



**CITY OF BEAUFORT, SC
OVERVIEW OF THE CITY'S
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2016**

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 2015 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 2016 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, 2016.
 - ❖ 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
 - ❖ Assets plus Deferred Outflows = Liabilities plus Deferred Inflows plus Net Position.
 - ❖ Note disclosure on Deferred Outflows and Deferred Inflows can be found on page D-14.
 - ❖ The City had two items that arise: 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.

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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:

	2016	2015	Change	% Change
Assets:				
Current and other assets	\$ 23,620,810	\$ 22,586,718	\$ 1,034,092	4.58%
Capital assets	<u>45,329,588</u>	<u>43,772,858</u>	<u>1,556,730</u>	<u>3.56%</u>
Total assets	<u>68,950,398</u>	<u>66,359,576</u>	<u>2,590,822</u>	<u>3.90%</u>
Deferred outflows of resources:				
Deferred loss on debt refunding	600,833	-	600,833	100.00%
Deferred pension charges	<u>1,333,315</u>	<u>1,182,070</u>	<u>151,245</u>	<u>12.79%</u>
Total deferred outflows of resources	<u>1,934,148</u>	<u>1,182,070</u>	<u>752,078</u>	<u>63.62%</u>
Liabilities:				
Long-term liabilities	28,335,791	27,085,847	1,249,944	4.61%
Other liabilities	<u>3,842,587</u>	<u>4,168,264</u>	<u>(325,677)</u>	<u>-7.81%</u>
Total liabilities	<u>32,178,378</u>	<u>31,254,111</u>	<u>924,267</u>	<u>2.96%</u>
Deferred inflows of resourcee				
Deferred pension credits	<u>77,969</u>	<u>1,193,447</u>	<u>(1,115,478)</u>	<u>-93.47%</u>
Net position:				
Net investment in capital assets	29,112,934	28,179,673	933,261	3.31%
Restricted	13,175,311	10,487,290	2,688,021	25.63%
Unrestricted	<u>(3,660,046)</u>	<u>(3,572,875)</u>	<u>(87,171)</u>	<u>2.44%</u>
Total net position	<u>\$ 38,628,199</u>	<u>\$ 35,094,088</u>	<u>\$ 3,534,111</u>	<u>10.07%</u>

❖ 75.4% 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.

❖ 34% 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 9.4% of the Net Position is unrestricted and a result of the implementation of GASB 68.

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- ❖ Restricted Net Position increased by \$2,688,021 almost entirely attributed to unspent TIF II funds.
- ❖ Net position increased \$3,534,111 during FY 2016.
- ❖ Key elements of significant changes in revenues and expenses are explained beginning on pages C – 5 & C - 6.
- ✓ Fund Financial Statements – begin on page D – 3.
 - ❖ Governmental funds provide information of near term inflows, outflows and balances of available resources.
 - ❖ The General Fund, Tax Increment Financing District II Fund and the Capital Projects Fund are considered major funds for reporting purposes.
 - ❖ Nonmajor Funds: the Redevelopment 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 \$21,892,106 or an increase of \$1,222,326. Increases in fund balance of \$637,781 in the General Fund and \$1,968,515 in the TIF II Fund, along with an decrease in fund balance of \$1,393,585 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.
 - ❖ 60.2% of the total \$21.9M Fund balance is non spendable or restricted by external parties.
 - ❖ 13.5% 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.
 - ❖ 1.5% 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 \$5,428,629 or 25% of the total governmental fund – fund balance is unrestricted and unassigned and therefore available for spending at the City's discretion.

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

✓ General Fund

❖ Fund balance increased a net \$637,781 which is \$1,152,628 more than what was planned for in the FY 2016 budget.

❖ Revenues increased a net \$1,184,212 or 6.73% over the prior year.

❑ Slight increases (below 3%) in Property Taxes (\$54,749), Franchise fees (\$39,061), Licenses & permits (\$101,979) and Intergovernmental revenues (\$45,995).

❑ Hospitality and Local Accommodations Taxes increased \$190K or 7.94% over the prior year.

❑ Proceeds from the sale of assets increased \$718,174 or 157% over the prior year.

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

❖ General Fund expenditures increased a net \$278,298 or 1.57% over fiscal year 2015.

❑ The City acquired two parcels of property; one to enhance economic development initiatives and the other to enhance green space along Boundary Street as part of the Boundary Street project.

❑ Culture and recreation expenditures increased 13.36% or \$111,501 as additional maintenance costs were incurred along the Spanish Moss Trail and other Parks.

❑ Debt Service principle increased by \$109,182 or 10.69% due to the debt service on the Fire Truck acquired in FY 2015 being recognized in the current year and the debt issuance costs related to the 2016 Refunding and Capital Improvement Bond.

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

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- ✓ TIF II Fund
 - ❖ Realization of an modest increase of \$87,590 over FY 2015 in property tax collections from the TIF II District.
 - ❖ 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 \$646,137 more than FY 2015.
 - ❖ \$2,494,441 of the amount expended related to four projects:
 - The Fire Station project completed in FY 2016 (\$2,011,242)
 - The Boundary Street project (\$219,912)
 - The Battery Creek Headwaters Stormwater project (\$132,644)
 - And the Marina Transient Dock project (\$130,643)
- ✓ Long –term debt – On April 6, 2016, the City issued the 2016 General Obligation Refunding and Capital Improvement Bonds, that partially refunded the 2008 General Obligations Bonds (redeemable portion of \$9,250,000) and provided additional resources of \$866K to cover the issuance costs and fund additional capital improvement projects. 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??