17
2016	73.57	143.21	61.27	278.05
2015	72.61	135.21	59.15	266.97
2014	72.62	135.21	56.86	264.69
2013	66.61	129.15	56.30	252.06
2012	60.62	119.26	48.52	228.40
2011	60.62	118.26	47.54	226.42
2010	60.62	116.59	47.54	224.75
2009	60.62	114.69	45.96	221.27
2008	52.80	130.60	51.90	235.30

Tax Year	Total Direct - City		Total Direct
	Operating Mil	Debt Mil	
2017	54.66	18.91	73.57
2016	52.79	20.78	73.57
2015	51.83	20.78	72.61
2014	51.84	20.78	72.62
2013	47.44	19.17	66.61
2012	45.00	15.62	60.62
2011	45.00	15.62	60.62
2010	45.00	15.62	60.62
2009	45.00	15.62	60.62
2008	52.80	-	52.80



Source:
City staff

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

Taxpayer ²	2018			2009		
	Taxable Assessed Value ²	Rank	% of Total City Net Assessed Value	Taxable Assessed Value	Rank	% of Total City Net Assessed Value
Wal-Mart Real Estate Business Trust	\$ 2,042,390	1	2.29%			
USPG Portfolio Eight, LLC	1,189,050	2	1.33%			
303 Associates, LLC	1,009,630	3	1.13%			
Ribaut Holdings, LLC	965,680	4	1.08%			
Hotel Beaufort LP	611,350	5	0.69%			
Lowes Home Center, Inc.	602,600	6	0.68%			
HMV Hotels LLC	563,480	7	0.63%			
Cross Creek Apartments Holdings, LLC	555,710	8	0.62%			
Beaufort Dealership Properties LLC	462,360	9	0.52%			
Beaufort Plaza, Inc.	451,350	10	0.51%			
				\$ -	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>\$ 8,453,600</u>		<u>9.5%</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
2017	\$ 6,262,666	\$ 6,259,525	99.95%	-	\$ 6,259,525	99.95%
2016	7,637,527	7,456,153	97.63%	-	7,456,153	97.63%
2015	7,387,716	7,178,528	97.17%	-	7,178,528	97.17%
2014	7,274,526	7,068,424	97.17%	-	7,068,424	97.17%
2013	6,962,217	6,649,940	95.51%	-	6,649,940	95.51%
2012	6,264,528	5,967,309	95.26%	- ³	5,967,309	95.26%
2011	6,582,620	6,350,695	96.48%	- ³	6,350,695	96.48%
2010	7,454,125	7,114,512	95.44%	- ³	7,114,512	95.44%
2009	5,684,836	5,278,031	92.84%	- ³	5,278,031	92.84%
2008	- ³	- ³	0.00%	- ³	- ³	0.00%

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	Premiums on General Obligation Bonds	Revenue Bonds	Capital Leases	Capital Leases	Capital Leases			
2018	\$ -	\$ 10,520,000	\$ 795,050	\$ 2,325,718	\$ 3,912,692	\$ -	\$ 17,553,460	5.35%	\$ 1,279	
2017	-	11,480,000	922,638	2,539,826	3,336,035	-	18,278,499	5.46%	1,360	
2016	542,213	12,405,000	1,027,436	2,746,215	321,032	-	17,041,896	4.86%	1,281	
2015	1,061,437	12,725,000	-	2,945,164	398,041	-	17,129,642	4.71%	1,305	
2014	1,558,657	13,555,000	-	3,136,940	-	-	18,250,597	5.06%	1,407	
2013	2,034,819	14,355,000	-	3,321,802	-	-	19,711,621	5.29%	1,541	
2012	2,490,825	15,130,000	-	3,500,000	-	-	21,120,825	5.76%	1,685	
2011	3,170,383	13,875,000	-	-	3,445,310	-	20,490,693	6.03%	1,658	
2010	3,758,649	14,450,000	-	-	3,822,816	-	22,031,465	7.16%	1,818	
2009	4,443,419	15,000,000	-	-	4,626,306	177,527	24,247,252	5.87%	1,798	

Notes:

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

Sources:

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

**CITY OF BEAUFORT, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2018**

	<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	\$ 218,159,372	7.35%	\$ 16,030,004
Premiums	13,539,922	7.35%	994,892
Beaufort County School District			
General obligation bonded debt	265,939,621	25.34%	67,389,100
Capital lease	2,834,300	25.34%	718,212
Installment purchase revenue bond	25,275,000	25.34%	<u>6,404,685</u>
Subtotal - Overlapping Debt			<u>91,536,893</u>
City of Beaufort Direct Debt			<u>17,553,460</u>
Total Direct and Overlapping Debt			<u><u>\$ 109,090,353</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.

