



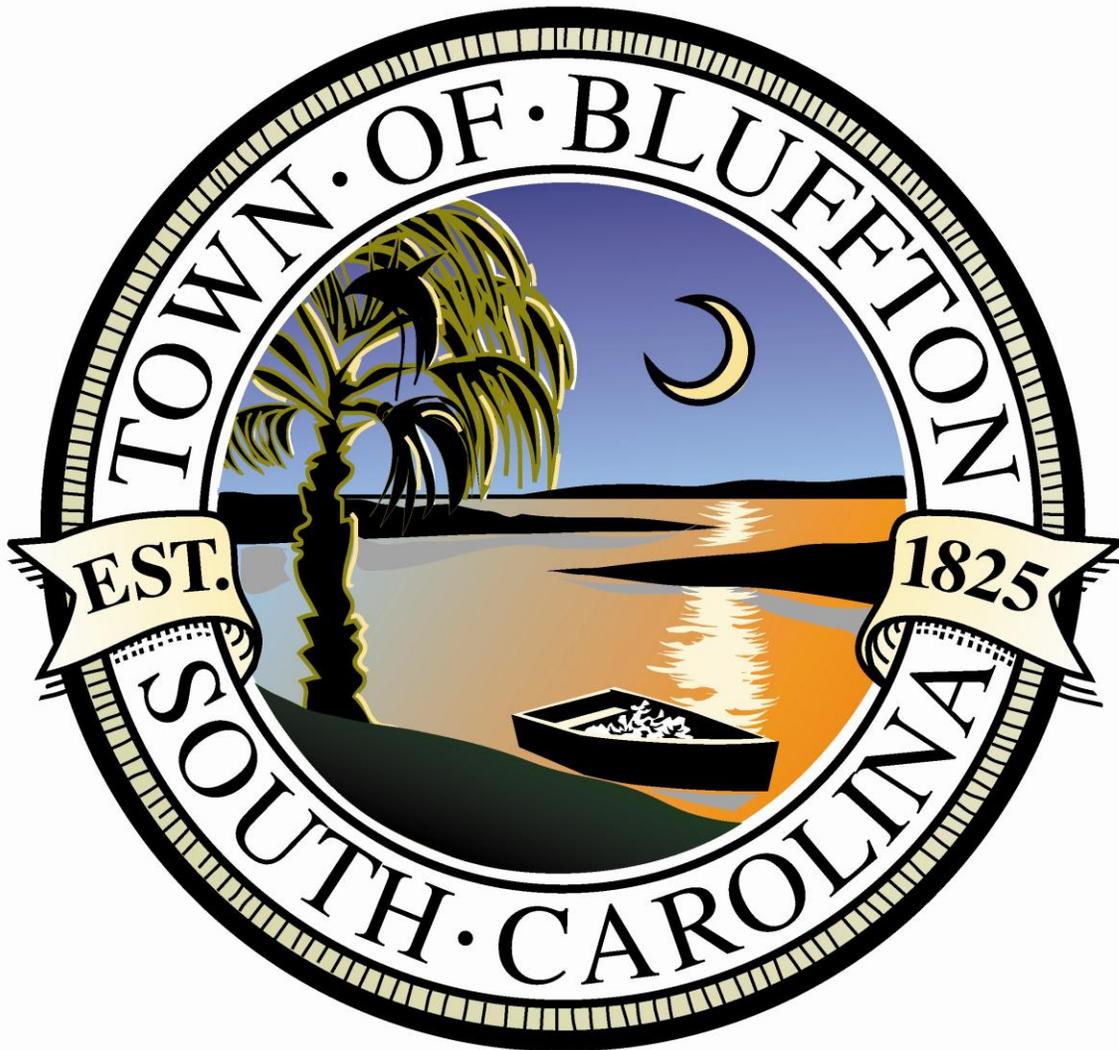
The Town of Bluffton, South Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013

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

For the Year Ended June 30, 2013



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, 2013
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Lisa Sulka
Mayor

Oliver Brown
Mayor Pro Tempore

Anthony Barrett
Town Manager



Council Members
Michael Raymond
Ted Huffman
Karen Lavery

Sandra Lunceford
Town Clerk

November 20, 2013

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, 2013.

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 unmodified opinion was rendered for the Town's Financial Statements for the fiscal year ended June 30, 2013. The Independent Auditors' Report is presented as the first component of the financial section of this report.

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

GAAP require that management provide a narrative, introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

Town Profile

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

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

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

The original Town Boundary was approximately one square mile in area (640 acres). 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 Town's original "one square mile" was in the jurisdiction of Beaufort County. Instead of ignoring the growth in the area, the Town began to voluntarily annex land in order to provide local control over future development.

The first large tract annexation took place in November 1998 and included Palmetto Bluff (20,660 acres) and the Shults Tract (620 acres). Since then, Bluffton has approved 44 annexations increasing the Town's boundary to 54 square miles in area. In just a few years, Bluffton grew from a square-mile-town to controlling the future development of more than 34,000 acres, a majority of which is located five or more miles from the heart of the Town.

According to the 2010 U.S. Census, Bluffton is one of the State's fastest growing municipalities and the State's 4th largest municipality in area. Additionally, the 2010 Census shows Bluffton has approximately 12,530 citizens compared to 1,275 in the 2000 Census.

Local Economy

According to the U.S. Census Bureau, the 2010 median family income for the Town of Bluffton was \$67,344 compared to \$48,611 in the 2000 Census. The 2010 Census shows the Town of Bluffton's per capita income at \$29,008, exceeding the state average of \$23,443.

For the year ending June 30, 2013, the number of commercial, residential, and other miscellaneous building and safety permits processed increased by approximately 25% over the prior fiscal year with corresponding revenues up 70%. Additionally, the number of businesses licensed in the Town of Bluffton increased by approximately 177 when compared to prior year for an annual licensed total of 2,422. Subsequently, the gross receipts revenue increased by 16%.

Private to public and public to public partnerships have been created, advanced, and enhanced. Among these partnerships, the Don Ryan Center for Innovation is a public-private partnership between the Clemson Institute for Community and Economic Development, CareCore National, and the Town of Bluffton. This technology and innovation business center's mission is to advance regional economic development by offering a technology incubator program that provides the resources entrepreneurs, inventors, and small business people need to assist them in their quest for success. Furthermore, the Bluffton Public Development Corporation was created with a private sector Board of Directors to lead the Town's efforts in attracting new business, creating a positive business environment, and to facilitate the overall advancement of economic development initiatives. Another example of these beneficial partnerships is the continued and enhanced support of the water quality laboratory at the University of South Carolina-Beaufort.

Investing in partnerships such as this will continue to strengthen the Town's economic development and maintain a favorable employment rate.

Major Initiatives and Revitalization Efforts

With the approval of our counterpart partners, the Town advanced the Buckwalter Place Multi-County Industrial/Business Park (MCIP) in conjunction with Beaufort County to authorize the Bluffton Public Development Corporation to manage and direct the future use of up to \$1,300,000 of generated fees for projects within the MCIP for the attraction and retention of economic development prospects.

The Town petitioned Hargray Communications and Palmetto Electric and received \$830,000 in Utility Tax Credits and other economic development funds to purchase additional land at Buckwalter Place. With these funds and a recently executed agreement to purchase additional acreage from our Beaufort County partners, the Town will have more than 12 acres within the MCIP adjacent to CareCore National to support economic development initiatives.

Crescent Resources, the developer of Palmetto Bluff, transferred 1,300 dwelling units from the sensitive headwaters drainage area of the May River and donated 6 acres of land to the Town to build a stormwater pond designed to improve water quality. The recently completed pilot project has already shown preliminary, but immediate reductions in the level of bacteria reaching the May River.

The Town of Bluffton's Police Department was given the opportunity by County Sheriff PJ Tanner to become part of the Beaufort County Environment Crime Unit. It was a privilege to become a part of this unit with not only Beaufort County Sheriff's Office, but the SC Department of Health and Environmental Control, and the SC Department of Natural Resources. Together this unit will help keep the May River safe and clean for our citizens and visitors to Bluffton.

Water, sewer, sidewalks and lighting improvement projects have been completed in the Buck Island-Simmons ville (BIS) Neighborhood as outlined within the Town's Comprehensive Plan. The Town continues to implement infrastructure projects in this area under the Capital Improvements Program.

In Fiscal Year 2013, additional water and sewer grant funding in the amount of \$500,000 was awarded resulting in a five-year total of Community Development Block Grant (CDBG) funding of \$1.8 million.

With the completion of the initial phases of the May River Road Streetscape project which brought much needed improvements to the Old Town area, the Town applied for and has been awarded a \$400,000 Transportation Alternatives (TA) grant for the final phase. The grant award for the initial phases was \$200,000, bringing the total grant funding for all phases to \$600,000.

The Town's Wharf Street Redevelopment was recently completed, and five of the six homes had been sold with the final home under contract to close after year-end. This \$1.2 million redevelopment project garnered achievement awards from the Municipal Association of South Carolina and from the South Carolina State Housing Finance and Development Authority.

Budget Process

The Town's budget serves as the foundation for financial planning and control. Annual strategic planning sessions provide the areas of focus for each department as they prepare their budgets.

The budget planning process begins in January of each year. Each department prepares a comprehensive list of goals and objectives highlighting the programs, projects and initiatives to be considered for the upcoming fiscal year. The departments submit their 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. Their input is used as the starting point for developing a proposed budget.

The Finance Department prepares and forwards revenue estimates for both the current and upcoming fiscal year. The expenditure proposals are compared to the revenue projections to serve as a mechanism for the Town Manager to make necessary adjustments in programs and priorities, if needed, to ensure a balanced budget and sufficient funds balance for the financial integrity of the Town.

The Town Manager presents this proposed budget to Council for review in May of each year. Council is required under state law to hold a public hearing and to adopt a final budget no later than June 30, the close of the Town's fiscal year.

The appropriated budget is prepared by fund and department. Once adopted by Council, the budgetary control is maintained by the Town Manager at the fund level. Council must approve by ordinance any amendment to the budget which causes a change in the total appropriation of any fund.

Long-term Financial Planning

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

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Bluffton for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the fifth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully,



Shirley Freeman
Director of Finance/Administration



Town of Bluffton, South Carolina
Elected and Appointed Officials
Year Ended June 30, 2013

Elected Officials

Mayor: The Honorable Lisa Sulka

Council:

Oliver Brown – Mayor Pro Tempore

Michael Raymond

Ted Huffman

Karen Lavery

Appointed Officials

Anthony Barrett – Town Manager

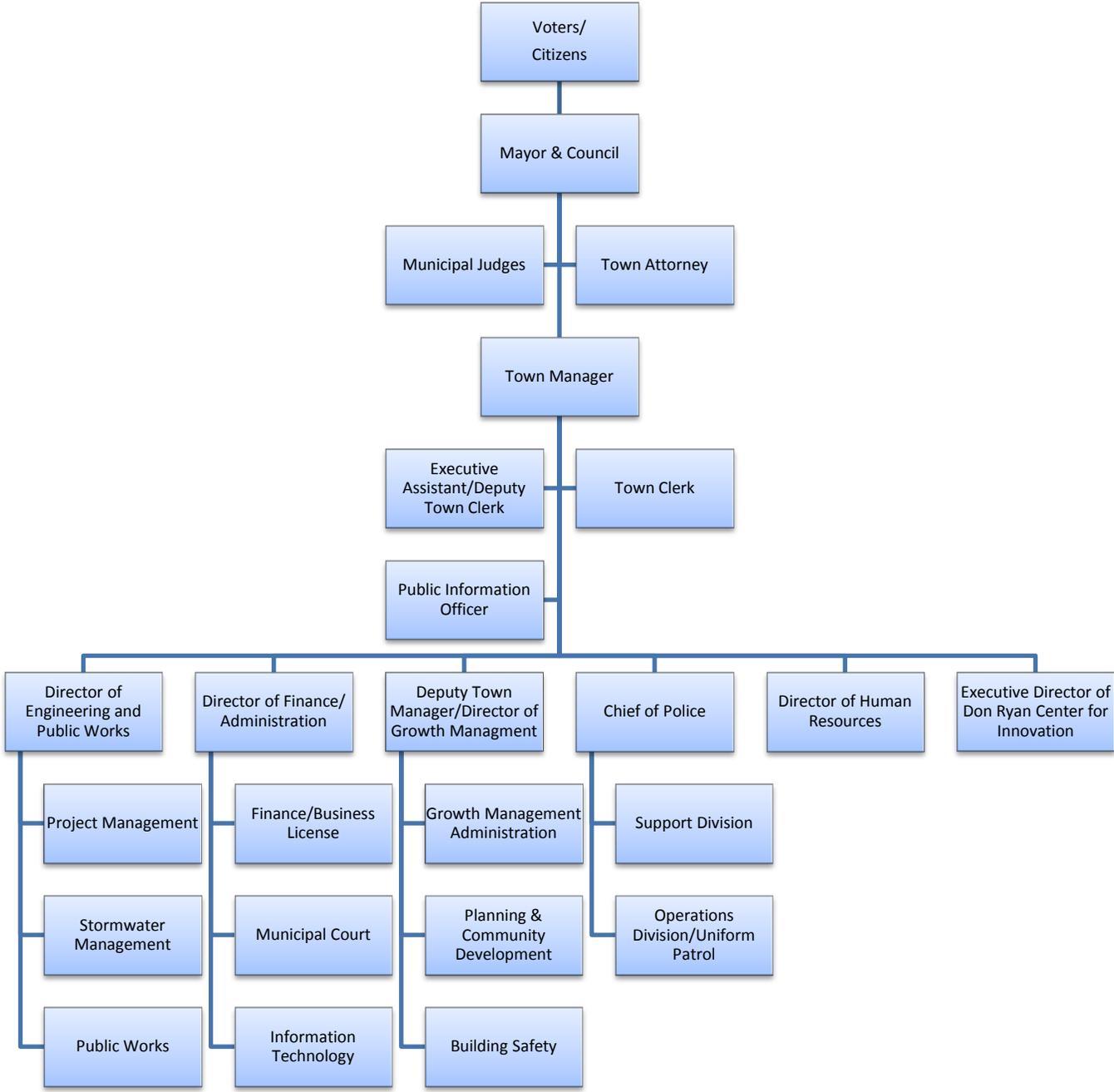
Terry A. Finger – Town Attorney

Senior Management

Marc Orlando
James Ayers
Shirley Freeman
Jessie Hershey
Joey Reynolds
Sandra Lunceford

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

Town of Bluffton Organizational Chart





Government Finance Officers Association

**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, 2012

Executive Director/CEO

KARP, RONNING & TINDOL

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11-20 and 44-47 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

The combining and individual nonmajor fund financial statements 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, 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* in considering the Town's internal control over financial reporting and compliance.

