



CITY OF BEAUFORT, SC

OVERVIEW OF FISCAL YEAR 2017 COMPREHENSIVE ANNUAL FINANCIAL REPORT

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

- Introductory Section – begins on Page A -1
 - ✓ Transmittal Letter – Opportunity for Management to offer more “subjective information” than would be acceptable for the MD & A.
 - ✓ FY 2016 Government Finance Officers Association Certificate of Achievement in for Excellence in Financial Reporting.
 - ❖ This is the eighth year that the City has been awarded this prestigious national award recognizing its conformance with the highest standards for preparation of state and local government financial reports.
 - ❖ The City has applied under this award program for its FY 2017 CAFR.
 - ✓ Organizational Chart
 - ✓ List of Principal Officials
- Financial Section – begins on Page B – 1
 - ✓ Independent Auditor's Report
 - ❖ Our Independent Auditing Firm of Mauldin & Jenkins issued an Unmodified audit report – a clean opinion.
 - ❖ The financial statements are considered to present fairly the financial position and results of operations as of and for the year ended June 30, 2017.
 - ❖ Required Supplementary Information contained in the Management's Discussion and Analysis starting on Page C-1 and the budgetary comparison information starting on Page E-1 are required by auditing standards, but no opinion is expressed and no assurance is provided on that respective information.

OVERVIEW OF THE CAFR (Cont'd)

- ❖ The opinion covers other information such as combining and individual nonmajor fund financial statements (starting on page F-1) in relation to the basic financial statements as a whole are fairly stated in all material respects.
- ❖ Lastly, the opinion refers to additional reports issued by the auditor covering its compliance with provisions of laws, regulations, contracts and grant agreements. This report can be found at Page H-1.
- ✓ Management's Discussion and Analysis – begins on page C – 1
 - ❖ A narrative introduction, overview and analysis of the basic financial statements.
 - ❖ Readers are encouraged to consider the information presented in the MD&A in conjunction with transmittal letter, financial statements, notes to the financial statements and statistical information to enhance their understanding of the City's overall financial performance.
- ✓ Government – Wide Financial Statements – begins on page D -1
 - ❖ Statement of Net Position and the Statement of Activities
 - ❖ $\text{Assets plus Deferred Outflows} = \text{Liabilities plus Deferred Inflows plus Net Position.}$
 - ❖ Note disclosure on Deferred Outflows and Deferred Inflows can be found on page D-14.
 - ❖ The City had two items that arose as deferred inflows: one on the fund financial statements that qualifies for reporting a Deferred Inflow on the Balance Sheet of the Governmental Fund Financial Statement on page D-3. The governmental funds report *Unavailable Revenue* from property taxes and other receivables that are deferred, recognized as an inflow of resources in which amounts become available. The other that related to deferred pension credits in connection with the City pension plan that is reported on the Statement of Net Position on page D-1.
 - ❖ Implementation of GASB 68, Financial Accounting and reporting for Pensions, resulted in items reported in deferred outflows of resources and deferred inflows of resources, on the Statement of Net Position on page D-1. Pension note disclosure is also noted on pages D-22 through D-30. In addition, refunding charges which is the difference between the acquisition price and the refunded debt is recognized as a Deferred Outflow on the Statement of Net Position.

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

❑ Capital assets and long term debt are included.

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

	2017	2016	Change	% Change
Assets:				
Current and other assets	\$ 25,375,103	\$ 23,620,810	\$ 1,754,293	7.43%
Capital assets	<u>47,016,894</u>	<u>45,329,588</u>	<u>1,687,306</u>	<u>3.72%</u>
Total assets	<u>72,391,997</u>	<u>68,950,398</u>	<u>3,441,599</u>	<u>4.99%</u>
Deferred outflows of resources:				
Deferred loss on debt refunding	537,365	600,833	(63,468)	100.00%
Deferred pension charges	<u>3,130,925</u>	<u>1,333,315</u>	<u>1,797,610</u>	<u>134.82%</u>
Total deferred outflows of resources	<u>3,668,290</u>	<u>1,934,148</u>	<u>1,734,142</u>	<u>89.66%</u>
Liabilities:				
Long-term liabilities	32,394,194	28,335,791	4,058,403	14.32%
Other liabilities	<u>3,137,264</u>	<u>3,842,587</u>	<u>(705,323)</u>	<u>-18.36%</u>
Total liabilities	<u>35,531,458</u>	<u>32,178,378</u>	<u>3,353,080</u>	<u>10.42%</u>
Deferred inflows of resources:				
Deferred pension credits	<u>91,867</u>	<u>77,969</u>	<u>13,898</u>	<u>17.83%</u>
Net position:				
Net investment in capital assets	29,160,304	29,112,934	47,370	0.16%
Restricted	15,820,888	13,175,311	2,645,577	20.08%
Unrestricted	<u>(4,544,230)</u>	<u>(3,660,046)</u>	<u>(884,184)</u>	<u>24.16%</u>
Total net position	<u>\$ 40,436,962</u>	<u>\$ 38,628,199</u>	<u>\$ 1,808,763</u>	<u>4.68%</u>

