

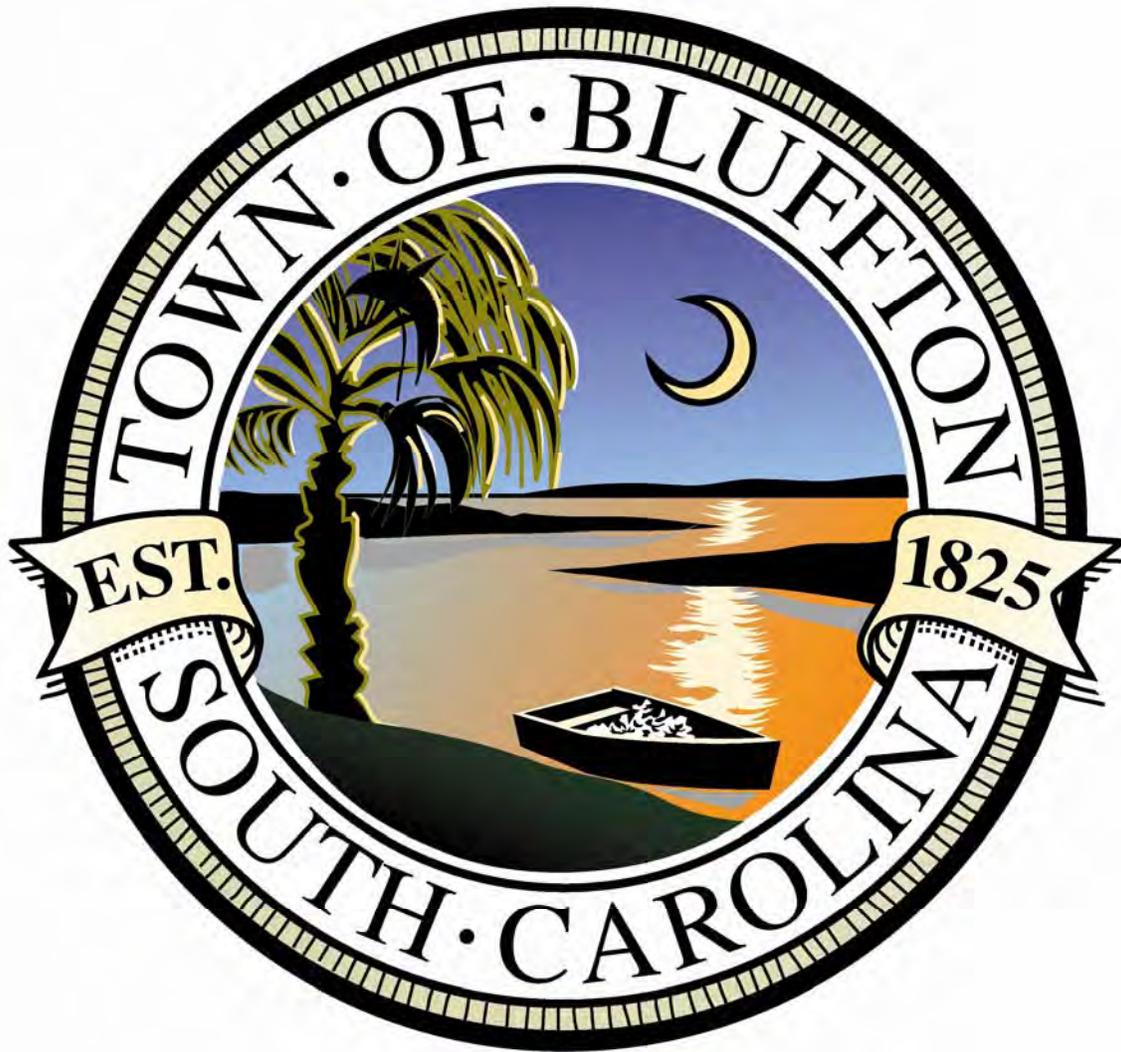
TOWN OF BLUFFTON, SOUTH CAROLINA COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2011



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

For the Year Ended June 30, 2011



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, 2011
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Lisa Sulka
Mayor

Fred Hamilton Jr.
Mayor Pro Tempore

Anthony Barrett
Town Manager



Council Members
Michael Raymond
Oliver Brown
Allyne Mitchell

Sandra Lunceford
Town Clerk

December 2, 2011

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, 2011.

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, 2011. 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, GA. 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 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 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 with population projections of 25,000 in the next five years. The 2010 U.S. Census Bureau shows Bluffton has approximately 12,530 citizens.

Local Economy

According to the U.S. Census Bureau of 1999, median family income for the Town of Bluffton was \$48,611. Although annual estimates for the Town are not available, the County's latest per capita income was the highest in the state of South Carolina at \$42,198, well above the state average of \$32,505.

With the number of businesses licensed at an all time high of 2,280 during the previous fiscal year, the licensed businesses decreased to 1,961 at June 30, 2011. This represents a 14% decrease in the number of businesses. However, the gross receipts revenue increased slightly by 1.7%.

CareCore National opened its second building in Bluffton's Buckwalter Place in late 2010. The 32,000 square foot addition to the company's corporate headquarters will house its management, finance, and legal teams along with other departments. CareCore is one of the nation's leaders in specialty benefit healthcare management. With this expansion, CareCore can now accommodate over 500 positions in its Bluffton facility.

Buckwalter Place is planned to become the focus and nexus of a significant amount of economic, commercial, governmental, educational, entertainment, social and cultural activity in southern Beaufort County.

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

This spring, the Town opened its new law enforcement facility in Buckwalter Place. The 20,000 square foot state-of-the-art environmentally sustainable facility was designed for lower energy consumption and includes new holding cells, new technology spaces, and a crime lab. This Category 3 building is designed to be used for emergency services for the surrounding areas.

Stormwater Management

The Town has dedicated 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 2011, Town staff:

- Enforced the recently revised stormwater ordinance and design manual that implements leading technologies to protect the Town's water bodies.
- Conducted 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.
- Implemented nearly a dozen projects as part of a multi-year EPA Clean Water Act Section 319 Grant awarded by the SC Department of Health and Environmental Control which began in Fiscal Year 2010 and will be completed in Fiscal Year 2012.
- Developed the May River Watershed Action Plan as a means for long-term restoration, protection, and preservation of water quality in the May River.

The Town partnered with Beaufort County on the implementation of an Intergovernmental Agreement for Watershed Planning in Beaufort County starting with the May River Watershed. Additionally, staff continued to work closely with the stakeholder group, May River Waterbody Management Plan Implementation Committee, to ensure the top priorities identified in the Waterbody Management Plan are incorporated into the May River Watershed Action Plan over the next year.

Revitalization Efforts

In April of 2011, the U.S. Environmental Protection Agency (EPA) named the Town of Bluffton as one of 32 communities across 26 states to be initial participants in the Sustainable Communities Building Blocks Program. EPA provides technical assistance to identify essential smart growth fixes for urban and suburban zoning codes.

In accordance with the Town of Bluffton Comprehensive Plan and the Buck Island-Simmonsville (BIS) Neighborhood Plan, the Town continued to implement infrastructure projects authorized under the Capital Improvements Program. Construction was completed on Phase 1 of the BIS Sewer Project serving the northwest quadrant of the neighborhood. This project, funded in part by a \$500,000 Community Development Block Grant (CDBG), provided access to sewer for 263 people in 75 households.

In collaboration with Beaufort-Jasper Water & Sewer Authority (BJWSA), the Town obtained another \$500,000 in CDBG funding for Phase 2 of the BIS Sewer Project. As of the end of the fiscal year, work had been completed on the engineering, easements were acquired, permits obtained, and the construction work was put out to bid. The construction contract was awarded to J. H. Hiers Construction and the installation of sewer infrastructure is currently in progress.

The BIS Neighborhood Plan also recommended the installation of sidewalks or pathways as priority infrastructure needs, and the Town successfully pursued \$500,000 under a special CDBG program called Village Renaissance. This project (referred to as BIS Sidewalks, Lighting and Sewer) will provide pedestrian access and related items in the northern part of the neighborhood. By the end of the fiscal year, work had been completed on routing, preliminary design, wetland delineation, and environmental clearance. Tasks related to design, permitting, and easement acquisition are currently underway.

The Town was awarded a \$727,940 Neighborhood Stabilization Program Grant which is funded through the Housing and Economic Recovery Act of 2008. The multi-year program is directed towards stabilizing neighborhoods that are in jeopardy due to high foreclosure rates and blighted influences. The Town's targeted uses for the grant funds during Fiscal Years 2010 and 2011 were the acquisition and redevelopment of sites for affordable housing and the demolition and removal of abandoned and/or blighted structures. A staff team was created to evaluate any abandoned structures in the Town limits to determine priorities and need for demolition. This staff team, referred to as R-3 Demolition Team, includes members from police, planning, building safety, and facilities management.

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 2011, there were 20 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.

Long-term Financial Planning

The Town began developing long-range financial plans in 2006. Town staff prepared the forecasts based largely on the experience the Town had in the prior years and growth 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 action were taken.

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 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.

Other Points

Moody's bond rating is Aa2.

Standard and Poor's bond rating is AA-.

On July 8, 2010, the Town issued \$6,500,000 of general obligation bonds for the new law enforcement center. Debt Service is funded by a 2.3 mills reduction of the General Fund millage from 38 mills to 35.7.

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, 2010. This was the third 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.

Mayor, Council, and Citizens
Page Six
December 2, 2011

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, 2011

Elected Officials

Mayor: The Honorable Lisa Sulka

Council:

Fred Hamilton, Jr. – Mayor Pro Tempore
Oliver Brown
Allyne Mitchell
Michael Raymond

Appointed Officials

Anthony Barrett – Town Manager

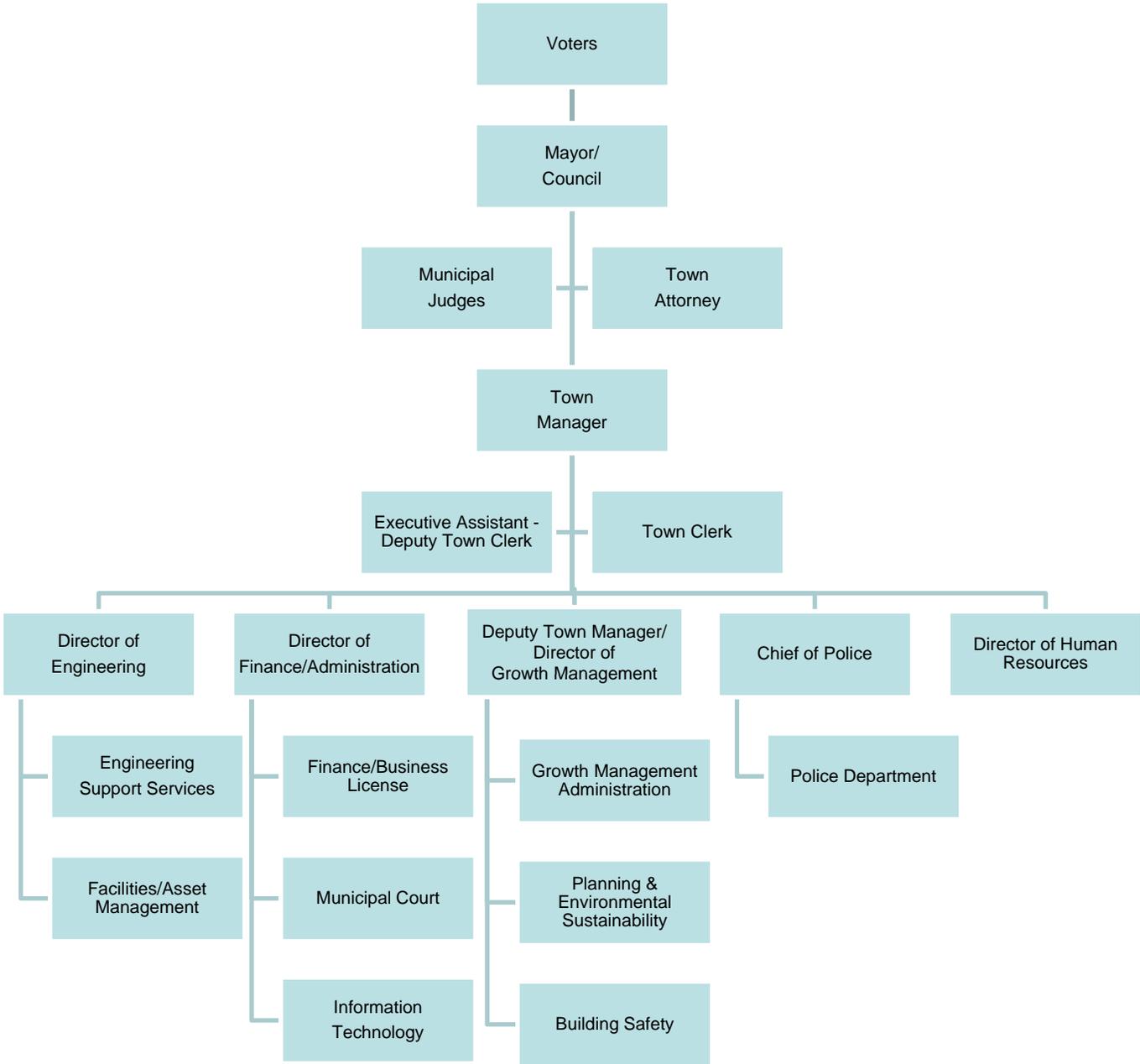
Terry A. Finger – Town Attorney

Senior Management

Marc Orlando
Bob Fletcher
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, 2010

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.