Karp, Renning & Tindel, P.C.

Savannah, Georgia
November 20, 2013

Town of Bluffton
Management's Discussion and Analysis
June 30, 2013

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, 2013. We encourage readers to read the information presented here in conjunction with additional information we have furnished in our letter of transmittal, which can be found on pages 1 through 5 of this report.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$22,725,172 (*net position*). Of this amount, \$6,543,899 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens and creditors.
- The Town's total net position increased by \$3,590,792 or 19% for Fiscal Year 2013.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$13,718,062, an increase of \$3,218,411 in comparison with the prior year. Approximately 29% percent of this total amount, or \$3,968,242, 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 \$3,968,242 or 40% percent of total General Fund expenditures for the fiscal year.
- The Town's total debt decreased by \$469,328 (2.6%) during the current fiscal year. The Town had principle payments on outstanding debt of \$690,858 and entered into a new lease agreement with Branch Banking and Trust Company (BB&T) for the purchase of seven (7) 2013 Ford SUVs. The purchase price of the new vehicles and associated equipment was \$200,000. In addition, the compensating absences liability increased approximately \$21,000.
- The Town of Bluffton's bond rating is an Aa2 from Moody's and an AA- from Standard & Poor's. Both agencies stated the high ratings reflect the growth in the tax base and a healthy financial position supported by financial policies, professional management, and modest debt.

Overview of the Financial Statements

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

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

The two government-wide statements report the Town's net position and how they have changed. The net position is the difference between the Town's total assets and total liabilities. Measuring net position 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, stormwater management 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 21 and 22 of this report.

Town of Bluffton
Management's Discussion and Analysis
June 30, 2013

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 Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

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

The Town previously has adopted an annual budget for its General Fund, Capital Improvements Program Fund, Debt Service Fund and Stormwater 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, Debt Service Fund and Stormwater 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, Debt Service Fund and Stormwater Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27 through 43 of this report.

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

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to basic financial statements as other supplemental information. Community development grants for tourism are funded by State and Local Accommodations Taxes and are reviewed by the Town's Accommodations Tax Advisory Committee.

**Town of Bluffton
Management's Discussion and Analysis
June 30, 2013**

The committee's recommendations are proposed to Town Council for final approval. Combining and individual fund statements and schedules can be found on pages 44 through 49 of this report.

Government-wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2013 are prepared using the financial statement-reporting model as mandated by the Governmental Accounting Standards Board (GASB).

**Statement of Net Position
Figure 1**

	Governmental Activities		% Change
	2013	2012	
Current and other assets	\$ 15,517,253	\$ 12,237,908	27%
Capital assets, net	26,966,623	26,310,414	2%
Total assets	<u>\$ 42,483,876</u>	<u>\$ 38,548,322</u>	<u>10%</u>
Current and other liabilities	\$ 3,299,668	\$ 2,085,726	58%
Long-term liability outstanding	16,454,036	17,328,216	(5%)
Total liabilities	<u>19,753,704</u>	<u>19,413,942</u>	<u>2%</u>
Total deferred inflows of resources	<u>5,000</u>	<u>-</u>	<u>100%</u>
Net position:			
Net investment in Capital Assets	9,552,186	8,456,941	13%
Restricted	6,629,087	5,474,434	21%
Unrestricted	6,543,899	5,203,005	26%
Total net position	<u>22,725,172</u>	<u>19,134,380</u>	<u>19%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 42,483,876</u>	<u>\$ 38,548,322</u>	<u>10%</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$22,725,172 as of June 30, 2013. The Town's overall financial position improved and net position increased by \$3,590,792 or 19% during Fiscal Year 2013.

The Town increased its current and other assets by \$3,279,345 as a result of improved cash position at year-end. This improved cash position is largely attributable to revenues exceeding expenses. The 19% increase in the Town's total net position is the result of a better than anticipated economic recovery for local businesses and development as well as a continued cautionary spending emphasis. The Town increased its capital assets, net by \$656,209 as a result of additions exceeding depreciations in the current fiscal year. The \$1,218,942 net increase in current and other liabilities is related to an increase in collected development fees and building permits. Some of the related fees are collected for other entities and are remitted in subsequent periods (i.e. Beaufort County Impact Fees). Additionally, the Town will be making its first principal payment on the Series 2010A Taxable Build America Bonds increasing current and other liabilities by \$200,000. The \$874,180 decrease in the Town's long-term liabilities is primarily related to the principal payments from the general obligation and revenue bonds due in Fiscal Year 2014. The Town's restricted net position represents resources subject to external restrictions on how they may be used. The increase from prior year is due to increased tourism dollars collected for future projects. The remaining is a balance of \$6,543,899 in unrestricted funds and may be used to meet the ongoing obligations to citizens and creditors.

**Town of Bluffton
Management's Discussion and Analysis
June 30, 2013**

The following table presents the Town's changes in net position for the fiscal year ending June 30, 2013 and 2012.

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

	Governmental Activities		
	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 6,147,517	\$ 4,969,372	24%
Operating grants and contributions	267,960	410,086	(35%)
Capital grants and contributions	2,552,546	2,172,461	17%
General revenues:			
Property taxes	5,573,318	5,233,427	6%
Accommodations taxes	529,646	437,995	21%
Hospitality taxes	1,190,858	1,076,321	11%
Interest	10,070	35,283	(71%)
Unrestricted intergovernmental revenue	330,780	284,065	16%
Miscellaneous	245,068	251,462	(3%)
Total revenues	<u>16,847,763</u>	<u>14,870,472</u>	<u>13%</u>
Expenses:			
Administrative	2,953,686	2,741,335	8%
Judicial	300,056	312,215	(4%)
Planning	896,613	997,773	(10%)
Building Safety	685,841	666,711	3%
Police Department	3,752,007	3,680,878	2%
Public Works	912,800	912,322	0%
Stormwater Management	638,438	628,636	2%
Project Management	612,469	665,071	(8%)
Community Development	1,500,055	2,787,424	(46%)
Interest on long-term debt	1,005,006	705,764	42%
Total expenses	<u>13,256,971</u>	<u>14,098,129</u>	<u>(6%)</u>
Changes in Net Position	3,590,792	772,343	
Net position, July 1	19,134,380	18,362,037	
Net position, June 30	<u>\$ 22,725,172</u>	<u>\$ 19,134,380</u>	<u>19%</u>

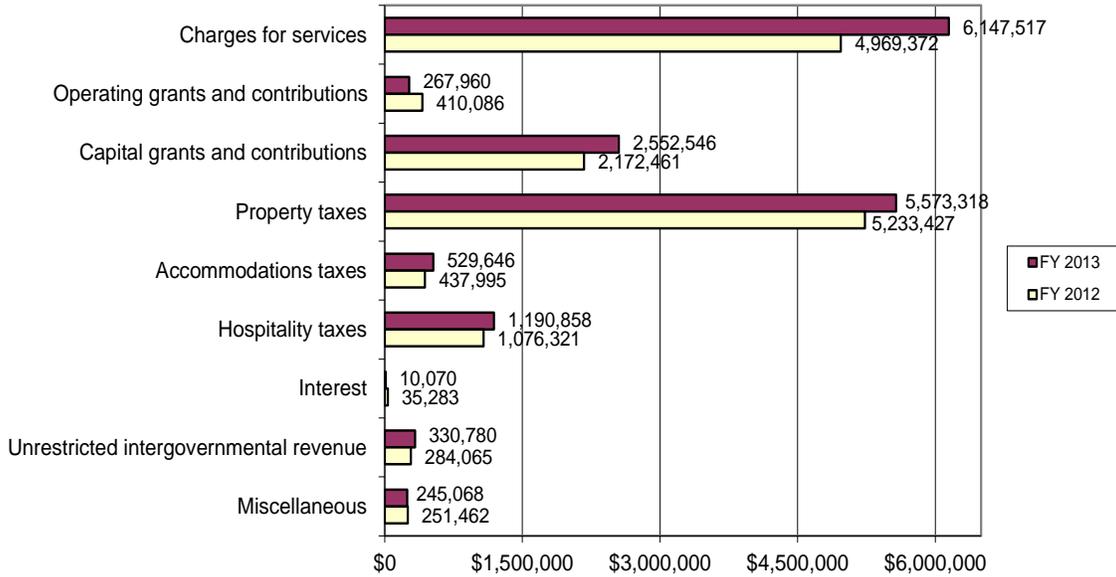
Governmental Activities - Governmental activities increased the Town's net position by \$3,590,792. As mentioned previously, this increase is attributable to revenue increases and the Town's efforts to control general fund spending of operating revenues within the recovering economic environment.

Charges for services (36%) (e.g. business licenses, franchise fees, permit fees, development fees), Capital Grants and Contributions (15%) and property taxes (33%) are the largest sources of funds. All other revenue sources comprise 16% of all funds received by the Town.

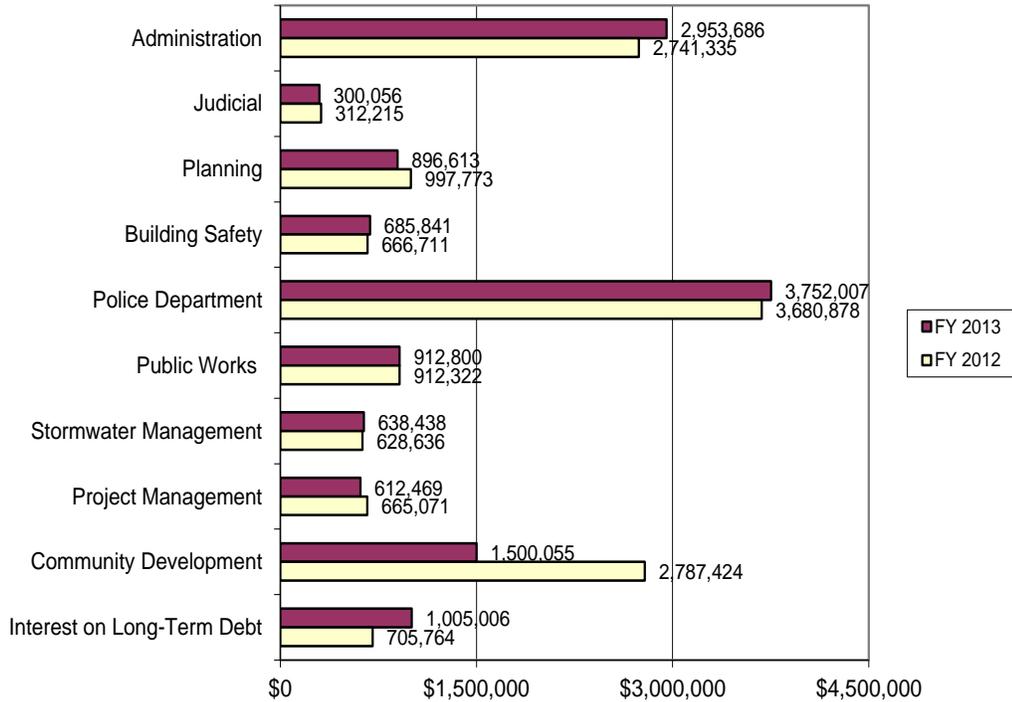
**Town of Bluffton
Management's Discussion and Analysis
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The following charts compare fiscal years 2013 and 2012 revenues by source and expenses by program.

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



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



Town of Bluffton
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Major expenses for Fiscal Year 2013 were associated with the Police Department (28%), Administration (22%) and Community Development functions (11%). Administration expenses included costs for contracts to provide Town services, personnel costs and routine computer hardware and software costs. Community Development expenditures decreased due to the wrap-up of larger 2012 infrastructure projects in Fiscal Year 2013; including Buck Island-Simmonsville Sewer Phases I and II, Wharf Street development project, and the May River Streetscape project. The majority of the larger projects started in Fiscal Year 2013 are in the early planning and design phases.

Transfers between the funds in Fiscal Year 2013 decreased by a \$919,095 primarily due to the newly created Stormwater Fund in 2013 and its self-containment of the majority of the personnel, operating and capital outlay costs for Stormwater projects. Transfers In occurred in the amount \$362,879 to the Capital Improvements Program Fund from other funds and were used to fund portions of the Fund's budgeted projects in Fiscal Year 2013. Transfers In to the General Fund decreased by \$681,377 primarily due to the newly created Stormwater Fund in 2013 mentioned previously. Major Transfers In to the General Fund for Fiscal Year 2013 were \$500,000 from the Hospitality Tax Fund to support tourism projects 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 \$13,718,062, an increase of \$3,218,411 in comparison with the prior fiscal year. Approximately 29% of total fund balance, or \$3,968,242, constitutes unassigned fund balance which is available for spending at the government's discretion. The remainders of fund balance (\$9,749,820) are designated to indicate that they are not available for new spending because they have already been designated as nonspendable (\$167,490), restricted (\$6,461,597), committed (\$2,254,951) or assigned (\$865,782). Significant amounts of restricted balances are due to external designations for tourism and related support programs as well as Stormwater Improvements Projects. Significant amounts of committed balances are due to Town Council's designations for the Emergency Recovery Fund. Finally, amounts of assigned balances are due to the Town Manager and Directors designations for capital improvement purposes.

The General Fund is the chief operating fund of the Town. Total fund balance of the Town's General Fund increased by \$1,758,817 during Fiscal Year 2013. The majority of the increase was due to increased revenue received with the positive economic recovery of local businesses and developers.

General Fund revenues (excluding transfers in and other financing sources) for Fiscal Year 2013 were \$10,931,870, an increase of \$1,427,382 or 15% from the previous year. Licenses and Permits totaled \$5,288,829, an increase of \$1,021,001 over the prior year. Business Licenses, Building Permits, and MASC Insurance tax collections represent the largest increase for revenues within the Licenses and Permits category. The property tax for the General Fund totaled \$4,259,614, an increase of \$328,723 when compared to the prior year. This increase is due to tax base growth, real property foreclosure settlements and delinquent payments received.

General Fund expenditures totaled \$9,867,231, a decrease of \$586,132 from the prior year. This decrease is mainly due to the transfer of related personnel, operating and capital outlay costs to the Stormwater Fund. This transfer was offset by increased expenditures in new vehicle and equipment purchases for the Police and Public Works Departments. Vehicles and equipment were purchased to replace aging assets as well as to increase services to citizens from these departments.

Town of Bluffton
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At the end of the fiscal year, the unassigned fund balance of the General Fund was \$3,968,242, while the total fund balance was \$6,970,408. 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 40% of the total General Fund expenditures, while total fund balance represents 71% of that same amount.

