



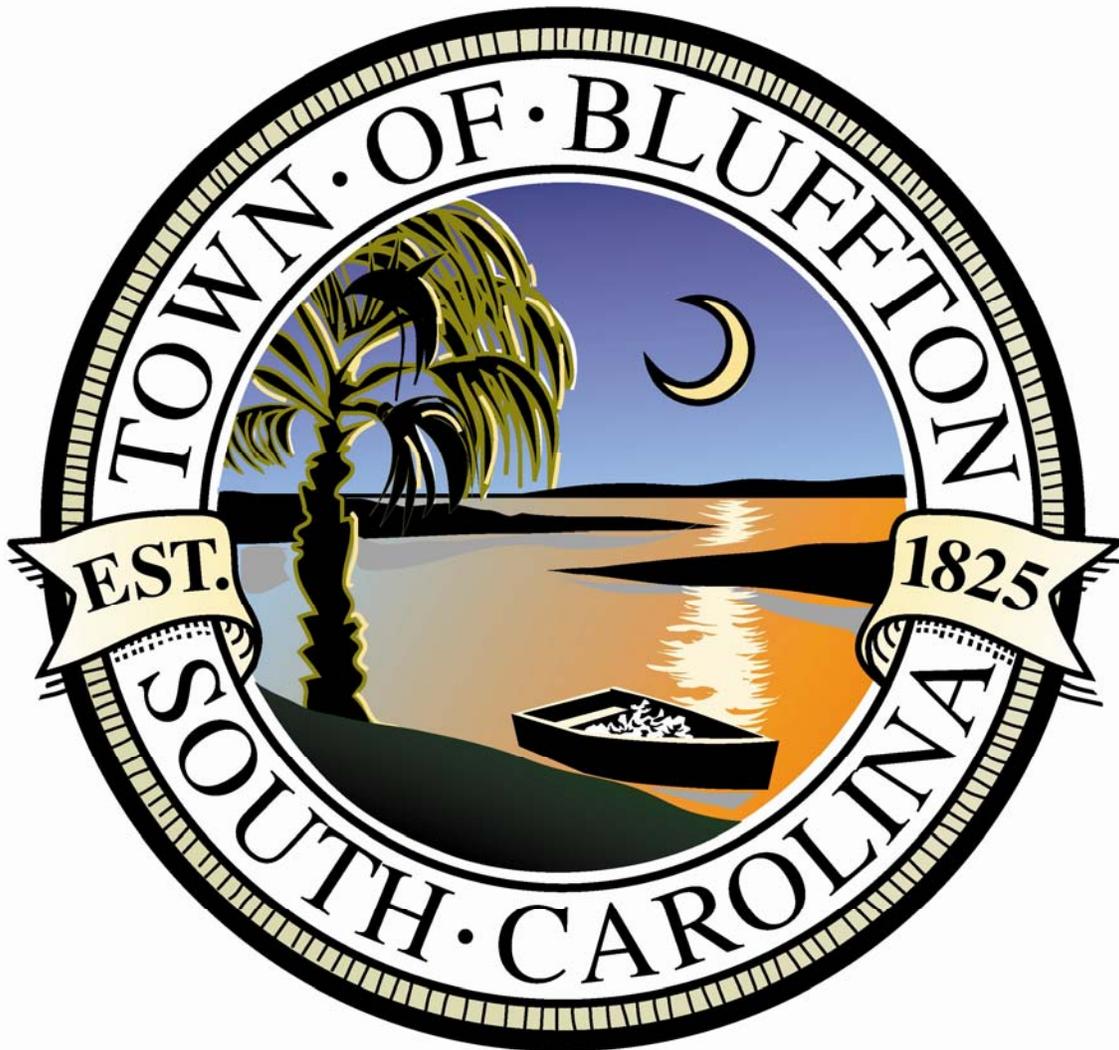
The Town of Bluffton, South Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2012

Comprehensive Annual Financial Report for the
Town of Bluffton, South Carolina

For the Year Ended June 30, 2012



Prepared by:
Finance Department

Shirley Freeman
Director of Finance/Administration

Town of Bluffton, South Carolina
Comprehensive Annual Financial Report
For the Period Ended June 30, 2012
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Lisa Sulka
Mayor

Oliver Brown
Mayor Pro Tempore

Anthony Barrett
Town Manager



Council Members
Michael Raymond
Ted Huffman
Karen Lavery

Sandra Lunceford
Town Clerk

November 12, 2012

To the Mayor and Members of Town Council, and the Citizens of the Town of Bluffton, South Carolina:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Town of Bluffton, South Carolina (the "Town") for fiscal year ended June 30, 2012.

State law requires that all general-purpose municipal governments publish a complete set of financial statements in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In addition to meeting this requirement, this report is more comprehensive than the minimum basic financial statement requirements. It consists of management's representations concerning the finances of the Town and supports management's commitment to full disclosure as reflected in the informative financial analyses provided herein.

Town management assumes full responsibility for the completeness and accuracy of the data provided in this report utilizing the Town's established comprehensive framework of internal controls. These internal controls protect the Town's assets from loss, theft, and misuse as well as provide reliable information for the preparation of this report. As the cost of internal controls should not outweigh their benefits, the Town's controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, to the best of our knowledge and belief, this financial report is complete, accurate, and reliable in all material aspects. These Financial Statements have been prepared by the Finance Department in accordance with Generally Accepted Accounting Principles (GAAP) for local governments.

The Town's Financial Statements have been audited by Karp, Ronning and Tindol. Based upon their independent audit, an unqualified opinion was rendered for the Town's Financial Statements for the fiscal year ended June 30, 2012. The Independent Auditors' Report is presented as the first component of the financial section of this report.

The independent audit of the Financial Statements of the Town was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Compliance Section of the CAFR.

GAAP require 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 the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

Town Profile

The Town of Bluffton, settled in 1825 and incorporated in 1852, is located in Beaufort County, a southern coastal county in South Carolina. The Town is located just 12 miles west of Hilton Head Island, SC and approximately 20 miles northeast of Savannah, Georgia. It is situated on a high bluff overlooking the May River, a pristine waterway that has strongly contributed to the Town's history and continued success.

The Town operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of a mayor and four (4) other members. Members of Council are elected for a term of four (4) years. Council is primarily responsible for setting policies, passing ordinances, adopting the budget, appointing committees, and hiring both the Town's manager and attorney. The Town Manager carries out the policies and ordinances of the Council, oversees the day-to-day operations of the Town, and appoints the heads of the various departments.

The Town is empowered to levy a property tax on both real and personal property located within its boundaries. The Town also has the power by statute to extend its corporate limits by voluntary annexation as deemed appropriate by Council.

When the Town's neighboring resort area of Hilton Head Island began to reach the "build out" stage of their development, Town of Bluffton officials began to recognize the enormous amount of growth that would soon face the Town. All of the land outside the original "one square mile" of the Town was in the jurisdiction of Beaufort County. Instead of ignoring the growth in the area, the Town began to voluntarily annex land in order to provide local control over future development.

In less than five years, Bluffton grew from a square-mile-town to controlling the future development of more than 32,000 acres, a majority of which is located five or more miles from the heart of the Town. In November 1998, Bluffton annexed Palmetto Bluff (20,660 acres) and the Shults Tract (620 acres); in April 2000, the Buckwalter tract (5,600 acres); in June 2000, the Jones tract (4,400 acres); and in January 2009, the Garvey Preserve tract (87.17 acres).

With recent auxiliary annexations (Bluffton Village, Village at Verdier, Shultz-Goethe Road Area, and Willow Run), the Town is over 54 square miles in area, the State's 4th largest municipality in area, and one of the State's fastest growing municipality according to the 2010 Census. The 2010 U.S. Census Bureau shows Bluffton has approximately 12,530 citizens compared to 1,275 in the 2000 Census.

Local Economy

According to the U.S. Census Bureau, the 2010 median family income for the Town of Bluffton was \$67,344 compared to \$48,611 in the 1999 Census. The 2010 Census shows the Town of Bluffton's per capita income at \$29,008, well above the state average of \$23,443.

The number of businesses licensed in the Town of Bluffton increased by approximately 300 over the prior fiscal year to 2,263 for the period ending June 30, 2012. Subsequently, the gross receipts revenue increased by 7%.

The Tech Park in Buckwalter Place continues to grow. It is the focus and nexus of a significant amount of economic, commercial, governmental, educational, entertainment, social and cultural activity in southern Beaufort County. In the spring of 2012, a technology incubator established by Clemson University and the Town of Bluffton and housed at CareCore National officially opened as the Don Ryan Center for Innovation. It is named after the late Don Ryan who was CEO of CareCore. The business center is a public-private partnership aimed at attracting tech-savvy entrepreneurs, inventors, and small business to the area to diversify the economy and create jobs. The center offers space and resources as well as links participants to intellectual property, technology evaluation, product development services, seed financing, business mentorships, corporate relationships and hands-on consulting support.

Investing in projects such as the above will continue to strengthen the Town's economy and maintain a favorable employment rate.

Major Initiatives

Stormwater Management

The Town continues to dedicate significant staff resources to environmental protection and sustainability. Developing and implementing policies and programs that not only improve current water quality, but also protect the Town's waterways into the future is a Town priority. During Fiscal Year 2012, Town staff:

- Completed the May River Watershed Action Plan that was approved by Town Council.
- Established the May River Watershed Action Plan Advisory Committee to provide guidance on water quality improvement projects and programs in the Plan.
- Initiated the design of a pilot project stormwater pond funded by a USEPA 319 Grant administered by SCDHEC.
- Secured an additional \$290,000 in grant funding for a stormwater retrofit project through a second USEPA 319 Grant administered by SCDHEC.
- Initiated the creation of a computerized model of the May River Watershed including field-based GPS data collection and development of a computer database and stormwater model.
- Provided assistance for 98 septic system maintenance calls.
- Conducted over 700 construction site inspections to reduce sediment from entering our rivers.
- Monitored water quality in the drainages leading to the May River to identify areas which require Stormwater Best Management Practices.

Revitalization Efforts

The Town was previously awarded a \$736,500 Neighborhood Stabilization Program Grant and a \$150,000 HOME Grant. These grants were directed towards stabilizing neighborhoods that are in jeopardy due to high foreclosure rates and blighted influences and building affordable housing. The Town's targeted uses for the grant funds during Fiscal Years 2010, 2011, and 2012 were the demolition of vacant, blighted structures and the redevelopment of previously developed land for affordable housing. In FY 2012, three vacant, unmaintained properties were redeveloped in the Old Town Bluffton Historic District into six affordable, cottage-style homes. These homes are for sale to qualified individuals and helped stabilize an important part of the Old Town Bluffton Historic District.

The Neighborhood Assistance Program was established to provide free property improvement initiatives to assist in creating a safer more vibrant community for Bluffton homeowners. During Fiscal Year 2012, there were 46 completed requests for program services. These requests included the demolition of unsafe/abandoned structures, property clean up, home repair, and septic system repair and maintenance cases.

As outlined in the Town of Bluffton's Comprehensive Plan and the Buck Island-Simmonsville (BIS) Neighborhood Plan, the Town continued to implement infrastructure projects in this area under the Capital Improvements Program. As of June 30th, construction was in progress on Phase 2 of the BIS Sewer Project serving the northeast quadrant of the neighborhood. This project, funded in part by a \$500,000 Community Development Block Grant (CDBG), is expected to extend sewer to dozens of homes along Simmonsville Road and adjacent areas.

In addition, the BIS Neighborhood Plan and the Town's Annual Community Needs Assessment recommended the installation of sidewalks or pathways as priority infrastructure needs. The BIS Sidewalks, Lighting and Sewer Project, funded in part by a \$500,000 CDBG Village Renaissance Grant, is being constructed to address these needs. Final easement acquisition and procurement was in progress as of the end of the fiscal year, and construction is expected to be complete by the end of the calendar year.

Budget Process

The Town's budget serves as the foundation for financial planning and control. All departments submit requests for general fund appropriation to the Town Manager in the spring of each year. The Capital Improvements Program (CIP) is developed through input from the citizens and the Town's Planning Commission. The Town Manager uses these requests as the starting point for developing a proposed budget. The Town Manager presents this proposed budget to Council for review in June of each year. Council is required under state law to hold a public hearing and to adopt a final budget no later than June 30, the close of the Town's fiscal year. The appropriated budget is prepared by fund and department. Once adopted by Council, the budgetary control is maintained by the Town Manager at the fund level. Council must approve by ordinance any amendment to the budget which causes a change in the total appropriation of any fund. Grants funded by State and Local Accommodations Taxes are reviewed by the Town's Accommodations Tax Advisory Committee and its recommendations are proposed to Town Council for final approval.

Long-term Financial Planning

As a part of the budget process, the Town began developing long-range financial plans in 2006. Additionally, the Town has held strategic planning sessions the last three years to develop and update strategic goals and objectives for Council and staff. Town staff prepares the budget forecasts based largely on the experience the Town has had in the prior years and growth expected based on developer projections that could reasonably be anticipated in the future. All revenues and expenditures in the general fund and capital projects fund are analyzed and forecasts developed for the upcoming budget year and five future years. This enables management to make proactive decisions for changes in service or tax and fee increases or decreases while providing a snapshot of revenue surpluses or shortfalls the Town could experience if no immediate actions were taken.

Long-term financial planning is a major tool in maintaining a sound financial position. It is critical that the Town maintain its bond ratings, currently Moody's bond rating is Aa2 and Standard and Poor's bond rating is AA-.

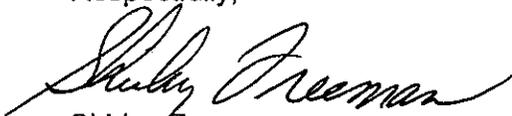
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Bluffton for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the fourth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire Finance Department staff. Their contributions are truly appreciated. A special thank you to Trisha Greathouse, Finance Manager, Vickie Isaacs, Accountant, and Kathy Glover, Budget Administrator, for the vital role they played in the completion of this project.

Respectfully,



Shirley Freeman
Director of Finance/Administration



Town of Bluffton, South Carolina
Elected and Appointed Officials
Year Ended June 30, 2012

Elected Officials

Mayor: The Honorable Lisa Sulka

Council:

Oliver Brown – Mayor Pro Tempore

Michael Raymond

Ted Huffman

Karen Lavery

Appointed Officials

Anthony Barrett – Town Manager

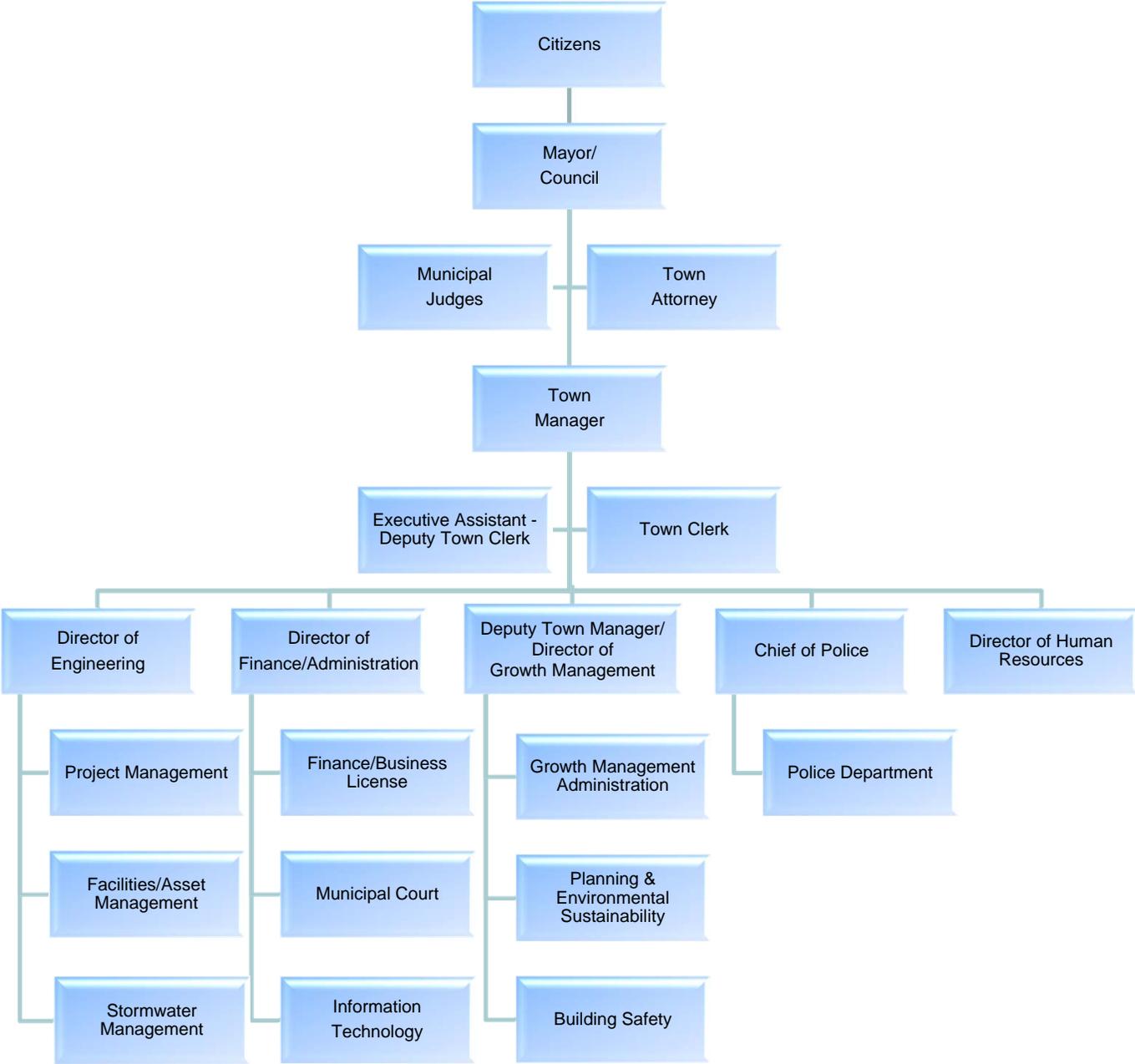
Terry A. Finger – Town Attorney

Senior Management

Marc Orlando
James Ayers
Shirley Freeman
Jessie Hershey
David McAllister
Sandra Lunceford

Deputy Town Manager/Director of Growth Management
Director of Engineering
Director of Finance/Administration
Director of Human Resources
Chief of Police
Town Clerk

Town of Bluffton Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Bluffton
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

Jeffrey R. Enos

Executive Director

KARP, RONNING & TINDOL

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Members of the Town Council
Town of Bluffton, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bluffton, South Carolina (Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Town as of June 30, 2012, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2012, on our consideration of the Town'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 20 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The introductory section, individual and combining fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements and schedules 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

Karp, Renning & Tindal, P.C.