President

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, 2011, 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, 2011, and the respective changes in financial position 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 December 2, 2011, 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 12 through 21 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 individual and combining 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.

December 2, 2011

Town of Bluffton
Management's Discussion and Analysis
June 30, 2011

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, 2011. 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 6 of this report.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$18,362,037 (*net assets*). Of this amount, \$4,609,087 (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 \$686,096 or 4% for Fiscal Year 2011.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$10,800,047, an increase of \$1,799,155 in comparison with the prior year. Approximately 22% percent of this total amount, or \$2,333,024, 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 \$2,333,024 or 24% percent of total General Fund expenditures for the fiscal year.
- The Town's total debt increased by \$4,641,139 (30%) during the current fiscal year. The key factor in this increase was the issuance of \$6.5 million dollars in general obligation bonds. The Town incurred a premium of \$379 on the new \$6.5 million General Obligation bond issue in July 2010 and a discount of \$3,500 on the current refunding of the Tax Increment Financing (TIF) revenue bond issue in November of 2010.
- The Town of Bluffton's first bond rating achieved 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.

The Government-wide Financial Statements can be found on pages 22 and 23 of this report.

Town of Bluffton
Management's Discussion and Analysis
June 30, 2011

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, and the Debt Service 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 adopts an annual budget for its General Fund, Capital Improvements Program Fund, and the Debt Service Fund. 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. 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 24 through 27 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 28 through 46 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. Combining and individual fund statements and schedules can be found on pages 47 through 51 of this report.

Town of Bluffton
Management's Discussion and Analysis
June 30, 2011

Government-wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2011 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
	2011	2010	
Current and other assets	\$ 12,318,749	\$ 11,550,624	7%
Capital assets, <i>restated</i>	26,553,421	22,839,537	16%
Total assets	<u>38,872,170</u>	<u>34,390,161</u>	13%
Current and other liabilities	2,625,127	3,645,757	(28%)
Long-term liability outstanding	17,885,006	13,068,463	37%
Total liabilities	<u>20,510,133</u>	<u>16,714,220</u>	23%
Net assets:			
Invested in capital assets, net of related debt, <i>restated</i>	8,600,498	9,807,190	(12%)
Restricted	5,152,452	214,401	2,303%
Unrestricted	4,609,087	7,654,350	(40%)
Total net assets, <i>restated</i>	<u>\$ 18,362,037</u>	<u>\$ 17,675,941</u>	4%

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 \$18,362,037 as of June 30, 2011. The Town's overall financial position improved and net assets increased by \$686,096 or 4% during Fiscal Year 2011.

The Town increased its net capital assets by \$3,713,884 as a result of investments in new Building and Grounds Facilities and the Law Enforcement Center. The \$1,020,630 decrease in current and other liabilities is related to the equipment and vehicle lease retirement and the \$740,000 payment to Beaufort County for the intergovernmental loan for the construction of the Bluffton and Buckwalter Parkways. The \$4,816,543 increase in the Town's long-term liabilities was related to the issuance of the \$6.5 million 2010 General Obligation Bonds to finance the construction of the Law Enforcement Center and other capital improvement projects. Proceeds of \$413,956 remain to be spent in 2012. These elements contributed to the \$1,206,692 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 capital asset donations, special revenue increases and the Town's efforts to control the spending of operating revenues within the currently unstable economic environment. The Town's restricted net assets represent resources subject to external restrictions on how they may be used. The increase from prior year is due to a reclassification based on the guidance used to adopt GASB Statement #54 in Fiscal Year 2011 and resulted in a disclosure of restricted assets for Capital Projects (Intergovernmental and Development Agreements), Tourism Projects and Related Support (SC State Law), Debt Service (Bond Covenants), and other purposes. The remaining is a balance of \$4,609,087 in unrestricted funds.

The following table presents the Town's changes in net assets for fiscal year ending June 30, 2011 and 2010.

**Town of Bluffton
Management's Discussion and Analysis
June 30, 2011**

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

	Governmental Activities		
	<u>2011</u>	<u>2010</u>	<u>% Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 4,726,309	\$ 5,339,650	(11%)
Operating grants and contributions	467,776	403,468	16%
Capital grants and contributions	2,849,085	183,252	1455%
General revenues:			
Property taxes	5,152,002	5,245,883	(2%)
Accommodations taxes	371,426	271,917	37%
Hospitality taxes	953,182	846,596	13%
Interest	108,796	181,283	(40%)
Unrestricted intergovernmental revenue	233,896	170,274	37%
Miscellaneous	404,205	118,199	242%
Total revenues	<u>15,266,677</u>	<u>12,760,522</u>	<u>20%</u>
Expenses:			
Administrative	2,624,831	2,807,552	(7%)
Judicial	307,168	307,603	(0%)
Planning	1,212,826	1,556,322	(22%)
Building Safety	806,099	985,977	(18%)
Police Department	3,423,620	3,383,148	1%
Public Works	820,750	779,592	5%
Engineering	808,562	662,107	22%
Community Development	3,820,154	1,258,689	204%
Interest on long-term debt	756,571	523,777	44%
Total expenses	<u>14,580,581</u>	<u>12,264,767</u>	<u>19%</u>
Changes in Net Assets	686,096	495,755	
Net assets, July 1, <i>restated</i>	<u>17,675,941</u>	<u>17,180,186</u>	
Net assets, June 30, <i>restated</i>	<u><u>18,362,037</u></u>	<u><u>17,675,941</u></u>	<u>4%</u>

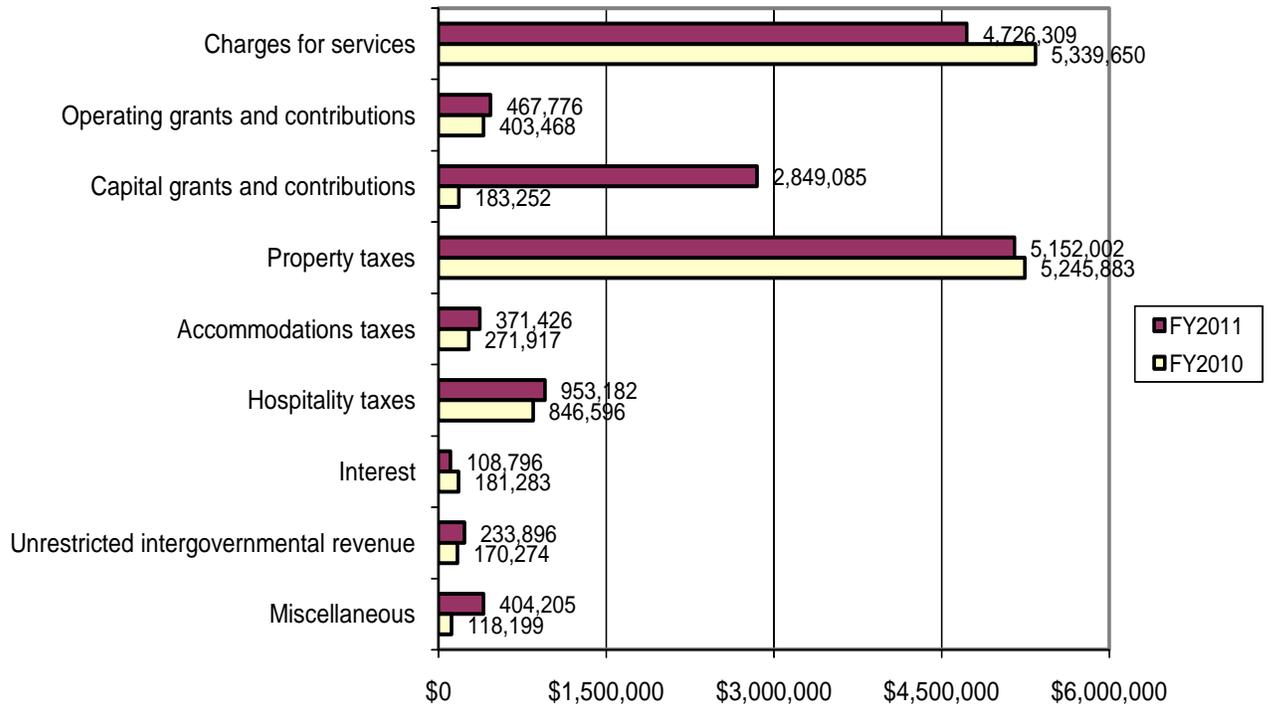
Governmental Activities - Governmental activities increased the Town's net assets by \$686,096. This increase is attributable to capital asset contributions (donations) of \$695,720 and increases in Hospitality and Local Accommodations Tax revenue.

Charges for services (31%) (e.g. business licenses, franchise fees, permit fees, development fees), Capital Grants and Contributions (19%) and property taxes (34%) are the largest sources of funds. All other revenue sources comprise 16% of all funds received by the Town. The miscellaneous income line item increased \$286,006 (242%) due to contributions from the County for improvements made to Oyster Factory Park and the South Carolina Department of Transportation's donation of portions of Wharf Street.

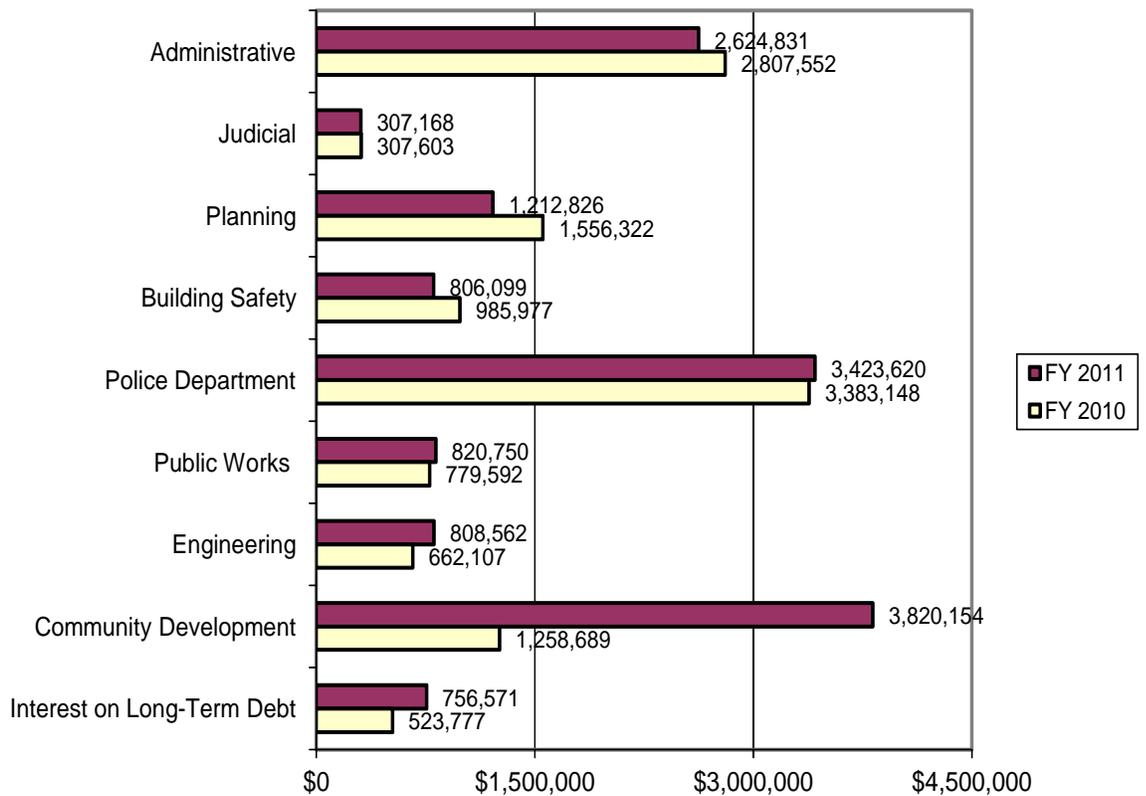
The following charts compare fiscal years 2011 and 2010 revenues by source and expenses by program.

**Town of Bluffton
Management's Discussion and Analysis
June 30, 2011**

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



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



Town of Bluffton
Management's Discussion and Analysis
June 30, 2011

Major expenses for Fiscal Year 2011 were associated with the Police Department (23%), Administration (18%) and Community Development functions (26%). Administration expenses included costs for contracts to provide Town services, personnel costs and routine computer hardware and software costs. Community Development expenditures increased due to expenses related to CareCore's buyout of its capital lease purchase agreement with the Town, along with stormwater improvements and the Buck Island-Simmonsville sewer projects that will not be capitalized by the Town, but transferred to Beaufort Jasper Water and Sewer Authority upon their completion. Planning expenditures decreased due to a reduction in programs, some of which were transferred to the Capital Improvements Program Fund, as well as a decrease in staffing costs.