The Capital Improvements Project Fund's fund balance increased \$403,124 during Fiscal Year 2013. The majority of this increase is the result of proceeds from sale of the Wharf Street Redevelopment Project assets. These assets were built with grant revenue received and expended in prior years. Five of the six homes had sold as of June 30, 2013 with the remaining home under contract with a closing date of October 30, 2013.

The Debt Service Fund's fund balance increased \$220,907 during Fiscal Year 2013 compared to Fiscal Year 2012 increase of \$253,998. These increases are necessary to accumulate reserves necessary to make future principal payments on the general obligation bonds.

The Stormwater Utility Fund's fund balance increased \$175,796 during Fiscal Year 2013. The 13% increase is attributable to increased stormwater revenue collections from growth of the number of households within the Town.

The Hospitality Tax Fund's fund balance increased \$634,026 or 63% during Fiscal Year 2013. This increase is due to a 24% increase in collections with the improved economic condition of the Town and delays in proposed tourism capital improvement projects spending in Fiscal Year 2013.

General Fund Budgetary Highlights

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

The General Fund Budget expenditure changes were a minimal \$5,500 starting at \$10,514,990 and ending at \$10,520,490.

Actual revenues for the General Fund were \$1,434,930 more than the original adopted budget and \$1,425,930 more than the revised budget. Property Taxes and Licenses and Permits exceeded budget by a 16% increase or \$1,344,493. Service Revenues exceeded budget by \$128,030 or 34%, with Development Fees being the primary contributor. The Town saw a better than expected increase in residential building permits and their related fees as the economy continues to recover. Municipal Court Fees and Fines were down \$5,072 from prior year and under budget by approximately \$69,000 as a result of lower than expected caseloads compared to prior years.

Actual expenditures for the General Fund were \$653,259 below revised budget. The favorable variance was due to lower contract and professional services costs and lower personnel costs due to vacancies and delays in hiring. These delays resulted in a savings not only in personnel costs, but in training and other associated operating costs as well.

The General Fund continues to receive budgeted transfers from special revenue funds to support tourism projects and related support personnel. Net Transfers In (Out) was reduced by \$749,317 in Fiscal Year 2013 primarily due to the creation and segregation of Stormwater costs into a separate capital projects fund.

**Town of Bluffton
Management's Discussion and Analysis
June 30, 2013**

Capital Assets and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental activities as of June 30, 2013, totals \$26,966,623 (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 2%.

Major capital asset transactions during the year included the lease purchase of seven (7) new 2013 Ford SUVs, the purchase of machinery and equipment for stormwater improvement endeavors, a police boat for participation in the County-wide Environmental Crime Unit, sidewalk improvements to Buck Island/Simmons ville and May River Streetscape as well as a Buckwalter Park land purchase to improve the Town's negotiation position for prospective economic development.

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

	Governmental Activities
	2013
Land	\$ 13,741,434
Building and improvements	6,118,767
Drainage	512,301
Roads	3,008,163
Sidewalks and Trails	1,708,497
Land Improvements	148,792
Machinery and equipment	420,561
Vehicles	359,168
Construction in progress	948,940
Total	\$ 26,966,623

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

Long-term Debt - At the end of the current fiscal year, the Town has total debt outstanding of \$17,892,926. Of this amount, \$6.5 million of General Obligation Debt is secured by the full faith and credit of the Town. Ten million five hundred ninety thousand dollars (\$10,590,000) represents bonded debt for the Tax Increment Financing District funded from the incremental tax revenue. The Town entered into a capital lease purchase in February of 2013 with Branch Bank and Trust (BB&T) for the purchase of 7 SUVs and related equipment in the amount of \$200,000.

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

	Governmental Activities
	2013
General Obligation Bonds	\$ 6,500,000
Refunded TIF Bonds	10,590,000
Premium (Discount) on Bond Issues	(2,705)
Capital Lease	327,142
Total	\$ 17,414,437

The Town's debt decreased \$490,650 during the current fiscal year. This was related to bond principal payment schedules as well as the new \$200,000 lease.

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

Town of Bluffton
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within the Town limits. The current debt limitation for the Town is \$12,670,950 of which \$6,170,950 is remaining for additional general obligation issues. At June 30, 2013, only \$6.5 million of the Town's debt applies to this limitation.

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

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

Economic Factors and Next Year's Budgets and Rates

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

- Located in the heart of the Lowcountry, the Town tourism numbers are rising in Bluffton as in the neighboring communities of Hilton Head Island, and Savannah, Georgia and expected to be on their way back to the 2008 record levels. Located on the banks of the pristine May River, Bluffton is home to the 20,660 acre Palmetto Bluff, an upscale award winning resort and residential development.
- Residential building permits increased this year, and Bluffton issued additional commercial permits for medical, office, gas station, restaurant, and retail space.
- The Town is entering the second year of a three year non-profit public/private economic development pilot project venture with Clemson University to operate a technology business incubator in the Town of Bluffton. The Don Ryan Center for Innovation has created a storefront technology incubator within the Town's Technology Park located at Buckwalter Place. Bluffton is the first of five such projects planned in the state to commercialize technology and create new businesses. At present fourteen innovators have enrolled at the Center and six innovators have completed the program.
- The unemployment rate for Beaufort County is 7.9% and below the State's rate of 8.7% at June 30, 2013. Currently, no data is available specifically for the Town of Bluffton.
- The Fiscal Year 2014 General Fund budget is balanced at \$10,855,890, up marginally 3.25% from Fiscal Year 2013.
- The countywide reassessment of all real properties is state-mandated and must occur every 5 years. The Beaufort County Assessor's Office completed the current 5 year reassessment in September of 2013 and will continue to report to the Town as information is available. These changes were reflected in the tax bills received in November of 2013. State law also addresses the effects reassessment has on property tax revenue collections and the resulting "roll back vs. roll forward" of the property tax millage rate that can occur. The purpose of the "roll forward" on reassessed property values is to ensure that millage rates billed don't negatively affect the property tax revenue for the Town, but maintain revenue neutral collections in order to maintain Town provided services to the taxpayer.
- Based on the preliminary reassessment information provided to the Town by Beaufort County the tax levy increased by 4.6 mills to 42.6 mills in order to remain revenue neutral; the General Fund will receive 40 mills and the Debt Service Fund will receive 2.6 mills. In addition to the reassessment adjustments the GO Bond Debt Service millage was raised an additional 1.75 to cover the principal payments due on the Law Enforcement Center bringing the total Town millage rate to 44.35 mills for Fiscal Year 2014.

Town of Bluffton
Management's Discussion and Analysis
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- Fiscal Year 2014's budget includes funds for May River streetscape enhancements, stormwater initiatives, Buck Island-Simmons ville area improvements, and support for the Don Ryan Center for Innovation.
- The Capital Improvements Project Fund appropriation for Fiscal Year 2014 is \$3,690,000. The majority of these expenditures are for Buckwalter Place Technology Park infrastructure and expansion and the completion of capital projects within the Buck Island/ Simmonsville area, Oyster Factory Park and the May River/Bruin Road Streetscape. In November 2013, budget amendments were approved by Council to bring appropriations to \$6,160,270 and included additions for the aforementioned projects with funding from carryovers from Fiscal Year 2013's budget.
- The Debt Service Fund provides for the payment of bond principal and interest payments totaling \$1,532,574 for Fiscal Year 2014. This includes principal and interest payments for the Refunded TIF Bonds issued in 2010, as well as for General Obligation Bonds, Series 2010A.
- The Stormwater Fund appropriation for Fiscal Year 2014 is 2,251,550. Operational expenditures total \$741,300 and Capital Improvements Projects expenditures of \$844,970 are forecasted for stormwater drainage improvements, wetlands restoration, stormwater retrofits and Watershed Sewer Master Plan implementation. In November 2013, budget amendments were approved by Council to bring appropriations to \$2,723,135 and included additions for the aforementioned projects with funding from carryovers from Fiscal Year 2013's budget.

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 Position
June 30, 2013

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	\$ 8,801,469	\$ 8,801,469
Restricted Cash and Cash Equivalents	4,550,746	4,550,746
Investments	55,863	55,863
Property Taxes Receivable, net	71,100	71,100
Other Receivables	1,795,585	1,795,585
Prepaid Assets	167,490	167,490
Assets Held for Resale	75,000	75,000
Capital Assets		
Nondepreciable	14,690,374	14,690,374
Depreciable	12,276,249	12,276,249
Total Assets and Deferred Outflows of Resources	\$ 42,483,876	\$ 42,483,876
LIABILITIES		
Accounts Payable	\$ 657,515	\$ 657,515
Deposits and Bonds Payable	105,451	105,451
Accrued Interest	141,587	141,587
Due to Other Governments	645,530	645,530
Accrued Payroll and Withholding	310,695	310,695
Items due in less than one year	1,438,890	1,438,890
Items due in more than one year	16,454,036	16,454,036
Total Liabilities	19,753,704	19,753,704
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	5,000	5,000
NET POSITION		
Net Investment in Capital Assets	9,552,186	9,552,186
Restricted for:		
Capital Projects	3,349,869	3,349,869
Tourism Projects and Related Support	1,907,739	1,907,739
Debt Service	1,143,150	1,143,150
Other Purposes	228,329	228,329
Unrestricted	6,543,899	6,543,899
Total Net Position	22,725,172	22,725,172
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 42,483,876	\$ 42,483,876

The Notes to the Financial Statements are an integral part of this statement.

Town of Bluffton
Statement of Activities
June 30, 2013

Function / Programs	Program Revenues			Net (Expenses) Revenue and		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Primary Government						
Governmental Activities						
General Government						
Administration	\$ 2,953,686	\$ 4,120,809	\$ -	\$ -	\$ 1,167,123	\$ 1,167,123
Judicial	300,056	190,993	-	-	(109,063)	(109,063)
Planning	896,613	557,075	-	-	(339,538)	(339,538)
Public Safety						
Building Safety	685,841	979,777	-	-	293,936	293,936
Police Department	3,752,007	56,638	267,960	-	(3,427,409)	(3,427,409)
Public Works	912,800	-	-	-	(912,800)	(912,800)
Stormwater Management	638,438	-	-	1,078,087	439,649	439,649
Project Management	612,469	-	-	-	(612,469)	(612,469)
Community Development	1,500,055	242,225	-	1,474,459	216,629	216,629
Interest on long-term debt	1,005,006	-	-	-	(1,005,006)	(1,005,006)
Total governmental activities	13,256,971	6,147,517	267,960	2,552,546	(4,288,948)	(4,288,948)
Total Primary Government	\$ 13,256,971	\$ 6,147,517	\$ 267,960	\$ 2,552,546	\$ (4,288,948)	\$ (4,288,948)
General Revenues:						
Property Taxes					\$ 5,573,318	\$ 5,573,318
Accommodations Taxes					529,646	529,646
Hospitality Taxes					1,190,858	1,190,858
Interest Income					10,070	10,070
Intergovernmental Revenue					330,780	330,780
Miscellaneous					245,068	245,068
Total general revenues and capital contributions					<u>7,879,740</u>	<u>7,879,740</u>
Change in Net Position					3,590,792	3,590,792
Net Position - Beginning					19,134,380	19,134,380
Net Position - Ending					<u>\$ 22,725,172</u>	<u>\$ 22,725,172</u>

The Notes to the Financial Statements are an integral part of this statement.

**Town of Bluffton
Balance Sheet
Governmental Funds
June 30, 2013**

	General Fund	Capital Improvements Program Fund	Debt Service Fund	Stormwater Fund	Hospitality Tax Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	\$ 6,316,053	\$ 978,723	\$ -	\$ -	\$ 1,342,513	\$ 164,180	\$ 8,801,469
Restricted Cash and Cash Equivalents	889,727	919,992	1,140,311	1,468,627	-	132,089	4,550,746
Investments	47,911	-	7,952	-	-	-	55,863
Property taxes receivable, net	66,672	-	4,428	-	-	-	71,100
Other Receivables	995,026	7,240	-	292,827	297,874	202,618	1,795,585
Assets Held for Resale	-	75,000	-	-	-	-	75,000
Prepaid Assets	167,490	-	-	-	-	-	167,490
Due from other Funds	11,968	96,120	-	-	-	4,219	112,307
Total Assets	<u>\$ 8,494,847</u>	<u>\$ 2,077,075</u>	<u>\$ 1,152,691</u>	<u>\$ 1,761,454</u>	<u>\$ 1,640,387</u>	<u>\$ 503,106</u>	<u>\$ 15,629,560</u>
Liabilities							
Accounts Payable	\$ 376,661	\$ 22,579	\$ -	\$ 187,638	\$ -	\$ 70,637	\$ 657,515
Deposits and Bonds Payable	105,451	-	-	-	-	-	105,451
Due to other Funds	90,666	-	9,541	816	-	11,284	112,307
Due to Other Governments	645,530	-	-	-	-	-	645,530
Salaries and Benefits Payable	301,131	-	-	9,564	-	-	310,695
Total Liabilities	<u>1,519,439</u>	<u>22,579</u>	<u>9,541</u>	<u>198,018</u>	<u>-</u>	<u>81,921</u>	<u>1,831,498</u>
Deferred Inflows of Resources							
Unavailable Revenue	5,000	75,000	-	-	-	-	80,000
Fund Balances							
Nonspendable	167,490	-	-	-	-	-	167,490
Restricted	895,290	919,992	1,143,150	1,459,117	1,640,387	403,661	6,461,597
Committed	1,939,386	193,722	-	104,319	-	17,524	2,254,951
Assigned	-	865,782	-	-	-	-	865,782
Unassigned	3,968,242	-	-	-	-	-	3,968,242
Total Fund Balances	<u>6,970,408</u>	<u>1,979,496</u>	<u>1,143,150</u>	<u>1,563,436</u>	<u>1,640,387</u>	<u>421,185</u>	<u>13,718,062</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,494,847</u>	<u>\$ 2,077,075</u>	<u>\$ 1,152,691</u>	<u>\$ 1,761,454</u>	<u>\$ 1,640,387</u>	<u>\$ 503,106</u>	<u>\$ 15,629,560</u>

The Notes to the Financial Statements are an integral part of this statement.

Town of Bluffton
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013

Total Governmental Fund Balances \$ 13,718,062

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 26,966,623

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 75,000

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

	Accrued Interest	\$ (141,587)	
	Items due in less than one year	(1,438,890)	
	Items due in more than one year	<u>(16,454,036)</u>	
			(18,034,513)

Net position of governmental activities \$ 22,725,172

The Notes to the Financial Statements are an integral part of this statement.