November 12, 2012

Town of Bluffton
Management's Discussion and Analysis
June 30, 2012

As management of the Town of Bluffton (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012. We encourage readers to read the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found on pages 1 through 5 of this report.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$19,134,381 (*net assets*). Of this amount, \$5,203,006 (unrestricted net assets) may be used to meet the Town's ongoing obligations to its citizens and creditors.
- The Town's total net assets increased by \$772,344 or 4% for Fiscal Year 2012.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,499,652, a decrease of \$300,402 in comparison with the prior year. Approximately 24% percent of this total amount, or \$2,520,528, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$2,520,528 or 24% percent of total General Fund expenditures for the fiscal year.
- The Town's total debt decreased by \$1,209,509 (6%) during the current fiscal year. The Town had principle payments on outstanding debt of \$1,418,461 and entered into a new lease agreement with Branch Banking and Trust Company (BB&T) for the purchase of seven (7) 2011 Ford Crown Victoria Sedans. The purchase price of the new vehicles and associated equipment was \$168,000. In addition, the compensating absences liability increased by approximately \$40,000.
- The Town of Bluffton's bond rating is an Aa2 from Moody's and an AA- from Standard & Poor's. Both agencies stated the high ratings reflect the growth in the tax base and a healthy financial position supported by financial policies, professional management, and modest debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town.

Government-wide Financial Statements - The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the town's financial status as a whole.

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's total assets and total liabilities. Measuring net assets is one way to gauge the Town's financial condition.

The government-wide statements consist of governmental activities. The governmental activities include most of the Town's basic services such as administrative, judicial, planning, public safety, public works, and community development. Property taxes, charges for services, and state and federal grant funds finance most of these activities.

Town of Bluffton
Management's Discussion and Analysis
June 30, 2012

The Government-wide Financial Statements can be found on pages 21 and 22 of this report.

Fund Financial Statements - The fund financial statements provide a more detailed look at the Town's most significant activities. 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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Capital Improvements Program Fund, Debt Service Fund, and the Stormwater Fund all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town previously has adopted an annual budget for its General Fund, Capital Improvements Program Fund, and the Debt Service Fund and beginning in fiscal year 2013 a budget for the Stormwater Fund was also prepared. The budget is a legally-adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund and the schedules provided for the General Fund, Capital Improvements Program Fund and the Debt Service Fund demonstrates how well the Town complied with the budget ordinance and whether the Town succeeded in providing the services as planned when the budget was adopted. This schedule will be prepared for the Stormwater Fund beginning in Fiscal Year 2013. The budgetary comparison statement and schedules use the budgetary basis of accounting and are presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balances. The statement and schedules show four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund, Capital Improvements Program Fund and the Debt Service Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

These basic fund financial statements and schedules can be found on pages 23 through 26 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27 through 44 of this report.

Other Supplemental information – In addition to the basic financial statements and accompanying notes, the report also presents certain required supplementary information.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to basic financial statements as other supplemental information. Community development grants for tourism are funded by State and Local

**Town of Bluffton
Management's Discussion and Analysis
June 30, 2012**

Accommodations Taxes and are reviewed by the Town's Accommodations Tax Advisory Committee. The committee's recommendations are proposed to Town Council for final approval. Combining and individual fund statements and schedules can be found on pages 45 through 49 of this report.

Government-wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2012 are prepared using the financial statement-reporting model as mandated by the Governmental Accounting Standards Board (GASB).

**Statement of Net Assets
Figure 1**

	Governmental Activities		% Change
	2012	2011	
Current and other assets	\$ 12,237,909	\$ 12,318,749	(1%)
Capital assets, net	26,310,414	26,553,421	(1%)
Total assets	<u>38,548,323</u>	<u>38,872,170</u>	<u>(1%)</u>
Current and other liabilities	2,085,726	2,625,127	(21%)
Long-term liability outstanding	17,328,216	17,885,006	(3%)
Total liabilities	<u>19,413,942</u>	<u>20,510,133</u>	<u>(5%)</u>
Net assets:			
Invested in capital assets, net of related debt	8,456,941	8,600,498	(2%)
Restricted	5,474,434	5,152,452	6%
Unrestricted	5,203,006	4,609,087	13%
Total net assets	<u>\$ 19,134,381</u>	<u>\$ 18,362,037</u>	<u>4%</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$19,134,381 as of June 30, 2012. The Town's overall financial position improved and net assets increased by \$772,344 or 4% during Fiscal Year 2012.

The Town decreased its capital assets, net by \$243,007 as a result of depreciation exceeding additions in the current fiscal year. The \$539,401 net decrease in current and other liabilities is related to the final \$750,000 payment to Beaufort County for the intergovernmental loan for the construction of the Bluffton and Buckwalter Parkways and the principal payments on the refunded TIF revenue bonds. The \$556,790 decrease in the Town's long-term liabilities is related to the principal payments due in Fiscal Year 13 for the refunded TIF revenue bonds. Proceeds from the \$6.5 million 2010 General Obligation Bonds of \$51,614 remain to be spent in Fiscal Year 2013. These elements contributed to the modest decrease in net assets invested in capital assets, net of related debt. The moderate 4% increase in the Town's total net assets is the result of special revenue increases and the Town's efforts to control general fund spending of operating revenues within the recovering economic environment. The Town's restricted net assets represent resources subject to external restrictions on how they may be used. The moderate increase from prior year is due to increased earnings from the debt service tax base and is restricted by bond covenants for debt service payments. The remaining is a balance of \$5,203,006 in unrestricted funds.

**Town of Bluffton
Management's Discussion and Analysis
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The following table presents the Town's changes in net assets for fiscal year ending June 30, 2012 and 2011.

**Town of Bluffton Changes in Net Assets
Figure 2**

	Governmental Activities		
	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 4,969,372	\$ 4,726,309	5%
Operating grants and contributions	410,086	467,776	(12%)
Capital grants and contributions	2,172,461	2,849,085	(24%)
General revenues:			
Property taxes	5,233,427	5,152,002	2%
Accommodations taxes	437,995	371,426	18%
Hospitality taxes	1,076,321	953,182	13%
Interest	35,283	108,796	(68%)
Unrestricted intergovernmental revenue	284,065	233,896	21%
Miscellaneous	251,463	404,205	(38%)
Total revenues	<u>14,870,473</u>	<u>15,266,677</u>	<u>(3%)</u>
Expenses:			
Administrative	2,741,335	2,624,831	4%
Judicial	312,215	307,168	2%
Planning	997,773	1,212,826	(18%)
Building Safety	666,711	806,099	(17%)
Police Department	3,680,878	3,423,620	8%
Public Works	912,322	820,750	11%
Stormwater Management	628,636	-	100%
Project Management	665,071	808,562	(18%)
Community Development	2,787,424	3,820,154	(27%)
Interest on long-term debt	705,764	756,571	(7%)
Total expenses	<u>14,098,129</u>	<u>14,580,581</u>	<u>(3%)</u>
Changes in Net Assets	772,344	686,096	
Net assets, July 1	<u>\$ 18,362,037</u>	<u>\$ 17,675,941</u>	
Net assets, June 30	<u>\$ 19,134,381</u>	<u>\$ 18,362,037</u>	<u>4%</u>

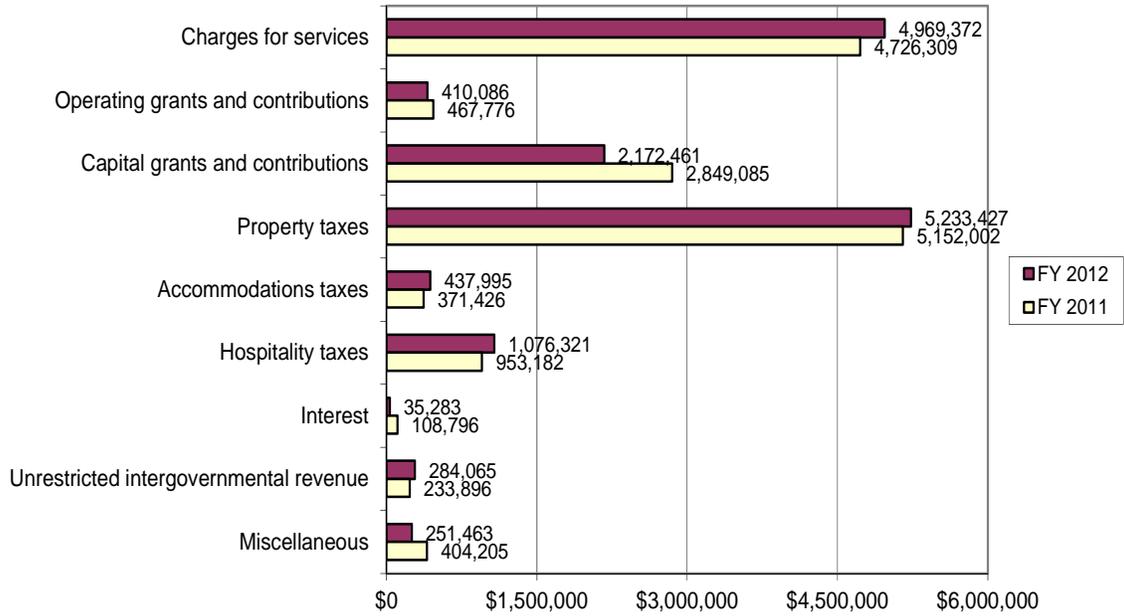
Governmental Activities - Governmental activities increased the Town's net assets by \$772,344. As mentioned previously, this increase is attributable to special revenue increases and the Town's efforts to control general fund spending of operating revenues within the recovering economic environment.

Charges for services (33%) (e.g. business licenses, franchise fees, permit fees, development fees), Capital Grants and Contributions (15%) and property taxes (35%) are the largest sources of funds. All other revenue sources comprise 17% of all funds received by the Town. The miscellaneous income line item decreased \$152,742 (38%) due to one-time contributions received from the County in 2011 for improvements made to Oyster Factory Park and the South Carolina Department of Transportation's donation of portions of Wharf Street.

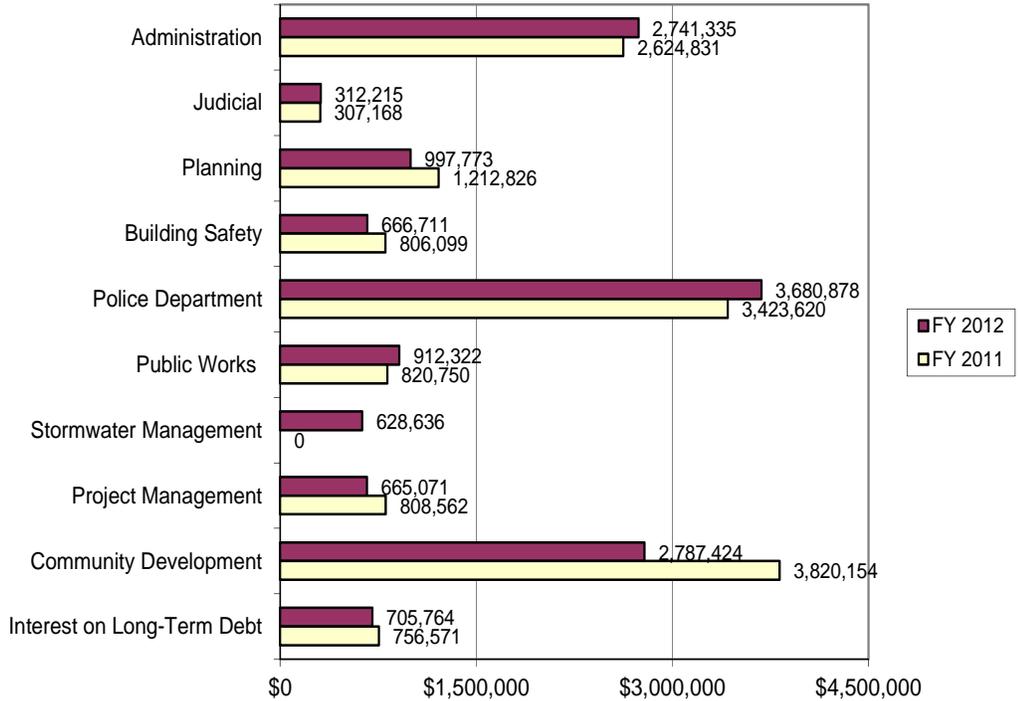
**Town of Bluffton
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The following charts compare fiscal years 2012 and 2011 revenues by source and expenses by program.

**Revenues by Source – Governmental Activities
Figure 3**



**Expenses by Program – Governmental Activities
Figure 4**



Town of Bluffton
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Major expenses for Fiscal Year 2012 were associated with the Police Department (26%), Administration (19%) and Community Development functions (20%). Administration expenses included costs for contracts to provide Town services, personnel costs and routine computer hardware and software costs. Community Development expenditures decreased due to the wrap-up of larger infrastructure projects in Fiscal Year 2011; including Buck Island-Simmonsville Sewer Phase I and the majority of the larger projects started in Fiscal Year 2012 are in the early planning and design phases.

Transfers between the funds in Fiscal Year 2012 decreased by a \$1,092,401. Decreases in Transfers In to the Capital Improvements Program Fund were due to the recording of federal grant revenues within the fund. These revenues funded current year related capital projects. Additionally, prior year fund balance from the 2010 \$6.5 million bond issue proceeds was used to fund projects such as Phases I, II, & III of the Buck Island-Simmonsville (BIS) Sewer Project. There were no Transfers In or Out to the Debt Service Fund in Fiscal Year 2012 because no additional debt was issued in the fiscal year and revenues received have become self-sustaining for current debt financing schedules. No General Fund monies were used to fund Capital Improvements Program projects in Fiscal Year 2012. Transfers In to the General Fund increased by \$261,726 in 2012. Major Transfers In to the General Fund for Fiscal Year 2012 were \$500,000 from the Hospitality Tax Fund to support tourism projects and related support personnel and \$710,000 from the Stormwater Utility Fund to support Stormwater initiatives and related support personnel.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,499,652, a decrease of \$300,402 in comparison with the prior fiscal year. Approximately 24% of total fund balance, or \$2,520,528, constitutes unassigned fund balance which is available for spending at the government's discretion. The remainders of fund balance (\$7,979,124) are designated to indicate that they are not available for new spending because they have already been designated as nonspendable (\$168,714), restricted (\$5,357,334), committed (\$2,071,364) or assigned (\$381,712). Significant amounts of restricted balances are due to external designations for tourism and related support programs as well as Stormwater Improvement Projects. Significant amounts of committed balances are due to Town Council's designations for the Emergency Recovery Fund. Finally, amounts of assigned balances are due to the Town Manager and Directors designations for capital improvement purposes.

The General Fund is the chief operating fund of the Town. Total fund balance of the Town's General Fund increased by \$462,620 during Fiscal Year 2012. In Fiscal Year 2012, the Town segregated the stormwater management function within its own department to isolate costs related to personnel, operations, vehicle and equipment needs. Facilities and Asset Management also isolated fees associated with stormwater maintenance. These expenditures were then funded via interfund transfers from the Stormwater Fund, increased to \$710,000 in Fiscal Year 2012 from \$450,000 in Fiscal Year 2011. This additional dedicated revenue stream allowed for general and fee revenues to be utilized for other operating costs and contributed to the fund balance increase.

General Fund revenues (excluding transfers in and other financing sources) for Fiscal Year 2012 were \$9,504,488, an increase of \$188,216 or 2% from the previous year. Licenses and Permits totaled \$4,267,828, an increase of \$243,659 over the prior year. Business Licenses, Franchise Fees, and MASC Insurance tax collections represent the largest increase for revenues within the Licenses

Town of Bluffton
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and Permits category. The property tax for the General Fund totaled \$3,930,891, a minimal decrease of \$8,901 when compared to the prior year.

General Fund expenditures totaled \$10,453,363, an increase of \$297,401 from the prior year. This increase is mainly due to new vehicle and equipment purchases for the Police Department, Facilities and Asset Management Department, and the Stormwater Department. Vehicles and Equipment were purchased to replace aging assets as well as to increase operations for stormwater management divisions.

At the end of the fiscal year, the unassigned fund balance of the General Fund was \$2,520,528, while the total fund balance was \$5,211,591. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24% of the total General Fund expenditures, while total fund balance represents 50% of that same amount.

The Capital Improvements Project Fund's fund balance decreased \$1,359,358 during Fiscal Year 2012. The majority of the decrease is the result of the final intergovernmental payment (\$750,000) for the Bluffton and Buckwalter Parkways as well as the funding of Buck Island-Simmons ville Sewer Projects with prior year's fund balance in the current fiscal year.

The Debt Service Fund's fund balance increased \$253,998 during Fiscal Year 2012. The 38% increase is attributable to the approximate 9% increase in revenue due to the collection of delinquent revenue from prior year and the lack of recurring fees related to prior year's new bond issues.

The Stormwater Utility Fund's fund balance increased \$294,379 during Fiscal Year 2012. The 27% increase is attributable to increased stormwater revenue collections and reduced funding to capital improvement program projects with the availability of federal grant funds to support stormwater related projects.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; 3) amendments to provide budget appropriations for legal encumbrances; and 4) other increases or decreases in appropriations that become necessary throughout the year.

The budgeted expenditure increases totaled \$318,655. The amended increases were as follows:

\$115,000	Town Hall Renovations
\$ 14,715	Section 319 Grant for Nonpoint Source Pollution Control
\$ 20,940	May River Watershed Action Plan
\$168,000	Purchase of seven outfitted police vehicles

Actual revenues for the General Fund were \$62,558 more than the original adopted budget and \$47,843 more than the revised budget. Property Taxes and Licenses and Permits exceeded budget by a minimal 1% increase or \$96,074. Service Revenues exceeded budget by \$42,050 or 14.6%, with Development Fees being the primary contributor. The Town saw a better than expected increase in residential building permits as the economy continues to recover. Municipal Court Fees and Fines were down \$61,000 from prior year and under budget by approximately \$64,000 as a result of lower than expected caseloads compared to prior years.

Actual expenditures for the General Fund were \$547,092 below revised budget. The favorable variance was due to lower contract and professional services costs and lower personnel costs due to vacancies and delays in hiring. These delays resulted in a savings not only in personnel costs, but in training and other associated operating costs as well.

**Town of Bluffton
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The General Fund continues to receive budgeted transfers from special revenue funds. An increase over prior year transfers in of \$260,000 was budgeted and transferred from the Stormwater Fund to cover costs associated with the newly created Stormwater Management Department. These special revenue funds were also utilized to cover the Facilities/Asset Management Department expenditures related to Stormwater ditch maintenance. Additional personnel and equipment were added to this department to assume the formerly contracted services for ditch maintenance.

