

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Beaufort County
Beaufort County, South Carolina

We have applied the procedures described below, as agreed to by Beaufort County (the County) to assist the County in evaluating the accuracy of its analysis (the Analysis) of the following tax increment funding districts (TIF): 111 (Port Royal), 121 (City of Beaufort), 122 (City of Beaufort), 511 (Town of Hilton Head Island), 552 (Town of Hilton Head Island), 553 (Town of Hilton Head Island), 601 (County - Bluffton), 602 (County - Bluffton), 611 (County - Bluffton), 612 (County - Bluffton), 613 (County - New River), 615 (County - Bluffton), 616 (County - Bluffton), 617 (County - New River), 618 (County - Bluffton), 619 (County - Bluffton), and 603 (County - New River), (collectively "the TIF's") for the tax years 2004, 2005 and 2006.

Our engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified user of this report, which is Beaufort County. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We obtained the County's maps reflecting parcels located within TIF's 111, 121, 122, 511, 552, 553, 601, 602, 603, 611, 612, and 615, and selected a random sample of twelve parcels per TIF for a total of 144 parcels. For each twelve-item sample, we applied the procedures described below by tax year as follows:

<u>Sample parcel number</u>	<u>Tax year</u>
1 through 4	2004
5 through 8	2005
9 through 12	2006

We obtained the County's maps reflecting parcels located within TIF's 613, 616, 617, 618, and 619, and selected all parcels for a total of twenty parcels. For each sample, we applied the procedures described below:

AGREED UPON PROCEDURE

For each parcel selected, we performed the following related to the value of property assessments:

- We agreed the parcel number per the County's map to the County's detail of parcels by tax payer account number.
- We agreed the tax due per the tax bill to the tax receipt.
- We vouched the assessed value amounts per the Analysis to the assessed value amounts per the related tax bill.
- We vouched the "base year" assessed value from the Analysis to a screen print reflecting the "base year" assessed value per the County Assessor.

AGREED UPON PROCEDURE, continued

- If the parcel was generated by sub-dividing an original parcel, we determined that the original parcel, as defined by the County, had a "base year" assessed value from the Analysis.
- We agreed the parcel number per the Analysis to both the related tax bill and tax receipt.

FINDINGS

- Nine of the parcels selected were owned by entities that were exempt from property taxes per the County. No property tax due was reflected on the tax bills related to these parcels.
- For twelve of the parcels selected, the original tax bill had been adjusted. This was caused by occurrences such as upheld appeals or changes in assessment ratio. The County's "Parcel Detail" reflected the adjusted assessment amount.
- One of the parcels selected was generated by merging two parcel numbers together. The County's "Parcel Detail" reflected a base year value for each of the merged properties. The County's "Parcel Detail" reflected the adjusted assessment amount.

MANAGEMENT RESPONSE

The County notes that these findings are not errors, as there are tax-exempt properties within all parts of the County (including TIFs) and appeals to tax bills occur on a regular basis. Furthermore, splits and merges of parcels occur on a regular basis. However, all base values and annual assessed values of each parcel within the TIF reconciliations were, to our best knowledge, accurate. These findings did not find any errors within these reconciliations.

AGREED UPON PROCEDURE

For each parcel selected, we performed the following related to the disbursement of property taxes as recorded in the County's general ledger:

- Traced the parcel number to the semi-monthly journal entry to record the total disbursement to the TIF participant.
- Agreed the total disbursement per the semi-monthly journal entry to the "TIF Total Within Check" as reflected in the Analysis.
- Agreed the check total per the Analysis to the cancelled check made payable to the corresponding TIF participant.
- If the parcel selected was located within a TIF where Beaufort County was the owner, we traced the parcel to the County journal entry to record the disbursement rather than to a cancelled check.

FINDINGS

- Nine of the parcel numbers selected were owned by a governmental entity and had no tax due, as such, there was no disbursement journal entry.
- In addition to the nine parcels noted above, fifteen of the parcel numbers selected could not be traced to a disbursement journal entry.

MANAGEMENT RESPONSE

The County notes that errors in journal entries were part of the cause of the misallocations of TIF monies within the TIFs. However, the reconciliation process found and corrected these errors. Lastly, as stated above, there are tax-exempt properties within all parts of the County (including TIFs), which would lead to tax bills showing nothing owed in property taxes.

AGREED UPON PROCEDURE

For tax years 2004, 2005, and 2006, we recomputed the aggregate annual value increase in the assessed value as reflected in the Analysis by subtracting aggregate "base year" assessed value from the annual aggregate assessed value for the TIF.

FINDINGS

- No findings were noted as a result of this procedure.

AGREED UPON PROCEDURE

For tax years 2004, 2005, and 2006, we recomputed the annual revenue by multiplying the annual assessed value increase (as described in the above procedure) by the applicable millage rate provided by the County and dividing by 1,000.

FINDINGS

- No findings were noted as a result of this procedure.

AGREED UPON PROCEDURE

We recomputed the difference between the total per the "Per General Ledger" column and the total per the "TIF Total" column as reflected in the Analysis to arrive at the amount owed to or from the TIF participant as reflected in the Analysis.

FINDINGS

- No findings were noted as a result of this procedure.

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on Beaufort County's analysis of its tax incremental funding districts. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is solely for the information and use of Beaufort County and is not intended to be and should not be used by anyone other than that specified party.

Elliott Davis, LLC