Town of Bluffton
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Capital Improvements Program Fund	Debt Service Fund	Stormwater Fund	Hospitality Tax Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property Taxes	\$ 4,259,614	\$ -	\$ 1,313,704	\$ -	\$ -	\$ -	\$ 5,573,318
Hospitality and Accommodations Taxes	-	-	-	-	1,190,858	529,646	1,720,504
Licenses & Permits	5,288,829	-	154,590	-	-	-	5,443,419
Stormwater Utility Fees	-	-	-	1,078,087	-	-	1,078,087
Grants and Entitlements	39,584	1,204,545	-	269,914	-	-	1,514,043
Intergovernmental	559,156	-	116,686	-	-	-	675,842
Service Revenues	503,980	-	-	-	-	9,125	513,105
Fees and Fines	190,993	-	-	-	-	-	190,993
Interest Income	5,766	3,335	186	145	227	411	10,070
Miscellaneous	83,948	88,800	-	-	70	-	172,818
Total Revenues	10,931,870	1,296,680	1,585,166	1,348,146	1,191,155	539,182	16,892,199
EXPENDITURES							
Current							
Legislative	95,321	-	-	-	-	-	95,321
Executive	379,349	-	-	-	-	-	379,349
Don Ryan Center for Innovation	164,527	-	-	-	-	-	164,527
Human Resources	185,885	-	-	-	-	-	185,885
Non-Departmental	831,061	-	-	-	-	-	831,061
Finance	628,670	-	-	-	-	-	628,670
Municipal Court	251,726	-	-	-	-	-	251,726
Municipal Judges	47,026	-	-	-	-	-	47,026
Information Technology	535,309	-	-	-	-	-	535,309
Facilities and Asset Management	834,542	-	-	-	-	-	834,542
Stormwater Management	-	-	-	629,281	-	-	629,281
Project Management	567,703	-	-	-	-	-	567,703
Growth Management	391,703	-	-	-	-	-	391,703
Planning and Environmental Sustainability	497,474	-	-	-	-	-	497,474
Building Safety	676,502	-	-	-	-	-	676,502
Police	3,488,330	-	-	-	-	-	3,488,330
Community Development	-	30	500	-	-	427,892	428,422
Debt Service							
Principal	40,858	-	650,000	-	-	-	690,858
Interest	3,091	-	683,759	-	-	-	686,850
Capital Outlay	248,154	1,644,884	-	358,690	-	-	2,251,728
Total Expenditures	9,867,231	1,644,914	1,334,259	987,971	-	427,892	14,262,267
Excess (Deficiency) of Revenues Over Expenditures	1,064,639	(348,234)	250,907	360,175	1,191,155	111,290	2,629,932
OTHER FINANCING SOURCES (USES)							
Transfers In	562,118	362,879	-	-	-	-	924,997
Transfers Out	(67,940)	-	(30,000)	(184,379)	(557,129)	(85,549)	(924,997)
Sale of Assets	-	388,479	-	-	-	-	388,479
Capital Leases	200,000	-	-	-	-	-	200,000
Total Other Financing Sources and Uses	694,178	751,358	(30,000)	(184,379)	(557,129)	(85,549)	588,479
Net Change in Fund Balance	1,758,817	403,124	220,907	175,796	634,026	25,741	3,218,411
Fund Balance - Beginning	5,211,591	1,576,372	922,243	1,387,640	1,006,361	395,444	10,499,651
Fund Balance - Ending	\$ 6,970,408	\$ 1,979,496	\$ 1,143,150	\$ 1,563,436	\$ 1,640,387	\$ 421,185	\$ 13,718,062

Net change in fund balances - total governmental funds \$ 3,218,411

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

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

Capital Outlay Expenditures related to Capital Asset Additions	1,456,240	
Less: Depreciation Expense	(802,116)	654,124

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position. 2,085

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 position. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. 490,858

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. (774,686)

Change in net position of governmental activities \$ 3,590,792

Town of Bluffton
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	\$ 3,950,000	\$ 3,950,000	\$ 4,259,614	\$ 309,614
Licenses & Permits	4,253,950	4,253,950	5,288,829	1,034,879
Intergovernmental	552,040	552,040	598,740	46,700
Service Revenues	375,950	375,950	503,980	128,030
Fees and Fines	260,000	260,000	190,993	(69,007)
Miscellaneous	105,000	114,000	89,714	(24,286)
Total Revenues	<u>9,496,940</u>	<u>9,505,940</u>	<u>10,931,870</u>	<u>1,425,930</u>
EXPENDITURES				
Legislative	88,175	99,240	95,321	(3,919)
Don Ryan Center for Innovation	154,045	154,045	164,527	10,482
Executive	375,565	384,420	379,349	(5,071)
Human Resources	209,245	206,645	185,885	(20,760)
Non-Departmental	975,555	960,160	831,061	(129,099)
Finance	631,795	639,900	628,670	(11,230)
Municipal Court	274,405	274,405	251,726	(22,679)
Municipal Judges	50,220	50,220	47,026	(3,194)
Information Technology	603,975	605,735	547,109	(58,626)
Facilities and Asset Management	993,460	1,003,475	860,678	(142,797)
Project Management	622,640	622,640	567,703	(54,937)
Growth Management	391,835	397,835	391,703	(6,132)
Planning and Environmental Sustainability	579,890	578,390	497,474	(80,916)
Building Safety	740,770	712,770	676,502	(36,268)
Police	3,823,415	3,830,610	3,742,497	(88,113)
Total Expenditures	<u>10,514,990</u>	<u>10,520,490</u>	<u>9,867,231</u>	<u>(653,259)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,018,050)</u>	<u>(1,014,550)</u>	<u>1,064,639</u>	<u>2,079,189</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	818,050	715,550	494,178	(221,372)
Capital Leases	200,000	200,000	200,000	-
Total Other Financing Sources and Uses	<u>1,018,050</u>	<u>915,550</u>	<u>694,178</u>	<u>(221,372)</u>
Net Change in Fund Balance	-	(99,000)	1,758,817	1,857,817
Fund Balance - Beginning	5,211,591	5,211,591	5,211,591	-
Fund Balance - Ending	<u>\$ 5,211,591</u>	<u>\$ 5,112,591</u>	<u>\$ 6,970,408</u>	<u>\$ 1,857,817</u>

The Notes to the Financial Statements are an integral part of this statement.

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America, (“GAAP”), as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The Town has implemented GASB standards up to and including GASB statement number 65 as of June 30, 2013. The more significant of the Town’s accounting policies are described in the paragraphs below.

A. Reporting Entity

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

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

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

The Don Ryan Center for Innovation - The Bluffton Technology Incubator Corporation DBA The Don Ryan Center for Innovation (“DRCI”) was established in November of 2011 and was formed for charitable purposes including, but not limited to, the specific and primary purpose of providing small technology start up and development resulting in expanded employment, economic prosperity and business opportunities for businesses and residents of the Town of Bluffton. The Town shall have the right to vote on: the election and removal of directors of the seven members Board of Directors, the disposition of the corporation’s assets, and any election to dissolve the corporation. The DRCI shall submit an annual budget to the Town. The Town has hired and employs the Chief Executive Officer of the DRCI. The net position of the DRCI at June 30, 2013 was \$22,359 and the Town has a receivable on its books from the DRCI of \$1,061 at year-end. Given these immaterial amounts in relation to the Town’s operating results, the operations of the DRCI were deemed immaterial to the readers of the financial statements and were not presented in this publication. Financial information can be obtained from the Don Ryan Center for Innovation at PO Box 2277, Bluffton, SC 29910.

B. Basis of Presentation – Basis of Accounting

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

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

The Town reports the following major governmental funds:

General Fund

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

Capital Improvements Program Fund – Capital Projects Fund

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

Debt Service Fund

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

Stormwater Fund

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

Hospitality Tax Fund

This fund is used to account for the local hospitality tax fees collected by the Town for use in Tourism related expenditures and related Capital Improvements Projects.

C. Measurement Focus, Basis of Accounting

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

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

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting (continued)

Government 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. A budget was not prepared for the Hospitality Tax Fund for FY 2013, it was previously classified as a non-major special revenue fund, and therefore a comparison schedule was not reported in FY 2013. A formalized budget for the Hospitality Tax Fund is not anticipated in future years given the funds status as a major fund is expected to be temporary and primarily due to tourism related capital improvement project completion schedules and subsequent funding needs. All annual budget appropriations lapse at fiscal year-end.

The Town follows a budget calendar in establishing the budgets for the next year ensuring the following criteria is met:

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

E. Encumbrances

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

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.

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

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 capital assets are recorded at estimated market value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Years</u>
Building and improvements	25 to 35
Drainage	25
Roads	20
Land Improvements	20
Sidewalks and Trails	20 to 30
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 position. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

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

K. Compensated Absences

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

L. Allowance for Uncollectible Accounts

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

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

M. Net Position/Fund Balances

Net Position – Net position in the government-wide financial statements is classified as either net investment in capital assets, restricted, or unrestricted. Restricted net position represents constraints on resources that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law.

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

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

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

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

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

General Fund Unassigned Fund Balance

1. The Town of Bluffton will strive to maintain a committed General Fund balance equal to 15% of the budgeted governmental fund expenditures as the Emergency Recovery Fund (\$1,577,249 for FY 2013). 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.

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

M. Net Position/Fund Balances (continued)

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, 2013 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, 2013, none of the Town's primary government bank balances of \$13,876,075 (book balance of \$13,352,215) were exposed to custodial credit risk. Bank balances differ from the Town's carrying amount due to cash on hand, deposits in transit and outstanding checks.

	June 30, 2013
Amounts insured by FDIC coverage	\$ 500,000
Amounts collateralized with securities held by the pledging financial institution in the Town's name	15,155,578
Excess Collateralization	(1,779,503)
Total bank balances	\$ 13,876,075

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 \$4,550,746 at June 30, 2013. 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.

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 3 – Investments (continued)

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

The Town has investments of cash with Beaufort County with carrying and fair value of \$55,863. The deposits are part of a pool of funds invested by the pool for entities, which receive property tax revenues from the county treasurer. As such, collateral is not identified for each deposit, but rather for the fund as a whole. These deposits are collateralized by cash or government agency securities, which are fully guaranteed as to principal and interest by the Federal government.

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 4 – Receivables

At June 30, 2013, the Town's receivable balances were as follows:

	General Fund	Capital Improvements Program Fund	Debt Service Fund	Stormwater Fund	Hospitality Tax Fund	Non-Major Governmental Funds	Total
Receivables:							
Administrative fees	\$ -	\$ 2,200	\$ -	\$ -	\$ -	\$ -	\$ 2,200
Alcohol taxes	12,000	-	-	-	-	-	12,000
Contract police services	8,260	-	-	-	-	-	8,260
Federal & state grants	4,190	5,040	-	263,453	-	-	272,683
Fines and Fees	1,947	-	-	-	-	-	1,947
Franchise fees	600,867	-	-	-	-	-	600,867
Hospitality taxes	-	-	-	-	297,874	-	297,874
Licenses & permits	185,470	-	-	-	-	-	185,470
Local accommodations taxes	-	-	-	-	-	106,930	106,930
Local government fund	59,722	-	-	-	-	-	59,722
Other/miscellaneous	6,433	-	-	400	-	-	6,833
Property taxes	66,672	-	4,428	-	-	-	71,100
School resources	116,137	-	-	-	-	-	116,137
State accommodations taxes	-	-	-	-	-	95,688	95,688
Stormwater utility fees	-	-	-	28,974	-	-	28,974
Total Receivables	<u>\$ 1,061,698</u>	<u>\$ 7,240</u>	<u>\$ 4,428</u>	<u>\$ 292,827</u>	<u>\$ 297,874</u>	<u>\$ 202,618</u>	<u>\$ 1,866,685</u>

Note 5 – Assets Held for Resale

The Town was awarded the Neighborhood Stabilization Program (NSP) Grant established by the U.S. Department of Housing and Urban Development (HUD) for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. The funds were utilized by the Town for the purchase and redevelopment of residential properties and the demolition of blighted structures. On June 30, 2013, the Town had one home at an estimated fair market value of \$75,000 under contract.

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 6 – Capital Assets – Primary Government

Capital asset activity for the governmental activities for the year ended June 30, 2013 was as follows:

	Beginning Balances	Additions/ Completions	Disposals/ Adjustments	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,006,434	\$ 735,000	\$ -	\$ 13,741,434
Construction in progress	1,674,661	341,077	(1,066,798)	948,940
Total capital assets not being depreciated	<u>14,681,095</u>	<u>1,076,077</u>	<u>(1,066,798)</u>	<u>14,690,374</u>
Capital assets being depreciated:				
Building and improvements	7,261,666	16,141	-	7,277,807
Drainage	683,071	-	-	683,071
Roads	3,935,539	-	-	3,935,539
Sidewalks and Trails	685,088	1,185,006	-	1,870,094
Land Improvements	182,495	-	-	182,495
Machinery and equipment	1,813,697	65,758	(22,527)	1,856,928
Vehicles	1,693,323	182,141	(104,146)	1,771,318
Total capital assets being depreciated	<u>16,254,879</u>	<u>1,449,046</u>	<u>(126,673)</u>	<u>17,577,252</u>
Less accumulated depreciation for:				
Building and improvements	930,233	228,807	-	1,159,040
Drainage	136,616	34,154	-	170,770
Roads	730,599	196,777	-	927,376
Sidewalks and Trails	104,058	57,539	-	161,597
Land Improvements	25,584	8,119	-	33,703
Machinery and equipment	1,274,522	184,372	(22,527)	1,436,367
Vehicles	1,423,948	92,348	(104,146)	1,412,150
Total accumulated depreciation	<u>4,625,560</u>	<u>802,116</u>	<u>(126,673)</u>	<u>5,301,003</u>
Total capital assets being depreciated, net	<u>11,629,319</u>			<u>12,276,249</u>
Governmental activity capital assets, net	<u>\$ 26,310,414</u>			<u>\$ 26,966,623</u>

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

Administration	\$ 42,438
Public Works	76,765
Stormwater Management	7,878
Building Safety	7,420
Project Management	43,487
Information Technology	86,009
Municipal Court	664
Planning	5,304
Police Department	256,214
Community Development	275,937
Total Depreciation Expense	<u>\$ 802,116</u>

Note 7 – Employee Benefit Plan

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

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 7 – Employee Benefit Plan (continued)

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

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

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 7.0% of their annual covered salary for the SCRS and 7.0% 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, 2013, were 10.45% for SCRS and 11.9% 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:

	2013	2012	2011
South Carolina Retirement System	\$ 363,658	\$ 304,034	\$ 292,090
Police Officers Retirement System	\$ 233,571	\$ 221,621	\$ 201,740

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

Note 8 – Long-term Obligations

The following is a summary of changes in the Town's long-term obligations as of June 30, 2013:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Next Fiscal Year
Governmental activities					
Bonds and notes payable:					
General obligation bonds	\$ 6,500,000	\$ -	\$ -	\$ 6,500,000	\$ 200,000
Revenue bonds	11,240,000	-	(650,000)	10,590,000	670,000
Premium (Discount) on bond issue	(2,913)	-	208	(2,705)	(208)
Capital lease obligations	168,000	200,000	(40,858)	327,142	90,609
Total bonds and notes payable	\$ 17,905,087	\$ 200,000	\$ (690,650)	\$ 17,414,437	\$ 960,401
Other liabilities:					
Compensated absences	\$ 457,167	\$ 417,424	\$ (396,102)	\$ 478,489	\$ 478,489
Governmental activities long-term liabilities	\$ 18,362,254	\$ 617,424	\$ (1,086,752)	\$ 17,892,926	\$ 1,438,890

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 8 – Long-term Obligations (continued)

General Obligation Bonds

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

This bond issue resulted in a tax levy of 2.3 mills to the Debt Service Fund in fiscal year 2011 for the initial interest payments on the bonds. Additionally, the Town receives a 35% Federal Interest Rebate from the IRS on the interest payments which totaled \$116,686 in fiscal year 2013.