Capital Assets and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental activities as of June 30, 2012, totals \$26,310,414 (net of accumulated depreciation). These assets include land, building and improvements, drainage, roads, sidewalks and trails, land improvements, machinery and equipment, and vehicles. The total decrease in the Town's investment in capital assets for the current fiscal year was 1%. These numbers do reflect the addition of infrastructure for the year ended June 30, 2012, in accordance with GASB 34.

Major capital asset transactions during the year included the lease purchase of 7 police vehicles, the purchase of machinery, equipment and dump truck for town maintenance, improvements to Oyster Factory Park and Dubois Park as well as the creation of Herbkershman Park.

**Town of Bluffton's Capital Assets
Figure 5**

	Governmental Activities
	2011
Land	\$ 13,006,434
Building and improvements	6,331,433
Drainage	546,455
Roads	3,204,940
Sidewalks and Trails	581,030
Land Improvements	156,911
Machinery and equipment	539,175
Vehicles	265,375
Construction in progress	1,674,661
Total	\$ 26,310,414

Additional information on the Town's capital assets can be found in Note 6 to the financial statements.

Long-term Debt - At the end of the current fiscal year, the Town has total debt outstanding of \$17,905,087. Of this amount, \$6.5 million of General Obligation Debt is secured by the full faith and credit of the Town. Eleven million two hundred forty thousand dollars (\$11,240,000) represents bonded debt for the Tax Increment Financing District funded from the incremental tax revenue. The Town entered into a capital lease purchase in February of 2012 with Branch Bank and Trust (BB&T) for the purchase of 7 police vehicles and related equipment in the amount of \$168,000.

**Town of Bluffton's Outstanding Debt
Figure 6**

	Governmental Activities
	2011
General Obligation Bonds	\$ 6,500,000
Refunded TIF Bonds	11,240,000
Premium (Discount) on Bond Issue	(2,913)
Capital Lease	168,000
Total	\$ 17,905,087

Town of Bluffton
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The Town's debt decreased \$1,250,253 during the current fiscal year. This was related to bond payment schedules as well as in January 2012 the Town made its final payment to Beaufort County for the Construction of the Bluffton and Buckwalter Parkways.

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8% of its total assessed valuation of all taxable real estate and personal property within the Town limits. The current debt limitation for the Town is \$10,956,084, of which \$4,456,084 is remaining for additional general obligation issues. At June 30, 2012, only \$6,500,000 of the Town's debt applies to this limitation.

The Town maintains a bond rating of Aa2 from Moody's Investor Service and AA- from Standard and Poor's Corporation. Both agencies stated the high ratings reflect the growth in the tax base in recent years and a healthy financial position supported by fiscal policies, professional management and modest debt.

Additional information on the Town of Bluffton's long-term debt can be found in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town:

- Located in the heart of the Lowcountry, the Town tourism numbers are rising in Bluffton as in the neighboring communities of Hilton Head Island, and Savannah, Georgia and expected to be on their way back to the 2008 record levels. Located on the banks of the pristine May River, Bluffton is home to the 20,660 acre Palmetto Bluff, an upscale award winning resort and residential development.
- Residential building permits increased this year, and Bluffton issued additional commercial permits for medical, office, gas station, restaurant, and retail space.
- The Town joined with Clemson University to form a non-profit public/private economic development pilot project venture. The Don Ryan Center for Innovation is a three-year project that has created a storefront technology incubator within the Town's Technology Park located at Buckwalter Place. Bluffton is the first of five such projects planned in the state to commercialize technology and create new businesses. At year-end five innovators are located at the Center.
- The unemployment rate for Beaufort County is 8.8% and below the State's rate of 9.4% at June 30, 2012. Currently, no data is available specifically for the Town of Bluffton.
- The Fiscal Year 2013 General Fund budget is balanced and relatively flat at \$10,514,990, less than 1% more than 2012.
- The Fiscal Year 2013 budget includes no tax increase. The tax levy was maintained at 38 mills with the same distribution as last fiscal year; the General Fund will receive 35.7 mills and the Debt Service Fund will receive 2.3 mills.
- Total property tax revenues increased only slightly by 1.5% in Fiscal Year 2012. Property tax is forecasted to remain relatively stable in Fiscal Year 2013.
- Fiscal Year 2013's budget includes funds for May River streetscape enhancements, stormwater initiatives, Buck Island-Simmonsville area improvements, and support for the Don Ryan Center for Innovation.
- The Capital Improvements Project Fund appropriation was \$2,560,000 for Fiscal Year 2013. The majority of these expenditures are for the completion of a capital projects within the Buck Island Simmonsville area, wayfinding signage, Oyster Factory Park and the May River/Bruin Road

Town of Bluffton
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Streetscape. In October 2012, budget amendments were approved by Council to bring appropriations to \$3,620,700 and included additions for the aforementioned projects with funding from carryovers from Fiscal Year 2012's budget.

- The Debt Service Fund provides for the payment of bond principal and interest payments totaling \$1,333,765 for Fiscal Year 2013. This includes principal and interest payments for the Refunded TIF Bonds issued in 2010, as well as for General Obligation Bonds, Series 2010A.
- The Stormwater Fund had a legally adopted budget for the first time in Fiscal Year 2013 for \$1,868,830. These expenditures are forecasted for stormwater drainage improvements, wetlands restoration, stormwater retrofits and Watershed Sewer Master Plan implementation. In October 2012, budget amendments were approved by Council to bring appropriations to \$2,851,410 and included additions for the aforementioned projects with additional funding from the Section 319 Grant for Nonpoint Source Pollution Control and Stormwater Fund fund balance.

Requests for Information

This report is designed to provide an overview of the Town's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Bluffton, 20 Bridge Street, (PO Box 386), Bluffton, South Carolina 29910.

Town of Bluffton
Statement of Net Assets
June 30, 2012

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	\$ 5,939,223	\$ 5,939,223
Restricted Cash and Cash Equivalents	3,392,812	3,392,812
Investments	730,840	730,840
Property Taxes Receivable, net	99,959	99,959
Other Receivables	1,077,565	1,077,565
Prepaid Assets	168,714	168,714
Assets Held for Resale	510,000	510,000
Deferred Charges	318,796	318,796
Capital Assets		
Nondepreciable	14,681,095	14,681,095
Depreciable	11,629,319	11,629,319
Total Assets	<u>38,548,323</u>	<u>38,548,323</u>
LIABILITIES		
Accounts Payable	653,899	653,899
Deposits and Bonds Payable	36,059	36,059
Accrued Interest	142,227	142,227
Due to Other Governments	11,770	11,770
Accrued Payroll and Withholding	207,733	207,733
Items due in less than one year	1,034,038	1,034,038
Items due in more than one year	17,328,216	17,328,216
Total Liabilities	<u>19,413,942</u>	<u>19,413,942</u>
NET ASSETS		
Invested in Capital Assets, net of related debt	8,456,941	8,456,941
Restricted for:		
Capital Projects	3,108,649	3,108,649
Tourism Projects and Related Support	1,255,539	1,255,539
Debt Service	922,244	922,244
Other Purposes	188,002	188,002
Unrestricted	5,203,006	5,203,006
Total Net Assets	<u>\$ 19,134,381</u>	<u>\$ 19,134,381</u>

See Notes to Financial Statements

Town of Bluffton
Statement of Activities
For the Year Ended June 30, 2012

Function / Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Total
Primary Government						
Governmental Activities						
General Government						
Administration	\$ 2,741,335	\$ 3,601,641	\$ -	\$ -	\$ 860,306	\$ 860,306
Judicial	312,215	196,065	-	-	(116,150)	(116,150)
Planning	997,773	382,225	-	-	(615,548)	(615,548)
Public Safety						
Building Safety	666,711	576,706	-	-	(90,005)	(90,005)
Police Department	3,680,878	55,985	344,450	-	(3,280,443)	(3,280,443)
Public Works	912,322	-	-	-	(912,322)	(912,322)
Stormwater Management	628,636	-	53,143	1,039,436	463,943	463,943
Project Management	665,071	-	-	-	(665,071)	(665,071)
Community Development	2,787,424	156,750	12,493	1,133,025	(1,485,156)	(1,485,156)
Interest on long-term debt	705,764	-	-	-	(705,764)	(705,764)
Total governmental activities	14,098,129	4,969,372	410,086	2,172,461	(6,546,210)	(6,546,210)
Total Primary Government	\$ 14,098,129	\$ 4,969,372	\$ 410,086	\$ 2,172,461	\$ (6,546,210)	\$ (6,546,210)
General Revenues:						
Property Taxes					\$ 5,233,427	\$ 5,233,427
Accommodations Taxes					437,995	437,995
Hospitality Taxes					1,076,321	1,076,321
Interest Income					35,283	35,283
Unrestricted Intergovernmental Revenue					284,065	284,065
Miscellaneous					251,463	251,463
Total general revenues and capital contributions					7,318,554	7,318,554
Change in Net Assets					772,344	772,344
Net Assets - Beginning					18,362,037	18,362,037
Net Assets - Ending					\$ 19,134,381	\$ 19,134,381

See Notes to Financial Statements

**Town of Bluffton
Balance Sheet
Governmental Funds
June 30, 2012**

	General Fund	Capital Improvement Program Fund	Debt Service Fund	Stormwater Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 4,484,182	\$ 488,278	\$ -	\$ -	\$ 966,763	\$ 5,939,223
Restricted Cash and Cash Equivalents	691,040	301,419	894,158	1,374,469	131,726	3,392,812
Investments	27,916	702,924	-	-	-	730,840
Property taxes receivable, net	71,873	-	28,086	-	-	99,959
Other Receivables	424,467	195,924	-	13,343	443,831	1,077,565
Prepaid Assets	168,714	-	-	-	-	168,714
Due from other Funds	4,172	61,905	-	-	23,189	89,266
Total Assets	<u>\$ 5,872,364</u>	<u>\$ 1,750,450</u>	<u>\$ 922,244</u>	<u>\$ 1,387,812</u>	<u>\$ 1,565,509</u>	<u>\$ 11,498,379</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 398,716	\$ 157,305	\$ -	\$ -	\$ 97,878	\$ 653,899
Deposits and Bonds Payable	36,059	-	-	-	-	36,059
Due to other Funds	6,495	16,774	-	172	65,825	89,266
Due to Other Governments	11,770	-	-	-	-	11,770
Salaries and Benefits Payable	207,733	-	-	-	-	207,733
Total Liabilities	<u>660,773</u>	<u>174,079</u>	<u>-</u>	<u>172</u>	<u>163,703</u>	<u>998,727</u>
Fund Balances						
Nonspendable	168,714	-	-	-	-	168,714
Restricted	688,579	971,606	922,244	1,387,640	1,387,265	5,357,334
Committed	1,833,770	223,053	-	-	14,541	2,071,364
Assigned	-	381,712	-	-	-	381,712
Unassigned	2,520,528	-	-	-	-	2,520,528
Total Fund Balances	<u>5,211,591</u>	<u>1,576,371</u>	<u>922,244</u>	<u>1,387,640</u>	<u>1,401,806</u>	<u>10,499,652</u>
Total Liabilities and Fund Balance:	<u>\$ 5,872,364</u>	<u>\$ 1,750,450</u>	<u>\$ 922,244</u>	<u>\$ 1,387,812</u>	<u>\$ 1,565,509</u>	<u>\$ 11,498,379</u>

Total Governmental Fund Balances \$ 10,499,652

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 26,310,414

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 828,796

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Accrued Interest	\$ (142,227)	
Items due in less than one year	(1,034,038)	
Items due in more than one year	<u>(17,328,216)</u>	(18,504,481)

Net assets of governmental activities \$ 19,134,381

See Notes to Financial Statements

Town of Bluffton
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General Fund	Capital Improvement Program Fund	Debt Service Fund	Stormwater Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 3,930,891	\$ -	\$ 1,302,536	\$ -	\$ -	\$ 5,233,427
Hospitality and Accommodations Taxes	-	-	-	-	1,514,316	1,514,316
Licenses & Permits	4,267,828	-	169,939	-	-	4,437,767
Stormwater Utility Fees	-	-	-	1,039,436	-	1,039,436
Grants and Entitlements	410,086	1,133,025	-	-	-	1,543,111
Intergovernmental	284,065	-	-	-	-	284,065
Service Revenues	329,090	-	-	-	6,450	335,540
Fees and Fines	196,065	-	-	-	-	196,065
Interest Income	18,046	15,418	140	212	1,467	35,283
Miscellaneous	68,417	66,360	116,686	-	-	251,463
Total Revenues	9,504,488	1,214,803	1,589,301	1,039,648	1,522,233	14,870,473
EXPENDITURES						
Current						
Legislative	82,606	-	-	-	-	82,606
Executive	328,699	-	-	-	-	328,699
Don Ryan Center for Innovation	54,309	-	-	-	-	54,309
Human Resources	187,384	-	-	-	-	187,384
Non-Departmental	842,213	-	-	-	239	842,452
Finance	592,727	-	-	-	-	592,727
Municipal Court	268,860	-	-	-	-	268,860
Municipal Judges	41,316	-	-	-	-	41,316
Information Technology	494,425	-	-	-	-	494,425
Facilities and Asset Management	796,449	-	-	-	-	796,449
Stormwater Management	574,097	-	-	-	-	574,097
Project Management	618,710	-	-	-	-	618,710
Growth Management	380,789	-	-	-	-	380,789
Planning and Environmental Sustainability	609,598	-	-	-	-	609,598
Building Safety	649,635	-	-	-	-	649,635
Police	3,343,082	-	-	-	-	3,343,082
Community Development	-	60	1,000	-	375,212	376,272
Debt Service						
Principal	38,461	750,000	630,000	-	-	1,418,461
Interest	2,308	-	704,303	-	-	706,611
Capital Outlay	547,695	2,424,698	-	-	-	2,972,393
Total Expenditures	10,453,363	3,174,758	1,335,303	-	375,451	15,338,875
Excess (Deficiency) of Revenues Over Expenditures	(948,875)	(1,959,955)	253,998	1,039,648	1,146,782	(468,402)
OTHER FINANCING SOURCES (USES)						
Transfers In	1,243,495	600,597	-	-	-	1,844,092
Transfers Out	-	-	-	(745,269)	(1,098,823)	(1,844,092)
Proceeds from Capital Leases	168,000	-	-	-	-	168,000
Total Other Financing Sources and Uses	1,411,495	600,597	-	(745,269)	(1,098,823)	168,000
Net Change in Fund Balance	462,620	(1,359,358)	253,998	294,379	47,959	(300,402)
Fund Balance - Beginning	4,748,971	2,935,729	668,246	1,093,261	1,353,847	10,800,054
Fund Balance - Ending	\$ 5,211,591	\$ 1,576,371	\$ 922,244	\$ 1,387,640	\$ 1,401,806	\$ 10,499,652

See Notes to Financial Statements

Town of Bluffton
Reconciliation of the Statement of Revenue, Expenditure and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (300,402)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay Expenditures related to Capital Asset Additions	684,317	
Capital Outlay Expenditures related to Assets Held for Resale	126,865	
Less: Depreciation Expense	<u>(860,751)</u>	(49,569)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the financial resources of governmental funds, neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. 1,250,461

Some expenses in the statement of activities do not require the use of current financial resources and therefore are reported as expenditures in governmental funds. (106,670)

Payment of bond issuance costs requires the use of current financial resources in the governmental fund but are amortized over future periods in the statement of activities. (21,476)

Change in net assets of governmental activities \$ 772,344

See Notes to Financial Statements

Town of Bluffton
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	\$ 3,876,330	\$ 3,876,330	\$ 3,930,891	\$ 54,561
Licenses & Permits	4,226,315	4,226,315	4,267,828	41,513
Intergovernmental	687,245	701,960	694,151	(7,809)
Service Revenues	287,040	287,040	329,090	42,050
Fees and Fines	260,000	260,000	196,065	(63,935)
Miscellaneous	105,000	105,000	86,463	(18,537)
Total Revenues	<u>9,441,930</u>	<u>9,456,645</u>	<u>9,504,488</u>	<u>47,843</u>
EXPENDITURES				
Legislative	97,025	97,025	82,606	(14,419)
Don Ryan Center for Innovation	-	55,730	54,309	(1,421)
Executive	356,595	356,595	328,699	(27,896)
Human Resources	195,690	195,690	187,384	(8,306)
Non-Departmental	996,740	941,010	882,982	(58,028)
Finance	618,860	618,860	592,727	(26,133)
Municipal Court	274,595	274,595	268,860	(5,735)
Municipal Judges	49,085	49,085	41,316	(7,769)
Information Technology	596,915	596,915	537,104	(59,811)
Facilities and Asset Management	1,084,140	1,168,190	1,084,895	(83,295)
Stormwater Management	649,880	685,535	628,031	(57,504)
Project Management	638,590	623,590	618,710	(4,880)
Growth Management	432,720	389,490	380,789	(8,701)
Planning and Environmental Sustainability	673,145	655,645	609,598	(46,047)
Building Safety	585,000	691,680	649,635	(42,045)
Police	3,432,820	3,600,820	3,505,718	(95,102)
Total Expenditures	<u>10,681,800</u>	<u>11,000,455</u>	<u>10,453,363</u>	<u>(547,092)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,239,870)</u>	<u>(1,543,810)</u>	<u>(948,875)</u>	<u>594,935</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	1,239,870	1,375,810	1,243,495	(132,315)
Proceeds from Capital Leases	-	168,000	168,000	-
Total Other Financing Sources and Uses	<u>1,239,870</u>	<u>1,543,810</u>	<u>1,411,495</u>	<u>(132,315)</u>
Net Change in Fund Balance	-	-	462,620	462,620
Fund Balance - Beginning	4,748,971	4,748,971	4,748,971	
Fund Balance - Ending	<u>\$ 4,748,971</u>	<u>\$ 4,748,971</u>	<u>\$ 5,211,591</u>	<u>\$ 462,620</u>

See Notes to Financial Statements

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America, ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and reporting principles. The more significant of the Town's accounting policies are described in the paragraphs below.

A. Reporting Entity

The Town of Bluffton (the "Town"), a political subdivision of the State of South Carolina, was incorporated in 1852. The Town is a municipal corporation governed by an elected five member council. The Town operates under a Council-Manager form of government. The Town provides a range of services to its citizens including police protection, sanitation, public improvements, parks, recreation, cultural, economic development, planning, municipal court and general administration.

As required by GAAP, the basic financial statements present the Town's financial information with its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town. In order to be fiscally independent an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify the budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town.