Transfers between the funds in Fiscal Year 2011 decreased by a \$940,451. Decreases of \$1,271,708 in Transfers In to the Capital Improvements Program Fund were due to the recording of federal grant revenues within the fund, and these revenues funding current year related capital projects. Transfers In to the General Fund decreased by \$96,985 in 2011. No General Fund monies were used to fund Capital Improvements Program projects in Fiscal Year 2011. Major Transfers In for Fiscal Year 2011 were \$653,800 from Debt Service to fund the debt service payment to Beaufort County for the Bluffton and Buckwalter Parkways, \$500,000 from the Hospitality Tax Fund to support tourism projects and related support personnel and \$450,000 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 \$10,800,047, an increase of \$1,799,155 in comparison with the prior fiscal year. Approximately 22% of total fund balance, or \$2,333,024, constitutes unassigned fund balance which is available for spending at the government's discretion. The remainders of fund balance (\$8,467,023) are designated to indicate that they are not available for new spending because they have already been designated as nonspendable (\$174,744), restricted (\$4,977,708), committed (\$2,347,741) or assigned (\$966,830). Significant amounts of restricted balances are due to external designations for tourism and related support programs. Significant amounts of committed balances are due to Town Councils designations for the Emergency Recovery Fund and Stormwater Improvements. Finally, significant amounts of assigned balances are due to Town Manager and Directors designations for capital improvement purposes and intergovernmental payments.

The General Fund is the chief operating fund of the Town. Total fund balance of the Town's General Fund increased by \$698,439 during Fiscal Year 2011. The majority of the increase was the result of management's reduction of operating expenditures including the renegotiation of the service contract to provide garbage services to citizens.

General Fund revenues for Fiscal Year 2011 were \$9,316,272, a 1.5% increase from the previous year. Licenses and Permits totaled \$4,024,169, an increase of \$378,297 over the prior year due to increased residential permitting, franchise fees, and receipt of fee in lieu developer fees. The property tax for the General Fund totaled \$3,939,792, a decrease of \$329,010. The majority of this decrease was due to the transfer of 2.3 mills to the Debt Service Fund to fund debt service for the Law Enforcement Center and a small decrease of delinquent tax collections from the prior year.

General Fund expenditures totaled \$9,547,110, a decrease of \$608,852 from the prior year. As stated previously, this decrease is the result of savings from the renegotiation of the garbage service

Town of Bluffton
Management's Discussion and Analysis
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contract, as well as savings in the delay of filing vacant positions and spending cuts for some projects.

Other expenditures incorporated in this year were increases of 9.5% in healthcare costs with the January 2011 renewal and a 2% increase for employees earning less than \$53,000 a year.

At the end of the fiscal year, the unassigned fund balance of the General Fund was \$2,333,024, while the total fund balance was \$4,748,967. 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 increased by \$1,487,019 during Fiscal Year 2011. The majority of the increase is the result of the unspent proceeds from the \$6.5 million general obligation bond issue and the proceeds from the capital asset sale to CareCore National.

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; and 3) increases in appropriations that become necessary to maintain services.

The budget expenditure increases totaled \$83,700. The increase was the anticipated impact of the administration of the Section 319 Grant for Nonpoint Source Pollution Control, the Neighborhood Stabilization Grant and the SC Coastal Nonpoint Program Capacity Building Grant.

Actual revenues for the General Fund were \$69,002 more than the original adopted budget and \$14,698 less than the revised budget. The administration of the above-mentioned grants occurred at a slightly slower pace than anticipated as a result of State approval checkpoints; and, therefore, revenue reimbursement was not required at anticipated levels. The revenue streams from Franchise Fees and Building Permits exceed budget and prior year revenue. While the Business Licenses, Administrative Fees, Development Fees, and Fees in Lieu are below budget, they are above the prior year. Also, the Local Government Fund was above budget \$66,471 due to the population increase from the latest census.

Actual expenditures for the General Fund were \$987,860 below revised budget expectations. The favorable variance was due to the aforementioned grant administration delays, lower contract services costs, lower personnel costs due to delays in hiring for vacated positions, and delayed spending for previously budgeted programs until revenue resources recovered.

The budgeted transfers in Fiscal Year 2011 were to include transfers from fund balance relating to Municipal Improvement Development Fees; however, due to discretionary spending limits, these transfers from prior year fees were not necessary. The General Fund continues to receive budgeted transfers from special revenue funds consistent with prior years. The General Fund transferred \$52,492 to the Debt Service Fund for General Obligation Bond principal and interest payments as budgeted.

Capital Assets and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental activities as of June 30, 2011, totals \$26,553,421 (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 increase in the Town's investment in capital assets for the current fiscal year was 16%. These numbers do reflect the addition of infrastructure for the year ended June 30, 2011, in accordance with GASB 34.

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Management's Discussion and Analysis
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Major capital asset transactions during the year included the completion of the Law Enforcement Center and the transfer of its prior year costs as well as the costs associated with the construction of the Building and Grounds Facility from Construction in Progress to Buildings and Improvements. In addition, CareCore National exercised their purchase option under the Capital Lease Receivable with the Town to purchase their leased assets (Land and Land Improvements) in the Tech Park.

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

	Governmental Activities
	2010
Land	\$ 12,997,454
Building and improvements	6,404,947
Drainage	580,609
Roads	3,401,717
Sidewalks and Trails	548,582
Land Improvements	107,847
Machinery and equipment	590,903
Vehicles	180,128
Construction in progress	1,741,234
Total	\$ 26,553,421

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 \$19,158,463. Of this amount, \$6.5 million of General Obligation Debt is secured by the full faith and credit of the Town. Eleven million eight hundred seventy thousand dollars (\$11,870,000) represents bonded debt for the Tax Increment Financing District funded from the incremental tax revenue. Payable to Beaufort County is \$750,000 for the Bluffton Parkway and the widening of Buckwalter Parkway. Remaining is a \$38,463 note payable for employer contributions to the South Carolina Retirement System.

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

	Governmental Activities
	2010
General Obligation Bonds	\$ 6,500,000
Refunded TIF Bonds	11,870,000
Premium (Discount) on Bond Issue	(3,121)
Beaufort County Agreement	750,000
SC Retirement Loan	38,464
Total	\$ 19,155,343

The Town's total debt increased by \$4,583,136 during the current fiscal year. 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. 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.

Town of Bluffton
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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 \$10,917,341, of which \$4,417,341 is remaining for additional general obligation issues. At June 30, 2011, only \$6,500,000 of the Town's debt applies to this limitation.

The Town received its first bond rating of Aa2 from Moody's Investor Service and AA- from Standard and Poor's Corporation in Fiscal Year 2010 in relation to the subsequent issuance of general obligation bonds for the construction of the new Law Enforcement Center and other capital projects as assigned by Council. 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 lowcounty, 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 attracted healthcare service provider CareCore National, LLC to move its headquarters to the Buckwalter Technology Park employing approximately 500 by the end of calendar year 2011.
- The Town is joining with Clemson University to form a non-profit public/private economic development pilot project venture. This three-year project will create a storefront technology incubator. Bluffton is the first of five such projects planned in the state to commercialize technology and create new businesses.
- The unemployment rate for Beaufort County is 8.8% and below the State's rate of 11.2% at June 30, 2011. Currently, no data is available specifically for the Town of Bluffton.
- The Fiscal Year 2012 General Fund budget is balanced and relatively flat at \$10,681,800, only 1% more than 2011.
- The Fiscal Year 2012 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.
- Property tax revenues decreased by 2% in Fiscal Year 2011. This is the first year that property taxes did not increase as in recent years. Since this was due to a small decrease in the delinquent tax collections, property tax is forecasted to remain relatively stable in Fiscal Year 2012.
- Fiscal Year 2012's budget includes funds for May River protection programs, stormwater initiatives and the Affordable Housing and Neighborhood Assistance programs.
- The Capital Improvements Project Fund appropriation was \$2,516,080 for Fiscal Year 2012. The majority of these expenditures are for the completion of a capital projects within the Buck Island Simmonsville area, ongoing storm water initiatives and the Affordable Housing projects. In October 2011, budget amendments were approved by Council to bring appropriations to

Town of Bluffton
Management's Discussion and Analysis
June 30, 2011

\$5,263,990 and included additions for the building of affordable housing with funding from Lowcountry Council of Governments under the HOME Grant and carryovers from Fiscal Year 2011's budget for the Buck Island-Simmons ville sewer projects, NSP Affordable Housing, May River Streetscape and Oyster Factory Park.

- The Debt Service Fund provides for the payment of bond principal and interest payments totaling \$1,337,600 for Fiscal Year 2012. This includes principal and interest payments for the Refunded TIF Bonds issued in 2010, as well as for General Obligation Bonds, Series 2010A.

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, 2011

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	\$ 6,605,193	\$ 6,605,193
Restricted Cash and Cash Equivalents	3,022,441	3,022,441
Investments	727,661	727,661
Property Taxes Receivable, net	113,490	113,490
Other Receivables	951,812	951,812
Prepaid Assets	174,744	174,744
Assets Held for Resale	383,136	383,136
Deferred Charges	340,272	340,272
Capital Assets		
Nondepreciable	14,738,688	14,738,688
Depreciable	11,814,733	11,814,733
Total Assets	38,872,170	38,872,170
LIABILITIES		
Accounts Payable	406,305	406,305
Deposits and Bonds Payable	48,444	48,444
Accrued Interest	143,074	143,074
Due to Other Governments	101,829	101,829
Accrued Payroll and Withholding	238,716	238,716
Items due in less than one year	1,686,759	1,686,759
Items due in more than one year	17,885,006	17,885,006
Total Liabilities	20,510,133	20,510,133
NET ASSETS		
Invested in Capital Assets, net of related debt	8,600,498	8,600,498
Restricted for:		
Capital Projects	3,074,106	3,074,106
Tourism Projects and Related Support	1,216,296	1,216,296
Debt Service	668,245	668,245
Other Purposes	193,805	193,805
Unrestricted	4,609,087	4,609,087
Total Net Assets	\$ 18,362,037	\$ 18,362,037

See Notes to Financial Statements

Town of Bluffton
Statement of Activities
For the Year Ended June 30, 2011

Function / Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary Government						
Governmental Activities						
General Government						
Administration	\$ 2,624,831	\$ 3,276,217	\$ -	\$ -	\$ 651,386	\$ 651,386
Judicial	307,168	227,290	-	-	(79,878)	(79,878)
Planning	1,212,826	450,158	113,666	957,264	308,262	308,262
Public Safety						
Building Safety	806,099	532,291	19,850	-	(253,958)	(253,958)
Police Department	3,423,620	75,353	334,260	-	(3,014,007)	(3,014,007)
Public Works	820,750	-	-	-	(820,750)	(820,750)
Engineering	808,562	-	-	-	(808,562)	(808,562)
Community Development	3,820,154	165,000	-	1,891,821	(1,763,333)	(1,763,333)
Interest on long-term debt	756,571	-	-	-	(756,571)	(756,571)
Total governmental activities	14,580,581	4,726,309	467,776	2,849,085	(6,537,411)	(6,537,411)
Total Primary Government	\$ 14,580,581	\$ 4,726,309	\$ 467,776	\$ 2,849,085	\$ (6,537,411)	\$ (6,537,411)
General Revenues:						
Property Taxes					\$ 5,152,002	\$ 5,152,002
Accommodations Taxes					371,426	371,426
Hospitality Taxes					953,182	953,182
Investment Earnings					108,796	108,796
Unrestricted Intergovernmental Revenue					233,896	233,896
Miscellaneous					404,205	404,205
Total general revenues and capital contributions					<u>7,223,507</u>	<u>7,223,507</u>
Change in Net Assets					686,096	686,096
Net Assets - Beginning <i>restated</i>					17,675,941	17,675,941
Net Assets - Ending					<u>\$ 18,362,037</u>	<u>\$ 18,362,037</u>

See Notes to Financial Statements

**Town of Bluffton
Balance Sheet
Governmental Funds
June 30, 2011**

	General Fund	Capital Improvement Program Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 4,053,848	\$ 1,628,695	\$ -	\$ 922,650	\$ 6,605,193
Restricted Cash and Cash Equivalents	540,516	663,761	609,771	1,208,393	3,022,441
Investments	28,407	699,254	-	-	727,661
Property taxes receivable, net	96,734	-	16,756	-	113,490
Other Receivables	459,090	63,601	-	429,121	951,812
Prepaid Assets	174,744	-	-	-	174,744
Due from other Funds	3,793	45,629	41,718	-	91,140
Total Assets	<u>\$ 5,357,132</u>	<u>\$ 3,100,940</u>	<u>\$ 668,245</u>	<u>\$ 2,560,164</u>	<u>\$ 11,686,481</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 201,331	\$ 140,746	\$ -	\$ 64,228	\$ 406,305
Deposits and Bonds Payable	24,126	24,318	-	-	48,444
Due to other Funds	42,163	150	-	48,827	91,140
Due to Other Governments	101,829	-	-	-	101,829
Salaries and Benefits Payable	238,716	-	-	-	238,716
Total Liabilities	<u>608,165</u>	<u>165,214</u>	<u>-</u>	<u>113,055</u>	<u>886,434</u>
Fund Balances					
Nonspendable	174,744	-	-	-	174,744
Restricted	540,516	1,333,948	668,245	2,434,999	4,977,708
Committed	1,567,691	767,940	-	12,110	2,347,741
Assigned	132,992	833,838	-	-	966,830
Unassigned	2,333,024	-	-	-	2,333,024
Total Fund Balances	<u>4,748,967</u>	<u>2,935,726</u>	<u>668,245</u>	<u>2,447,109</u>	<u>10,800,047</u>
Total Liabilities and Fund Balances	<u>\$ 5,357,132</u>	<u>\$ 3,100,940</u>	<u>\$ 668,245</u>	<u>\$ 2,560,164</u>	<u>\$ 11,686,481</u>