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
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>\$ 4,698,137</u>	<u>\$ 6,500,000</u>	<u>\$ 11,198,137</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 with 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, and bond insurance costs.

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 8 – Long-term Obligations (continued)

Tax Increment Bonds

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

Current Refunding

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

A schedule of the amounts due follows:

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

Fiscal Year Ending June 30,	Interest Rate	Governmental Activities		
		Interest	Principal	Total
2014	3.210%	\$ 329,186	\$ 670,000	\$ 999,186
2015	3.210%	307,358	690,000	997,358
2016	3.210%	284,807	715,000	999,807
2017	3.210%	261,535	735,000	996,535
2018	3.210%	237,540	760,000	997,540
2019	3.210%	212,743	785,000	997,743
2020	3.210%	187,143	810,000	997,143
2021	3.210%	160,741	835,000	995,741
2022	3.210%	133,536	860,000	993,536
2023	3.210%	105,449	890,000	995,449
2024	3.210%	76,398	920,000	996,398
2025	3.210%	46,464	945,000	991,464
2026	3.210%	15,649	975,000	990,649
		<u>\$ 2,358,549</u>	<u>\$ 10,590,000</u>	<u>\$ 12,948,549</u>

Capital Leases

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

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

Fiscal Year Ending June 30	Interest Rate	Governmental Activities		
		Interest	Principal	Total
2014	1.840%	\$ 2,339	\$ 41,610	\$ 43,949
2015	1.840%	1,574	42,376	43,950
2016	1.840%	794	43,156	43,950
		<u>\$ 4,707</u>	<u>\$ 127,142</u>	<u>\$ 131,849</u>

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 8 – Long-term Obligations (continued)

Capital Leases

On February 15, 2013 the Town entered into a lease agreement with Branch Banking and Trust Company for the purchase of seven (7) 2013 Ford SUVs. The purchase price of the new vehicles and associated equipment was \$200,000. The lease bears an interest rate of 1.350% and is payable in annual installments of principal and interest of \$51,699 through March of 2017. The lease is being paid annually through the general fund. A schedule of the amount due for this lease follows:

\$200,000 Lease Purchase Agreement dated February 12, 2013

Fiscal Year Ending June 30	Interest Rate	Governmental Activities		
		Interest	Principal	Total
2014	1.350%	\$ 2,700	\$ 48,999	\$ 51,699
2015	1.350%	2,039	49,660	51,699
2016	1.350%	1,368	50,331	51,699
2017	1.350%	689	51,010	51,699
		\$ 6,796	\$ 200,000	\$ 206,796

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:

Asset:	Governmental Activities
Vehicles	\$ 344,777
Less: Accumulated Depreciation	(48,906)
	\$ 295,871

Annual requirements to amortize general long-term debt at June 30, 2013, excluding the accruals for compensated absences and intergovernmental agreement, are summarized as follows:

Fiscal Year Ending	Capitalized Leases		General Obligation Bonds		Tax Increment Bonds		Grand Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 90,609	\$ 5,039	\$ 200,000	\$ 333,388	\$ 670,000	\$ 329,186	\$ 960,609	\$ 667,612
2015	92,036	3,612	210,000	328,688	690,000	307,358	992,036	639,657
2016	93,486	2,162	215,000	322,493	715,000	284,807	1,023,486	609,462
2017	51,010	689	225,000	315,613	735,000	261,535	1,011,010	577,836
2018	-	-	235,000	307,625	760,000	237,540	995,000	545,165
2019-2023	-	-	1,275,000	1,384,390	4,180,000	799,611	5,455,000	2,184,001
2024-2028	-	-	1,500,000	1,047,740	2,840,000	138,512	4,340,000	1,186,252
2029-2033	-	-	1,810,000	582,900	-	-	1,810,000	582,900
2034-2036	-	-	830,000	75,300	-	-	830,000	75,300
Totals	\$ 327,142	\$ 11,502	\$ 6,500,000	\$ 4,698,135	\$ 10,590,000	\$ 2,358,548	\$ 17,417,142	\$ 7,068,185

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 8 – Long-term Obligations (continued)

Total interest paid and accrued by the Town of Bluffton during the year ended June 30, 2013 was approximately \$686,210 of which, none was capitalized. In addition to this amount the Town has included \$318,796 in unamortized bond issuance costs in this line item on the statement of activities for the year ending June 30, 2013. This amount was included as a result of the early adoption of GASB statement #65.

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, 2013 was \$158,386,873. The computation of legal debt limits is as follows:

General obligation debt limit (\$158,386,873 x 8%)	\$ 12,670,950
General obligation debt at June 30, 2013	6,500,000
Excess of debt limit over general obligation debt	\$ 6,170,950

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, 2013, fund balances for all the major and non-major funds were distributed as follows:

	General Fund	Capital Improvements Program Fund	Debt Service Fund	Stormwater Fund	Hospitality Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:							
Nonspendable: Prepaid Assets	\$ 167,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,490
Restricted for:							
Drug Enforcement (SC Code of Laws 44-53-530 (g))	16,439	-	-	-	-	-	16,439
Stormwater Improvement (SW Fee Ordinance)	-	-	-	1,459,117	-	-	1,459,117
TIF Debt Service (Bond & Budget Ordinance)	-	-	930,654	-	-	-	930,654
GO Bond Debt Service (Bond & Budget Ordinance)	-	-	212,496	-	-	-	212,496
Municipal Improvement District Funds (Development Agreement)	764,451	-	-	-	-	-	764,451
Boat Ramp Repair (Development Agreement)	-	-	-	-	-	136,309	136,309
Buckwalter Park (Development Agreement)	-	670,187	-	-	-	-	670,187
Linear Park (Development Agreement)	-	179,805	-	-	-	-	179,805
Kent Estates Leisure Trail (Development Agreement)	28,000	42,000	-	-	-	-	70,000
Village of Verdier Leisure Trail (Development Agreement)	42,000	28,000	-	-	-	-	70,000
Tree Fund (unified code)	44,400	-	-	-	-	-	44,400
Tourism Projects and Related Support (SC Code 6-1-530 & 730)	-	-	-	-	1,640,387	267,352	1,907,739
Committed to:							
Emergency Recovery Fund (Budget Ordinance)	1,577,249	-	-	-	-	17,524	1,594,773
Equipment and Vehicle Replacement Reserve (Budget Ordinance)	362,137	-	-	-	-	-	362,137
Dubois Park (Contract Encumbrance)	-	193,722	-	-	-	-	193,722
US EPA 319 Pilot Project (Contract Encumbrance)	-	-	-	104,319	-	-	104,319
Assigned to:							
Other Capital Improvement Purposes	-	865,782	-	-	-	-	865,782
Unassigned:	3,968,242	-	-	-	-	-	3,968,242
Total Fund Balances	\$ 6,970,408	\$ 1,979,496	\$ 1,143,150	\$ 1,563,436	\$ 1,640,387	\$ 421,185	\$ 13,718,062

Ordinance No. 2012-13 "Fiscal Year 2013 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 2013, this amount was established as \$1,577,249. 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.

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 11 – Net Investment in Capital Assets

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

Capital Assets	\$	32,267,626
Less: Accumulated Depreciation		(5,301,003)
		26,966,623
Less: Outstanding Principal of Capital-Related Borrowings		
General obligation bonds		(6,497,087)
Revenue bonds		(10,590,208)
Capital lease obligations		(327,142)
		(17,414,437)
Net Investment in Capital Assets	\$	9,552,186

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, 2013, 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	Stormwater Fund	Debt Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 684	\$ -	\$ 11,284	\$ 11,968
Capital Improvements Program Fund	86,447	132	9,541	-	96,120
Non-Major Governmental Funds	4,219	-	-	-	4,219
Total	\$ 90,666	\$ 816	\$ 9,541	\$ 11,284	\$ 112,307

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, 2013, are summarized as follows:

Transfers In	Transfers Out					Total
	General Fund	Stormwater Fund	Debt Service Fund	Hospitality Tax Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 20,300	\$ -	\$ 500,000	\$ 41,818	\$ 562,118
Capital Improvements Program Fund	67,940	164,079	30,000	57,129	43,731	362,879
Totals	\$ 67,940	\$ 184,379	\$ 30,000	\$ 557,129	\$ 85,549	\$ 924,997

Town of Bluffton
Notes to Financial Statements
June 30, 2013

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, 2013 totaled \$35,318 and the distributions to the Visitor and Convention Bureau totaled \$61,908. The remaining amounts (65%) are restricted to tourism-related projects approved by Town Council.

The Bluffton Historical Preservation Society received grant appropriations and expenditures of \$125,500 for the year ending June 30, 2013.

The unpaid balances for approved grants are reflected as an encumbrance of fund balance in the Special Revenue Fund. Fund balance at June 30, 2013, was \$65,272 with no remaining grant balance to encumber.

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, 2013, this amount totaled \$23,863. The remaining amounts are allocated to tourism-related projects approved by Town Council.

Grant appropriations and expenditures for the year ending June 30, 2013, were as follows:

<u>Grant Recipient</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Lapsed</u>	<u>Encumbrances</u>
Old Town Bluffton Merchant Society	\$ 39,200	\$ 39,200	\$ -	\$ -
Farmers Market of Bluffton	39,500	21,079	125	18,296
The May River Theatre	27,000	27,000	-	-
Historic Bluffton Arts & Seafood Festival	20,000	20,000	-	-
Lowcountry Tourism Commission & Visitors Center & Museum	9,600	9,600	-	-
Beaufort County Black Chamber of Commerce	7,500	7,500	-	-
Greater Bluffton Chamber of Commerce	3,600	2,641	-	959
Hilton Head Island-Bluffton Chamber of Commerce	50,000	50,000	-	-
Palmetto Bluff Preservation Trust - Sculpture Art Park	20,000	-	-	20,000
Beaufort County Parks and Leisure Services (PALS)	40,000	-	-	40,000
Society of Bluffton Artists (SOBA)	1,000	-	-	1,000
Town of Bluffton Tree Committee	13,000	6,500	-	6,500
Prior Year Grant Appropriations	-	39,602	-	-
Total	<u>\$ 270,400</u>	<u>\$ 223,122</u>	<u>\$ 125</u>	<u>\$ 86,755</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, 2013, was \$219,604 of which \$86,755 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.

Town of Bluffton
Notes to Financial Statements
June 30, 2013

Note 16 – Operating Leases (continued)

In addition, the Town has several five-year lease agreements for copiers designated to the various departments. For the year ended June 30, 2013, base payments under these leases totaled \$46,604.

Year ending June 30,	Lease Amounts
2014	\$ 48,288
2015	16,081
2016	16,081
2017	10,513
2018	2,021
	\$ 92,984

Note 17 – Risk Management

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

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

Note 18 – Other Post-Employment Benefits

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

Note 19 – Commitments and Contingencies

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

Arbitrage

State and local bonds issued after 1984 are subject to arbitrage restrictions as enacted by the Federal Government. To retain a bond's tax exempt status, local governments must comply with the regulations as adopted by the government to expend all of the bond proceeds within designated periods. The Town believes it is in compliance with all arbitrage rules as of June 30, 2013.