Finally, an entity could be a component unit even if it met all the conditions for fiscal indecency described above if excluding it would cause the Town's basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand are reported in separate column in the basic financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town has one discretely presented component unit detailed below; the Town does not have any blended component units.

The Don Ryan Center for Innovation

The Bluffton Technology Incubator Corporation DBA The Don Ryan Center for Innovation ("DRC") was established in November of 2011 and was formed for charitable purposes including, but not limited to, the specific and primary purpose of providing small technology start up and development resulting in expanded employment, economic prosperity and business opportunities for businesses and residents of the Town of Bluffton. The Town shall have the right to vote on: the election and removal of directors of the seven members Board of Directors, the disposition of the corporation's assets, and any election to dissolve the corporation. The DRC shall submit an annual budget to the Town. The Town has hired and employs the Chief Executive Officer of the DRC. Given its initial year of operation, the operations of the DRC were deemed immaterial to the readers of the financial statements and were not presented in this publication. The Net Assets of the DRC at June 30, 2012 were \$1,363 and the Town has a receivable on its books from the DRC of \$1,368 at year-end. Financial information can be obtained from the Don Ryan Center for Innovation at PO Box 2277, Bluffton, SC 29910.

B. Basis of Presentation - Basis of Accounting

Government-wide Statements – The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information about the primary government (the Town). These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation – Basis of Accounting (continued)

The statement of activities presents a comparison between each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the Town. It is used to account for all financial resources except those to be accounted for in another fund.

Capital Improvement Fund – Capital Project Fund

This fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

Debt Service Fund – This fund is used for accumulating resources for the repayment of interest and principal on tax increment bonds and general obligation bonds.

Stormwater Fund – This fund is used to account for the stormwater utility fees collected by and distributed to the municipalities by the County for use in the Town's Stormwater Management Program and related Capital Improvement projects.

C. Measurement Focus, Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the Town gives (or receives) values without directly giving, receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditure to the extent they have matured. General capital asset acquisitions under capital leases are reported as other financing sources.

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 1- Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting (continued)

The government considers property taxes as available if they are collected within 60 days after year-end. Generally, a 60-day availability period is used for revenue recognition for other governmental fund revenues. Those revenues susceptible to accrual are property taxes, state shared revenues, interest and garbage fees. Major revenues that are determined not to be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include delinquent property taxes collected later than 60 days after year end, other fees and fines, licenses and permits.

D. Budgets and Budgetary Accounting

Town Council at the department level determines the legal level of control. The Town Manager is authorized by the budget ordinance to make transfers of any amounts within the General Fund; however, Town Council must approve any revisions that increase total expenditures of any fund.

Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. A budget was not prepared for the Stormwater Fund for FY 2012, it was previously classified as a non-major special revenue fund, therefore a comparison schedule was not reported in FY 2012. A formalized budget for the Stormwater Fund along with the other 3 major funds was prepared for the 2013 Ordinance and the fund will be reported in a separate schedule with budget comparison next fiscal year. All annual budget appropriations lapse at fiscal year-end.

The Town follows the following budget calendar in establishing the budgets for the next year:

1. Prior to the second week in June, the Town Manager submits to the Town Council, a proposed operating budget for the General Fund, Capital Improvements Program Fund, and Debt Service Fund for the next fiscal year commencing the following July 1. The budgets for the aforementioned funds are prepared in accordance with GAAP. The budgets include estimated expenditures and estimated sources of revenue.
2. A public hearing is scheduled and conducted to obtain taxpayer comments.
3. Prior to June 30, Town Council adopts the budget ordinance.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund and capital projects fund. Encumbrances are contractual amounts outstanding at year end and are reported under the GASB 54 fund balance categories since they do not constitute expenditures or liabilities.

The Accommodations Tax Fund committee prepares a list of grants recommended for council approval each quarter based on actual collections for the fiscal year.

F. Deposits and Investments

For purposes of this report, the Town considers both restricted and unrestricted demand deposits, money market accounts and certificates of deposit with original maturities of three months or less from the date of purchase to be cash equivalents. The Town maintains cash and cash equivalents in two banks, which are members of the Federal Deposit Insurance Corporation (FDIC).

Investments for the government are reported at fair value.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items. The cost of prepaid items is accounted for using the consumption method.

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 1- Summary of Significant Accounting Policies (continued)

H. Property Taxes

Beaufort County assesses and collects property taxes and distributes an allocable portion to the Town of Bluffton. Real estate taxes for the current calendar year are levied during October and become delinquent the following January 15th. Taxes on licensed motor vehicles are levied during the month when the license registration is up for renewal. The lien date is March 15.

I. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are \$5,000 for all categories except computer software which is \$50,000. Donated capital assets are recorded at estimated market value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Town are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Building and improvements	25 to 35
Drainage	25
Roads	20
Land Improvements	20
Sidewalks and Trails	20
Machinery and equipment	5 to 15
Vehicles	5

J. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. 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.

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Compensated Absences

Full-time employees accrue Paid Time off (PTO) in varying percentages to specified maximums depending on tenure with the Town. For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded within those funds as the PTO is earned. The General Fund is used to liquidate the liability for compensated absences and the amount of the liability generally reported as a current liability is based on amounts paid out during the current fiscal year.

L. Allowance for Uncollectible Accounts

All receivables are expected to be collected, so an allowance for uncollectible accounts was not considered necessary.

M. Net Assets/Fund Balances

Net Assets

Net assets in the government-wide financial statements are classified as invested in capital assets, net of related debt, restricted, and unrestricted. Restricted net assets represent constraints on resources that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law.

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 1- Summary of Significant Accounting Policies (continued)

M. Net Assets/Fund Balances (continued)

Fund Balances

Fund balance is intended to serve as a measure of the financial resources available in a governmental fund. It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks, ensure stable tax rates, maintain bond rating, and not jeopardize the continuation of necessary public services. This policy will ensure the Town maintains adequate fund balance reserves in the Town's Governmental Funds to provide the capacity to:

1. Supply sufficient cash flow for daily financial needs,
2. Secure and maintain investment grade bond ratings,
3. Deliver adequate reserves to offset significant economic downturns or revenue shortfalls, and
4. Offer adequate reserves for unforeseen expenditures related to emergencies.

Fund balance levels are also a crucial consideration to long-term financial planning. Fund Balance for the Town's Funds will be comprised of the following categories:

1. Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. Restricted - amounts that are limited in how they can be spent due to external legal restrictions, such as externally imposed by creditors (debt covenants), grantors, contributors, laws, or regulations of other governments.
3. Committed - amounts used for a specific purpose pursuant to a council imposed ordinance and can only be modified or removed by the same formal council action. These can include amounts set aside based on self-imposed limitations established and set in place prior to fiscal year-end, but can be calculated after the fiscal year-end.
4. Assigned - amounts that are intended to be used for specific purpose, but are neither restricted nor committed. Requires no formal action by year-end from Town Council and is delegated to the Town Manager and/or Director of Finance as per the adopted Fund Balance Financial Policy.
5. Unassigned - amounts that are not reported in any other classification. Only reported within the General Fund; when the Town transfers resources from the general fund to another governmental fund, it is communicating that, at a minimum, it intends to use those resources for the purpose of the fund receiving them (minimally designated as Assigned).

The General Fund will be the only fund that has unassigned fund balance. All other funds' fund balances will be designated at minimum as assigned by their original intent.

General Fund Unassigned Fund Balance

1. The Town of Bluffton will strive to maintain a committed General Fund balance equal to 15% of the budgeted governmental fund expenditures as the Emergency Recovery Fund (\$1,602,270 for FY 2012). After this fund balance is achieved the unassigned balance maintained during the following fiscal years should not fall below 8% of the budgeted operating Governmental Fund expenditures.

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 1- Summary of Significant Accounting Policies (continued)

M. Net Assets/Fund Balances (continued)

General Fund Unassigned Fund Balance (continued)

2. Management is expected to manage the budget so that revenue shortfalls and expenditures do not impact the Town's total unassigned fund balance.
3. The order of expenditure must be classified. The Town shall spend funds from restricted fund balance first, and then committed fund balance, assigned fund balance and lastly unassigned fund balance. Whenever multiple revenue sources are available, the Town will use resources in this order (as deemed by the agency granting funds or bond ordinances): bond proceeds, Federal funds, State funds, local county funds, and Town funds. The Town Manager may deviate from this order when it best meets the needs of the Town.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents

Deposits include cash and cash equivalents on deposit in the banks and non-negotiable certificates of deposit with original maturities less than 90 days and investments described below. A summary of the degree of risk associated with the Town's deposits at June 30, 2012 follows. Custodial credit risk for deposits is the risk that in the event of failure, the Town's deposits may not be recovered. As of June 30, 2012, none of the Town's primary government bank balances of \$10,303,182 (book balance of \$9,332,035) were exposed to custodial credit risk. Bank balances differ from the Town's carrying amount due to cash on hand, deposits in transit and outstanding checks.

	June 30, 2012
Amounts insured by FDIC coverage	\$ 500,000
Amounts collateralized with securities held by the pledging financial institution in the Town's name	11,726,808
Excess Collateralization	<u>(1,923,626)</u>
Total bank balances	<u><u>\$ 10,303,182</u></u>

The Town has not adopted policies regarding credit risk, custodial credit risk, interest rate risk or concentration of credit risk.

The Town had restricted cash in the amount of \$3,392,812 at June 30, 2012. These amounts are legally restricted according to developer agreements and Town ordinances for capital projects.

Note 3 – Investments

The Town's primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield. In accordance with South Carolina Statute SC Code Ann. SECTION 6-5-10, **Authorized investments by political subdivisions include:**

1. Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 3 – Investments(continued)

2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
3.
 - i) General obligations of the State of South Carolina or any of its political units; or
 - ii) Revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
4. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
5. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
6. Repurchase agreements when collateralized by securities as set forth in this section.
7. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), (3), and (6) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The provisions of this chapter shall not impair the power of a municipality or county treasurer to hold funds in deposit accounts with banking institutions as otherwise authorized by law.

The Town has investments of cash with Beaufort County with carrying and fair value of \$28,086. The deposits are part of a pool of funds invested by the pool for entities, which receive property tax revenues from the county treasurer. As such, collateral is not identified for each deposit, but rather for the fund as a whole. These deposits are collateralized by cash or government agency securities, which are fully guaranteed as to principal and interest by the Federal government.

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 3 – Investments(continued)

In addition to the cash investments held with Beaufort County, the Town has a certificate of deposit partially insured by the FDIC with the remainder collateralized with securities held by the pledging financial institution in the Town's name in the amount of \$702,924 as detailed below:

Held with	Term	Matures	Rate	Value at 6/30/12
Palmetto State Bank	12 month CD	07/06/2012	1.05%	\$ 702,924

Investments are reported at fair value which is based on quoted market prices. The Town had restricted investments in the amount of \$702,924 at June 30, 2012. These amounts are legally restricted according to developer agreements.

Note 4 – Receivables

At June 30, 2012, the Town's receivable balances were as follows:

	General Fund	Capital Projects Fund	Debt Service Fund	Stormwater Fund	Non-Major Fund	Total
Receivables:						
Administrative Fees	\$ -	\$ 2,200	\$ -	\$ -	\$ -	\$ 2,200
Alcohol taxes	16,850	-	-	-	-	16,850
Contract police services	5,985	-	-	-	-	5,985
Federal grants	15,155	186,407	-	-	-	201,562
Franchise fees	166,312	-	-	-	-	166,312
Hospitality taxes	-	-	-	-	270,865	270,865
Licenses & permits	33,682	-	-	-	-	33,682
Local accommodations taxes	-	-	-	-	91,136	91,136
Local government fund	58,623	-	-	-	-	58,623
Other/miscellaneous	18,298	7,317	-	-	-	25,615
Property taxes	71,873	-	28,086	-	-	99,959
School resources	109,562	-	-	-	-	109,562
State accommodations taxes	-	-	-	-	81,830	81,830
Stormwater utility fees	-	-	-	13,343	-	13,343
Total Receivables	<u>\$ 496,340</u>	<u>\$ 195,924</u>	<u>\$ 28,086</u>	<u>\$ 13,343</u>	<u>\$ 443,831</u>	<u>\$ 1,177,524</u>

Note 5 – Assets Held for Resale

The Town was awarded the Neighborhood Stabilization Program (NSP) Grant established by the U.S. Department of Housing and Urban Development (HUD) for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. The funds were utilized by the Town for the purchase and redevelopment of residential properties and the demolition of blighted structures. On June 30, 2012, the Town had 6 homes at a total estimated fair market value of \$510,000 available for sale according to the grant terms.

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 6 – Capital Assets – Primary Government

Capital asset activity for the governmental activities for the year ended June 30, 2012 was as follows:

	Beginning Balances	Additions/ Completions	Disposals/ Adjustments	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,997,454	\$ 8,980	\$ -	\$ 13,006,434
Construction in progress	1,741,234	-	(66,573)	1,674,661
Total capital assets not being depreciated	<u>14,738,688</u>	<u>8,980</u>	<u>(66,573)</u>	<u>14,681,095</u>
Capital assets being depreciated:				
Building and improvements	7,110,141	151,525	-	7,261,666
Drainage	683,071	-	-	683,071
Roads	3,935,539	-	-	3,935,539
Sidewalks and Trails	621,064	64,024	-	685,088
Land Improvements	126,876	55,619	-	182,495
Machinery and equipment	1,639,854	173,843	-	1,813,697
Vehicles	1,462,997	230,326	-	1,693,323
Total capital assets being depreciated	<u>15,579,542</u>	<u>675,337</u>	<u>-</u>	<u>16,254,879</u>
Less accumulated depreciation for:				
Building and improvements	705,194	225,039	-	930,233
Drainage	102,462	34,154	-	136,616
Roads	533,822	196,777	-	730,599
Sidewalks and Trails	72,482	31,576	-	104,058
Land Improvements	19,029	6,555	-	25,584
Machinery and equipment	1,048,951	225,571	-	1,274,522
Vehicles	1,282,869	141,079	-	1,423,948
Total accumulated depreciation	<u>3,764,809</u>	<u>860,751</u>	<u>-</u>	<u>4,625,560</u>
Total capital assets being depreciated, net	<u>11,814,733</u>			<u>11,629,319</u>
Governmental activity capital assets, net	<u>\$ 26,553,421</u>			<u>\$ 26,310,414</u>

Depreciation was charged to functions/programs of the primary government as follows:

Administration	\$ 46,271
Public Works	75,611
Stormwater Management	11,754
Building Safety	7,420
Project Management	52,177
Information Technology	99,675
Municipal Court	665
Planning	5,304
Police Department	322,219
Community Development	239,655
Total Depreciation Expense	<u>\$ 860,751</u>

Note 7 – Employee Benefit Plan

The Town participates in two state-run multiple employer, cost sharing, defined benefit pension plans administered by the South Carolina Retirement Systems, a division of the State Budget and Control Board: the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS). Both the SCRS and the PORS offer retirement and disability benefits, group life insurance benefits and survivor benefits. Cost of living adjustments are granted on an ad hoc basis, subject to approval by the State Budget and Control Board. The Plans' provisions are established under Title 9 of the South Carolina Code of Laws.

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 7 – Employee Benefit Plan (continued)

A Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the SCRS and the PORS is publicly available on the SC State Budget and Control Board Website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to the South Carolina Retirement System, P.O. Box 11960, Columbia, South Carolina 29211-1960.

All employees, other than police officers, who will fill a permanent position are eligible for and must become members of the South Carolina Retirement System. Law enforcement officers are eligible for and must become members of the South Carolina Police Officers Retirement System.

Under both plans, a member who terminates employment with at least 5 years creditable retirement service has the right to leave his contributions on deposit in the System and will receive a reduced monthly retirement allowance beginning at age 60 or at age 55 with at least 25 years of creditable service. Alternatively, a member may apply for a refund of his total contributions plus interest.

Benefits are based on length of service and average final compensation, an annualized average of the employee's highest twelve consecutive quarters' compensation. For the SCRS, the annual benefit amount is 1.82% of average final compensation times years of service. For the PORS, the annual benefit is 2.14% of average final compensation times years of service.

Article X, Section 16 of the South Carolina Constitution requires that all State operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws (as amended) prescribes requirements relating to membership, benefits, and employee/employer contributions for each plan. Plan members are required to contribute 6.5% of their annual covered salary for the SCRS and 6.5% of covered salary for the PORS. Actuarial determined employer contribution rates for the plans, expressed as percentages of covered compensation, for the fiscal year ended June 30, 2012, were 9.385% for SCRS and 11.363% for the PORS. The contribution requirements of members and of the Town of Bluffton are established and may be amended by the South Carolina General Assembly. The Town's contributions to the SCRS and PORS for the three latest available years are as follows:

	2012	2011	2010
South Carolina Retirement System	\$ 304,034	\$ 292,090	\$ 298,510
Police Officers Retirement System	\$ 221,621	\$ 201,740	\$ 196,173

For each of the years above, the Town of Bluffton contributed 100% of the required contribution to both SCRS and the PORS.

Note 8 – Long-term Obligations

The following is a summary of changes in the Town's long-term obligations as of June 30, 2012:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Next Fiscal Year
Governmental activities					
Bonds and notes payable:					
General obligation bonds	\$ 6,500,000	\$ -	\$ -	\$ 6,500,000	\$ -
Revenue bonds	11,870,000	-	(630,000)	11,240,000	650,000
Premium (Discount) on bond issue	(3,121)	-	208	(2,913)	(208)
Capital lease obligations	-	168,000	-	168,000	40,858
Retirement note payable	38,461	-	(38,461)	-	-
Intergovernmental agreement	750,000	-	(750,000)	-	-
Total bonds and notes payable	\$ 19,155,340	\$ 168,000	\$ (1,418,253)	\$ 17,905,087	\$ 690,650
Other liabilities:					
Compensated absences	416,423	384,131	(343,387)	457,167	343,388
Total other liabilities	\$ 416,423	\$ 384,131	\$ (343,387)	\$ 457,167	\$ 343,388
Governmental activities long-term liabilities	\$ 19,571,763	\$ 552,131	\$ (1,761,640)	\$ 18,362,254	\$ 1,034,038

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 8 – Long-term Obligations (continued)

General Obligation Bonds

On July 8, 2010, the Town issued General Obligation Bonds, Series 2010A Taxable Build America Bonds in the amount of \$6,500,000 for the purpose of a) designing, constructing and equipping a law enforcement center and all costs associated therewith; b) paying cost of issuance of the bonds; and c) such other capital projects as Town Council may determine. The general obligation bonds were issued as taxable direct pay Build America Bonds (BABs) at a net interest rate of 3.57% for a term of 25 years. The principal and interest on the bonds is payable from tax revenues received by the Town. The Town incurred a premium of \$379 on the bond issue.