Total Governmental Fund Balances \$ 10,800,047

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. 26,553,421

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 723,408

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (19,714,839)

Net assets of governmental activities \$ 18,362,037

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, 2011

	General Fund	Capital Improvement Program Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 3,939,792	\$ -	\$ 1,212,210	\$ -	\$ 5,152,002
Hospitality and Accommodations Taxes	-	-	-	1,324,608	1,324,608
Licenses & Permits	4,024,169	-	144,155	-	4,168,324
Stormwater Utility Fees	-	-	-	957,264	957,264
Grants and Entitlements	467,776	946,101	-	-	1,413,877
Intergovernmental	233,896	250,000	-	-	483,896
Service Revenues	324,995	-	-	5,700	330,695
Fees and Fines	227,290	-	-	-	227,290
Interest Income	21,758	31,691	27,430	2,494	83,373
Miscellaneous	76,596	345,786	75,522	-	497,904
Total Revenues	<u>9,316,272</u>	<u>1,573,578</u>	<u>1,459,317</u>	<u>2,290,066</u>	<u>14,639,233</u>
EXPENDITURES					
Current					
Legislative	126,729	-	-	-	126,729
Executive	317,952	-	-	-	317,952
Human Resources	184,133	-	-	60	184,193
Non-Departmental	774,025	-	-	-	774,025
Finance	588,792	-	-	-	588,792
Municipal Court	257,753	-	-	-	257,753
Municipal Judges	47,437	-	-	-	47,437
Information Technology	446,551	-	-	-	446,551
Facilities and Asset Management	753,620	-	-	-	753,620
Engineering	745,533	-	-	-	745,533
Growth Management	322,261	-	-	-	322,261
Planning and Environmental Sustainability	879,713	-	-	-	879,713
Building Safety	792,362	-	-	-	792,362
Police	3,086,150	-	-	-	3,086,150
Community Development	-	220	31,389	297,012	328,621
Debt Service					
Principal	148,743	740,000	20,000	-	908,743
Interest	7,500	-	651,931	-	659,431
Issuance Cost	-	83,900	90,339	-	174,239
Capital Outlay	67,856	7,257,966	-	-	7,325,822
Total Expenditures	<u>9,547,110</u>	<u>8,082,086</u>	<u>793,659</u>	<u>297,072</u>	<u>18,719,927</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(230,838)</u>	<u>(6,508,508)</u>	<u>665,658</u>	<u>1,992,994</u>	<u>(4,080,694)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	981,769	1,504,705	52,871	397,148	2,936,493
Transfers Out	(52,492)	(397,527)	(653,801)	(1,832,673)	(2,936,493)
Capital-Related Bond Issued	-	6,500,000	-	-	6,500,000
Refunding Bonds Issued	-	-	11,870,000	-	11,870,000
Proceeds from Sale of Capital Assets	-	387,970	-	-	387,970
Underwriter's Premium (Discount)	-	379	(3,500)	-	(3,121)
Current Refund of Existing Debt	-	-	(12,875,000)	-	(12,875,000)
Total Other Financing Sources and Uses	<u>929,277</u>	<u>7,995,527</u>	<u>(1,609,430)</u>	<u>(1,435,525)</u>	<u>5,879,849</u>
Net Change in Fund Balance	698,439	1,487,019	(943,772)	557,469	1,799,155
Fund Balance - Beginning	4,050,528	1,448,707	1,612,017	1,889,640	9,000,892
Fund Balance - Ending	<u>\$ 4,748,967</u>	<u>\$ 2,935,726</u>	<u>\$ 668,245</u>	<u>\$ 2,447,109</u>	<u>\$ 10,800,047</u>

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
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$ 1,799,155
<p>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 capital outlay exceeded depreciation in the current period.</p>	
Capital Outlay Expenditures \$	5,470,265
Less: Depreciation Expense	<u>(881,935)</u>
	4,588,330
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.</p>	
	(1,054,513)
<p>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</p>	
	(4,583,136)
<p>Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
	(218,532)
<p>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.</p>	
	<u>154,792</u>
Change in net assets of governmental activities	<u><u>\$ 686,096</u></u>

Town of Bluffton
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/ (Under)
	Original	Final		
REVENUES				
Property Taxes	\$ 3,837,950	\$ 3,837,950	\$ 3,939,792	\$ 101,842
Licenses & Permits	4,034,725	4,034,725	4,024,169	(10,556)
Intergovernmental	598,375	682,075	701,672	19,597
Service Revenues	386,220	386,220	324,995	(61,225)
Fees and Fines	280,000	280,000	227,290	(52,710)
Miscellaneous	110,000	110,000	98,354	(11,646)
Total Revenues	9,247,270	9,330,970	9,316,272	(14,698)
EXPENDITURES				
Legislative	109,275	109,275	126,729	17,454
Executive	331,235	336,775	317,952	(18,823)
Human Resources	197,400	192,550	184,133	(8,417)
Non-Departmental	1,172,525	1,126,044	788,414	(337,630)
Finance	577,900	596,900	588,792	(8,108)
Municipal Court	264,715	264,715	257,753	(6,962)
Municipal Judges	48,155	48,155	47,437	(718)
Information Technology	521,140	521,140	446,551	(74,589)
Facilities and Asset Management	932,930	932,930	807,677	(125,253)
Engineering	633,560	776,670	745,533	(31,137)
Growth Management	346,030	332,620	322,261	(10,359)
Planning and Environmental Sustainability	911,270	1,050,895	879,713	(171,182)
Building Safety	1,016,170	857,336	823,707	(33,629)
Police	3,388,965	3,388,965	3,210,458	(178,507)
Total Expenditures	10,451,270	10,534,970	9,547,110	(987,860)
Excess (Deficiency) of Revenues Over Expenditures	(1,204,000)	(1,204,000)	(230,838)	973,162
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	1,204,000	1,204,000	929,277	(274,723)
Total Other Financing Sources and Uses	1,204,000	1,204,000	929,277	(274,723)
Net Change in Fund Balance	-	-	698,439	698,439
Fund Balance - Beginning	4,050,528	4,050,528	4,050,528	
Fund Balance - Ending	\$ 4,050,528	\$ 4,050,528	\$ 4,748,967	\$ 698,439

See Notes to Financial Statements

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of significant accounting policies

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

(a) Reporting entity

The Town of Bluffton (the "Town") was incorporated in 1852. The Town operates under a Council-Manager form of government and provides the following services: public safety, court and legal, planning, streets, recreation, and general administrative services.

The basic criterion used for including organizations as component units in the financial report of an entity is the exercise of oversight responsibility. Such responsibility is derived from the entity's power and includes, but is not limited to, financial interdependency, selection of the governing board, designation of management, significance of influence over operations, and fiscal accountability. Other factors such as scope of public service and special financial relationships are also considered when determining if other organizations are to be included in the financial statements.

Based on the above reporting criteria, the Town of Bluffton has no component units.

(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.

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.

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of significant accounting policies (continued)

(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.

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. All annual appropriations lapse at 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.

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 1- Summary of significant accounting policies (continued)

(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.

(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 fixed 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.

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 1- Summary of significant accounting policies (continued)

(j) Long-term obligations (continued)

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.

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 council imposed formal action and can only be removed by council action. These amounts can include:
 - a. 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.

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 1- Summary of significant accounting policies (continued)

(m) Net assets/fund balances(continued)

- b. Limitations imposed at the council level and that require the same action to remove or modify.
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.
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 (\$1,567,691). 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.
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, 2011 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, 2011, none of the Town's primary government bank balances of \$9,916,520 (book balance of \$9,627,634) 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.

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 2 - Cash and cash equivalents(continued)

	June 30, 2011
Amounts insured by FDIC coverage	\$ 500,000
Amounts collateralized with securities held by the pledging financial institution in the Town's name	19,533,842
Excess Collateralization	(10,117,322)
Total bank balances	\$ 9,916,520

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 \$3,022,441 at June 30, 2011. 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.
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.

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 3 – Investments(continued)

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 \$28,407. 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.

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 \$699,254 as detailed below:

Held with	Term	Matures	Rate	Value at 6/30/11
Palmetto State Bank	12 month CD	07/07/2011	1.05%	\$ 699,254

Investments are reported at fair value which is based on quoted market prices. The Town had restricted investments in the amount of \$699,254 at June 30, 2011. These amounts are legally restricted according to developer agreements.

Note 4 – Receivables

At June 30, 2011, the Town's receivable balances were as follows:

	Government-wide Financial Statements				Total
	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Fund	
Receivables:					
Administrative Fees	\$ -	\$ 2,200	\$ -	\$ -	\$ 2,200
Alcohol taxes	10,050	-	-	-	10,050
Contract police services	5,443	-	-	-	5,443
Federal Grants	71,878	57,852	-	-	129,730
Franchise fees	164,314	-	-	-	164,314
Hospitality taxes	-	-	-	243,634	243,634
Licenses & permits	26,924	-	-	-	26,924
Local accommodation taxes	-	-	-	80,641	80,641
Local government fund	62,483	-	-	-	62,483
Other/Miscellaneous	8,793	3,549	-	-	12,342
Property Taxes	96,734	-	16,756	-	113,490
School resources	109,205	-	-	-	109,205
State accommodation taxes	-	-	-	72,466	72,466
Stormwater utility fees	-	-	-	32,380	32,380
Total Receivables	<u>\$ 555,824</u>	<u>\$ 63,601</u>	<u>\$ 16,756</u>	<u>\$ 429,121</u>	<u>\$ 1,065,302</u>

Note 5 – Capital Lease Purchase Receivable

In June of 2006, the Town entered into a 10-year Land Lease Agreement with Option to Purchase with CareCore National, LLC for approximately 4.78 acres of land at the "Tech Park" located in Bluffton for the construction of a 48,000 square foot office building. The total purchase price was to be the sum of one million (\$1,000,000) dollars. CareCore made monthly payments to the Town in the amount of \$8,333.33 less 50% of the annual property taxes on the property. For financial statement purposes this transaction had been booked as a capital lease based on the terms of the agreement.

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 5 – Capital Lease Purchase Receivable (continued)

The option to purchase was exercised by CareCore on May 4th within the terms of the agreement. Title was passed to CareCore upon the net payment of \$387,970. This amount included the remaining lease payments less the estimated remaining real estate tax credit, a present value discount credit, and credit for prior lease payments made to the Town less closing costs. The Lease Purchase Receivable was discounted in FY 2008 when the receivable was booked along with a Gain on Sale of Capital Assets of \$912,810. This gain should have been reduced by the disposal of the Land (\$400,864) and Building (\$908,301) values associated with the Lease. This would have resulted in a net loss of \$191,677 rather than the \$1,104,487 that was booked in the current year within Community Development program expense to remove the assets and lease receivable from the books.

For the year ended June 30, 2011, Rental Income of \$88,815 was recorded with \$25,423 in property tax expense for a net balance of \$63,392 received under the CareCore lease.

Note 6 – Capital Assets – Primary Government

Capital asset activity for the governmental activities for the year ended June 30, 2011 was as follows:

	Beginning Balances	Net Adjustment to Beginning Balance	Adjusted Beginning Balances	Additions/ Completions	Disposals/ Adjustments	Transfers	Ending Balances
Governmental activities:							
Capital assets not being depreciated:							
Land	\$ 11,168,200	\$ 1,534,398	\$ 12,702,598	\$ 695,720	\$ (400,864)	\$ -	\$ 12,997,454
Construction in progress	5,505,402	(2,306,660)	3,198,742	407,289	-	(1,864,797)	1,741,234
Total capital assets not being depreciated	16,673,602	(772,262)	15,901,340	1,103,009	(400,864)	(1,864,797)	14,738,688
Capital assets being depreciated:							
Building and improvements	2,231,163	(1,148,540)	1,082,623	4,265,265	(73,860)	1,836,113	7,110,141
Drainage	842,718	(159,647)	683,071	-	-	-	683,071
Roads	1,224,884	2,553,855	3,778,739	156,800	-	-	3,935,539
Sidewalks and Trails	440,325	-	440,325	152,055	-	28,684	621,064
Land Improvements	5,651,164	(4,615,988)	1,035,176	-	(908,300)	-	126,876
Machinery and equipment	1,650,619	(125,612)	1,525,007	125,547	(10,700)	-	1,639,854
Vehicles	1,526,317	-	1,526,317	-	(63,320)	-	1,462,997
Total capital assets being depreciated	13,567,190	(3,495,932)	10,071,258	4,699,667	(1,056,180)	1,864,797	15,579,542
Less accumulated depreciation for:							
Building and improvements	1,177,740	(507,721)	670,019	82,664	(47,489)	-	705,194
Drainage	102,762	(34,454)	68,308	34,154	-	-	102,462
Roads	81,659	255,386	337,045	196,777	-	-	533,822
Sidewalks and Trails	45,194	-	45,194	27,288	-	-	72,482
Land Improvements	565,116	(461,599)	103,517	44,190	(128,678)	-	19,029
Machinery and equipment	819,030	(35,590)	783,440	276,211	(10,700)	-	1,048,951
Vehicles	1,125,538	-	1,125,538	220,651	(63,320)	-	1,282,869
Total accumulated depreciation	3,917,039	(783,978)	3,133,061	881,935	(250,187)	-	3,764,809
Total capital assets being depreciated, net	9,650,151	(2,711,954)	6,938,197				11,814,733
Governmental activity capital assets, net	\$ 26,323,753	\$ (3,484,216)	\$ 22,839,537				\$ 26,553,421

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

Administration	\$ 54,204
Public Works	59,870
Environmental Protection	-
Building Safety	7,420
Engineering	63,052
Information Technology	119,749
Municipal Court	1,199
Planning	5,304
Police Department	302,883
Community Development	268,254
TOTAL DEPRECIATION EXPENSE	\$ 881,935

Town of Bluffton
Notes to Financial Statements
June 30, 2011

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.