Sources:

Beaufort County Finance Department
Beaufort County School District

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt Outstanding	Percentage of Estimated Actual Taxable Value of Property^a	Per Capita^b
2018	\$ 11,315,050	\$ -	\$ 11,315,050	10.83%	\$ 824
2017	12,402,638	-	12,402,638	12.35%	922
2016	13,432,436	-	13,432,436	13.44%	1,010
2015	12,725,000	-	12,725,000	13.04%	969
2014	13,555,000	-	13,555,000	14.28%	1,045
2013	14,355,000	-	14,355,000	14.82%	1,123
2012	15,130,000	-	15,130,000	16.27%	1,207
2011	13,875,000	-	13,875,000	15.21%	1,122
2010	14,450,000	-	14,450,000	0.00%	1,192
2009	15,000,000	-	15,000,000	0.00%	1,112

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			
	2018	2017	2016	2015
Total Assessed Value of Taxable property	\$ 104,474,910	\$ 100,408,720	\$ 99,924,620	\$ 97,606,240
Less Exemptions for Bond Purposes	-	-	-	-
Net Assessed Value for Bond Purposes	<u>\$ 104,474,910</u>	<u>\$ 100,408,720</u>	<u>\$ 99,924,620</u>	<u>\$ 97,606,240</u>
Debt Limit Percentage	8%	8%	8%	8%
Debt Limit	\$ 8,357,993	\$ 8,032,698	\$ 7,993,970	\$ 7,808,499
Total Net Debt Applicable to Limit General obligation bonds (net of set aside)	<u>1,564,226</u>	<u>1,000,000</u>	<u>1,180,000</u>	<u>1,355,000</u>
Legal Debt Margin	<u>\$ 6,793,767</u>	<u>\$ 7,032,698</u>	<u>\$ 6,813,970</u>	<u>\$ 6,453,499</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	18.72%	12.45%	14.76%	17.35%

Source:

Beaufort County Tax Assessor

June 30,					
2014	2013	2012	2011	2010	2009
\$ 94,903,900	\$ 96,893,350	\$ 92,969,109	\$ 91,223,264	\$ 92,745,648	\$ 66,420,899
-	-	-	-	-	-
<u>\$ 94,903,900</u>	<u>\$ 96,893,350</u>	<u>\$ 92,969,109</u>	<u>\$ 91,223,264</u>	<u>\$ 92,745,648</u>	<u>\$ 66,420,899</u>
8%	8%	8%	8%	8%	8%
\$ 7,592,312	\$ 7,751,468	\$ 7,437,529	\$ 7,297,861	\$ 7,419,652	\$ 5,313,672
<u>1,690,000</u>	<u>1,850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,902,312</u>	<u>\$ 5,901,468</u>	<u>\$ 7,437,529</u>	<u>\$ 7,297,861</u>	<u>\$ 7,419,652</u>	<u>\$ 5,313,672</u>
22.26%	23.87%	0.00%	0.00%	0.00%	0.00%

**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
2018	13,729	\$ 327,917,165	23,885	3.40%
2017	13,445	334,941,840	24,912	3.90%
2016	13,306	350,613,100	26,350	4.50%
2015	13,130	363,950,470	27,719	6.00%
2014	12,967	360,352,930	27,790	6.90%
2013	12,788	372,667,896	29,142	7.90%
2012	12,534	366,707,238	29,257	8.80%
2011	12,361	339,606,114	27,474	8.80%
2010	12,120	307,872,240	25,402	6.20%
2009	13,487	413,255,167	30,641	9.10%

Sources:

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

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

**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	2.36%	1,164	3	6.95%
Beaufort County	1,128	4	1.89%	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	0.61%	-		-
Technical College of the Low Country	318	10	0.53%	-		-
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>26.88%</u>	<u>10,416</u>		<u>62.22%</u>

Source:

Beaufort Regional Chamber of Commerce

Note:

No new data for December 31, 2017 and December 31, 2008 was available at the time of issuance.