This bond issue resulted in a tax levy of 2.3 mills to the Debt Service Fund in fiscal year 2011 for the initial interest payments on the bonds. Additionally, the Town receives a 35% Federal Interest Rebate from the IRS on the interest payments which totaled \$116,686 in fiscal year 2012.

A schedule of the amounts due follows:

\$6,500,000 General Obligation Bonds dated July 8, 2010

Fiscal Year Ending June 30,	Interest Rate	Governmental Activities		
		Interest	Principal	Total
2013		\$ 333,388	\$ -	\$ 333,388
2014	2.350%	333,388	200,000	533,388
2015	2.950%	328,688	210,000	538,688
2016	3.200%	322,493	215,000	537,493
2017	3.550%	315,613	225,000	540,613
2018	3.800%	307,625	235,000	542,625
2019	4.200%	298,695	240,000	538,695
2020	4.400%	288,615	245,000	533,615
2021	4.700%	277,835	255,000	532,835
2022	4.700%	265,850	265,000	530,850
2023	5.000%	253,395	270,000	523,395
2024	5.000%	239,895	280,000	519,895
2025	5.300%	225,895	290,000	515,895
2026	5.300%	210,525	300,000	510,525
2027	5.750%	194,625	310,000	504,625
2028	5.750%	176,800	320,000	496,800
2029	6.000%	158,400	335,000	493,400
2030	6.000%	138,300	350,000	488,300
2031	6.000%	117,300	360,000	477,300
2032	6.000%	95,700	375,000	470,700
2033	6.000%	73,200	390,000	463,200
2034	6.000%	49,800	405,000	454,800
2035	6.000%	25,500	425,000	450,500
		<u>\$ 5,031,525</u>	<u>\$ 6,500,000</u>	<u>\$ 11,531,525</u>

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 8 – Long-term Obligations (continued)

Tax Increment Bonds

On December 5, 2005 and February 17, 2006, the Town issued \$10,000,000 and \$4,000,000 tax increment financing bonds, respectively, for the purpose of financing the Redevelopment Project Costs, including (i) roadway and streetscape improvements including lighting and pathways; (ii) stormwater quality initiatives, including sanitary sewer; (iii) parks, land acquisition for open space and development rights; (iv) municipal facilities; (v) Old Town Master Plan implementation; (vi) professional services including but not limited to planning studies, surveys, engineering, economic recruitment, environmental surveys, architectural, legal, financial and marketing; and (vii) financing costs including but not limited to debt service reserve, construction interest, bond insurance costs.

The Town had established a 2005 TIF Debt Service Fund and a 2006 TIF Debt Service Fund for payment of the bonds. The principal and interest on the bonds was payable from tax revenues received by the Town with respect to the Redevelopment Project Area.

Current Refunding

On November 12, 2010, the Town issued \$11,870,000 of tax increment financing bonds for a current refunding of the \$12,875,000 of outstanding principal of tax increment financing bonds issued by the Town in 2005 and 2006. The refunding was undertaken to remove restrictive bond covenants of the revenue bonds and to take advantage of lower interest rates, therefore reducing future debt service payments. The reacquisition price reduced the net carrying amount of the old debt by \$1,005,000. The transaction also resulted in an economic gain of \$645,528 and a reduction of \$ 371,108 in future debt service payments. The Town incurred a discount of \$3,500 on the current refunding of the bond issue.

A schedule of the amounts due follows:

\$11,870,000 Tax Increment Revenue Refunding Bonds dated November 12, 2010

Fiscal Year Ending June 30,	Interest Rate	Governmental Activities		
		Interest	Principal	Total
2013	3.210%	\$ 350,372	\$ 650,000	\$ 1,000,372
2014	3.210%	329,186	670,000	999,186
2015	3.210%	307,358	690,000	997,358
2016	3.210%	284,807	715,000	999,807
2017	3.210%	261,535	735,000	996,535
2018	3.210%	237,540	760,000	997,540
2019	3.210%	212,743	785,000	997,743
2020	3.210%	187,143	810,000	997,143
2021	3.210%	160,741	835,000	995,741
2022	3.210%	133,536	860,000	993,536
2023	3.210%	105,449	890,000	995,449
2024	3.210%	76,398	920,000	996,398
2025	3.210%	46,464	945,000	991,464
2026	3.210%	15,649	975,000	990,649
		<u>\$ 2,708,921</u>	<u>\$ 11,240,000</u>	<u>\$ 13,948,921</u>

Capital Leases

On March 1, 2012, the Town entered into a lease agreement with Branch Banking and Trust Company for the purchase of seven (7) 2011 Ford Crown Victoria Sedans. The purchase price of the new vehicles and associated equipment was \$168,000. The lease bears an interest rate of 1.84% and is payable in annual installments of principal and interest of \$43,950 through March of 2016. The lease is being paid annually through the general fund. A schedule of the amount due for this lease follows:

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 8 – Long-term Obligations (continued)
Capital Leases

\$168,000 Lease Purchase Agreement dated March 1, 2012

Fiscal Year Ending June 30	Interest Rate	Governmental Activities		
		Interest	Principal	Total
2013	1.840%	\$ 3,091	\$ 40,858	\$ 43,950
2014	1.840%	2,339	41,610	43,950
2015	1.840%	1,574	42,376	43,950
2016	1.840%	794	43,156	43,950
		<u>\$ 7,798</u>	<u>\$ 168,000</u>	<u>\$ 175,798</u>

These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Vehicles	\$ 162,636
Less: Accumulated Depreciation	(12,449)
	<u>\$ 150,187</u>

Retirement Note Payable

In August 2004, the Town agreed to pay employer contributions to the South Carolina Retirement System and the Police Officers' Retirement System totaling \$122,554 over a ten-year period for prior services purchased for four employees of the Town. The note had an interest rate of 6% and was payable in annual installments of principal and interest of \$14,390 through June 2014. In June of 2012, the Town paid the balance of the remaining three years of the note in full resulting in an interest savings of \$2,400.

Intergovernmental Agreement

On December 1, 2005, the Town of Bluffton entered into an agreement with Beaufort County whereby the Town was to provide funding for the extension and completion of the Bluffton Parkway and the widening of the Buckwalter Parkway from US 278 to SC Highway 46 (the "Project"). Per the agreement, the Town paid the County \$3.3 million on August 16, 2006. The Town was also required to pay the sum of \$4.45 million in six installments as follows: five installments of \$740,000 each on January 1 in each of the years 2007 through 2011 and one installment of \$750,000 on January 1, 2012. The total Town contribution applied was \$6.75 million for the Bluffton Parkway and \$1 million for the Buckwalter Parkway.

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 8 – Long-term Obligations (continued)

Annual requirements to amortize general long-term debt at June 30, 2012, excluding the accruals for compensated absences and intergovernmental agreement, are summarized as follows:

Fiscal Year	Capitalized		General		Tax Increment		Grand Total	
	Leases		Obligation Bonds		Bonds		Principal	Interest
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 40,858	\$ 3,091	\$ -	\$ 333,388	\$ 650,000	\$ 350,372	\$ 690,858	\$ 686,851
2014	41,610	2,339	200,000	333,388	670,000	329,186	911,610	664,913
2015	42,376	1,574	210,000	328,688	690,000	307,358	942,376	637,620
216	43,156	794	215,000	322,493	715,000	284,807	973,156	608,094
2017	-	-	225,000	315,613	735,000	261,535	960,000	577,148
2018-2022	-	-	1,240,000	1,438,620	4,050,000	931,703	5,290,000	2,370,323
2023-2027	-	-	1,450,000	1,124,335	3,730,000	243,960	5,180,000	1,368,295
2028-2032	-	-	1,740,000	686,500	-	-	1,740,000	686,500
2033-2036	-	-	1,220,000	148,500	-	-	1,220,000	148,500
Totals	<u>\$ 168,000</u>	<u>\$ 7,798</u>	<u>\$ 6,500,000</u>	<u>\$ 5,031,525</u>	<u>\$ 11,240,000</u>	<u>\$ 2,708,921</u>	<u>\$ 17,908,000</u>	<u>\$ 7,748,244</u>

Total interest paid and accrued by the Town of Bluffton during the year ended June 30, 2012 was approximately \$705,764 of which, none was capitalized.

All bonds are being repaid out of the debt service fund. All other debt is being repaid from the general fund.

Note 9 – Computation of Legal Debt Limitation

The Town's general obligation debt is limited by law to 8% of the total assessed value of all taxable real and personal property within the Town limits. The latest projected assessed value as of June 30, 2012 was \$136,951,047. The computation of legal debt limits is as follows:

General obligation debt limit (\$136,951,047 x 8%)	\$ 10,956,084
General obligation debt at June 30, 2011	<u>6,500,000</u>
Excess of debt limit over general obligation debt	<u>\$ 4,456,084</u>

Note 10 – Fund Balances

As prescribed by GASB Statement No.54, governmental funds report fund balance in classifications based primarily on the extent which the Town is bound to constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2012, fund balances for all the major and nonmajor funds were distributed as follows:

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 10 – Fund Balances (continued)

	General Fund	Capital Improvements Program	Debt Service Fund	Stormwater Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable: Prepaid Assets	\$ 168,714	\$ -	\$ -	\$ -	\$ -	\$ 168,714
Restricted for:						
Drug Enforcement	14,888	-	-	-	-	14,888
Unspent GO Bond Proceeds	-	51,614	-	-	-	51,614
Stormwater Improvement	-	-	-	1,387,640	-	1,387,640
TIF Debt Service	-	-	764,553	-	-	764,553
GO Bond Debt Service	-	-	157,691	-	-	157,691
Municipal Improvement District Funds	599,291	-	-	-	-	599,291
Boat Ramp Repair	-	-	-	-	131,726	131,726
Buckwalter Park	-	670,187	-	-	-	670,187
Linear Park	-	179,805	-	-	-	179,805
Kent Estates Leisure Trail	28,000	42,000	-	-	-	70,000
Village of Verdier Leisure Trail	42,000	28,000	-	-	-	70,000
Tree Fund	4,400	-	-	-	-	4,400
Tourism Projects and Related Support	-	-	-	-	1,255,539	1,255,539
Committed to:						
Emergency Recovery Fund	1,602,270	-	-	-	14,541	1,616,811
Equipment and Vehicle Replacement Reserve	231,500	-	-	-	-	231,500
Buck Island Sewer Phase I (Contract Encumbrance)	-	9,132	-	-	-	9,132
Buck Island Sewer Phase II (Contract Encumbrance)	-	60,875	-	-	-	60,875
May River Streetscape (Contract Encumbrance)	-	153,046	-	-	-	153,046
Assigned to:						
Other Capital Improvement Purposes	-	381,712	-	-	-	381,712
Unassigned:	2,520,528	-	-	-	-	2,520,528
Total Fund Balances	<u>\$ 5,211,591</u>	<u>\$ 1,576,371</u>	<u>\$ 922,244</u>	<u>\$ 1,387,640</u>	<u>\$ 1,401,806</u>	<u>\$ 10,499,652</u>

Ordinance No. 2011-11 "Fiscal Year 2012 Budget" establishes the following designated reserve fund:

Emergency Recovery Fund – shall be funded at an amount equal to or greater than fifteen (15) percent of the current fiscal year General Fund budget amount. For Fiscal Year 2012, this amount was established as \$1,602,270. The fund amount is established by Council Ordinance every year with the adoption of each year's General Fund budget. The fund was created to provide emergency funds for a natural disaster (i.e. hurricane) or other state of emergency.

Note 11 – Net Assets Invested in Capital Assets, Net of Related Debt

A significant portion of the net assets reported in the government-wide statement of net assets are attributable to the Town's investment in capital assets. The amount is calculated as follows:

Capital Assets	\$ 30,935,974
Less: Accumulated Depreciation	(4,625,560)
	<u>26,310,414</u>
Less: Outstanding Principal of Related Debt	
General obligation bonds	6,500,354
Revenue bonds	11,236,733
Capital lease obligations	168,000
	<u>17,905,087</u>
Plus: Unspent Proceeds of Capital Debt	51,614
	<u>\$ 8,456,941</u>

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 12 – Interfund Balances and Activity

Due From/To Other Funds

Amounts due from/to funds resulted from temporary borrowings related to capital expenditures, budget transfers and bond payments. The composition of interfund balances as of June 30, 2012, is shown in the following schedule. These balances occur during the ordinary course of activities and are expected to be settled during the next year.

Due To	Due From				Total
	General Fund	Capital Improvements Program Fund	Stormwater Fund	Non Major Governmental Fund	
General Fund	\$ -	\$ 80	\$ -	\$ 4,092	\$ 4,172
CIP Fund	-	-	172	61,733	61,905
Non Major Governmental Fund	6,495	16,694	-	-	23,189
Total	<u>\$ 6,495</u>	<u>\$ 16,774</u>	<u>\$ 172</u>	<u>\$ 65,825</u>	<u>\$ 89,266</u>

Note 13 – Transfers To/From Other Funds

The Town uses transfers to move revenues from the fund that by statute or budget requires to collect them to the fund that statute or budget requires to expend them or to transfer bond proceeds from the fund that by statute or budget requires to receive them to other funds authorized to expend them. Transfers in (out) for the year ended June 30, 2012, are summarized as follows:

Fund	Transfers Out		
	Transfers In	Stormwater Fund	Non Major Governmental Fund
General Fund	\$ 1,243,495	\$ 710,000	\$ 533,495
CIP	600,597	35,269	565,328
Totals	<u>\$ 1,844,092</u>	<u>\$ 745,269</u>	<u>\$ 1,098,823</u>

Note 14 – State Accommodations Tax Fund

State Accommodations Tax Fund is a special revenue fund to record State Accommodations Tax receipts and grants approved by Town Council payable out of appropriations. In accordance with state law, the first \$25,000 and five percent (5%) thereafter is transferred to the General Fund and thirty percent (30%) is distributed to the Hilton Head Island-Bluffton Chamber of Commerce's Visitor and Convention Bureau. Transfers to the General Fund for the year ended June 30, 2012 totaled \$33,496 and the distributions to the Visitor and Convention Bureau totaled \$50,973. The remaining amounts (65%) are restricted to tourism-related projects approved by Town Council.

Grant appropriations and expenditures for the year ending June 30, 2012, were as follows:

Grant Recipient	Appropriations	Expenditures
Bluffton Historical Preservation Society	\$ 102,500	\$ 102,500
Beaufort County Black Chamber of Commerce	7,500	7,500
Lowcountry Tourism Commission	6,000	6,000
Totals	<u>\$ 116,000</u>	<u>\$ 116,000</u>

The unpaid balances for approved grants are reflected as an encumbrance of fund balance in the Special Revenue Fund. Fund balance at June 30, 2012, was \$56,629 with no remaining grant balance to encumber.

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 15 – Local Accommodations Tax Fund

Local Accommodations Tax Fund is a special revenue fund to record Local Accommodations Tax receipts and grants approved by Town Council payable out of appropriations. Eight percent (8%) of Local Accommodations Taxes is required by Town Ordinance to be transferred to the Hilton Head Island-Bluffton Chamber of Commerce. For the period ending June 30, 2012, this amount totaled \$19,447. The remaining amounts are allocated to tourism-related projects approved by Town Council.

Grant appropriations and expenditures for the year ending June 30, 2012, were as follows:

<u>Grant Recipient</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Lapsed</u>	<u>Encumbrances</u>
Bluffton Historical Preservation Society	\$ 33,950	\$ 33,950	\$ -	\$ -
Old Town Bluffton Merchant Society	53,200	53,200	-	-
Farmers Market of Bluffton	27,000	18,898	-	8,102
The May River Theatre	43,385	43,385	-	-
The HandMeDown Gullah Museum	7,790	-	7,790	-
Historic Bluffton Arts & Seafood Festival	17,500	17,500	-	-
Hilton Head Island-Bluffton Chamber of Commerce	42,000	10,500	-	31,500
Prior Year Grant Appropriations	-	11,359	-	-
Total	<u>\$ 224,825</u>	<u>\$ 188,792</u>	<u>\$ 7,790</u>	<u>\$ 39,602</u>

The unpaid balances for approved grants are reflected as an encumbrance of fund balance in the Special Revenue Fund. Fund balance at June 30, 2012, was \$207,090 of which \$39,602 was encumbered by approved grants.

Note 16 – Operating Leases

The Town entered into a twenty-five year lease with Beaufort County School District for the Town Hall facilities in December of 2000 for an initial one-time payment of \$1.

In May of 2008, the Town entered into a three-year lease agreement for Building Safety Department facilities. This lease is being paid through the general fund. The lease calls for monthly payments of \$4,767. The lease also calls for monthly common area maintenance fees which are currently running \$500 per month. In May of 2011, the lease was extended through July 31, 2011, for monthly payments of \$4,290. Monthly common area maintenance fees were continued at \$500 per month. For the year ended June 30, 2012, payments under the lease totaled \$4,790.

In addition, the Town has several five-year lease agreements for copiers designated to the various departments. For the year ended June 30, 2012, base payments under these leases totaled \$40,999.

Year ending June 30,	Lease Amounts
2013	\$ 49,319
2014	49,319
2015	49,319
2016	16,571
2017	11,106
	<u>\$ 175,634</u>

Town of Bluffton
Notes to Financial Statements
June 30, 2012

Note 17 – Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries insurance coverage through the State of South Carolina for general liability and auto liability coverage of \$1,000,000 per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage with no lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$60,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

Note 18 – Other Post-Employment Benefits

The Town does not provide any post-employment benefits to its employees at this time. Therefore, the Town has no liability at fiscal year-end under GASB 45.

Note 19 – Commitments and Contingencies

The Town is subject to various claims and contingencies related to compliance with regulations associated with various grants and other matters arising out of the normal course of business. Management of the Town believes that the ultimate liability, if any, from such claims or contingencies are covered by the Town's insurance policies and are not likely to have a material adverse effect on the Town's operating results, financial condition or liquidity.

Arbitrage

State and local bonds issued after 1984 are subject to arbitrage restrictions as enacted by the Federal Government. To retain a bond's tax exempt status, local governments must comply with the regulations as adopted by the government to expend all of the bond proceeds within designated periods. The Town believes it is in compliance with all arbitrage rules as of June 30, 2012.