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, 2011, were 9.24% for SCRS and 11.13% 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:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
South Carolina Retirement System	\$ 292,090	\$ 298,510	\$ 315,864
Police Officers Retirement System	\$ 201,740	\$ 196,173	\$ 208,929

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

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 8 – Long-term Obligations

The following is a summary of changes in the Town's long-term obligations as of June 30, 2011:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Next Fiscal Year
Governmental activities					
Bonds and notes payable:					
General obligation bonds	\$ 20,000	\$ 6,500,000	\$ (20,000)	\$ 6,500,000	\$ -
Revenue bonds	12,875,000	11,870,000	(12,875,000)	11,870,000	630,000
Premium (Discount) on bond issue	-	379	(3,500)	(3,121)	-
Capital lease obligations	137,347	-	(137,347)	-	-
Retirement note payable	49,860	-	(11,396)	38,464	12,081
Intergovernmental agreement	1,490,000	-	(740,000)	750,000	750,000
Total bonds and notes payable	<u>\$ 14,572,207</u>	<u>\$ 18,370,379</u>	<u>\$ (13,787,243)</u>	<u>\$ 19,155,343</u>	<u>\$ 1,392,081</u>
Other liabilities:					
Compensated absences	358,419	352,682	(294,679)	416,422	294,678
Total other liabilities	<u>\$ 358,419</u>	<u>\$ 352,682</u>	<u>\$ (294,679)</u>	<u>\$ 416,422</u>	<u>\$ 294,678</u>
Governmental activities long-term liabilities	<u>\$ 14,930,626</u>	<u>\$ 18,723,061</u>	<u>\$ (14,081,922)</u>	<u>\$ 19,571,765</u>	<u>\$ 1,686,759</u>

General Obligation Bonds

On February 1, 2002, the Town issued \$200,000 general obligation bonds to fund a portion of the expenses associated with replacing the roof on the Town Hall municipal building; paying a portion of the costs associated with such other capital projects as may be approved by Town Council; and paying the costs of issuance of the Bond. Total interest paid during the fiscal year was \$888, and the final principal payment of \$20,000 was paid in May of 2011.

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 \$75,522 in fiscal year 2011.

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 8 – Long-term Obligations (continued)

General Obligation Bonds

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
2011		\$ 215,776	\$ -	\$ 215,776
2012		333,388	-	333,388
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>\$ 5,580,686</u>	<u>\$ 6,500,000</u>	<u>\$ 12,080,686</u>

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.

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 8 – Long-term Obligations (continued)

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
2011	3.210%	\$ 210,623	\$ -	\$ 210,623
2012	3.210%	370,916	630,000	1,000,916
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%	46,465	945,000	991,465
2026	3.210%	15,649	975,000	990,649
		<u>\$ 3,290,458</u>	<u>\$ 11,870,000</u>	<u>\$ 15,160,458</u>

Capital Leases

On July 20, 2007, the Town entered into a lease agreement with Branch Banking and Trust Company for the purchase of two (2) 2007 Chevrolet Trailblazer, one (1) 2007 Ford Ranger, one (1) 2008 Ford Ranger, three (3) Ford Crown Victoria Sedans, and two (2) Ford Expeditions. The purchase price of the new vehicles was \$193,220. The lease had an interest rate of 4.16% and was payable in annual installments of principal and interest of \$69,838 through July 2010. The lease was paid annually through the general fund.

On August 6, 2008, the Town entered into a lease agreement with Branch Banking and Trust Company for the purchase of two (2) Ford Crown Victoria Sedans, and five (5) Ford Escapes. The purchase price of the new vehicles was \$158,532. The lease had an interest rate of 3.11% and was payable in annual installments of principal and interest of \$54,470 through August 2010. The lease was paid annually through the general fund.

On July 20, 2008, the Town entered into a lease agreement with Deere Credit, Inc. for the purchase of a 2008 John Deere Backhoe, Model 310J. The cash price was \$49,999. The lease had an interest rate 5.25% and was payable in annual installments of principal and interest of \$17,546 through July of 2010 at which time the purchase option of \$1.00 was payable. The lease was being paid annual through the general fund.

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 8 – Long-term Obligations (continued)

Capital Leases

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:	
Machinery and Equipment	\$ 49,999
Less: Accumulated Depreciation	(36,530)
Vehicles	351,752
Less: Accumulated Depreciation	(245,380)
	\$ 119,841

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 Town is being charged interest at the rate of 6% on the loan. Payments are due June 1st each year. The loan is binding regardless of the status of the employee with the Town.

A schedule of the amount due for this service purchase follows:

\$122,554 Service Purchase Agreement dated August 30, 2004

Fiscal Year Ending June 30,	Governmental Activities		
	Interest	Principal	Total
2012	\$ 2,308	\$ 12,081	\$ 14,389
2013	1,583	12,807	14,390
2014	815	13,575	14,390
	\$ 4,706	\$ 38,463	\$ 43,169

Intergovernmental Agreement

On December 1, 2005, the Town of Bluffton entered into an agreement with Beaufort County whereby the Town is to provide funding for 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 is 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 shall be applied \$6.75 million for the Bluffton Parkway and \$1 million for the Buckwalter Parkway.

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 8 – Long-term Obligations (continued)

Annual requirements to amortize general long-term debt at June 30, 2011, excluding the accruals for compensated absences and intergovernmental agreement, are summarized as follows:

Fiscal Year	Retirement		General		Tax Increment		Grand Total	
	Note Obligation		Obligation Bonds		Bonds		Principal	Interest
Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 12,081	\$ 2,308	\$ -	\$ 333,388	\$ 630,000	\$ 370,916	\$ 642,081	\$ 706,612
2013	12,807	1,583	-	333,388	650,000	350,372	662,807	685,343
2014	13,575	815	200,000	333,388	670,000	329,186	883,575	663,389
2015	-	-	210,000	328,688	690,000	307,358	900,000	636,046
2016	-	-	215,000	322,493	715,000	284,807	930,000	607,300
2017-2021	-	-	1,200,000	1,488,383	3,925,000	1,059,701	5,125,000	2,548,084
2022-2026	-	-	1,405,000	1,195,560	4,590,000	377,496	5,995,000	1,573,056
2027-2031	-	-	1,675,000	785,425	-	-	1,675,000	785,425
2032-2036	-	-	1,595,000	244,200	-	-	1,595,000	244,200
Totals	<u>\$ 38,463</u>	<u>\$ 4,706</u>	<u>\$ 6,500,000</u>	<u>\$ 5,364,913</u>	<u>\$ 11,870,000</u>	<u>\$ 3,079,836</u>	<u>\$ 18,408,463</u>	<u>\$ 8,449,455</u>

Total interest paid and accrued by the Town of Bluffton during the year ended June 30, 2011 was approximately \$756,571 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, 2011 was \$136,466,763. The computation of legal debt limits is as follows:

General obligation debt limit (\$136,466,763 x 8%)	\$ 10,917,341
General obligation debt at June 30, 2011	<u>6,500,000</u>
Excess of debt limit over general obligation debt	<u>\$ 4,417,341</u>

Town of Bluffton
Notes to Financial Statements
June 30, 2011

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, 2011, fund balances for all the major and nonmajor funds were distributed as follows:

	General Fund	Capital Improvement Program	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable: Prepaid Assets	\$ 174,744	\$ -	\$ -	\$ -	\$ 174,744
Restricted for:					
Drug Enforcement	14,661	-	-	-	14,661
Unspent GO Bond Proceeds	-	413,956	-	-	413,956
Stormwater Improvement	-	-	-	1,093,262	1,093,262
TIF Debt Service	-	-	543,938	-	543,938
GO Bond Debt Service	-	-	124,307	-	124,307
Municipal Improvement District Funds	451,455	-	-	-	451,455
Boat Ramp Repair	-	-	-	125,441	125,441
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	-	-	-	1,216,296	1,216,296
Committed to:					
Emergency Recovery Fund	1,567,691	-	-	12,110	1,579,801
Buck Island Sewer Phase I (Contract Encumbrance)	-	29,712	-	-	29,712
Buck Island Sewer Phase II (Contract Encumbrance)	-	666,220	-	-	666,220
Buckwalter Place Drainage (Contract Encumbrance)	-	72,008	-	-	72,008
Assigned to:					
Infrastructure Funding	-	750,000	-	-	750,000
Other Capital Improvement Purposes	-	83,838	-	-	83,838
Code Overhaul (Contract Encumbrance)	32,625	-	-	-	32,625
Stormwater (Contract Encumbrances)	10,961	-	-	-	10,961
Town Hall Improvements (Contract Encumbrances)	89,406	-	-	-	89,406
Unassigned:	2,333,024	-	-	-	2,333,024
Total Fund Balances	<u>\$ 4,748,967</u>	<u>\$ 2,935,726</u>	<u>\$ 668,245</u>	<u>\$ 2,447,109</u>	<u>\$ 10,800,047</u>

Ordinance No. 2010-09 "Fiscal Year 2011 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 2011 this amount was established as \$1,567,691. 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	\$ 30,318,232
Less: Accumulated Depreciation	(3,764,811)
	<u>26,553,421</u>
Less: Outstanding Principal of Related Debt	
General obligation bonds	6,500,379
Revenue bonds	11,866,500
Capital lease obligations	-
	<u>18,366,879</u>
Plus: Unspent Proceeds of Capital Debt	413,956
	<u>\$ 8,600,498</u>

Town of Bluffton
Notes to Financial Statements
June 30, 2011

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, 2011, 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	TIF Fund	Debt Service Fund	Non Major Governmental Fund	
General Fund	\$ -	\$ 150	\$ -	\$ -	\$ 3,643	\$ 3,793
CIP Fund	445	-	-	-	45,184	45,629
Debt Service Fund	41,718	-	-	-	-	41,718
Non Major Governmental Fund	-	-	-	-	-	-
Totals	<u>\$ 42,163</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,827</u>	<u>\$ 91,140</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, 2011, are summarized as follows:

Transfers In	Transfers Out			
	General Fund	Capital Improvements Program Fund	Debt Service Fund	Non Major Governmental Fund
General Fund	\$ 981,769	\$ -	\$ -	\$ 981,769
CIP	1,504,705	-	653,801	850,904
Debt Service	52,871	52,492	379	-
Non Major	397,148	-	397,148	-
Totals	<u>\$ 2,936,493</u>	<u>\$ 52,492</u>	<u>\$ 397,527</u>	<u>\$ 1,832,673</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, 2011 totaled \$31,769 and the distributions to the Visitor and Convention Bureau totaled \$40,612. The remaining amounts (65%) are restricted to tourism-related projects approved by Town Council.

Grant appropriations and expenditures for the year ending June 30, 2011, were as follows:

Grant Recipient	Appropriations	Expenditures	Lapsed	Encumbrances
Bluffton Historical Preservation Society	\$ 50,000	\$ 50,000	\$ -	\$ -
Lowcountry Tourism Commission	7,000	7,000	-	-
Totals	<u>\$ 57,000</u>	<u>\$ 57,000</u>	<u>\$ -</u>	<u>\$ -</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, 2011, was \$62,174 with no remaining grant balance to encumber.

Town of Bluffton
Notes to Financial Statements
June 30, 2011

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, 2011, this amount totaled \$16,884. The remaining amounts are allocated to tourism-related projects approved by Town Council.

Grant appropriations and expenditures for the year ending June 30, 2011, were as follows:

<u>Grant Recipient</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Lapsed</u>	<u>Encumbrances</u>
Bluffton Historical Preservation Society	\$ 50,000	\$ 50,000	\$ -	\$ -
Old Town Bluffton Merchant Society	37,948	37,948	-	-
Farmers Market of Bluffton	18,000	10,000	-	8,000
The May River Theatre	19,750	19,750	-	-
The HandMeDown Gullah Museum	5,707	5,707	-	-
Historic Bluffton Arts & Seafood Festival	12,000	12,000	-	-
Lowcountry Golf Course Owners	10,000	10,000	-	-
Hilton Head Island-Bluffton Chamber of Commerce	3,500	-	-	3,500
Prior Year Grant Appropriations	-	37,111	-	-
Total	<u>\$ 156,905</u>	<u>\$ 182,516</u>	<u>\$ -</u>	<u>\$ 11,500</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, 2011, was \$213,103 of which \$11,500 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 October of 2004, the Town entered into a five-year lease agreement for the Police Department facilities. The lease was paid annually through the general fund. The lease called for initial monthly payments of \$5,434 with amounts increasing each year. The lease included two five-year renewal options at set rates. The lease expired April 30, 2011. For the year ended June 30, 2011, payments under the lease totaled \$65,281.