Changes in the Statement of Net Position:

- ❖ 72.1% of the Net Position reflects the City's net investment in capital assets such as land, buildings, equipment and infrastructure, less any unspent debt proceeds used to acquire those assets.
- ❖ 39.1% of the Net Position reflects City resources that are subject to external restrictions through federal or state legislation, grant provisions, or debt instruments.
- ❖ A negative 11.23% of the Net Position is unrestricted and a result of the implementation of GASB 68.
- ❖ Restricted Net Position increased by \$2,645,577 almost entirely attributed to unspent TIF II funds and capital lease proceeds from the Energy Performance Services Contract with Johnson Controls.
- ❖ Net position increased \$1,808,768 during FY 2017.
- ❖ Key elements of significant changes in revenues and expenses are explained beginning on pages C – 5 & C - 6.

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- ✓ Fund Financial Statements – begin on page D – 3.
 - ❖ Governmental funds provide information of near term inflows, outflows and balances of available resources.
 - ❖ The General Fund, Tax Increment Financing District II Fund and the Capital Projects Fund are considered major funds for reporting purposes.
 - ❖ Nonmajor Funds: the Redevelopment Fund, State Accommodation Tax Fund, the Drug Control & Prevention Fund and the Cemeteries Fund are aggregated and presented as Other Governmental Funds.
 - ❖ Combined Fund Balance totaled \$23,904,195 or an increase of \$2,012,049. Increases in fund balance of \$1,257,259 in the General Fund and \$1,515,706 in the TIF II Fund, along with an decrease in fund balance of \$713,156 reported in the Capital Projects Fund represent the largest components to the net increase.
 - Planned use of fund balance in the Capital Projects fund as a result of active projects activity.
 - ❖ 67.8% of the total \$23.9M Fund balance is non spendable or restricted by external parties.
 - ❖ 7.78% of the total Governmental Funds fund balance is committed by formal action of the City Council for land acquisition, replacement of rolling stock capital, redevelopment initiatives, contractual obligations and law enforcement purposes.
 - ❖ .42% of the total Governmental Fund fund balance is assigned to specific purposes constrained by the City's intent for their uses.

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❖ The balance of \$5,699,890 or 23.8% of the total governmental fund – fund balance is unrestricted and unassigned and therefore available for spending at the City's discretion.

❑ This balance is lightly below the 25% minimum fund balance target of the expenditures and recurring transfers as set forth by the City's Fund Balance Policy due to the use of the City's 3% contingency for emergencies as a result of Hurricane Matthew.

✓ General Fund

❖ Fund balance increased a net \$1,257,259 which is \$47,007 more than what was planned for in the FY 2017 budget.

❖ Revenues increased a net \$1,319,538 or 7.31% over the prior year.

❑ Property Taxes reported a 9.74% increase totaling \$518,862

❑ Hospitality and Local Accommodations Taxes increased \$141K or 5.46% over the prior year.

❑ Increases of \$214K or 5.64% were realized in license and permits. Business License revenues increased \$136K while permit revenues increased \$78K.

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

❖ General Fund expenditures increased a net \$2,801,526 or 15.59% over fiscal year 2016.

❑ Increase related to the Energy Service Performance Contract of \$1.3M the costs of which are paid from the Capital Lease proceeds.

❑ An increase of \$449K of Public Safety personnel costs associated with Hurricane Matthew.

❑ Increased contract costs for plan reviews and building inspections of \$117K and grant costs within the Fire Department for protective clothing of \$240K under the Assistance to Firefighter grant.

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

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- ✓ TIF II Fund
 - ❖ With the TIF II Increment lapsing at June 30, 2017, \$452K of the property tax base realized in FY 2017 was transferred to the General Fund.
 - ❖ Planned expenditures related to debt payments with the balance of the funds restricted in fund balance for future redevelopment projects.
- ✓ Capital Project Fund
 - ❖ Expenditure activity was \$889K less than FY 2016.
 - ❖ \$2,027,166 of the amount expended related to five projects:
 - Emergency repairs to the Marina H Dock of \$258K
 - Completion of the Marina Transient Dock project of \$281K
 - Completion of the Battery Creek Headwaters Stormwater project of \$642K
 - The Southside Boulevard project of \$172K and the Boundary Street project of \$115K.
- ✓ Long -term debt – See page D-19 of the notes to the financial statements for further disclosure.
- ✓ The Notes to the Financial Statements begin on page D – 8.
- ✓ Budgetary Comparison Schedules for the General Fund and the Tax Increment Financing District II Fund can be found beginning on page E -1.
- ✓ Supplementary Information containing combining financial statements for the Non major funds along with Budgetary comparison schedules for those non major funds that are budgeted follow along beginning on page F – 1.

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

REQUIRED COMMUNICATIONS BY THE AUDITORS

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

REQUIRED COMMUNICATIONS BY THE AUDITORS

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

QUESTIONS??