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	\$ 3,876,330	\$ 3,876,330	\$ 3,930,891	\$ 54,561
Licenses & Permits				
Franchise Fees	1,294,040	1,294,040	1,250,200	
Business Licenses	1,000,000	1,000,000	1,107,572	
MASC Telecommunications	95,000	95,000	89,175	
MASC Insurance Tax Collection	875,000	875,000	984,755	
Building Permits	533,325	533,325	576,706	
Administrative Fees	88,000	88,000	50,646	
Municipal Improvement District Fees	225,000	225,000	150,300	
Fee In Lieu - Developer Fees	70,000	70,000	21,146	
Application Fees	45,950	45,950	37,328	
Total Licenses & Permits	<u>4,226,315</u>	<u>4,226,315</u>	<u>4,267,828</u>	41,513
Intergovernmental				
State Shared Revenues				
Local Government Fund	233,915	233,915	229,115	
Alcohol Tax	46,125	46,125	54,950	
Federal Grants	185,705	200,420	193,560	
Total State Shared Revenues	<u>465,745</u>	<u>480,460</u>	<u>477,625</u>	(2,835)
Other Local Governments				
School Resource Officers	155,000	155,000	154,830	
School Crossing Guards	66,500	66,500	61,696	
Total Other Local Governments	<u>221,500</u>	<u>221,500</u>	<u>216,526</u>	(4,974)
Total Intergovernmental	<u>687,245</u>	<u>701,960</u>	<u>694,151</u>	(7,809)
Service Revenues				
Contract Police Services	70,000	70,000	55,985	
Impact Fee Collection Fee	11,840	11,840	18,688	
Development Fees	205,200	205,200	254,417	
Total Sales and Service	<u>287,040</u>	<u>287,040</u>	<u>329,090</u>	42,050
Fines & Fees				
Municipal Court	230,000	230,000	172,189	
Victims Assistance	30,000	30,000	23,652	
Forfeitures	-	-	224	
Total Fees and Fines	<u>260,000</u>	<u>260,000</u>	<u>196,065</u>	(63,935)
Miscellaneous Revenues				
Donations	-	-	5,000	
Miscellaneous	70,000	70,000	42,457	
Rental Income	20,000	20,000	20,960	
Interest Income	15,000	15,000	18,046	
Total Miscellaneous	<u>105,000</u>	<u>105,000</u>	<u>86,463</u>	(18,537)
Total Revenues	<u>9,441,930</u>	<u>9,456,645</u>	<u>9,504,488</u>	47,843
EXPENDITURES				
Legislative	97,025	97,025	82,606	(14,419)
Don Ryan Center	-	55,730	54,309	(1,421)
Executive	356,595	356,595	328,699	(27,896)
Human Resources	195,690	195,690	187,384	(8,306)
Non-Departmental	996,740	941,010	882,982	(58,028)
Finance	618,860	618,860	592,727	(26,133)
Municipal Court	274,595	274,595	268,860	(5,735)
Municipal Judges	49,085	49,085	41,316	(7,769)
Information Technology	596,915	596,915	537,104	(59,811)
Facilities and Asset Management	1,084,140	1,168,190	1,084,895	(83,295)
Stormwater Management	649,880	685,535	628,031	(57,504)
Project Management	638,590	623,590	618,710	(4,880)
Growth Management Administration	432,720	389,490	380,789	(8,701)
Planning and Environmental Sustainability	673,145	655,645	609,598	(46,047)
Building Safety	585,000	691,680	649,635	(42,045)
Police	3,432,820	3,600,820	3,505,718	(95,102)
Total Expenditures	<u>10,681,800</u>	<u>11,000,455</u>	<u>10,453,363</u>	(547,092)
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,239,870)</u>	<u>(1,543,810)</u>	<u>(948,875)</u>	594,935
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	1,239,870	1,375,810	1,243,495	(132,315)
Proceeds from Capital Leases	-	168,000	168,000	-
Total Other Financing Sources and Uses	<u>1,239,870</u>	<u>1,543,810</u>	<u>1,411,495</u>	(132,315)
Net Change in Fund Balance	-	-	462,620	462,620
Fund Balance - Beginning	4,748,971	4,748,971	4,748,971	-
Fund Balance - Ending	<u>\$ 4,748,971</u>	<u>\$ 4,748,971</u>	<u>\$ 5,211,591</u>	<u>\$ 462,620</u>

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Capital Improvements Program Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Federal/State Revenue				
Federal Grants	\$ 681,080	\$ 2,030,535	\$ 1,133,025	\$ (897,510)
Total Federal/State Revenue	681,080	2,030,535	1,133,025	(897,510)
Other Revenues				
Interest Income	-	-	15,418	15,418
Donations	-	-	66,360	66,360
Total Other Revenues	-	-	81,778	81,778
Total Revenues	681,080	2,030,535	1,214,803	(815,732)
EXPENDITURES				
Capital Outlay				
Verdier Cove Drainage Basin	-	86,855	10,608	(76,247)
Stormwater Drainage Improvements	100,000	100,000	537	(99,463)
319 Pilot Project	281,080	466,685	1,905	(464,780)
Buck Island Sewer - Phase I	-	78,880	26,266	(52,614)
Bluffton Parkway	653,800	653,800	653,800	-
Buckwalter Parkway	96,200	96,200	96,200	-
Buckwalter Place Drainage	-	72,960	66,561	(6,399)
May River Road/Bruin Road Streetscape - Phase I	-	411,120	268,768	(142,352)
May River Road/Bruin Road Streetscape - Phase II	-	51,090	37,257	(13,833)
Old Town Signage	100,000	194,890	89,350	(105,540)
Parks and Recreation Improvements	50,000	50,000	15,998	(34,002)
Oyster Factory Park	35,000	244,240	187,702	(56,538)
Dubois Park - Phase II	100,000	167,060	155,102	(11,958)
Law Enforcement Center	-	58,025	36,992	(21,033)
Hampton Lake Stormwater BMP Retrofit	-	50,000	-	(50,000)
Hampton Hall Stormwater BMP Retrofit	-	50,000	33	(49,967)
Buck Island Sewer - Phase II	-	917,425	634,916	(282,509)
Buck Island Sewer - Phase III	150,000	150,000	58,398	(91,602)
Town Hall & Municipal Court	75,000	75,000	8,202	(66,798)
Affordable Housing - Phase II	100,000	100,000	-	(100,000)
NSP Affordable Housing	150,000	840,605	750,441	(90,164)
Land Acquisition	-	-	234	234
General Pathways	25,000	25,000	-	(25,000)
BIS Sidewalks & Lighting	500,000	571,250	75,428	(495,822)
May River Watershed Action Plan	100,000	-	-	-
Current				
Community Development	-	-	60	60
Total Expenditures	2,516,080	5,511,085	3,174,758	(2,336,327)
Excess (Deficiency) of Revenues Over Expenditures	(1,835,000)	(3,480,550)	(1,959,955)	1,520,595
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	1,685,000	3,114,400	600,597	(2,513,803)
Proceeds from Sale of Capital Assets	150,000	366,150	-	(366,150)
Total Other Financing Sources and Uses	1,835,000	3,480,550	600,597	(2,879,953)
Net Change in Fund Balance	-	-	(1,359,358)	(1,359,358)
Fund Balance - Beginning	2,935,729	2,935,729	2,935,729	-
Fund Balance - Ending	\$ 2,935,729	\$ 2,935,729	\$ 1,576,371	\$ (1,359,358)

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Fund
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	\$ 1,167,000	\$ 1,167,000	\$ 1,302,536	\$ 135,536
MID Fees	52,415	52,415	169,939	117,524
Interest Income	1,500	1,500	140	(1,360)
Federal Interest Rebate	116,685	116,685	116,686	1
Total Revenues	<u>1,337,600</u>	<u>1,337,600</u>	<u>1,589,301</u>	<u>251,701</u>
EXPENDITURES				
Other Miscellaneous	3,290	3,290	1,000	(2,290)
Bond Principal	630,000	630,000	630,000	-
Bond Interest	704,310	704,310	704,303	(7)
Total Expenditures	<u>1,337,600</u>	<u>1,337,600</u>	<u>1,335,303</u>	<u>(2,297)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	253,998	253,998
Net Change in Fund Balance	-	-	253,998	253,998
Fund Balance - Beginning	668,246	668,246	668,246	-
Fund Balance - Ending	<u>\$ 668,246</u>	<u>\$ 668,246</u>	<u>\$ 922,244</u>	<u>\$ 253,998</u>

**Town of Bluffton
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

	Boat Ramp Fund	Local Hospitality Tax Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 790,734	\$ 48,015	\$ 128,014	\$ 966,763
Restricted Cash and Cash Equivalents	131,726	-	-	-	131,726
Other Receivables	-	270,865	81,830	91,136	443,831
Due from other Funds	-	6,495	-	16,694	23,189
Total Assets	<u>\$ 131,726</u>	<u>\$ 1,068,094</u>	<u>\$ 129,845</u>	<u>\$ 235,844</u>	<u>\$ 1,565,509</u>
LIABILITIES AND FUND BALANCES					
Accounts Payable	\$ -	\$ -	\$ 69,124	\$ 28,754	\$ 97,878
Due to other Funds	-	61,733	4,092	-	65,825
Total Liabilities	-	61,733	73,216	28,754	163,703
Fund Balances:					
Restricted	131,726	1,006,361	56,629	192,549	1,387,265
Committed	-	-	-	14,541	14,541
Total Fund Balances	<u>131,726</u>	<u>1,006,361</u>	<u>56,629</u>	<u>207,090</u>	<u>1,401,806</u>
Total Liabilities and Fund Balances	<u>\$ 131,726</u>	<u>\$ 1,068,094</u>	<u>\$ 129,845</u>	<u>\$ 235,844</u>	<u>\$ 1,565,509</u>

Town of Bluffton
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Boat Ramp Fund	Local Hospitality Tax Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Total Nonmajor Special Revenue Funds
REVENUES					
Hospitality and Accommodations Taxes	\$ -	\$ 1,076,321	\$ 194,910	\$ 243,085	\$ 1,514,316
Development Fees	6,450	-	-	-	6,450
Interest Income	1,280	142	13	32	1,467
Total Revenues	<u>7,730</u>	<u>1,076,463</u>	<u>194,923</u>	<u>243,117</u>	<u>1,522,233</u>
EXPENDITURES					
Current					
Administrative	51	-	-	188	239
Community Development	-	-	166,973	208,239	375,212
Total Expenditures	<u>51</u>	<u>-</u>	<u>166,973</u>	<u>208,427</u>	<u>375,451</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,679</u>	<u>1,076,463</u>	<u>27,950</u>	<u>34,690</u>	<u>1,146,782</u>
OTHER FINANCING SOURCES (USES)					
Transfers Out	(1,395)	(1,023,231)	(33,495)	(40,702)	(1,098,823)
Total Other Financing Sources and Uses	<u>(1,395)</u>	<u>(1,023,231)</u>	<u>(33,495)</u>	<u>(40,702)</u>	<u>(1,098,823)</u>
Net Change in Fund Balance	6,284	53,232	(5,545)	(6,012)	47,959
Fund Balance - Beginning	125,442	953,129	62,174	213,102	1,353,847
Fund Balance - Ending	<u>\$ 131,726</u>	<u>\$ 1,006,361</u>	<u>\$ 56,629</u>	<u>\$ 207,090</u>	<u>\$ 1,401,806</u>

Statistical Section (unaudited)

This part of the Town of Bluffton's comprehensive financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the Town's financial performance and well being have changed over time.</i>	51-55
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.</i>	56-61
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's abilities to issue additional debt in the future.</i>	62-66
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	67-68
Operating Information <i>These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.</i>	69-71

Sources: *Unless otherwise noted, the information in these schedules is derived from the Annual Financial Statements audit reports for the relevant year. The Town implemented Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.*

Schedule 1
Town of Bluffton, SC
Net Assets by Component, Last Nine Fiscal Years
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities									
Invested in capital assets, net of related debt	\$ 7,887,346	\$ 9,118,054	\$ 12,307,261	\$ 17,950,214	\$ 12,047,567	\$ 12,518,793	\$ 9,807,190	\$ 8,600,498	\$ 8,456,941
Restricted	321,725	208,790	598,582	559,677	4,531,438	2,492,544	214,401	5,152,452	5,474,434
Unrestricted	2,668,022	3,760,438	(298,311)	524,326	4,313,844	5,653,065	7,654,350	4,609,087	5,203,006
Total governmental activities net assets	<u>\$ 10,877,093</u>	<u>\$ 13,087,282</u>	<u>\$ 12,607,532</u>	<u>\$ 19,034,217</u>	<u>\$ 20,892,849</u>	<u>\$ 20,664,402</u>	<u>\$ 17,675,941</u>	<u>\$ 18,362,037</u>	<u>\$ 19,134,381</u>

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

Schedule 2
Town of Bluffton, SC
Changes in Net Assets, Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year								
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses									
Governmental activities:									
General Government:									
Administration	\$ 664,170	\$ 856,029	\$ 873,837	\$ 1,550,544	\$ 2,715,940	\$ 3,171,895	\$ 2,807,552	\$ 2,624,831	\$ 2,741,335
Judicial	141,004	179,509	317,630	619,267	451,086	278,295	307,603	307,168	312,215
Planning	457,619	577,425	807,697	695,190	841,091	1,011,981	1,556,322	1,212,826	997,773
Public Safety:									
Building Safety	-	-	-	-	375,157	740,370	985,977	806,099	666,711
Police	716,783	1,072,526	1,810,753	2,875,137	3,106,849	3,506,817	3,383,148	3,423,620	3,680,878
Public Works	259,961	602,250	726,092	899,639	452,851	546,691	779,592	820,750	912,322
Stormwater Management	-	-	-	-	816,075	918,052	-	-	628,636
Project Management	-	-	-	638,985	477,419	686,276	662,107	808,562	665,071
Community Development	197,371	406,936	8,158,171	749,409	856,205	1,287,273	1,258,689	3,820,154	2,787,424
Interest on Long-Term Debt	-	-	260,244	566,589	642,512	558,983	523,777	756,571	705,764
Total governmental activities expenses	<u>\$ 2,436,908</u>	<u>\$ 3,694,675</u>	<u>\$ 12,954,424</u>	<u>\$ 8,594,760</u>	<u>\$ 10,735,185</u>	<u>\$ 12,706,633</u>	<u>\$ 12,264,767</u>	<u>\$ 14,580,581</u>	<u>\$ 14,098,129</u>
Program Revenues (see Schedule 3)									
Governmental activities:									
Charges for services:									
General Government									
Administration	\$ 1,127,633	\$ 1,436,784	\$ 1,876,519	\$ 2,902,467	\$ 3,156,457	\$ 3,306,249	\$ 3,177,906	\$ 3,276,217	\$ 3,601,641
Judicial	-	308,062	673,572	550,653	218,263	246,837	256,973	227,290	196,065
Planning	705,918	932,043	1,001,680	1,374,021	817,380	583,987	1,256,292	450,158	382,225
Public Safety									
Building Safety	-	-	-	-	-	199,312	424,196	532,291	576,706
Police	265,773	8,341	12,103	22,322	86,153	89,156	65,008	75,353	55,985
Stormwater Management	-	-	-	-	393,835	956,318	-	-	-
Project Management	246,364	591,527	4,263,922	1,198,882	322,274	151,897	159,275	165,000	156,750
Operating grants and contributions	91,149	106,704	84,382	127,955	114,983	146,419	403,468	467,776	410,086
Capital grants and contributions	-	331,929	822,635	3,505,187	96,295	150,600	183,252	2,849,085	2,172,461
Total governmental activities program revenues	<u>\$ 2,436,837</u>	<u>\$ 3,715,390</u>	<u>\$ 8,734,813</u>	<u>\$ 9,681,487</u>	<u>\$ 5,205,640</u>	<u>\$ 5,830,775</u>	<u>\$ 5,926,370</u>	<u>\$ 8,043,170</u>	<u>\$ 7,551,919</u>
Net (Expense)Revenue									
Total governmental activities net expense	<u>\$ (71)</u>	<u>\$ 20,715</u>	<u>\$ (4,219,611)</u>	<u>\$ 1,086,727</u>	<u>\$ (5,529,545)</u>	<u>\$ (6,875,858)</u>	<u>\$ (6,338,397)</u>	<u>\$ (6,537,411)</u>	<u>\$ (6,546,210)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$ 595,136	\$ 832,630	\$ 1,670,715	\$ 2,973,010	\$ 3,811,999	\$ 4,706,019	\$ 5,245,883	\$ 5,152,002	\$ 5,233,427
Other taxes	-	-	605,108	1,164,091	1,245,040	1,115,603	1,118,513	1,324,608	1,514,316
Intergovernmental (Unrestricted State Shared)	66,868	54,570	121,565	284,170	277,104	407,173	170,274	233,896	284,065
Investment earnings	26,574	39,998	434,870	758,217	651,325	311,680	181,283	108,796	35,283
Capital contributions	755,070	1,245,000	839,577	-	912,810	-	-	-	-
Miscellaneous	24,690	17,276	68,026	160,470	489,892	106,936	118,199	404,205	251,463
Total governmental activities	<u>\$ 1,468,338</u>	<u>\$ 2,189,474</u>	<u>\$ 3,739,861</u>	<u>\$ 5,339,958</u>	<u>\$ 7,388,170</u>	<u>\$ 6,647,411</u>	<u>\$ 6,834,152</u>	<u>\$ 7,223,507</u>	<u>\$ 7,318,554</u>
Change in Net Assets									
Governmental activities	<u>\$ 1,468,267</u>	<u>\$ 2,210,189</u>	<u>\$ (479,750)</u>	<u>\$ 6,426,685</u>	<u>\$ 1,858,625</u>	<u>\$ (228,447)</u>	<u>\$ 495,755</u>	<u>\$ 686,096</u>	<u>\$ 772,344</u>

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

Schedule 3
Town of Bluffton, SC
Program Revenues by Function/Program, Last Nine Fiscal Years
(accrual basis of accounting)

Function/Program	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:									
General Government									
Administration	\$ 1,127,633	\$ 1,436,784	\$ 1,876,519	\$ 2,902,467	\$ 3,156,457	\$ 3,306,249	\$ 3,177,906	\$ 3,276,217	\$ 3,601,641
Municipal Court	-	308,062	673,572	550,653	218,263	246,837	256,973	227,290	196,065
Planning	705,918	932,043	1,001,680	1,374,021	817,380	583,987	1,256,292	450,158	382,225
Public Safety									
Building Safety	-	-	-	-	-	199,312	424,196	532,291	576,706
Police	265,773	8,341	12,103	22,322	86,153	89,156	65,008	75,353	55,985
Environmental Protection	-	-	-	-	393,835	956,318	-	-	-
Community Development	246,364	591,527	4,263,922	1,198,882	322,274	151,897	159,275	165,000	156,750
Operating grants and contributions	91,149	106,704	84,382	127,955	114,983	146,419	403,468	467,776	410,086
Capital grants and contributions	-	331,929	822,635	3,505,187	96,295	150,600	183,252	2,849,085	2,172,461
Total governmental activities	<u>\$ 2,436,837</u>	<u>\$ 3,715,390</u>	<u>\$ 8,734,813</u>	<u>\$ 9,681,487</u>	<u>\$ 5,205,640</u>	<u>\$ 5,830,775</u>	<u>\$ 5,926,370</u>	<u>\$ 8,043,170</u>	<u>\$ 7,551,919</u>

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

Schedule 4
Town of Bluffton, SC
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Pre-GASB 54 ¹										
General Fund										
Reserved	\$ 809,395	\$ 1,353,111	\$ 1,861,318	\$ 2,592,912	\$ 2,677,873	\$ 530,164	\$ 253,102	\$ 630,934		
Unreserved	591,869	1,055,525	883,619	1,161,523	2,651,867	4,506,377	3,718,570	3,419,594		
Total General Fund	<u>\$ 1,401,264</u>	<u>\$ 2,408,636</u>	<u>\$ 2,744,937</u>	<u>\$ 3,754,435</u>	<u>\$ 5,329,740</u>	<u>\$ 5,036,541</u>	<u>\$ 3,971,672</u>	<u>\$ 4,050,528</u>		
All Other Governmental Funds										
Reserved	\$ 639,942	\$ 594,180	\$ 1,246,659	\$ 18,281,682	\$ 13,558,054	\$ 9,677,482	\$ 8,275,859	\$ 4,748,173		
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	987,572	158,210	202,191		
Total all other governmental funds	<u>\$ 639,942</u>	<u>\$ 594,180</u>	<u>\$ 1,246,659</u>	<u>\$ 18,281,682</u>	<u>\$ 13,558,054</u>	<u>\$ 10,665,054</u>	<u>\$ 8,434,069</u>	<u>\$ 4,950,364</u>		
Post-GASB 54 ¹										
General Fund										
Nonspendable								\$ 148,094	\$ 174,744	\$ 168,714
Restricted								436,555	540,516	688,579
Committed								1,567,690	1,567,691	1,833,770
Assigned								194,379	132,992	-
Unassigned								1,703,810	2,333,024	2,520,528
Total General Fund								<u>\$ 4,050,528</u>	<u>\$ 4,748,967</u>	<u>\$ 5,211,591</u>
All Other Governmental Funds										
Restricted								\$ 4,492,059	\$ 4,437,192	\$ 4,668,755
Committed								9,999	780,050	237,594
Assigned								448,306	833,838	381,712
Total all other governmental funds								<u>\$ 4,950,364</u>	<u>\$ 6,051,080</u>	<u>\$ 5,288,061</u>

¹ The Town implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in FY 2011. FY 2010 has been recalculated for comparison purposes.