In July of 2007, the Town entered into a three-year lease agreement for the Engineering Department facilities. The lease was paid annually through the general fund. The lease called for initial monthly payments of \$2,000 with amounts increasing each year. The lease included a two-year renewal option at set rates. The lease expired October 31, 2010. For the year ended June 30, 2011, payments under the lease totaled \$8,740.

In May of 2008, the Town entered into a three-year lease agreement for additional space for the Police Department. This lease was paid through the general fund. The lease called for initial monthly payments of \$1,238 with amounts increasing each year. The lease expired April 30, 2011. For the year ended June 30, 2011, payments under the lease totaled \$13,129.

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, 2011, payments under the lease totaled \$62,251. Annual lease payments due follow:

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 16 – Operating leases (continued)

Year ending June 30,	Lease Amounts
2012	\$ 4,790
	\$ 4,790

In addition, the Town entered into five-year lease agreements for printing and copying equipment used by the various departments in June of 2009. For the year ended June 30, 2011, base payments under these leases totaled \$35,633. The total annual base payments due for leased printing and copying equipment follow:

Year ending June 30,	Lease Amounts
2012	\$ 35,633
2013	35,633
2014	35,633
	\$ 106,899

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 – Prior Period Adjustment

During fiscal year 2011 the Town identified capital assets that were no longer held of \$3,484,216 from Governmental Activities:

	Governmental Activities
Beginning Balance	\$ 21,160,157
Prior period adjustments:	
Correction to capital assets	(3,484,216)
Restated beginning balance	\$ 17,675,941

Town of Bluffton
Notes to Financial Statements
June 30, 2011

Note 20 – 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 incurred an arbitrage liability in FY 2011 related to prior year earnings on the 2005 TIF revenue bond proceeds of \$23,989. The Town believes it is in compliance with all arbitrage rules as of June 30, 2011.

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	\$ 3,837,950	\$ 3,837,950	\$ 3,939,792	\$ 101,842
Licenses & Permits				
Franchise Fees	1,030,000	1,030,000	1,202,270	
Business Licenses	1,200,000	1,200,000	1,031,663	
MASC Telecommunications	95,000	95,000	88,262	
MASC Insurance Tax Collection	975,125	975,125	803,738	
Building Permits	401,600	401,600	532,291	
Administrative Fees	138,000	138,000	94,646	
Municipal Improvement District Fees	-	-	159,300	
Fee In Lieu - Developer Fees	140,000	140,000	90,000	
Application Fees	55,000	55,000	21,999	
Total Licenses & Permits	<u>4,034,725</u>	<u>4,034,725</u>	<u>4,024,169</u>	<u>(10,556)</u>
Intergovernmental				
State Shared Revenues				
Local Government Fund	113,745	113,745	180,216	
Alcohol Tax	46,125	46,125	53,680	
Federal Grants	182,155	285,705	254,002	
State Grants	19,850	-	-	
Total State Shared Revenues	<u>361,875</u>	<u>445,575</u>	<u>487,898</u>	<u>42,323</u>
Other Local Governments				
School Resource Officers	170,000	170,000	148,129	
School Crossing Guards	66,500	66,500	65,645	
Total Other Local Governments	<u>236,500</u>	<u>236,500</u>	<u>213,774</u>	<u>(22,726)</u>
Total Intergovernmental	<u>598,375</u>	<u>682,075</u>	<u>701,672</u>	<u>19,597</u>
Service Revenues				
Garbage Fees Reimbursements	10,000	10,000	6,129	
Contract Police Services	69,750	69,750	75,353	
Impact Fee Collection Fee	16,720	16,720	14,196	
Development Fees	289,750	289,750	229,317	
Total Sales and Service	<u>386,220</u>	<u>386,220</u>	<u>324,995</u>	<u>(61,225)</u>
Fines & Fees				
Municipal Court	250,000	250,000	189,800	
Victims Assistance	30,000	30,000	26,061	
Forfeitures	-	-	11,429	
Total Fees and Fines	<u>280,000</u>	<u>280,000</u>	<u>227,290</u>	<u>(52,710)</u>
Miscellaneous Revenues				
Miscellaneous	70,000	70,000	60,061	
Rental Income	20,000	20,000	16,535	
Interest Income	20,000	20,000	21,758	
Total Miscellaneous	<u>110,000</u>	<u>110,000</u>	<u>98,354</u>	<u>(11,646)</u>
Total Revenues	<u>9,247,270</u>	<u>9,330,970</u>	<u>9,316,272</u>	<u>(14,698)</u>
EXPENDITURES				
Legislative	109,275	109,275	126,729	17,454
Executive	331,235	336,775	317,952	(18,823)
Human Resources	197,400	192,550	184,133	(8,417)
Non-Departmental	1,172,525	1,126,044	788,414	(337,630)
Finance	577,900	596,900	588,792	(8,108)
Municipal Court	264,715	264,715	257,753	(6,962)
Municipal Judges	48,155	48,155	47,437	(718)
Information Technology	521,140	521,140	446,551	(74,589)
Facilities and Asset Management	932,930	932,930	807,677	(125,253)
Engineering	633,560	776,670	745,533	(31,137)
Growth Management Administration	346,030	332,620	322,261	(10,359)
Planning and Environmental Sustainability	911,270	1,050,895	879,713	(171,182)
Building Safety	1,016,170	857,336	823,707	(33,629)
Police	3,388,965	3,388,965	3,210,458	(178,507)
Total Expenditures	<u>10,451,270</u>	<u>10,534,970</u>	<u>9,547,110</u>	<u>(987,860)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,204,000)</u>	<u>(1,204,000)</u>	<u>(230,838)</u>	<u>973,162</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	1,204,000	1,204,000	929,277	(274,723)
Total Other Financing Sources and Uses	<u>1,204,000</u>	<u>1,204,000</u>	<u>929,277</u>	<u>(274,723)</u>
Net Change in Fund Balance	-	-	698,439	698,439
Fund Balance - Beginning	4,050,528	4,050,528	4,050,528	-
Fund Balance - Ending	<u>\$ 4,050,528</u>	<u>\$ 4,050,528</u>	<u>\$ 4,748,967</u>	<u>\$ 698,439</u>

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Capital Improvements Program Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Federal/State Revenue				
Federal Grants	\$ 1,209,020	\$ 1,992,371	\$ 897,106	\$ (1,095,265)
State Grants	100,000	48,665	48,995	330
Total Federal/State Revenue	<u>1,309,020</u>	<u>2,041,036</u>	<u>946,101</u>	<u>(1,094,935)</u>
Other Revenues				
Rental Income	-	61,406	88,815	27,409
Interest Income	-	-	31,691	31,691
County Funds	-	250,000	250,000	-
Donations	-	206,800	256,971	50,171
Total Other Revenues	<u>-</u>	<u>518,206</u>	<u>627,477</u>	<u>109,271</u>
Total Revenues	<u>1,309,020</u>	<u>2,559,242</u>	<u>1,573,578</u>	<u>(985,664)</u>
EXPENDITURES				
Capital Outlay				
New River Trails	-	188,410	152,055	(36,355)
Verdier Cove Drainage Basin	100,000	103,765	16,909	(86,856)
Stormwater Drainage Improvements	400,000	300,000	54,555	(245,445)
319 Pilot Project	425,000	193,020	7,417	(185,603)
Old Town Sewer Projects	-	14,295	13,004	(1,291)
Buck Island Sewer - Phase I	600,000	912,035	833,155	(78,880)
Bluffton Parkway	643,800	643,800	643,800	-
Buckwalter Parkway	96,200	96,200	96,200	-
Buckwalter Place Drainage	-	150,000	77,047	(72,953)
May River Road/Bruin Road Streetscape - Phase I	239,000	570,000	158,882	(411,118)
May River Road/Bruin Road Streetscape - Phase II	100,000	100,000	48,909	(51,091)
Old Town Signage	-	207,110	12,221	(194,889)
Parks and Recreation Improvements	25,000	59,640	42,430	(17,210)
Oyster Factory Park	-	518,685	309,447	(209,238)
Dubois Park - Phase II	80,000	80,000	12,943	(67,057)
Law Enforcement Center	3,085,000	4,778,050	4,619,514	(158,536)
Building and Grounds Relocation	-	147,935	128,721	(19,214)
BIS Pathways	100,000	25,000	23,284	(1,716)
Buck Island Sewer - Phase II	635,000	970,445	53,021	(917,424)
Buckwalter Place Greenway Trails	-	120,220	113,141	(7,079)
Tech Park	-	2,000	3,926	1,926
NSP Affordable Housing	202,940	664,480	373,629	(290,851)
Land Acquisition	-	166,800	200,006	33,206
BIS Sidewalks & Lighting	-	75,000	3,750	(71,250)
Current				
Community Development	-	-	220	220
Debt Service				
Issuance Cost	-	-	83,900	83,900
Total Expenditures	<u>6,731,940</u>	<u>11,086,890</u>	<u>8,082,086</u>	<u>(3,004,804)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,422,920)</u>	<u>(8,527,648)</u>	<u>(6,508,508)</u>	<u>2,019,140</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	5,422,920	3,313,641	1,107,178	(2,206,463)
Proceeds from Bond Issuance	-	5,214,007	6,500,000	1,285,993
Underwriter's Premium (Discount)	-	-	379	379
Proceeds from Sale of Capital Assets	-	-	387,970	387,970
Total Other Financing Sources and Uses	<u>5,422,920</u>	<u>8,527,648</u>	<u>7,995,527</u>	<u>(532,121)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>1,487,019</u>	<u>1,487,019</u>
Fund Balance - Beginning	1,448,707	1,448,707	1,448,707	-
Fund Balance - Ending	<u>\$ 1,448,707</u>	<u>\$ 1,448,707</u>	<u>\$ 2,935,726</u>	<u>\$ 1,487,019</u>

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Fund
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	\$ 1,144,430	\$ 1,144,430	\$ 1,212,210	\$ 67,780
MID Fees	151,500	151,500	144,155	(7,345)
Interest Income	20,000	20,000	27,430	7,430
Federal Interest Rebate	-	-	75,522	75,522
Total Revenues	<u>1,315,930</u>	<u>1,315,930</u>	<u>1,459,317</u>	<u>143,387</u>
EXPENDITURES				
Legal Fees	12,640	12,640	31,389	18,749
Issuance Cost	-	-	90,339	90,339
Bond Principal	615,000	20,000	20,000	-
Bond Interest	854,960	796,160	651,931	(144,229)
Total Expenditures	<u>1,482,600</u>	<u>828,800</u>	<u>793,659</u>	<u>(35,141)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(166,670)</u>	<u>487,130</u>	<u>665,658</u>	<u>178,528</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	166,670	(487,130)	(600,930)	(113,800)
Proceeds from Bond Issuance	-	-	11,870,000	11,870,000
Underwriter's Premium (Discount)	-	-	(3,500)	(3,500)
Current Refund of Existing Debt	-	-	(12,875,000)	(12,875,000)
Total Other Financing Sources and Uses	<u>166,670</u>	<u>(487,130)</u>	<u>(1,609,430)</u>	<u>(1,122,300)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(943,772)</u>	<u>(943,772)</u>
Fund Balance - Beginning	1,612,017	1,612,017	1,612,017	-
Fund Balance - Ending	<u>\$ 1,612,017</u>	<u>\$ 1,612,017</u>	<u>\$ 668,245</u>	<u>\$ (943,772)</u>

**Town of Bluffton
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

	Boat Ramp Fund	Local Hospitality Tax Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Stormwater Utility Fund	Total Nonmajor Special Revenue Funds	TIF Project Fund	Total Nonmajor Governmental Funds
ASSETS								
Cash and Cash Equivalents	\$ -	\$ 732,629	\$ 40,071	\$ 149,950	\$ -	\$ 922,650	\$ -	\$ 922,650
Restricted Cash and Cash Equivalents	125,441	-	-	-	1,082,952	1,208,393	-	1,208,393
Other Receivables	-	243,634	72,466	80,641	32,380	429,121	-	429,121
Total Assets	<u>\$ 125,441</u>	<u>\$ 976,263</u>	<u>\$ 112,537</u>	<u>\$ 230,591</u>	<u>\$ 1,115,332</u>	<u>\$ 2,560,164</u>	<u>\$ -</u>	<u>\$ 2,560,164</u>
LIABILITIES AND FUND BALANCES								
Accounts Payable	\$ -	\$ -	\$ 46,740	\$ 17,488	\$ -	\$ 64,228	\$ -	\$ 64,228
Due to other Funds	-	23,134	3,623	-	22,070	48,827	-	48,827
Total Liabilities	-	23,134	50,363	17,488	22,070	113,055	-	113,055
Fund Balances:								
Restricted	125,441	953,129	62,174	200,993	1,093,262	2,434,999	-	2,434,999
Committed	-	-	-	12,110	-	12,110	-	12,110
Total Fund Balances	<u>125,441</u>	<u>953,129</u>	<u>62,174</u>	<u>213,103</u>	<u>1,093,262</u>	<u>2,447,109</u>	<u>-</u>	<u>2,447,109</u>
Total Liabilities and Fund Balances	<u>\$ 125,441</u>	<u>\$ 976,263</u>	<u>\$ 112,537</u>	<u>\$ 230,591</u>	<u>\$ 1,115,332</u>	<u>\$ 2,560,164</u>	<u>\$ -</u>	<u>\$ 2,560,164</u>