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	\$ 3,950,000	\$ 3,950,000	\$ 4,259,614	\$ 309,614
Licenses & Permits				
Franchise Fees	1,315,275	1,315,275	1,322,686	
Business Licenses	1,155,000	1,155,000	1,284,970	
MASC Telecommunications	90,000	90,000	100,060	
MASC Insurance Tax Collection	825,000	825,000	1,258,503	
Building Permits	565,000	565,000	979,777	
Administrative Fees	88,000	88,000	50,646	
Municipal Development Improvement Fees	170,100	170,100	233,100	
Fee In Lieu - Developer Fees	10,575	10,575	10,573	
Application Fees	35,000	35,000	48,514	
Total Licenses & Permits	<u>4,253,950</u>	<u>4,253,950</u>	<u>5,288,829</u>	<u>1,034,879</u>
Intergovernmental				
State Shared Revenues				
Local Government Fund	230,540	230,540	275,380	
Alcohol Tax	50,000	50,000	55,400	
Federal Grants	-	-	39,584	
State Grants	50,000	50,000	-	
Total State Shared Revenues	<u>330,540</u>	<u>330,540</u>	<u>370,364</u>	<u>39,824</u>
Other Local Governments				
School Resource Officers	155,000	155,000	160,960	
School Crossing Guards	66,500	66,500	67,416	
Total Other Local Governments	<u>221,500</u>	<u>221,500</u>	<u>228,376</u>	<u>6,876</u>
Total Intergovernmental	<u>552,040</u>	<u>552,040</u>	<u>598,740</u>	<u>46,700</u>
Service Revenues				
Contract Police Services	84,000	84,000	56,638	
Impact Fee Collection Fee	15,950	15,950	29,346	
Development Fees	276,000	276,000	417,996	
Total Sales and Service	<u>375,950</u>	<u>375,950</u>	<u>503,980</u>	<u>128,030</u>
Fines & Fees				
Municipal Court	230,000	230,000	167,024	
Victims Assistance	30,000	30,000	22,421	
Forfeitures	-	-	1,548	
Total Fines and Fines	<u>260,000</u>	<u>260,000</u>	<u>190,993</u>	<u>(69,007)</u>
Miscellaneous Revenues				
Donations	-	9,000	9,550	
Miscellaneous	70,000	70,000	59,123	
Rental Income	20,000	20,000	15,275	
Interest Income	15,000	15,000	5,766	
Total Miscellaneous	<u>105,000</u>	<u>114,000</u>	<u>89,714</u>	<u>(24,286)</u>
Total Revenues	<u>9,496,940</u>	<u>9,505,940</u>	<u>10,931,870</u>	<u>1,425,930</u>
EXPENDITURES				
Legislative	88,175	99,240	95,321	(3,919)
Don Ryan Center	154,045	154,045	164,527	10,482
Executive	375,565	384,420	379,349	(5,071)
Human Resources	209,245	206,645	185,885	(20,760)
Non-Departmental	975,555	960,160	831,061	(129,099)
Finance	631,795	639,900	628,670	(11,230)
Municipal Court	274,405	274,405	251,726	(22,679)
Municipal Judges	50,220	50,220	47,026	(3,194)
Information Technology	603,975	605,735	547,109	(58,626)
Facilities and Asset Management	993,460	1,003,475	860,678	(142,797)
Project Management	622,640	622,640	567,703	(54,937)
Growth Management Administration	391,835	397,835	391,703	(6,132)
Planning and Environmental Sustainability	579,890	578,390	497,474	(80,916)
Building Safety	740,770	712,770	676,502	(36,268)
Police	3,823,415	3,830,610	3,742,497	(88,113)
Total Expenditures	<u>10,514,990</u>	<u>10,520,490</u>	<u>9,867,231</u>	<u>(653,259)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,018,050)</u>	<u>(1,014,550)</u>	<u>1,064,639</u>	<u>2,079,189</u>
OTHER FINANCING SOURCES (USES)				
Capital Leases	200,000	200,000	200,000	-
Transfers In (Out)	818,050	715,550	494,178	(221,372)
Total Other Financing Sources and Uses	<u>1,018,050</u>	<u>915,550</u>	<u>694,178</u>	<u>(221,372)</u>
Net Change in Fund Balance	-	(99,000)	1,758,817	1,857,817
Fund Balance - Beginning	5,211,591	5,211,591	5,211,591	-
Fund Balance - Ending	<u>\$ 5,211,591</u>	<u>\$ 5,112,591</u>	<u>\$ 6,970,408</u>	<u>\$ 1,857,817</u>

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Capital Improvements Program Fund
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Federal/State Revenue				
Federal Grants	\$ 1,620,000	\$ 1,351,790	\$ 368,791	\$ (982,999)
State Grants	-	830,715	835,754	5,039
Total Federal/State Revenue	<u>1,620,000</u>	<u>2,182,505</u>	<u>1,204,545</u>	<u>(977,960)</u>
Other Revenues				
Interest Income	-	-	3,335	3,335
Miscellaneous Income	-	-	75,000	75,000
Donations	-	-	13,800	13,800
Total Other Revenues	<u>-</u>	<u>-</u>	<u>92,135</u>	<u>92,135</u>
Total Revenues	<u>1,620,000</u>	<u>2,182,505</u>	<u>1,296,680</u>	<u>(885,825)</u>
EXPENDITURES				
Capital Outlay				
Buck Island Sewer - Phase I	-	19,135	5,404	(13,731)
Bluffton Parkway	-	99,000	67,940	(31,060)
May River Road/Bruin Road Streetscape - Phase I	-	152,705	68,439	(84,266)
May River Road/Bruin Road Streetscape - Phase II & III	1,000,000	1,013,835	36,726	(977,109)
Wayfinding Signage	-	105,790	70,414	(35,376)
Parks and Recreation Improvements	50,000	10,000	8,185	(1,815)
Oyster Factory Park	200,000	301,540	5,210	(296,330)
DuBois Park	285,000	220,000	33,344	(186,656)
Land Acquisition	-	30,000	30,391	391
Buck Island Sewer - Phase II	-	315,990	153,175	(162,815)
Buck Island Sewer - Phase III	400,000	663,855	24,423	(639,432)
NSP Affordable Housing	-	90,160	49,864	(40,296)
General Pathways	25,000	25,000	11,913	(13,087)
BIS Sidewalks & Lighting - Phase I	-	337,990	327,022	(10,968)
BIS Sidewalks & Lighting - Phase II	600,000	-	-	-
Tech Park Expansion	-	850,715	752,434	(98,281)
Current				
Community Development	-	-	30	30
Total Expenditures	<u>2,560,000</u>	<u>4,235,715</u>	<u>1,644,914</u>	<u>(2,590,801)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(940,000)</u>	<u>(2,053,210)</u>	<u>(348,234)</u>	<u>1,704,976</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	940,000	1,982,850	362,879	(1,619,971)
Sale of Assets	-	70,360	388,479	318,119
Total Other Financing Sources and Uses	<u>940,000</u>	<u>2,053,210</u>	<u>751,358</u>	<u>(1,301,852)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>403,124</u>	<u>403,124</u>
Fund Balance - Beginning	1,576,372	1,576,372	1,576,372	-
Fund Balance - Ending	<u>\$ 1,576,372</u>	<u>\$ 1,576,372</u>	<u>\$ 1,979,496</u>	<u>\$ 403,124</u>

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Fund
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	\$ 1,236,375	\$ 1,236,375	\$ 1,313,704	\$ 77,329
MID Fees	-	-	154,590	154,590
Interest Income	2,800	2,800	186	(2,614)
Federal Interest Rebate	116,685	116,685	116,686	1
Total Revenues	<u>1,355,860</u>	<u>1,355,860</u>	<u>1,585,166</u>	<u>229,306</u>
EXPENDITURES				
Other Miscellaneous	22,095	22,095	500	(21,595)
Bond Principal	650,000	650,000	650,000	-
Bond Interest	683,765	683,765	683,759	(6)
Total Expenditures	<u>1,355,860</u>	<u>1,355,860</u>	<u>1,334,259</u>	<u>(21,601)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>250,907</u>	<u>250,907</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	(30,000)	(30,000)	-
Total Other Financing Sources and Uses	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>(30,000)</u>	<u>220,907</u>	<u>250,907</u>
Fund Balance - Beginning	922,243	922,243	922,243	-
Fund Balance - Ending	<u>\$ 922,243</u>	<u>\$ 892,243</u>	<u>\$ 1,143,150</u>	<u>\$ 250,907</u>

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Stormwater Fund
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Licenses & Permits				
Stormwater Fees	\$ 960,000	\$ 960,000	\$ 1,078,087	\$ 118,087
Federal/State Revenue				
Federal Grants	250,000	557,875	265,914	(291,961)
Other Revenues				
Interest Income	500	500	145	(355)
Local Grants			4,000	4,000
Total Other Revenues	<u>500</u>	<u>500</u>	<u>4,145</u>	<u>3,645</u>
Total Revenues	<u>1,210,500</u>	<u>1,518,375</u>	<u>1,348,146</u>	<u>(288,316)</u>
EXPENDITURES				
Personnel				
Stormwater	495,650	495,650	456,113	(39,537)
Operating Costs				
Stormwater	224,560	231,420	173,168	(58,252)
Capital Outlay				
Stormwater Improvements	100,000	199,460	33,091	(166,369)
319 Pilot Project	143,340	484,715	325,599	(159,116)
319 Grant - Phase II	-	50,000		(50,000)
Wetlands Restoration	500,000	500,000		(500,000)
Watershed Sewer Master Plan	100,000	100,000		(100,000)
Hampton Lake Stormwater BMP Retrofit	75,000	125,000		(125,000)
Hampton Hall Stormwater BMP Retrofit	35,000	84,970		(84,970)
Buck Island Sewer - Phase III	100,000	-		-
Total Expenditures	<u>1,773,550</u>	<u>2,271,215</u>	<u>987,971</u>	<u>(1,185,455)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(563,050)</u>	<u>(752,840)</u>	<u>360,175</u>	<u>897,139</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(95,280)	(603,090)	(184,379)	418,711
Total Other Financing Sources and Uses	<u>(95,280)</u>	<u>(603,090)</u>	<u>(184,379)</u>	<u>418,711</u>
Net Change in Fund Balance	<u>(658,330)</u>	<u>(1,355,930)</u>	<u>175,796</u>	<u>1,531,726</u>
Fund Balance - Beginning	1,387,640	1,387,640	1,387,640	-
Fund Balance - Ending	<u>\$ 729,310</u>	<u>\$ 31,710</u>	<u>\$ 1,563,436</u>	<u>\$ 1,531,726</u>

**Town of Bluffton
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

	Boat Ramp Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 31,318	\$ 132,862	\$ 164,180
Restricted Cash and Cash Equivalents	132,089	-	-	132,089
Other Receivables	-	95,688	106,930	202,618
Due from other Funds	4,219	-	-	4,219
Total Assets	<u>\$ 136,308</u>	<u>\$ 127,006</u>	<u>\$ 239,792</u>	<u>\$ 503,106</u>
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ -	\$ 56,950	\$ 13,687	\$ 70,637
Due to other Funds	-	4,784	6,500	11,284
Total Liabilities	-	61,734	20,187	81,921
Fund Balances:				
Restricted	136,309	65,272	202,080	403,661
Committed	-	-	17,524	17,524
Total Fund Balances	<u>136,309</u>	<u>65,272</u>	<u>219,604</u>	<u>421,185</u>
Total Liabilities and Fund Balances	<u>\$ 136,309</u>	<u>\$ 127,006</u>	<u>\$ 239,791</u>	<u>\$ 503,106</u>

Town of Bluffton
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Boat Ramp Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Total Nonmajor Special Revenue Funds
REVENUES				
Accommodations Taxes	\$ -	\$ 231,360	\$ 298,286	\$ 529,646
Development Fees	9,125	-	-	9,125
Interest Income	364	10	37	411
Total Revenues	<u>9,489</u>	<u>231,370</u>	<u>298,323</u>	<u>539,182</u>
EXPENDITURES				
Current				
Administrative	-	-	-	-
Community Development	-	187,408	240,484	427,892
Total Expenditures	<u>-</u>	<u>187,408</u>	<u>240,484</u>	<u>427,892</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,489</u>	<u>43,962</u>	<u>57,839</u>	<u>111,290</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(4,906)	(35,318)	(45,325)	(85,549)
Total Other Financing Sources and Uses	<u>(4,906)</u>	<u>(35,318)</u>	<u>(45,325)</u>	<u>(85,549)</u>
Net Change in Fund Balance	4,583	8,644	12,514	25,741
Fund Balance - Beginning	131,726	56,628	207,090	395,444
Fund Balance - Ending	<u>\$ 136,309</u>	<u>\$ 65,272</u>	<u>\$ 219,604</u>	<u>\$ 421,185</u>

Statistical Section (unaudited)

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

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the Annual Financial Statements audit reports for the relevant year.*

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities										
Net investment in capital assets	\$ 7,887,346	\$ 9,118,054	\$ 12,307,261	\$ 17,950,214	\$ 12,047,567	\$ 12,518,793	\$ 9,807,190	\$ 8,600,498	\$ 8,456,941	\$ 9,552,186
Restricted	321,725	208,790	598,582	559,677	4,531,438	2,492,544	214,401	5,152,452	5,474,434	6,629,087
Unrestricted	2,668,022	3,760,438	(298,311)	524,326	4,313,844	5,653,065	7,654,350	4,609,087	5,203,005	6,543,899
Total governmental activities net position	<u>\$ 10,877,093</u>	<u>\$ 13,087,282</u>	<u>\$ 12,607,532</u>	<u>\$ 19,034,217</u>	<u>\$ 20,892,849</u>	<u>\$ 20,664,402</u>	<u>\$ 17,675,941</u>	<u>\$ 18,362,037</u>	<u>\$ 19,134,380</u>	<u>\$ 22,725,172</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General Government:										
Administration	\$ 664,170	\$ 856,029	\$ 873,837	\$ 1,550,544	\$ 2,715,940	\$ 3,171,895	\$ 2,807,552	\$ 2,624,831	\$ 2,741,335	\$ 2,953,686
Judicial	141,004	179,509	317,630	619,267	451,086	278,295	307,603	307,168	312,215	300,056
Planning	457,619	577,425	807,697	695,190	841,091	1,011,981	1,556,322	1,212,826	997,773	896,613
Public Safety:										
Building Safety	-	-	-	-	375,157	740,370	985,977	806,099	666,711	685,841
Police	716,783	1,072,526	1,810,753	2,875,137	3,106,849	3,506,817	3,383,148	3,423,620	3,680,878	3,752,007
Public Works	259,961	602,250	726,092	899,639	452,851	546,691	779,592	820,750	912,322	912,800
Environmental Protection/Stormwater Management	-	-	-	-	816,075	918,052	-	-	628,636	638,438
Engineering/Project Management	-	-	-	638,985	477,419	686,276	662,107	808,562	665,071	612,469
Community Development	197,371	406,936	8,158,171	749,409	856,205	1,287,273	1,258,689	3,820,154	2,787,424	1,500,055
Interest on Long-Term Debt	-	-	260,244	566,589	642,512	558,983	523,777	756,571	705,764	1,005,006
Total governmental activities expenses	<u>\$ 2,436,908</u>	<u>\$ 3,694,675</u>	<u>\$ 12,954,424</u>	<u>\$ 8,594,760</u>	<u>\$ 10,735,185</u>	<u>\$ 12,706,633</u>	<u>\$ 12,264,767</u>	<u>\$ 14,580,581</u>	<u>\$ 14,098,129</u>	<u>\$ 13,256,971</u>
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
General Government:										
Administration	\$ 1,127,633	\$ 1,436,784	\$ 1,876,519	\$ 2,902,467	\$ 3,156,457	\$ 3,306,249	\$ 3,177,906	\$ 3,276,217	\$ 3,601,641	\$ 4,120,809
Judicial	-	308,062	673,572	550,653	218,263	246,837	256,973	227,290	196,065	190,993
Planning	705,918	932,043	1,001,680	1,374,021	817,380	583,987	1,256,292	450,158	382,225	557,075
Public Safety:										
Building Safety	-	-	-	-	-	199,312	424,196	532,291	576,706	979,777
Police	265,773	8,341	12,103	22,322	86,153	89,156	65,008	75,353	55,985	56,638
Environmental Protection/Stormwater Management	-	-	-	-	393,835	956,318	-	-	-	-
Community Development	246,364	591,527	4,263,922	1,198,882	322,274	151,897	159,275	165,000	156,750	242,225
Operating grants and contributions	91,149	106,704	84,382	127,955	114,983	146,419	403,468	467,776	410,086	267,960
Capital grants and contributions	-	331,929	822,635	3,505,187	96,295	150,600	183,252	2,849,085	2,172,461	2,552,546
Total governmental activities program revenues	<u>\$ 2,436,837</u>	<u>\$ 3,715,390</u>	<u>\$ 8,734,813</u>	<u>\$ 9,681,487</u>	<u>\$ 5,205,640</u>	<u>\$ 5,830,775</u>	<u>\$ 5,926,370</u>	<u>\$ 8,043,170</u>	<u>\$ 7,551,919</u>	<u>\$ 8,968,023</u>
Net (Expense)Revenue										
Total governmental activities net expense	<u>\$ (71)</u>	<u>\$ 20,715</u>	<u>\$ (4,219,611)</u>	<u>\$ 1,086,727</u>	<u>\$ (5,529,545)</u>	<u>\$ (6,875,858)</u>	<u>\$ (6,338,397)</u>	<u>\$ (6,537,411)</u>	<u>\$ (6,546,210)</u>	<u>\$ (4,288,948)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 595,136	\$ 832,630	\$ 1,670,715	\$ 2,973,010	\$ 3,811,999	\$ 4,706,019	\$ 5,245,883	\$ 5,152,002	\$ 5,233,427	\$ 5,573,318
Other taxes	-	-	605,108	1,164,091	1,245,040	1,115,603	1,118,513	1,324,608	1,514,316	1,720,504
Intergovernmental Revenue	66,868	54,570	121,565	284,170	277,104	407,173	170,274	233,896	284,065	330,780
Investment earnings	26,574	39,998	434,870	758,217	651,325	311,680	181,283	108,796	35,283	10,070
Capital contributions	755,070	1,245,000	839,577	-	-	-	-	-	-	-
Gain/(Loss) on Sale of Capital Assets	-	-	-	-	912,810	-	-	-	-	-
Miscellaneous	24,690	17,276	68,026	160,470	489,892	106,936	118,199	404,205	251,462	245,068
Total governmental activities	<u>\$ 1,468,338</u>	<u>\$ 2,189,474</u>	<u>\$ 3,739,861</u>	<u>\$ 5,339,958</u>	<u>\$ 7,388,170</u>	<u>\$ 6,647,411</u>	<u>\$ 6,834,152</u>	<u>\$ 7,223,507</u>	<u>\$ 7,318,553</u>	<u>\$ 7,879,740</u>
Change in Net Position										
Governmental activities	<u>\$ 1,468,267</u>	<u>\$ 2,210,189</u>	<u>\$ (479,750)</u>	<u>\$ 6,426,685</u>	<u>\$ 1,858,625</u>	<u>\$ (228,447)</u>	<u>\$ 495,755</u>	<u>\$ 686,096</u>	<u>\$ 772,343</u>	<u>\$ 3,590,792</u>