Notes: Significant increase in fund balance in Fiscal Year 2006 due to bond proceeds.

Schedule 5
Town of Bluffton, SC
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues										
Taxes (see Schedule 6)	\$ 282,615	\$ 453,342	\$ 893,685 *	\$ 2,275,823	\$ 4,137,101	\$ 5,057,039	\$ 5,821,622	\$ 6,364,396 *	\$ 6,476,610 *	\$ 6,747,743
Licenses, fees, and permits	1,785,167	1,990,985	2,878,658	7,281,097	4,765,199	4,498,208	5,012,441	4,787,752	5,125,588	5,477,203
Fines and penalties	193,635	265,773	308,062	685,675	550,653	218,263	246,837	256,973	227,290	196,065
Charges for services	26,471	31,370	76,475	37,701	940,015	622,648	395,121	294,925	330,695	335,540
Intergovernmental	290,800	358,604	54,570	121,565	284,170	232,282	407,173	170,274	483,896	284,065
Investment earnings	29,512	26,574	39,998	434,870	758,217	626,817	282,147	154,621	83,373	35,283
Other revenues	109,947	279,760	1,700,909	1,814,620	3,787,762	734,181	383,312	804,919	1,911,781	1,794,574
Total revenues	<u>\$ 2,718,147</u>	<u>\$ 3,406,408</u>	<u>\$ 5,952,357</u>	<u>\$ 12,651,351</u>	<u>\$ 15,223,117</u>	<u>\$ 11,989,438</u>	<u>\$ 12,548,653</u>	<u>\$ 12,833,860</u>	<u>\$ 14,639,233</u>	<u>\$ 14,870,473</u>
Expenditures										
Legislative	\$ -	\$ -	\$ -	\$ -	\$ 59,011	\$ 95,581	\$ 136,996	\$ 142,930	\$ 126,729	\$ 82,606
Executive	-	-	-	-	335,051	784,241	995,011	464,927	317,952	328,699
Don Ryan Center for Innovation	-	-	-	-	-	-	-	-	-	54,309
Human Resources	-	-	-	-	-	-	-	-	184,193	187,384
Non-Departmental	443,678	596,198	790,046	1,384,281	733,503	1,393,442	1,151,854	1,003,794	774,025	842,452
Finance	-	-	-	-	305,652	358,048	410,066	568,429	588,792	592,727
Municipal Court	74,979	141,522	174,315	306,907	594,764	424,501	229,093	254,623	257,753	268,860
Municipal Judges	-	-	-	-	16,237	31,025	44,228	49,456	47,437	41,316
Information Technology	-	-	-	-	-	-	382,810	397,046	446,551	494,425
Facilities/Asset Management	197,882	248,540	353,216	508,365	810,439	378,345	447,916	685,502	753,620	796,449
Stormwater Management	-	-	-	-	-	807,623	908,517	111,079	-	574,097
Project Management	-	-	-	-	612,531	411,951	618,370	599,358	745,533	618,710
Growth Management	-	-	-	-	-	-	-	398,903	322,261	380,789
Planning and Environmental Sustainability	361,867	457,619	558,854	755,502	689,220	830,649	1,000,233	1,046,341	879,713	609,598
Building Safety	-	-	-	-	-	340,488	710,054	970,950	792,362	649,635
Police	472,785	609,109	917,060	1,569,141	2,643,167	2,765,268	3,116,134	3,065,401	3,086,150	3,343,082
Community Development	156,684	197,371	406,936	961,077	494,210	428,247	359,476	199,836	328,621	376,272
Capital Outlay	142,937	168,911	1,841,340	3,087,604	10,425,448	5,308,586	3,347,144	4,190,769	7,325,822	2,972,393
Debt Service										
Interest	10,080	9,520	8,510	260,244	566,589	580,995	565,371	532,966	659,431	706,611
Principal	42,974	45,631	114,832	232,215	232,368	294,393	1,629,764	1,556,399	908,743	1,418,461
Issuance Cost	-	-	-	-	-	-	-	-	174,239	-
Total expenditures	<u>\$ 1,903,866</u>	<u>\$ 2,474,421</u>	<u>\$ 5,165,109</u>	<u>\$ 9,065,336</u>	<u>\$ 18,518,190</u>	<u>\$ 15,233,383</u>	<u>\$ 16,053,037</u>	<u>\$ 16,238,709</u>	<u>\$ 18,719,927</u>	<u>\$ 15,338,875</u>
Excess of revenues over (under) expenditures	814,281	931,987	787,248	3,586,015	(3,295,073)	(3,243,945)	(3,504,384)	(3,404,849)	(4,080,694)	(468,402)
Other Financing Sources (Uses)										
Bonds issued	\$ -	\$ -	\$ -	\$ 14,000,000	\$ -	\$ -	\$ -	\$ -	\$ 18,370,000	\$ -
Sale of Capital Assets	-	-	-	250,000	-	120,000	-	-	387,970	-
Underwriter's Premium (Discount)	-	-	-	-	-	-	-	-	(3,121)	-
Current Refund of Existing Debt	-	-	-	-	-	-	-	-	(12,875,000)	-
Capital leases	23,752	29,188	224,386	385,178	348,422	193,220	208,531	-	-	168,000
Transfers in	5,034	886,123	126,856	2,373,094	7,925,627	4,744,520	3,666,517	3,876,944	2,936,493	1,844,092
Transfers out	(5,034)	(886,123)	(126,856)	(2,373,094)	(7,925,627)	(4,744,520)	(3,666,517)	(3,876,944)	(2,936,493)	(1,844,092)
Total other financing sources (uses)	<u>\$ 23,752</u>	<u>\$ 29,188</u>	<u>\$ 224,386</u>	<u>\$ 14,635,178</u>	<u>\$ 348,422</u>	<u>\$ 313,220</u>	<u>\$ 208,531</u>	<u>\$ -</u>	<u>\$ 5,879,849</u>	<u>\$ 168,000</u>
Net change in fund balances	<u>\$ 838,033</u>	<u>\$ 961,175</u>	<u>\$ 1,011,634</u>	<u>\$ 18,221,193</u>	<u>\$ (2,946,651)</u>	<u>\$ (2,930,725)</u>	<u>\$ (3,295,853)</u>	<u>\$ (3,404,849)</u>	<u>\$ 1,799,155</u>	<u>\$ (300,402)</u>
Debt service as a percentage of non-capital expenditures	2.8%	3.0%	3.4%	8.7%	6.4%	7.9%	16.4%	15.9%	11.8%	14.6%

Note: *Property Tax Reassessment in Fiscal Year 2005 for Tax Year 2004 and in Fiscal Year 2010 for Tax Year 2009.

Schedule 6
Town of Bluffton, SC
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	State Accommodations Tax	Local Accommodations Tax	Local Hospitality Tax	Total
2003	\$ 230,624	\$ -	\$ -	\$ 51,991	\$ 282,615
2004	395,782	-	-	57,560	453,342
2005	793,749	-	22,854	77,082	893,685
2006	1,670,715	99,724	176,677	328,707	2,275,823
2007	2,973,010	103,787	201,672	858,632	4,137,101
2008	3,811,999	150,517	255,480	839,043	5,057,039
2009	4,706,019	101,965	171,466	842,172	5,821,622
2010	5,245,883	100,075	171,842	846,596	6,364,396
2011	5,152,002	160,372	211,054	953,182	6,476,610
2012	5,233,427	194,910	243,085	1,076,321	6,747,743
Change 2003-2012	2169.2%	N/A	N/A	1970.2%	2287.6%

Source: Town Finance Department

Notes: The Town imposed a 2% local Hospitality Tax on prepared foods and beverages in 2002.
The Town imposed a 3% local Accommodations Tax on lodging in 2004.
Additionally, the State of South Carolina imposes a 2% Accommodations Tax of which a portion is distributed to the Town on a quarterly basis.

Schedule 7
Town of Bluffton, SC
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Tax Year	Real & Personal Property		Motor Vehicles		Total Taxable		Total Direct Tax Rate	Taxable Assessed Value as a Percentage of Estimated Actual Taxable Value
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2003	2002	\$ 4,156,084	\$ 72,248,997	\$ 319,730	\$ 4,263,067	\$ 4,475,814	\$ 76,512,064	49.0	5.85%
2004	2003	7,019,124	129,183,432	675,120	9,001,600	7,694,244	138,185,032	49.0	5.57%
2005	2004	18,762,877	361,354,504	1,163,862	15,518,160	19,926,739	376,872,664	42.0	5.29%
2006	2005	37,050,380	721,764,420	1,776,284	23,683,787	38,826,664	745,448,207	42.0	5.21%
2007	2006	71,379,697	1,368,824,010	3,473,573	46,314,307	74,853,270	1,415,138,316	42.0	5.29%
2008	2007	91,606,794	1,760,140,210	4,545,857	75,764,283	96,152,651	1,835,904,493	40.0	5.24%
2009	2008	117,639,926	2,240,638,874	4,988,255	83,137,583	122,628,181	2,323,776,458	40.0	5.28%
2010	2009	131,730,227	2,476,463,407	5,293,319	88,221,983	137,023,546	2,564,685,390	38.0	5.34%
2011	2010	130,372,943	2,464,735,850	6,093,820	101,563,667	136,466,763	2,566,299,517	38.0	5.32%
2012	2011	130,578,732	2,489,307,650	6,372,315	106,205,250	136,951,047	2,595,512,900	38.0	5.28%

Source: Beaufort County Assessor's Office.

Note: Property in Beaufort County is reassessed once every five years on average. The last reassessment was tax year 2009. Currently, the county assesses property at 6% and 4% of actual value for real property, 10.5% for personal property, and 6% for motor vehicles. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per \$1,000 of assessed value.

Schedule 8
Town of Bluffton, SC
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per thousand of assessed value)

Fiscal Year	Tax Year	Town Direct Rates			Overlapping Rates						Total Rate
		General Fund	Debt Service	Total Direct Rate	County Operations	County Debt	County Schools Operations	County Schools Debt	Bluffton Fire District	Total Overlapping Rate	
2003	2002	49.0	-	49.0	46.8	7.2	113.0	22.2	23.1	212.3	261.3
2004	2003	49.0	-	49.0	50.8	7.2	114.2	22.2	26.1	220.5	269.5
2005	2004*	42.0	-	42.0	38.7	5.4	79.7	19.0	18.6	161.4	203.4
2006	2005	42.0	-	42.0	39.7	5.4	82.0	19.0	20.2	166.3	208.3
2007	2006	42.0	-	42.0	39.2	5.4	96.2	17.0	21.0	178.8	220.8
2008	2007	40.0	-	40.0	41.6	5.8	104.7	22.6	22.0	196.7	236.7
2009	2008	40.0	-	40.0	47.9	4.0	102.6	28.0	22.7	205.2	245.2
2010	2009*	38.0	-	38.0	42.3	3.6	90.3	24.4	20.1	180.7	218.7
2011	2010	35.7	2.3	38.0	43.0	4.6	90.3	28.0	20.1	185.9	223.9
2012	2011	35.7	2.3	38.0	44.1	4.4	91.3	28.0	20.5	188.3	226.3

Source: Beaufort County Auditor's Office and Town Finance Department

* Represents Reassessment and millage rollback

Notes: The Town's basic property tax rate may be increased only by a majority vote of Town Council after sufficient public notice has been provided to the citizens. State legislature limits the millage rate increase for general operating purposes to the region's average CPI for the January through December period of the prior year plus estimated population growth.

Overlapping rates are those of local and county governments that apply to property owners within the Town of Bluffton in addition to those imposed directly by the Town itself. Not all overlapping rates apply to all of the Beaufort County School District property owners. Beginning with Tax Year 2006, a 1% statewide sales tax was used to pay the operating expenses that would otherwise have been paid by owner occupied residents as a part of their millage rate. Prior to Tax Year 2006, the owner occupied and non-owner occupied rates were the same. Whereas currently, the Beaufort County School rates apply only to non-owner occupied properties.

**Schedule 9
Town of Bluffton, SC
Principal Property Tax Payers
Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>Fiscal Year 2012 Tax Year 2011</u>			<u>Fiscal Year 2003 Tax Year 2002</u>		
	<u>Total Assessed Value</u>	<u>Rank¹</u>	<u>Percentage of Total Town Taxable Assessed Value</u>	<u>Total Assessed Value</u>	<u>Rank¹</u>	<u>Percentage of Total Town Taxable Assessed Value</u>
South Carolina Electric & Gas	\$ 3,944,850	1	2.88%	\$ 507,310	1	11.33%
Palmetto Electric Cooperative	1,728,320	2	1.26%	365,248	3	8.16%
May River Forest LLC	4,022,150	3	2.94%			
Bluffton Telephone Company	1,195,820	4	0.87%	164,150	7	3.67%
Palmetto Bluff Lodge LLC	1,173,810	5	0.86%			
JP Morgan Chase Commercial Mortgage	1,129,320	6	0.82%			
NHC Healthcare/Bluffton LLC	955,300	7	0.70%			
Hampton Lake LLC	2,921,380	8	2.13%			
Crowne Old Carolina LLC	783,030	9	0.57%			
Rose Canyon Bluffton LLC	541,090	10	0.40%			
BRE Mariner Belfair Town Village LLC				506,653	2	11.32%
DJM Properties LLC				282,000	4	6.30%
Carolina House of Bluffton				232,185	5	5.19%
The Kroger Co.				225,560	6	5.04%
Quinnco-D'Amico Shults LLC				172,812	8	3.86%
East Coast Newspaper Inc.				158,974	9	3.55%
Hargay Telephone Company				97,080	10	2.17%
Total	\$ 18,395,070		13.43%	\$ 2,711,972		48.58%

Source: Beaufort County Assessor's Office

¹**Note:** The rankings are based on total taxes paid and not the total assessed value.

**Schedule 10
Town of Bluffton, SC
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2003	2002	\$ 219,315	\$ 227,604	103.78%	n/a	\$ 227,604	103.78%
2004	2003	377,018	391,928	103.95%	n/a	391,928	103.95%
2005	2004	836,923	774,119	92.50%	n/a	774,119	92.50%
2006	2005	1,630,720	1,655,762	101.54%	n/a	1,655,762	101.54%
2007	2006	3,143,837	2,950,990	93.87%	n/a	2,950,990	93.87%
2008	2007	3,846,106	3,703,569	96.29%	72,109	3,775,678	98.17%
2009	2008	4,905,127	4,555,641	92.88%	287,529	4,843,170	98.74%
2010	2009	5,176,582	4,875,274	94.18%	172,822	5,048,096	97.52%
2011	2010	5,100,085	4,899,168	96.06%	153,203	5,052,371	99.06%
2012	2011	5,293,555	4,976,802	94.02%	-	4,976,802	94.02%

Source: Beaufort County Treasurer's Office and Finance Department.

Note: Penalties associated with delinquent collections are not included in this schedule. For fiscal years 2003 through 2007, information for collections in subsequent years is not available. Therefore, delinquent collections are shown in the year collected and may result in collection percentages exceeding 100%. Information relative to collections in subsequent years is available beginning with fiscal year 2008.

Schedule 11
Town of Bluffton, SC
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Town Direct Rate</u>	<u>Beaufort County</u>	<u>South Carolina</u>
2003	0%	0%	5%
2004	0%	0%	5%
2005	0%	0%	5%
2006	0%	0%	5%
2007	0%	1%	6% *
2008	0%	1%	6%
2009	0%	1%	6%
2010	0%	1%	6%
2011	0%	1%	6%
2012	0%	1%	6%

Sources: Beaufort County and Town Finance Department

Note: *State of South Carolina's sales tax increase effective 06-01-07.