Town of Bluffton
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

	Boat Ramp Fund	Local Hospitality Tax Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Stormwater Utility Fund	Total Nonmajor Special Revenue Funds	TIF Project Fund	Total Nonmajor Governmental Funds
REVENUES								
Hospitality and Accommodations Taxes	\$ -	\$ 953,182	\$ 160,372	\$ 211,054	\$ -	\$ 1,324,608	\$ -	\$ 1,324,608
Stormwater Utility Fees	-	-	-	-	957,264	957,264	-	957,264
Development Fees	5,700	-	-	-	-	5,700	-	5,700
Interest Income	1,395	377	15	115	569	2,471	23	2,494
Total Revenues	7,095	953,559	160,387	211,169	957,833	2,290,043	23	2,290,066
EXPENDITURES								
Current								
Administrative	60	-	-	-	-	60	-	60
Community Development	-	-	97,612	199,400	-	297,012	-	297,012
Total Expenditures	60	-	97,612	199,400	-	297,072	-	297,072
Excess (Deficiency) of Revenues Over Expenditures	7,035	953,559	62,775	11,769	957,833	1,992,971	23	1,992,994
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	397,148	397,148
Transfers Out	-	(823,946)	(31,769)	(12,221)	(567,566)	(1,435,502)	(397,171)	(1,832,673)
Total Other Financing Sources and Uses	-	(823,946)	(31,769)	(12,221)	(567,566)	(1,435,502)	(23)	(1,435,525)
Net Change in Fund Balance	7,035	129,613	31,006	(452)	390,267	557,469	-	557,469
Fund Balance - Beginning	118,406	823,516	31,168	213,555	702,995	1,889,640	-	1,889,640
Fund Balance - Ending	\$ 125,441	\$ 953,129	\$ 62,174	\$ 213,103	\$ 1,093,262	\$ 2,447,109	\$ -	\$ 2,447,109

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>	53-57
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>	58-63
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>	64-68
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>	69-70
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>	71-73

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 Eight 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>
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
Restricted	321,725	208,790	598,582	559,677	4,531,438	2,492,544	214,401	5,152,452
Unrestricted	<u>2,668,022</u>	<u>3,760,438</u>	<u>(298,311)</u>	<u>524,326</u>	<u>4,313,844</u>	<u>5,653,065</u>	<u>7,654,350</u>	<u>4,609,087</u>
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>

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 Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
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
Judicial	141,004	179,509	317,630	619,267	451,086	278,295	307,603	307,168
Planning	457,619	577,425	807,697	695,190	841,091	1,011,981	1,556,322	1,212,826
Public Safety:								
Building Safety	-	-	-	-	375,157	740,370	985,977	806,099
Police	716,783	1,072,526	1,810,753	2,875,137	3,106,849	3,506,817	3,383,148	3,423,620
Public Works	259,961	602,250	726,092	899,639	452,851	546,691	779,592	820,750
Environmental Protection	-	-	-	-	816,075	918,052	-	-
Engineering	-	-	-	638,985	477,419	686,276	662,107	808,562
Community Development	197,371	406,936	8,158,171	749,409	856,205	1,287,273	1,258,689	3,820,154
Interest on Long-Term Debt	-	-	260,244	566,589	642,512	558,983	523,777	756,571
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>
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
Judicial	-	308,062	673,572	550,653	218,263	246,837	256,973	227,290
Planning	705,918	932,043	1,001,680	1,374,021	817,380	583,987	1,256,292	450,158
Public Safety								
Building Safety	-	-	-	-	-	199,312	424,196	532,291
Police	265,773	8,341	12,103	22,322	86,153	89,156	65,008	75,353
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
Operating grants and contributions	91,149	106,704	84,382	127,955	114,983	146,419	403,468	467,776
Capital grants and contributions	-	331,929	822,635	3,505,187	96,295	150,600	183,252	2,849,085
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>
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>
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
Other taxes	-	-	605,108	1,164,091	1,245,040	1,115,603	1,118,513	1,324,608
Intergovernmental (Unrestricted State Shared)	66,868	54,570	121,565	284,170	277,104	407,173	170,274	233,896
Investment earnings	26,574	39,998	434,870	758,217	651,325	311,680	181,283	108,796
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
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>
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>

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 Eight 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>
Function/Program								
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
Municipal Court	-	308,062	673,572	550,653	218,263	246,837	256,973	227,290
Planning	705,918	932,043	1,001,680	1,374,021	817,380	583,987	1,256,292	450,158
Public Safety								
Building Safety	-	-	-	-	-	199,312	424,196	532,291
Police	265,773	8,341	12,103	22,322	86,153	89,156	65,008	75,353
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
Operating grants and contributions	91,149	106,704	84,382	127,955	114,983	146,419	403,468	467,776
Capital grants and contributions	-	331,929	822,635	3,505,187	96,295	150,600	183,252	2,849,085
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>

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>2002</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>
Pre-GASB 54 ¹										
General Fund										
Reserved	\$ 23,984	\$ 809,395	\$ 1,353,111	\$ 1,861,318	\$ 2,592,912	\$ 2,677,873	\$ 530,164	\$ 253,102	\$ 630,934	
Unreserved	1,088,180	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>\$ 1,112,164</u>	<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	\$ 91,009	\$ 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>\$ 91,009</u>	<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	
Restricted								436,555	540,516	
Committed								1,567,690	1,567,691	
Assigned								194,379	132,992	
Unassigned								1,703,810	2,333,024	
Total General Fund								<u>\$ 4,050,528</u>	<u>\$ 4,748,967</u>	
All Other Governmental Funds										
Restricted								\$ 4,492,059	\$ 4,437,192	
Committed								9,999	780,050	
Assigned								448,306	833,838	
Total all other governmental funds								<u>\$ 4,950,364</u>	<u>\$ 6,051,080</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>2002</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>
Revenues										
Taxes (see Schedule 6)	\$ 209,043	\$ 282,615	\$ 453,342	\$ 893,685	* \$ 2,275,823	\$ 4,137,101	\$ 5,057,039	\$ 5,821,622	\$ 6,364,396	* \$ 6,476,610
Licenses, fees, and permits	1,345,690	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
Fines and penalties	158,481	193,635	265,773	308,062	685,675	550,653	218,263	246,837	256,973	227,290
Charges for services	26,512	26,471	31,370	76,475	37,701	940,015	622,648	395,121	294,925	330,695
Intergovernmental	1,131,342	290,800	358,604	54,570	121,565	284,170	232,282	407,173	170,274	483,896
Investment earnings	16,777	29,512	26,574	39,998	434,870	758,217	626,817	282,147	154,621	83,373
Other revenues	42,403	109,947	279,760	1,700,909	1,814,620	3,787,762	734,181	383,312	804,919	1,911,781
Total revenues	<u>\$2,930,248</u>	<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>
Expenditures										
Legislative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,011	\$ 95,581	\$ 136,996	\$ 142,930	\$ 126,729
Executive	-	-	-	-	-	335,051	784,241	995,011	464,927	317,952
Human Resources	-	-	-	-	-	-	-	-	-	184,193
Non-Departmental	381,500	443,678	596,198	790,046	1,384,281	733,503	1,393,442	1,151,854	1,003,794	774,025
Finance	-	-	-	-	-	305,652	358,048	410,066	568,429	588,792
Municipal Court	48,937	74,979	141,522	174,315	306,907	594,764	424,501	229,093	254,623	257,753
Municipal Judges	-	-	-	-	-	16,237	31,025	44,228	49,456	47,437
Information Technology	-	-	-	-	-	-	-	382,810	397,046	446,551
Facilities/Asset Management	132,729	197,882	248,540	353,216	508,365	810,439	378,345	447,916	685,502	753,620
Engineering	-	-	-	-	-	612,531	411,951	618,370	599,358	745,533
Environmental Protection	-	-	-	-	-	-	807,623	908,517	111,079	-
Growth Management	-	-	-	-	-	-	-	-	398,903	322,261
Planning and Environmental Sustainability	275,022	361,867	457,619	558,854	755,502	689,220	830,649	1,000,233	1,046,341	879,713
Building Safety	-	-	-	-	-	-	340,488	710,054	970,950	792,362
Police	400,782	472,785	609,109	917,060	1,569,141	2,643,167	2,765,268	3,116,134	3,065,401	3,086,150
Community Development	1,015,087	156,684	197,371	406,936	961,077	494,210	428,247	359,476	199,836	328,621
Capital Outlay	448,979	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
Debt Service										
Interest	3,425	10,080	9,520	8,510	260,244	566,589	580,995	565,371	532,966	659,431
Principal	54,441	42,974	45,631	114,832	232,215	232,368	294,393	1,629,764	1,556,399	908,743
Issuance Cost	-	-	-	-	-	-	-	-	-	174,239
Total expenditures	<u>\$2,760,902</u>	<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>
Excess of revenues over (under) expenditures	169,346	814,281	931,987	787,248	3,586,015	(3,295,073)	(3,243,945)	(3,504,384)	(3,404,849)	(4,080,694)
Other Financing Sources (Uses)										
Bonds issued	\$ 200,000	\$ -	\$ -	\$ -	\$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	34,701	23,752	29,188	224,386	385,178	348,422	193,220	208,531	-	-
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
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)
Total other financing sources (uses)	<u>\$ 234,701</u>	<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>
Net change in fund balances	<u>\$ 404,047</u>	<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>
Debt service as a percentage of non- capital expenditures	2.1%	2.8%	3.0%	3.4%	8.7%	6.4%	7.9%	16.4%	15.9%	11.8%

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
2002	\$ 208,780	\$ -	\$ -	\$ 263	\$ 209,043
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
Change 2002-2010	2367.7%	N/A	N/A	362326.6%	2998.2%

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		
2002	2001	\$ 5,289,930	\$ 94,227,637	\$ 292,610	\$ 3,901,467	\$ 5,582,540	\$ 98,129,104	49.0	5.69%
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%

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	
2002	2001	49.0	-	49.0	43.4	7.2	103.6	22.2	22.1	198.5	247.5
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	20.0	180.7	218.7
2011	2010	35.7	2.3	38.0	43.0	4.6	90.3	26.3	20.1	184.2	222.2

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**

Taxpayer	Fiscal Year 2011 Tax Year 2010			Fiscal Year 2002 Tax Year 2001		
	Total Assessed Value	Rank¹	Percentage of Total Town Taxable Assessed Value	Total Assessed Value	Rank¹	Percentage of Total Town Taxable Assessed Value
South Carolina Electric & Gas	\$ 3,773,640	1	2.77%	\$ 489,580	1	8.77%
Palmetto Electric Cooperative	2,319,510	2	1.70%	239,148	6	4.28%
May River Forest LLC	4,786,400	3	3.51%	200,704	4	3.60%
JP Morgan Chase Commercial Mortgage	1,229,320	4	0.90%			
Equity One (Belfair)	1,083,090	5	0.79%	342,061	2	6.13%
NHC Healthcare/Bluffton LLC	955,300	6	0.70%			
Hampton Lake	938,150	7	0.69%			
Palmetto Bluff Uplands LC	3,247,220	8	2.38%			
Rose Canyon Bluffton LLC	822,790	9	0.60%	159,580	5	2.86%
CSB Property Management	541,090	10	0.40%	282,000	3	5.05%
Quinnco-D'Amico Shults LLC				199,512	4	3.57%
Carolina House of Bluffton				238,325	5	4.27%
Bluffton Telephone Company				185,560	7	3.32%
Town of Bluffton				164,078	8	2.94%
Parcel 8B LLC				158,580	9	2.84%
East Coast Newspaper Inc.				179,634	10	3.22%
Total	\$ 19,696,510		14.43%	\$ 2,838,762		50.85%

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		Delinquent Collections	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2002	2001	\$ 273,544	\$ 183,679	67.15%	\$ 24,057	\$ 207,736	75.94%
2003	2002	219,315	213,363	97.29%	14,241	227,604	103.78%
2004	2003	377,018	353,779	93.84%	38,149	391,928	103.95%
2005	2004	836,923	728,806	87.08%	45,313	774,119	92.50%
2006	2005	1,630,720	1,471,468	90.23%	184,294	1,655,762	101.54%
2007	2006	3,143,837	2,886,246	91.81%	64,494	2,950,740	93.86%
2008	2007	3,846,106	3,531,275	91.81%	244,403	3,775,678	98.17%
2009	2008	4,905,127	4,228,981	86.22%	418,779	4,647,760	94.75%
2010	2009	5,176,582	4,598,396	88.83%	587,393	5,185,789	100.18%
2011	2010	5,100,085	4,734,516	92.83%	365,065	5,099,581	99.99%

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

Note: Delinquent collections are shown in the year collected and may result in collection percentages exceeding 100%. Associated penalties are not included in this schedule.