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$ 3,601,641	\$ 4,120,809
Municipal Court	-	308,062	673,572	550,653	218,263	246,837	256,973	227,290	196,065	190,993
Planning	705,918	932,043	1,001,680	1,374,021	817,380	583,987	1,256,292	450,158	382,225	557,075
Public Safety										
Building Safety	-	-	-	-	-	199,312	424,196	532,291	576,706	979,777
Police	265,773	8,341	12,103	22,322	86,153	89,156	65,008	75,353	55,985	56,638
Environmental Protection/Stormwater Management										
Community Development	246,364	591,527	4,263,922	1,198,882	322,274	151,897	159,275	165,000	156,750	242,225
Operating grants and contributions	91,149	106,704	84,382	127,955	114,983	146,419	403,468	467,776	410,086	267,960
Capital grants and contributions	-	331,929	822,635	3,505,187	96,295	150,600	183,252	2,849,085	2,172,461	2,552,546
Total governmental activities	<u>\$ 2,436,837</u>	<u>\$ 3,715,390</u>	<u>\$ 8,734,813</u>	<u>\$ 9,681,487</u>	<u>\$ 5,205,640</u>	<u>\$ 5,830,775</u>	<u>\$ 5,926,370</u>	<u>\$ 8,043,170</u>	<u>\$ 7,551,919</u>	<u>\$ 8,968,023</u>

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Pre-GASB 54 ¹										
General Fund										
Reserved	\$ 1,353,111	\$ 1,861,318	\$ 2,592,912	\$ 2,677,873	\$ 530,164	\$ 253,102	\$ 630,934			
Unreserved	1,055,525	883,619	1,161,523	2,651,867	4,506,377	3,718,570	3,419,594			
Total General Fund	<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	\$ 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>\$ 594,180</u>	<u>\$ 1,246,659</u>	<u>\$ 18,281,682</u>	<u>\$ 13,558,054</u>	<u>\$ 10,665,054</u>	<u>\$ 8,434,069</u>	<u>\$ 4,950,364</u>			
Post-GASB 54 ¹										
General Fund										
Nonspendable							\$ 148,094	\$ 174,744	\$ 168,714	\$ 167,490
Restricted							436,555	540,516	688,579	895,290
Committed							1,567,690	1,567,691	1,833,770	1,939,386
Assigned							194,379	132,992	-	-
Unassigned							1,703,810	2,333,024	2,520,528	3,968,242
Total General Fund							<u>\$ 4,050,528</u>	<u>\$ 4,748,967</u>	<u>\$ 5,211,591</u>	<u>\$ 6,970,408</u>
All Other Governmental Funds										
Restricted							\$ 4,492,059	\$ 4,437,192	\$ 4,668,755	\$ 5,566,307
Committed							9,999	780,050	237,594	315,565
Assigned							448,306	833,838	381,712	865,782
Total all other governmental funds							<u>\$ 4,950,364</u>	<u>\$ 6,051,080</u>	<u>\$ 5,288,061</u>	<u>\$ 6,747,654</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)

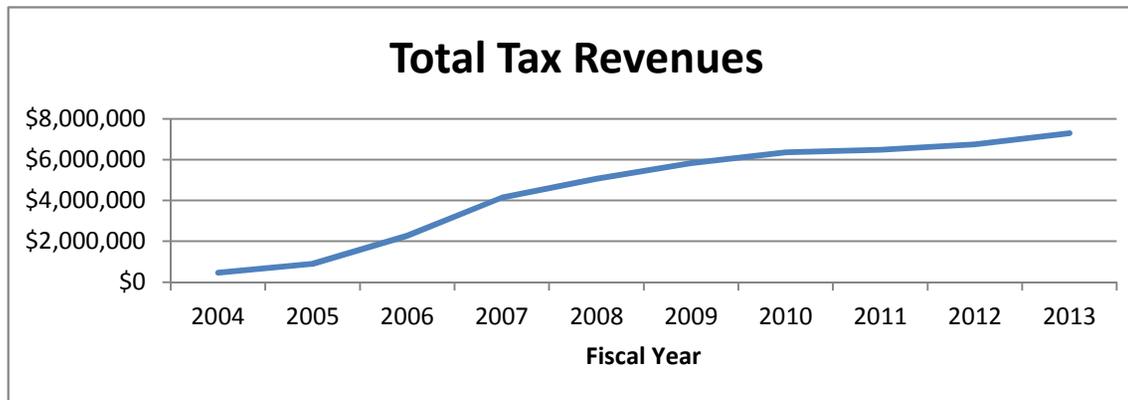
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues										
Taxes (see Schedule 6)	\$ 453,342	\$ 893,685	\$ 2,275,823	\$ 4,137,101	\$ 5,057,039	\$ 5,821,622	\$ 6,364,396	\$ 6,476,610	\$ 6,747,743	\$ 7,293,822
Licenses and permits	1,990,985	2,878,658	7,104,420	4,563,527	4,242,728	5,012,441	4,787,752	5,125,588	5,477,203	6,521,506
Fees and Fines	265,773	308,062	685,675	550,653	218,263	246,837	256,973	227,290	196,065	190,993
Charges for services	31,370	76,475	37,701	940,015	622,648	395,121	294,925	330,695	335,540	513,105
Intergovernmental	267,455	54,570	121,565	284,170	277,104	407,173	170,274	483,896	284,065	675,842
Grants and entitlements	91,149	124,204	489,254	2,777,292	114,983	155,879	586,720	1,413,877	1,543,111	1,514,043
Investment earnings	26,574	39,998	434,870	758,217	626,817	282,147	154,621	83,373	35,283	10,070
Other revenues	279,760	1,576,705	1,325,366	1,010,470	574,376	227,433	218,199	497,904	251,463	172,818
Total revenues	<u>\$ 3,406,408</u>	<u>\$ 5,952,357</u>	<u>\$ 12,474,674</u>	<u>\$ 15,021,445</u>	<u>\$ 11,733,958</u>	<u>\$ 12,548,653</u>	<u>\$ 12,833,860</u>	<u>\$ 14,639,233</u>	<u>\$ 14,870,473</u>	<u>\$ 16,892,199</u>
Expenditures										
Legislative	\$ -	\$ -	\$ -	\$ 59,011	\$ 95,581	\$ 136,996	\$ 142,930	\$ 126,729	\$ 82,606	\$ 95,321
Executive	-	-	-	335,051	784,241	995,011	464,927	317,952	328,699	379,349
Don Ryan Center for Innovation	-	-	-	-	-	-	-	-	54,309	164,527
Human Resources	-	-	-	-	-	-	-	184,193	187,384	185,885
Non-Departmental	596,198	790,046	1,384,281	733,503	1,393,442	1,151,854	1,003,794	774,025	842,452	831,061
Finance	-	-	-	305,652	358,048	410,066	568,429	588,792	592,727	628,670
Municipal Court	141,522	174,315	306,907	594,764	424,501	229,093	254,623	257,753	268,860	251,726
Municipal Judges	-	-	-	16,237	31,025	44,228	49,456	47,437	41,316	47,026
Information Technology	-	-	-	-	-	382,810	397,046	446,551	494,425	535,309
Public Works	248,540	353,216	508,365	810,439	378,345	447,916	685,502	753,620	796,449	834,542
Environmental Protection/Stormwater Management	-	-	-	-	807,623	908,517	111,079	-	574,097	629,281
Engineering/Project Management	-	-	-	612,531	411,951	618,370	599,358	745,533	618,710	567,703
Growth Management	-	-	-	-	-	-	398,903	322,261	380,789	391,703
Planning and Community Development	457,619	558,854	755,502	689,220	830,649	1,000,233	1,046,341	879,713	609,598	497,474
Building Safety	-	-	-	-	340,488	710,054	970,950	792,362	649,635	676,502
Police	609,109	917,060	1,569,141	2,643,167	2,765,268	3,116,134	3,065,401	3,086,150	3,343,082	3,488,330
Community Development	197,371	406,936	961,077	494,210	428,247	359,476	199,836	328,621	376,272	428,422
Capital Outlay	168,911	1,841,340	3,087,604	10,425,448	5,308,586	3,347,144	4,190,769	7,325,822	2,972,393	2,251,728
Debt Service										
Interest	9,520	8,510	260,244	566,589	580,995	565,371	532,966	659,431	706,611	686,850
Principal	45,631	114,832	232,215	232,368	294,393	1,629,764	1,556,399	908,743	1,418,461	690,858
Cost of Issuance	-	-	-	-	-	-	-	174,239	-	-
Total expenditures	<u>\$ 2,474,421</u>	<u>\$ 5,165,109</u>	<u>\$ 9,065,336</u>	<u>\$ 18,518,190</u>	<u>\$ 15,233,383</u>	<u>\$ 16,053,037</u>	<u>\$ 16,238,709</u>	<u>\$ 18,719,927</u>	<u>\$ 15,338,875</u>	<u>\$ 14,262,267</u>
Excess of revenues over (under) expenditures	931,987	787,248	3,409,338	(3,496,745)	(3,499,425)	(3,504,384)	(3,404,849)	(4,080,694)	(468,402)	2,629,932
Other Financing Sources (Uses)										
Issuance of Bonds	\$ -	\$ -	\$ 14,000,000	\$ -	\$ -	\$ -	\$ -	\$ 18,370,000	\$ -	\$ -
Underwriter's Premium (Discount)	-	-	-	-	-	-	-	(3,121)	-	-
Current Refund of Existing Debt	-	-	-	-	-	-	-	(12,875,000)	-	-
Sale of Capital Assets	-	-	250,000	-	120,000	-	-	387,970	-	388,479
Capital Leases	29,188	224,386	385,178	348,422	193,220	208,531	-	-	168,000	200,000
Transfers In	886,123	126,856	2,373,094	7,925,627	4,744,520	3,666,517	3,876,944	2,936,493	1,844,092	924,997
Transfers Out	(886,123)	(126,856)	(2,373,094)	(7,925,627)	(4,744,520)	(3,666,517)	(3,876,944)	(2,936,493)	(1,844,092)	(924,997)
Total other financing sources (uses)	<u>\$ 29,188</u>	<u>\$ 224,386</u>	<u>\$ 14,635,178</u>	<u>\$ 348,422</u>	<u>\$ 313,220</u>	<u>\$ 208,531</u>	<u>\$ -</u>	<u>\$ 5,879,849</u>	<u>\$ 168,000</u>	<u>\$ 588,479</u>
Net change in fund balances	<u>\$ 961,175</u>	<u>\$ 1,011,634</u>	<u>\$ 18,044,516</u>	<u>\$ (3,148,323)</u>	<u>\$ (3,186,205)</u>	<u>\$ (3,295,853)</u>	<u>\$ (3,404,849)</u>	<u>\$ 1,799,155</u>	<u>\$ (300,402)</u>	<u>\$ 3,218,411</u>
Debt service as a percentage of non- capital expenditures	3.0%	3.4%	8.7%	6.4%	7.9%	16.4%	15.9%	11.8%	14.5%	10.8%

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
2004	\$ 395,782	\$ -	\$ -	\$ 57,560	\$ 453,342
2005	793,749	-	22,854	77,082	893,685
2006	1,670,715	99,724	176,677	328,707	2,275,823
2007	2,973,010	103,787	201,672	858,632	4,137,101
2008	3,811,999	150,517	255,480	839,043	5,057,039
2009	4,706,019	101,965	171,466	842,172	5,821,622
2010	5,245,883	100,075	171,842	846,596	6,364,396
2011	5,152,002	160,372	211,054	953,182	6,476,610
2012	5,233,427	194,910	243,085	1,076,321	6,747,743
2013	5,573,318	231,360	298,286	1,190,858	7,293,822
Change 2004-2013	1308.2%	N/A	N/A	1968.9%	1508.9%

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 local 2% Accommodations Tax of which a portion is distributed to the Town on a quarterly basis.