Schedule 12
Town of Bluffton, SC
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Revenue Bonds	Retirement Notes Payable	Other Notes Payable	Intergovernmental Agreement Payments	Capital Leases	Total	Percentage of Personal Income^a	Per Capita^a
2003	\$ 160,000	\$ -	\$ -	\$ -	\$ -	\$ 36,321	\$ 196,321	4.39%	79
2004	140,000	-	-	-	-	39,878	179,878	3.86%	68
2005	120,000	-	105,903	-	-	186,086	411,989	7.93%	141
2006	100,000	14,000,000	89,352	-	7,750,000	375,599	22,314,951	396.00%	4,568
2007	80,000	14,000,000	80,324	-	3,710,000	520,681	18,391,005	290.72%	2,884
2008	60,000	14,000,000	70,756	-	2,970,000	449,079	17,549,835	262.69%	1,360
2009	40,000	13,450,000	60,612	-	2,230,000	313,945	16,094,557	230.82%	1,188
2010	20,000	12,875,000	49,859	-	1,490,000	137,346	14,572,205	215.60%	1,163
2011	6,500,000	11,870,000	38,463	-	750,000	-	19,158,463	277.00%	1,529
2012	6,500,000	11,240,000	-	-	-	168,000	17,908,000	258.92%	1,406

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

^aSee Schedule 17 for personal income and population data. These ratios are calculated using personal income for the prior calendar year.

**Schedule 13
Town of Bluffton, SC
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Total Gross	Exempt from Debt Limit	Total Net	Percentage of Actual Taxable Value^a of Property	Per Capita^b
2003	\$ 160,000	\$ 160,000	\$ -	\$ 160,000	0.22%	64
2004	140,000	140,000	-	140,000	0.11%	53.21
2005	120,000	120,000	-	120,000	0.03%	40.96
2006	100,000	100,000	-	100,000	0.01%	20.47
2007	80,000	80,000	-	80,000	0.01%	12.55
2008	60,000	60,000	-	60,000	0.00%	4.65
2009	40,000	40,000	-	40,000	0.00%	2.95
2010	20,000	20,000	-	20,000	0.00%	1.39
2011	6,500,000	6,500,000	-	6,500,000	0.26%	518.75
2012	6,500,000	6,500,000	-	6,500,000	0.26%	510

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

^aSee Schedule 7 for property value data.

^bSee Schedule 17 for personal income and population data.

Schedule 14
Town of Bluffton, SC
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Beaufort County School District	\$ 349,569,621	7.6%	\$ 26,567,291
Beaufort County General Obligation Debt	250,325,000	7.6%	19,024,700
Subtotal, overlapping debt			<u>45,591,991</u>
Town direct debt			<u>17,908,000</u>
Total direct and overlapping debt			<u><u>\$ 63,499,991</u></u>

Sources: Beaufort County and Town Finance Department the Beaufort County Assessor's Office.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Bluffton. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--and, therefore, responsible for repaying the debt--of each overlapping government. The assessed values used to estimate applicable percentages as provided by the Beaufort County Assessor's Office.

**Schedule 15
Town of Bluffton, SC
Legal Debt Margin Information
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 136,951,047
Debt Limit (8% of assessed value)	10,956,084
Debt applicable to limit	(6,500,000)
Legal Debt Margin (without a Referendum)	<u><u>\$ 4,456,084</u></u>

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 358,065	\$ 615,540	\$ 1,594,139	\$ 3,106,133	\$ 5,988,262	\$ 7,692,212	\$ 9,810,254	\$ 10,961,884	\$ 10,917,341	\$ 10,956,084
Total net debt applicable to limit	160,000	140,000	120,000	100,000	80,000	60,000	40,000	20,000	6,500,000	6,500,000
Legal debt margin	198,065	475,540	1,474,139	3,006,133	5,908,262	7,632,212	9,770,254	10,941,884	4,417,341	4,456,084
Total net debt applicable to the limit as a percentage of debt limit	44.68%	22.74%	7.53%	3.22%	1.34%	0.78%	0.41%	0.18%	59.54%	59.33%

Note: Article Ten (X), Section Fourteen (14), of the South Carolina Constitution of 1895 as amended provides that a City or Town shall incur General Obligation Debt over the eight percent (8%) limit when approved by a majority vote of the qualified electors of the political subdivision voting in a referendum authorized by law. There shall be no conditions or restrictions limiting the incurring of such indebtedness except:

- a. Those restrictions and limitations imposed in the authorization to incur such indebtedness;
- b. The provisions of Article Ten (X), Section Fourteen (14); and
- c. Such general obligation debt shall be issued within five (5) years of the date of such referendum and shall mature within forty (40) years from the time such indebtedness shall be incurred.

Schedule 16
Town of Bluffton, SC
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Tax Increment Bonds				
	Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2003	\$ -	\$ -	\$ -	\$ -	-
2004	-	-	-	-	-
2005	-	-	-	-	-
2006	235,591 ¹	-	235,591	235,591	1.00
2007	274,618	-	546,200	546,200	0.50
2008	556,722	-	546,200	546,200	1.02
2009	988,017	550,000	535,472	1,085,472	0.91
2010	1,137,874	575,000	513,526	1,088,526	1.05
2011	1,120,407	-	210,623	210,623	5.32
2012	1,221,889	630,000	370,916	1,000,916	1.22

Note: Revenue includes property taxes and MID (Municipal Improvement District) fees only.

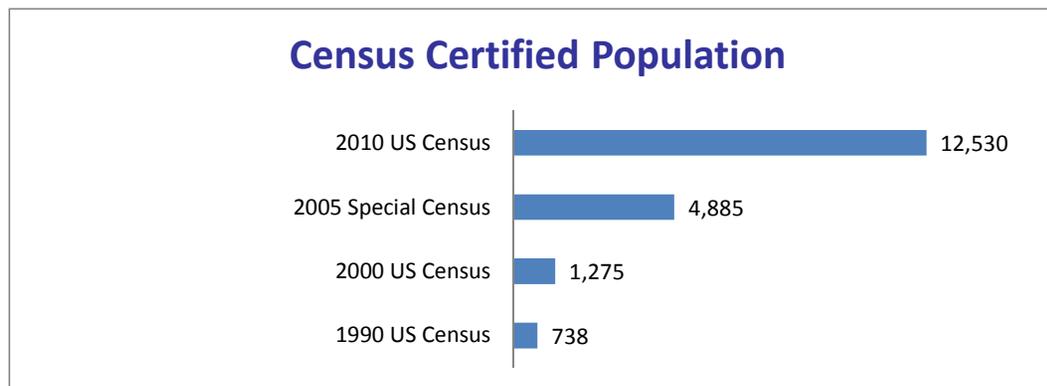
¹ First year represents transfer in.

Schedule 17
Town of Bluffton, SC
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Personal Income* (\$000's)	Per Capita Personal Income*	Town of Bluffton School Enrollment	Beaufort County School Enrollment	Annual Unemployment Rate*
2002	2,483	4,468,099	34,559	1,942	17,604	4.2%
2003	2,631	4,655,361	35,538	2,059	17,911	4.8%
2004	2,930	5,193,821	38,097	3,496	18,364	5.0%
2005	4,885	5,635,079	39,824	3,721	18,974	4.9%
2006	6,377	6,325,937	42,971	4,052	19,229	4.7%
2007	12,902	6,680,773	44,123	4,423	19,221	4.3%
2008	13,544	6,972,712	44,583	4,625	19,067	5.3%
2009	14,358	6,758,879	42,313	5,256	19,525	8.9%
2010	12,530	6,916,393	42,430	5,345	19,626	9.1%
2011	12,734	n/a	n/a	4,913	19,953	8.7%

*Town of Bluffton data not available due to low population; Beaufort County data provided alternatively.

Sources: Population for 2005 and 2010 provided by U.S. Census Bureau; Population for remaining years are estimates only as provided by the Census Bureau's Population Division; Personal Income provided by U.S. Department of Commerce, Bureau of Economic Analysis; Unemployment rate provided by U.S. Department of Labor, Bureau of Labor and Statistics.



**Schedule 18
Town of Bluffton, SC
Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	2012			2003		
	<u># of Employees</u>	<u>Rank</u>	<u>% of Total Town Employment</u>	<u># of Employees</u>	<u>Rank</u>	<u>% of Total Town Employment</u>
Beaufort County School District (Bluffton only)	504	1	n/a	n/a	n/a	n/a
CareCore National, LLC	419	2	n/a	n/a	n/a	n/a
Inn at Palmetto Bluff	300	4	n/a	n/a	n/a	n/a
Hargray	174	5	n/a	n/a	n/a	n/a
Publix	174	3	n/a	n/a	n/a	n/a
Kroger	115	6	n/a	n/a	n/a	n/a
Town of Bluffton	104	8	n/a	n/a	n/a	n/a
Bluffton Township Fire District	102	7	n/a	n/a	n/a	n/a
Outback Steakhouse	80	9	n/a	n/a	n/a	n/a
Jim N Nick's Restaurant	75	10	n/a	n/a	n/a	n/a
Total	<u>2,047</u>		<u>n/a</u>	<u>n/a</u>		<u>n/a</u>

Source: Beaufort Regional Chamber of Commerce and Town's Finance Department

Notes: n/a = not available

Schedule 19
Town of Bluffton, SC
Full-time-Equivalent Town Government Employees by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
Administration	4.0	4.0	4.0	7.0	2.0	4.0	2.0	0.0	0.0	0.0
Information Technology	0.0	0.0	0.0	0.0	0.0	0.0	2.0	4.0	4.0	3.5
Municipal Court	1.0	1.0	2.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0
Executive	0.0	0.0	0.0	0.0	7.0	8.0	7.0	5.0	3.0	3.0
Don Ryan Center for Innovation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Human Resources	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0
Finance	1.0	3.0	3.0	5.0	5.0	6.0	6.0	6.0	7.0	7.0
Growth Management Administration	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	4.0	3.0
Planning & Environmental Sustainability	4.0	7.0	8.0	10.0	8.0	13.0	10.0	5.0	5.0	5.0
Environmental Protection										
Environmental Protection	0.0	0.0	0.0	0.0	0.0	7.0	6.0	0.0	0.0	0.0
Stormwater Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.5
Engineering										
Project Management	0.0	0.0	0.0	0.0	8.5	4.5	6.5	6.5	9.0	7.0
Public Works										
Facilities/Asset Management	1.0	3.0	3.0	5.0	5.0	5.0	4.0	6.0	8.0	8.0
Public Safety										
Police	10.0	11.0	15.0	28.0	33.0	36.0	38.0	39.0	40.0	40.0
Building Safety	0.0	0.0	0.0	0.0	0.0	4.0	5.0	10.0	7.0	8.0
Total	21.0	29.0	35.0	60.0	73.5	91.5	90.5	89.5	93.0	97.0

Source: Town Finance Department

Note: Data represents the number of employees ending June 30 each year. A full-time equivalent is a measurement equal to one employee working a full-time schedule for one year and does not include Mayor and Council.

Schedule 20
Town of Bluffton, SC
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
Business licenses issued	353	575	795	1,274	2,214	2,207	2,208	2,280	1,961	2,263
Hospitality Tax remitters	n/a	n/a	n/a	n/a	58	81	81	89	100	108
Accommodations Tax remitters	-	-	2	4	4	4	5	4	4	10
Court case counts	2,878	3,790	4,131	3,420	6,928	5,251	8,302	8,242	6,514	6,466
Jury trial counts	n/a	n/a	n/a	2	5	-	6	5	5	4
Planning and Community Development applications issued	207	190	127	377	334	294	260	183	254	296
Environmental Protection/Stormwater Management										
Certificates of compliance	n/a	n/a	n/a	29	49	46	30	17	8	7
Notices to comply	n/a	n/a	n/a	6	183	176	151	117	15	49
Stop work orders	n/a	n/a	n/a	1	-	1	-	-	-	-
Citations	n/a	n/a	n/a	n/a	11	30	13	-	-	-
Outreach/Education (# of people)	n/a	n/a	n/a	n/a	1,483	834	996	1,250	1,366	1,508
Public Safety										
Police calls for service	n/a	n/a	7,000	14,000	18,155	18,477	23,543	34,000	35,864	32,102
Domestic calls	n/a	n/a	293	536	732	428	657	915	558	674
Traffic collisions	n/a	n/a	364	1,041	787	820	693	1,011	1,012	960
Citations	n/a	n/a	4,011	5,107	5,818	8,064	10,886	11,724	9,828	11,094
Arrests	n/a	n/a	350	609	919	1,083	1,216	1,510	1,231	1,023
Reports	n/a	n/a	1,246	2,754	3,005	2,859	2,978	3,976	3,656	2,910
Building permit counts	372	424	489	1,509	1,175	699	682	657	695	803
Development permits Issued	28	35	29	56	64	39	21	17	11	28
Construction site inspections	n/a	5,415	5,722	6,402						
Tree removal permits issued	n/a	n/a	n/a	n/a	42	45	56	45	47	61
Public Projects & Facilities										
# of capital improvement projects to manage	4	2	2	5	17	20	18	16	21	24
# of parks to maintain	3	3	4	4	4	6	6	6	7	7
# of pathways to maintain	7	7	7	7	9	11	12	12	13	14

Source: Town departments

Note: n/a = not available

Schedule 21
Town of Bluffton, SC
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
Town-owned parcels	8	9	10	11	19	26	27	27	28	27
Town-owned property acreage	303	313	400	409	419	544	551	551	571	564
Town vehicles	1	1	1	1	1	1	2	3	2	2
Environmental Protection/Stormwater Management										
Town vehicles	-	-	-	-	2	3	3	-	-	3
Engineering										
Town vehicles	-	-	-	1	1	4	5	4	4	2
Public Works										
Town vehicles	1	1	2	3	3	5	5	6	5	5
Dump Truck	-	-	-	-	-	-	-	-	-	1
Public Safety										
Town vehicles (Building Safety)	-	-	-	-	-	1	3	4	3	3
Police vehicles	5	6	11	22	31	38	42	42	41	47
Police mobility vehicles	-	-	-	-	-	-	-	2	2	2
Public Projects & Facilities										
Streets (miles)	0.44	0.44	0.44	0.44	2.70	3.26	3.51	3.51	3.81	3.81
Pathways (miles)	3.64	3.64	3.64	3.64	5.21	5.77	5.77	5.77	5.77	7.13
Parks (count)	3	3	4	4	4	6	6	6	7	7

Source: Facilities/Asset Management and Finance Department

**Town of Bluffton
Municipal Fines, Assessments and Surcharges
For Year Ended June 30, 2012**

Fines and Fees Collected	\$ 178,394.24
Assessments Collected	161,276.27 *
Surcharges Collected	81,975.04
Assessments Collected for Victim Services	20,177.59 *
Surcharges Collected for Victim Services	3,474.61
Total fines, assessments and surcharges collected	<u>\$ 445,297.75</u>

Fines and Fees retained by the Town	\$ 172,189.02
Assessments retained by the Town	-
Surcharges retained by the Town	-
Assessments for Victim Services retained by the Town	20,177.59 *
Surcharges for Victim Services retained by the Town	3,474.61
Total fines, assessments and surcharges retained by the Town	<u>\$ 195,841.22</u>

Fines and Fees remitted to State Treasurer	\$ 5,808.49
Assessments remitted to State Treasurer	160,276.27 *
Surcharges remitted to State Treasurer	81,975.04
Total fines, assessments and surcharges remitted to State Treasurer	<u>\$ 248,059.80</u>

*\$1,400 received from Traffic Education in July for June.
Remitted to State with July Monthly Remittance.

Note: This schedule is required by SC 14-1-208E and is an annual reconciliation of amounts collected and remitted to State Treasurer on the State Treasurer's monthly remittance form.

Town of Bluffton
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of the Interior - National Park Service	15.904	45-08-AP-4135	\$ 48,648
U.S. Department of Transportation - Federal Highway Administration			
Pass-through programs from:			
South Carolina Department of Transportation			
ARRA - Highway Planning and Construction	20.205	07Q220DT10012	91,731
U.S. Environmental Protection Agency			
Pass-through programs from:			
South Carolina Department of Health and Environmental Control			
Nonpoint Source Implementation Grants Section 319(h)	66.460	EQ-9-946	53,143
U.S. Department of Housing and Urban Development			
Pass-through programs from:			
South Carolina Department of Commerce			
Community Development Block Grant	14.228	#4-CI-09-002	494,190
Community Development Block Grant	14.228	#4-V-10-004	41,570
Pass-through programs from:			
South Carolina State Housing Finance and Development Authority			
Neighborhood Stabilization Program (Partnership with Beaufort Housing Authority (listed subrecipient))	14.228	08NSP-112	319,379
Subtotal CDBG - State-Administered Small Cities Program Cluster			<u>855,139</u>
Pass-through programs from:			
Lowcountry Regional HOME Consortium			
HOME Investment Partnership Program	14.239	M09-DC-45-0210	150,000
Subtotal U.S. Department of Housing and Urban Development			<u>1,005,139</u>
U.S. Department of Justice			
ARRA - COPs Hiring Recovery Program	16.710	2009RKWX0741	120,489
Bullet Proof Vest Partnership Program	16.607		7,435
Subtotal U.S. Department of Justice			<u>127,924</u>
Total expenditures of federal awards			<u>\$ 1,326,585</u>

See accompanying notes to this schedule of expenditures of federal awards.

Town of Bluffton
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Bluffton under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Town of Bluffton, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Bluffton.

Note 2 – Summary of Significant Accounting Policies

- (a) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (b) Pass-through entity identifying numbers are presented where available.

KARP, RONNING & TINDOL

CERTIFIED PUBLIC ACCOUNTANTS

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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 Mayor and Members of the Town Council
Town of Bluffton, South Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bluffton, South Carolina (Town), as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 12, 2012. 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.

Internal Control Over Financial Reporting

Management of the Town of Bluffton, South Carolina, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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 Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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*.

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Karp, Renning & Tindol, P.C.

November 12, 2012

KARP, RONNING & TINDOL

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Mayor and Members of the Town Council
Town of Bluffton, South Carolina

Compliance

We have audited the Town of Bluffton, South Carolina's (Town) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2012. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town'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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Town'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kap, Renning & Tindal, P.C.

November 12, 2012

I. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. Summary of Auditors' Results

Financial Statements

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Town of Bluffton, South Carolina (Town)
2. Internal control over financial reporting:
 - a Material weakness(es) identified? _____ yes X no
 - b Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

4. Internal control over major programs:
 - a Material weakness(es) identified? _____ yes X no
 - b Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
5. The auditors' report expresses an unqualified opinion for all major programs.
6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

7. The programs tested as major programs include:

Program	CFDA No.
Community Development Block Grant	14.228
Neighborhood Stabilization Program (NSP1)	14.228

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town was determined to be a low-risk auditee.

B. FINDINGS AND QUESTIONED COSTS--FINANCIAL STATEMENTS AUDIT

None reported

C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported

II. STATUS OF PRIOR YEAR MAJOR FEDERAL AWARD PROGRAMS AUDIT FINDINGS

None reported