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

Fiscal Year	Town Direct Rate	Beaufort County	South Carolina
2002	0%	0%	5%
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%

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
2002	\$ 180,000	\$ -	\$ -	\$ -	\$ -	\$ 35,543	\$ 215,543	5.28%	87
2003	160,000	-	-	-	-	36,321	196,321	4.56%	75
2004	140,000	-	-	-	-	39,878	179,878	4.03%	61
2005	120,000	-	105,903	-	-	186,086	411,989	8.86%	84
2006	100,000	14,000,000	89,352	-	7,750,000	375,599	22,314,951	430.24%	3,499
2007	80,000	14,000,000	80,324	-	3,710,000	520,681	18,391,005	326.68%	1,425
2008	60,000	14,000,000	70,756	-	2,970,000	449,079	17,549,835	278.14%	1,296
2009	40,000	13,450,000	60,612	-	2,230,000	313,945	16,094,557	241.26%	1,121
2010	20,000	12,875,000	49,859	-	1,490,000	137,346	14,572,205	213.13%	1,163
2011	6,500,000	11,870,000	38,463	-	750,000	-	19,158,463	288.91%	1,529

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
2002	\$ 180,000	\$ 180,000	\$ -	\$ 180,000	0.19%	72
2003	160,000	160,000	-	160,000	0.22%	61
2004	140,000	140,000	-	140,000	0.11%	48
2005	120,000	120,000	-	120,000	0.03%	25
2006	100,000	100,000	-	100,000	0.01%	16
2007	80,000	80,000	-	80,000	0.01%	6
2008	60,000	60,000	-	60,000	0.00%	4
2009	40,000	40,000	-	40,000	0.00%	3
2010	20,000	20,000	-	20,000	0.00%	2
2011	6,500,000	6,500,000	-	6,500,000	0.26%	519

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, 2011

<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	\$ 376,508,303	7%	\$ 26,355,581
Beaufort County General Obligation Debt	200,555,000	7%	14,038,850
Bluffton Fire District	92,325	30%	27,698
Subtotal, overlapping debt			<u>40,422,129</u>
Town direct debt			<u>6,500,000</u>
Total direct and overlapping debt			<u><u>\$ 46,922,129</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 2011

Assessed value	\$136,466,763
Debt Limit (8% of assessed value)	10,917,341
Debt applicable to limit	<u>(6,500,000)</u>
Legal Debt Margin (without a Referendum)	<u>\$ 4,417,341</u>

	<u>2002</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>
Debt limit	\$ 470,603	\$ 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
Total net debt applicable to limit	180,000	160,000	140,000	120,000	100,000	80,000	60,000	40,000	20,000	6,500,000
Legal debt margin	290,603	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
Total net debt applicable to the limit as a percentage of debt limit	38.25%	44.68%	22.74%	7.53%	3.22%	1.34%	0.78%	0.41%	0.18%	59.54%

Note: Article Ten (X), Section Fourteen (14), of the South Carolina Constitution of 1895 as amended provides that a City of 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				Coverage
	Revenue	Debt Service		Total	
		Principal	Interest		
2002	\$ -	\$ -	\$ -	\$ -	-
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

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

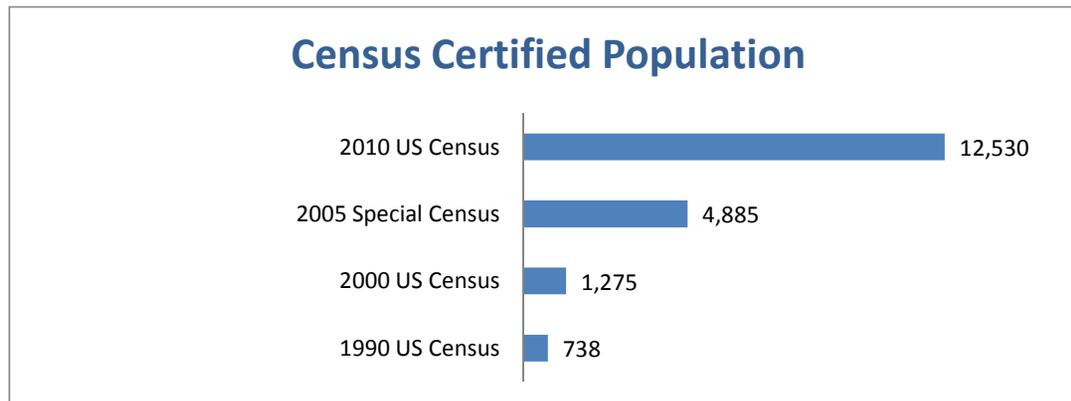
¹ First year represents transfer in.

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

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income* (\$000's)</u>	<u>Per Capita Personal Income*</u>	<u>Town of Bluffton School Enrollment</u>	<u>Beaufort County School Enrollment</u>	<u>Annual Unemployment Rate*</u>
2001	2,354	4,308,558	34,553	1,994	17,114	3.9%
2002	2,483	4,463,175	34,758	1,942	17,604	4.2%
2003	2,631	4,650,337	35,533	2,059	17,911	4.8%
2004	2,930	5,186,633	38,494	3,496	18,364	5.0%
2005	4,885	5,629,713	40,407	3,721	18,974	4.9%
2006	6,377	6,309,673	43,872	4,052	19,229	4.7%
2007	12,902	6,671,103	45,150	4,423	19,221	4.3%
2008	13,544	6,837,128	45,151	4,625	19,067	5.3%
2009	14,358	6,631,185	42,918	5,256	19,525	8.8%
2010	12,530	n/a	n/a	5,345	19,626	8.8%

*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 Division; Population for remaining years estimated by the Town's Planning Department; 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>	2011			2002		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total Town Employment</u>
Beaufort County School District	564	1	n/a	n/a	n/a	n/a
CareCore National, LLC	387	2	n/a	n/a	n/a	n/a
Inn at Palmetto Bluff	281	4	n/a	n/a	n/a	n/a
Hargray	189	5	n/a	n/a	n/a	n/a
Publix	185	3	n/a	n/a	n/a	n/a
Kroger	120	6	n/a	n/a	n/a	n/a
Bluffton Township Fire District	108	7	n/a	n/a	n/a	n/a
Town of Bluffton	93	8	n/a	n/a	n/a	n/a
Outback Steakhouse	85	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	2,087		n/a	n/a		n/a

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

Note: 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>2002</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>
Administration	3.0	4.0	4.0	4.0	7.0	2.0	4.0	2.0	0.0	0.0
Information Technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	4.0	4.0
Municipal Court	1.0	1.0	1.0	2.0	5.0	5.0	4.0	4.0	4.0	4.0
Executive	0.0	0.0	0.0	0.0	0.0	7.0	8.0	7.0	5.0	3.0
Human Resources	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0
Finance	0.0	1.0	3.0	3.0	5.0	5.0	6.0	6.0	6.0	7.0
Facilities/Asset Management	1.0	1.0	3.0	3.0	5.0	5.0	5.0	4.0	6.0	8.0
Police	8.0	10.0	11.0	15.0	28.0	33.0	36.0	38.0	39.0	40.0
Growth Management Administration	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	4.0
Planning & Environmental Sustainability	4.0	4.0	7.0	8.0	10.0	8.0	13.0	10.0	5.0	5.0
Engineering	0.0	0.0	0.0	0.0	0.0	8.5	4.5	6.5	6.5	9.0
Environmental Protection	0.0	0.0	0.0	0.0	0.0	0.0	7.0	6.0	0.0	0.0
Building Safety	0.0	0.0	0.0	0.0	0.0	0.0	4.0	5.0	10.0	7.0
Total	17.0	21.0	29.0	35.0	60.0	73.5	91.5	90.5	89.5	93.0

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

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Business licenses issued	162	353	575	795	1,274	2,214	2,207	2,208	2,280	1,961
HospitalityTax remitters	-	n/a	n/a	n/a	n/a	57	80	81	81	100
Accommodations Tax remitters	-	-	-	2	4	4	4	5	4	4
Court case counts	2,600	2,878	3,790	4,131	3,420	6,928	5,251	8,302	8,242	6,514
Jury trial counts	n/a	n/a	n/a	n/a	2	5	-	6	5	5
Building permit counts	42	372	424	489	1,509	1,175	699	450	658	694
Development permits Issued	20	28	35	29	56	64	39	21	19	9
Applications issued	201	207	190	127	377	334	294	260	183	181
Environmental Protection										
Certificates of compliance	n/a	n/a	n/a	n/a	29	49	46	30	17	8
Construction site inspections	n/a	n/a	n/a	n/a	8	2,516	2,206	2,432	1,428	565
Notices to comply	n/a	n/a	n/a	n/a	6	183	176	151	117	15
Stop work orders	n/a	n/a	n/a	n/a	1	-	1	-	-	-
Citations	n/a	n/a	n/a	n/a	n/a	11	30	13	-	-
Tree removal permits issued	n/a	n/a	n/a	n/a	n/a	42	45	56	45	47
Outreach/Education (# of people)	n/a	n/a	n/a	n/a	n/a	1,483	834	996	1,250	1,366
Public Safety										
Police calls for service	n/a	n/a	n/a	7,000	14,000	18,155	18,477	23,543	34,000	35,864
Domestic calls	n/a	n/a	n/a	293	536	732	428	657	915	558
Traffic collisions	n/a	n/a	n/a	364	1,041	787	820	693	1,011	1,012
Citations	n/a	n/a	n/a	4,011	5,107	5,818	8,064	10,886	11,724	9,828
Arrests	n/a	n/a	n/a	350	609	919	1,083	1,216	1,510	1,231
Reports	n/a	n/a	n/a	1,246	2,754	3,005	2,859	2,978	3,976	3,656
Public Projects & Facilities										
# of capital improvement projects to manage	8	4	2	2	5	17	20	18	16	21
# of parks to maintain	3	3	3	4	4	4	6	6	6	7
# of pathways to maintain	2	2	2	2	2	4	6	6	6	7

Sources: 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>2002</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>
General Government										
Town-owned parcels	8	8	9	10	11	19	26	27	27	28
Town-owned property acreage	303	303	313	400	409	419	544	551	551	571
Town vehicles	1	1	1	1	1	1	1	2	3	2
Environmental Protection										
Town vehicles	-	-	-	-	-	2	3	3	-	-
Engineering										
Town vehicles	-	-	-	-	1	1	4	5	4	4
Public Works										
Town vehicles	1	1	1	2	3	3	5	5	6	5
Public Safety										
Town vehicles (Building Safety)	-	-	-	-	-	-	1	3	4	3
Police vehicles	4	5	6	11	22	31	38	42	42	41
Police mobility vehicles	-	-	-	-	-	-	-	-	2	2
Public Projects & Facilities										
Streets (miles)	0.44	0.44	0.44	0.44	0.44	2.70	3.26	3.51	3.51	3.81
Pathways (miles)	3.64	3.64	3.64	3.64	3.64	5.21	5.77	5.77	5.77	7.27
Parks (count)	3	3	3	4	4	4	6	6	6	7

Source: Facilities/Asset Management and Finance Department

**Town of Bluffton
Fines and Assessments
For the Year Ended June 30, 2011**

Fines Collected	\$ 204,839
Assessments Collected	179,458
Surcharges Collected	89,499
Assessments Collected for Victim Services	22,400
Surcharges Collected for Victim Services	3,661
 Total fines, assessments, and surcharges collected	 <u><u>\$ 499,857</u></u>
 Fines and Fees retained by Town	 \$ 197,484
Assessments retained by Town	-
Assessments retained by Town for Victim Services	22,400
Surcharges retained by Town for Victim Services	3,661
 Total fines, assessments, and surcharges retained by Town	 <u><u>\$ 223,545</u></u>
 Fines and Fees remitted to State Treasurer	 \$ 7,355
Assessments remitted to State Treasurer	179,458
Surcharges remitted to State Treasurer	89,499
 Total fines, assessments, and surcharges remitted to State Treasurer	 <u><u>\$ 276,312</u></u>

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

Town of Bluffton
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-through programs from: SC Forestry Commission			
ARRA - Forest Health Enrichment	10.688	09ARRA13	\$ 19,850
U.S. Department of Commerce			
Pass-through programs from: South Carolina Department of Health and Environmental Control - Office of Ocean and Coastal Resource Management:			
SC Coastal Nonpoint Program Capacity Building Grant for Local Governments	11.419	CM-0-818	43,710
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	50,145
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-08-008	356,246
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	394,192
Subtotal CDBG - State-Administered Small Cities Program Cluster			<u>750,438</u>
U.S. Department of Justice			
ARRA - COPs Hiring Recovery Program	16.710	2009RKWX0741	120,486
U.S. Department of Transportation			
Pass-through programs from: South Carolina Parks, Recreation and Tourism:			
Trailhead Development Project	20.219	2008012	71,646
Recreational Trails Program	20.219	2009001	95,583
Subtotal Department of Transportation pass- through programs			<u>167,229</u>
Total expenditures of federal awards			<u>\$ 1,151,858</u>

See accompanying notes to the schedule of expenditures of federal awards

Town of Bluffton
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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, 2011. 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, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 2, 2011. 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

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.

December 2, 2011

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, 2011. 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, 2011.

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.

December 2, 2011

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 not 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