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

Function	Full-time and Part-time City Employees as of June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government	32	27	28	28	23	24	22	20	21	21
Public safety	110	98	93	90	97	98	91	92	84	90
Public services	22	22	22	18	28	25	22	18	19	25
	<u>164</u>	<u>147</u>	<u>143</u>	<u>136</u>	<u>148</u>	<u>147</u>	<u>135</u>	<u>130</u>	<u>124</u>	<u>136</u>

Source:
City personnel records

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

	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety										
Police										
Arrests	843	1,026	1,107	816	963	1,233	1,215	1,016	1,071	1,207
Fire										
Number of emergency calls	3,077	2,852	2,576	2,211	2,327	2,582	1,886	2,351	1,711	1,747
Inspections	617	705	533	605	242	181	92	127	165	531
Public Services										
Parks										
Number of parks	24	24	24	24	24	24	24	24	28	28
Solid Waste¹										
Garbage removed (tons)	-	-	-	-	-	-	-	-	-	5,615
Recycling removed (tons)	-	-	-	-	-	-	-	-	-	420
Complaints										
Missed garbage	440	442	113	67	40	25	16	40	116	N/A
Missed recycling	170	210	72	26	21	20	40	43	91	N/A
Missed yard waste	302	131	23	24	31	22	13	35	49	N/A
Planning										
Building permits issued	1,195	1,426	1,332	1,278	1,315	1,248	1,147	N/A	N/A	N/A
Building permit fees	\$ 334,870	\$ 376,254	\$ 244,837	\$ 254,637	\$ 245,906	\$ 246,214	\$ 276,966	N/A	N/A	N/A
Certificate of occupancy	46	42	22	35	34	37	45	N/A	N/A	N/A
Certificate of completion	49	54	60	33	44	37	39	N/A	N/A	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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire										
Fire stations	3	3	3	2	2	2	2	2	2	2
Public Services										
Parks	24	24	24	24	24	24	24	24	28	28

Source:
City records

Compliance Section



**CITY OF BEAUFORT, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Project / Award Number</u>	<u>Federal Award Expended</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development</u>				
(Passed through South Carolina Department of Commerce)				
Community Development Block Grant	14.228	4-NR-16-001	\$ 8,500	\$ -
Total U.S. Department of Housing and Urban Development			<u>8,500</u>	<u>-</u>
<u>U.S. Department of the Interior</u>				
(Passed through South Carolina Department of Natural Resources)				
South Carolina Clean Vessel Act Program- Coastal	15.616	SC-V-F16AP00585	85,595	-
Boating Infrastructure Grant Program	15.622	SC-Y-F15AP00241	160,000	-
Total U.S. Department of the Interior			<u>245,595</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
JAG Program Cluster				
Edward Byrne Memorial Justice Assistance Grant - Formula	16.738	2016-DJ-BX-0934	1,041	-
Total U.S. Department of Justice			<u>1,041</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
(Passed through South Carolina Department of Parks, Recreation and Tourism)				
Recreational Trails Program- Southside Park Trail	20.219	P28051501315	100,000	-
(Passed through South Carolina Department of Public Safety)				
Traffic Enforcement Team	20.600	PT-2017-HS-15-17	19,082	-
Highway Safety Grant Traffic Officer	20.600	PT-2018-HS-15-18	59,366	-
Total U.S. Department of Transportation			<u>178,448</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Staffing for Adequate Fire and Emergency Response (SAFER)				
(Passed through South Carolina Emergency Management Division)				
Hurricane Matthew Disaster Recovery	97.048	FEMA-4286-PA-SC	69,039	-
Hurricane Irma Disaster Recovery	97.048	FEMA-4346-PA-SC	98,892	-
Total U.S. Department of Homeland Security			<u>447,484</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 881,068</u>	<u>\$ -</u>

CITY OF BEAUFORT, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Beaufort, South Carolina, (the “City”) for the year ended June 30, 2018 and is presented on the modified accrual basis of accounting.

The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – DE MINIMIS INDIRECT COST RATE

The City chose not to use the 10% de minimis cost rate for the year ended June 30, 2018.



**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, 2018, 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 December 5, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Macon, Georgia
December 5, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**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 Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of audit 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 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Programs

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 the major federal programs for the year ended June 30, 2018.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Macon, Georgia
December 5, 2018

CITY OF BEAUFORT, SOUTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? ___ Yes X No

Significant deficiencies identified not considered
to be material weaknesses? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal Control over major programs:
Material weaknesses identified? ___ Yes X No

Significant deficiencies identified not considered to be material weaknesses? ___ Yes X 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 the Uniform Guidance? ___ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.219	U.S. Department of Transportation – Recreational Trails Program
97.083	U.S. Department of Homeland Security Staffing for Adequate Fire and Emergency Response

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ___ Yes X No

CITY OF BEAUFORT, SOUTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

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

None reported.

**SECTION IV
PRIOR YEAR FINDINGS AND RESPONSES**

None reported.



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