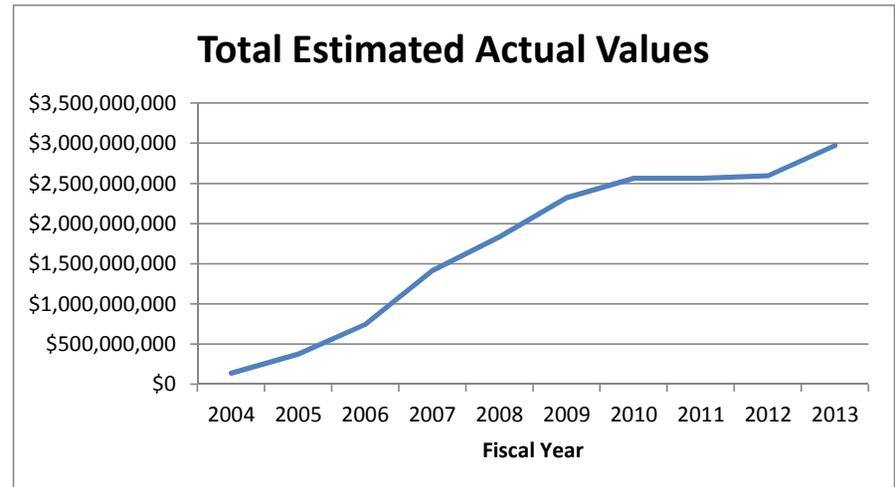
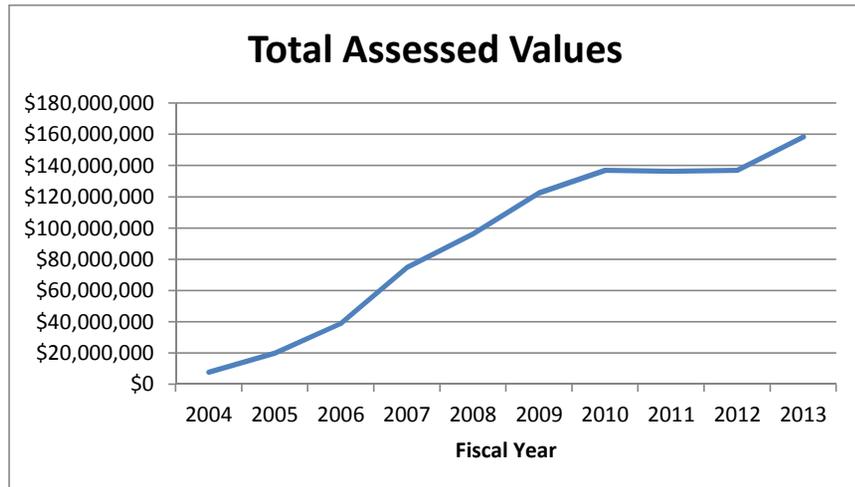


**Schedule 7
Town of Bluffton, SC
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

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		
2004	2003	\$ 7,019,124	\$ 129,183,432	\$ 675,120	\$ 9,001,600	\$ 7,694,244	\$ 138,185,032	49.0	5.57%
2005	2004	18,762,877	361,354,504	1,163,862	15,518,160	19,926,739	376,872,664	42.0	5.29%
2006	2005	37,050,380	721,764,420	1,776,284	23,683,787	38,826,664	745,448,207	42.0	5.21%
2007	2006	71,379,697	1,368,824,010	3,473,573	46,314,307	74,853,270	1,415,138,316	42.0	5.29%
2008	2007	91,606,794	1,760,140,210	4,545,857	75,764,283	96,152,651	1,835,904,493	40.0	5.24%
2009	2008	117,639,926	2,240,638,874	4,988,255	83,137,583	122,628,181	2,323,776,458	40.0	5.28%
2010	2009	131,730,227	2,476,463,407	5,293,319	88,221,983	137,023,546	2,564,685,390	38.0	5.34%
2011	2010	130,372,943	2,464,735,850	6,093,820	101,563,667	136,466,763	2,566,299,517	38.0	5.32%
2012	2011	130,578,732	2,489,307,650	6,372,315	106,205,250	136,951,047	2,595,512,900	38.0	5.28%
2013	2012	149,190,533	2,822,563,022	9,196,340	153,272,333	158,386,873	2,975,835,355	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)

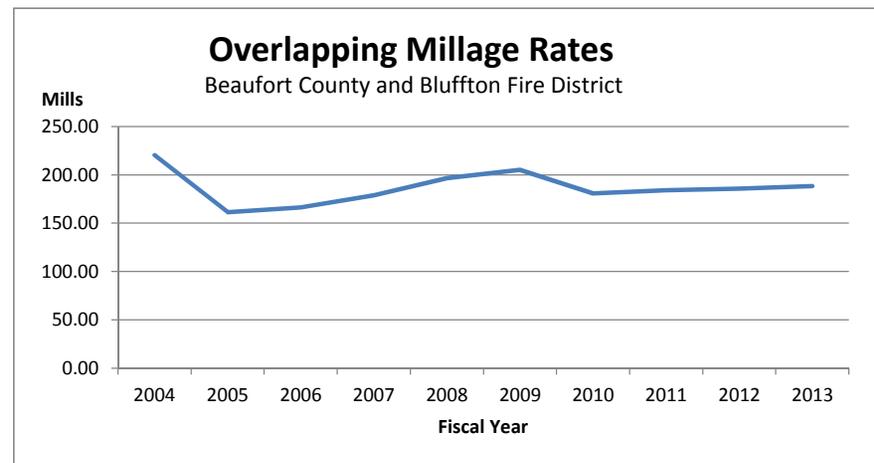
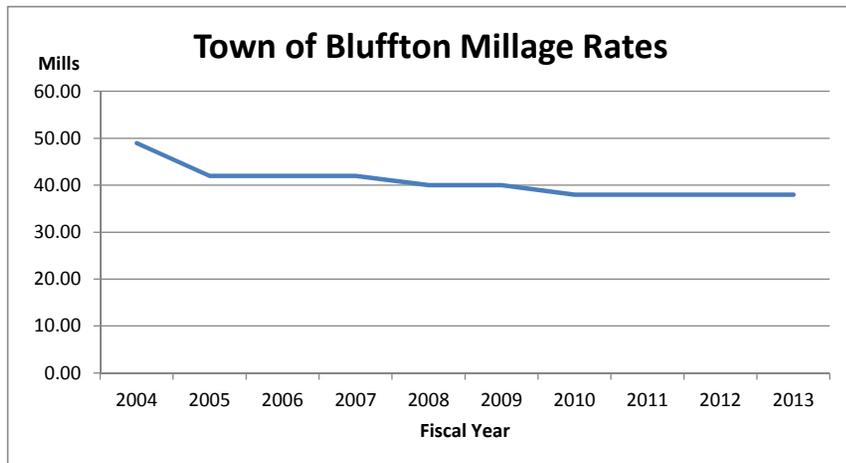
Town Direct Rates					Overlapping Rates						
Fiscal Year	Tax Year	General Fund	Debt Service	Total Direct Rate	County Operations	County Debt	County Schools Operations	County Schools Debt	Bluffton Fire District	Total Overlapping Rate	Total Rate
2004	2003	49.00	-	49.00	50.80	7.20	114.20	22.20	26.10	220.50	269.50
* 2005	2004	42.00	-	42.00	38.70	5.40	79.70	19.00	18.60	161.40	203.40
2006	2005	42.00	-	42.00	39.70	5.40	82.00	19.00	20.20	166.30	208.30
2007	2006	42.00	-	42.00	39.20	5.40	96.20	17.00	21.00	178.80	220.80
2008	2007	40.00	-	40.00	41.60	5.80	104.70	22.60	22.00	196.70	236.70
2009	2008	40.00	-	40.00	47.90	4.00	102.60	28.00	22.70	205.20	245.20
* 2010	2009	38.00	-	38.00	42.34	3.64	90.26	24.40	20.05	180.69	218.69
2011	2010	35.70	2.30	38.00	42.97	4.57	90.26	26.33	20.05	184.18	222.18
2012	2011	35.70	2.30	38.00	42.97	4.57	90.26	28.00	20.05	185.85	223.85
2013	2012	35.70	2.30	38.00	44.08	4.44	91.26	28.00	20.49	188.27	226.27

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 impacted 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 District rates apply only to non-owner occupied properties.



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

<u>Taxpayer</u>	<u>Fiscal Year 2013 Tax Year 2012</u>			<u>Fiscal Year 2004 Tax Year 2003</u>		
	<u>Total Assessed Value</u>	<u>Rank¹</u>	<u>Percentage of Total Town Taxable Assessed Value</u>	<u>Total Assessed Value</u>	<u>Rank¹</u>	<u>Percentage of Total Town Taxable Assessed Value</u>
South Carolina Electric & Gas	\$ 4,109,110	1	2.59%	\$ 661,250	1	8.59%
Palmetto Electric Cooperative	1,836,070	2	1.16%	747,218	2	9.71%
East Coast Newspaper Inc.	2,534,890	3	1.60%			
JP Morgan Chase Commercial Mortgage	1,274,730	4	0.80%			
May River Forest LLC	3,338,780	5	2.11%			
Palmetto Bluff Lodge LLC	1,174,560	6	0.74%			
Bluffton Telephone Company Inc.	1,079,250	7	0.68%	179,140	7	2.33%
NHC Healthcare/Bluffton	955,300	8	0.60%			
BRE Mariner Belfair Town Village LLC	875,220	9	0.55%			
Hampton Lake LLC	2,561,630	10	1.62%			
Equity One (Belfair) Inc.				551,299	3	7.17%
Old Carolina LLC				282,030	4	3.67%
HJ LLC				239,130	5	3.11%
Quinnco-D'Amico Shults LLC				160,552	6	2.09%
The Kroger Co.				192,480	8	2.50%
Westbury Holdings LLC				176,816	9	2.30%
Health Care REIT Inc.				165,479	10	2.15%
Total	\$ 19,739,540		12.46%	\$ 3,355,394		43.61%

Source: Beaufort County Assessor's Office

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

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

Fiscal Year Ended June 30,	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2004	2003	\$ 377,018	\$ 391,928	103.95%	n/a	\$ 391,928	103.95%
2005	2004	836,923	774,119	92.50%	n/a	774,119	92.50%
2006	2005	1,630,720	1,655,762	101.54%	n/a	1,655,762	101.54%
2007	2006	3,143,837	2,950,990	93.87%	n/a	2,950,990	93.87%
2008	2007	3,846,106	3,703,569	96.29%	72,109	3,775,678	98.17%
2009	2008	4,905,127	4,555,641	92.88%	287,529	4,843,170	98.74%
2010	2009	5,176,582	4,875,274	94.18%	172,822	5,048,096	97.52%
2011	2010	5,100,085	4,899,168	96.06%	153,203	5,052,371	99.06%
2012	2011	5,293,555	4,976,802	94.02%	207,463	5,184,266	97.94%
2013	2012	5,426,594	5,275,406	97.21%	-	5,275,406	97.21%

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

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

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

Fiscal Year	Town Direct Rate	Beaufort County	South Carolina
2004	0%	0%	5%
2005	0%	0%	5%
2006	0%	0%	5%
2007	0%	1%	6% *
2008	0%	1%	6%
2009	0%	1%	6%
2010	0%	1%	6%
2011	0%	1%	6%
2012	0%	1%	6%
2013	0%	0%	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
2004	\$ 140,000	\$ -	\$ -	\$ -	\$ -	\$ 39,878	\$ 179,878	0.00%	68
2005	120,000	-	105,903	-	-	186,086	411,989	0.01%	141
2006	100,000	14,000,000	89,352	-	7,750,000	375,599	22,314,951	0.40%	4,568
2007	80,000	14,000,000	80,324	-	3,710,000	520,681	18,391,005	0.29%	2,884
2008	60,000	14,000,000	70,756	-	2,970,000	449,079	17,549,835	0.26%	1,833
2009	40,000	13,450,000	60,612	-	2,230,000	313,945	16,094,557	0.23%	1,305
2010	20,000	12,875,000	49,859	-	1,490,000	137,346	14,572,205	0.22%	1,164
2011	6,500,000	11,870,000	38,463	-	750,000	-	19,158,463	0.29%	1,486
2012	6,500,000	11,240,000	-	-	-	168,000	17,908,000	0.26%	1,406
2013	6,500,000	10,590,000	-	-	-	327,142	17,417,142	0.25%	1,347

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
2004	\$ 140,000	\$ 140,000	\$ -	\$ 140,000	0.11%	53
2005	120,000	120,000	-	120,000	0.03%	41
2006	100,000	100,000	-	100,000	0.01%	20
2007	80,000	80,000	-	80,000	0.01%	13
2008	60,000	60,000	-	60,000	0.00%	6
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%	504
2012	6,500,000	6,500,000	-	6,500,000	0.26%	510
2013	6,500,000	6,500,000	-	6,500,000	0.26%	503

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, 2013**

<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	\$ 350,074,621	8.1%	\$ 26,605,671
Beaufort County General Obligation Debt	224,920,000	8.1%	17,093,920
Bluffton Fire District	-	0.0%	-
Subtotal, overlapping debt			<u>43,699,591</u>
Town direct debt			<u>17,417,142</u>
Total direct and overlapping debt			<u><u>\$ 61,116,733</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 2013

Assessed value	\$ 158,386,873
Debt Limit (8% of assessed value)	12,670,950
Debt applicable to limit	<u>(6,500,000)</u>
Legal Debt Margin (without a Referendum)	<u><u>\$ 6,170,950</u></u>

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 615,540	\$ 1,594,139	\$ 3,106,133	\$ 5,988,262	\$ 7,692,212	\$ 9,810,254	\$ 10,961,884	\$ 10,917,341	\$ 10,956,084	\$ 12,670,950
Total net debt applicable to limit	140,000	120,000	100,000	80,000	60,000	40,000	20,000	6,500,000	6,500,000	6,500,000
Legal debt margin	475,540	1,474,139	3,006,133	5,908,262	7,632,212	9,770,254	10,941,884	4,417,341	4,456,084	6,170,950
Total net debt applicable to the limit as a percentage of debt limit	22.74%	7.53%	3.22%	1.34%	0.78%	0.41%	0.18%	59.54%	59.33%	51.30%

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

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

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

Fiscal Year	Tax Increment Bonds				
	Revenue	Debt Service			Coverage
		Principal	Interest	Total	
2004	\$ -	\$ -	\$ -	\$ -	-
2005	-	-	-	-	-
2006	991,964	-	235,591	235,591	4.21
2007	1,674,745	-	546,200	546,200	3.07
2008	1,238,577	-	546,200	546,200	2.27
2009	1,290,579	550,000	535,472	1,085,472	1.19
2010	1,483,104 *	575,000	513,526	1,088,526	1.36
2011	1,120,407	-	210,623	210,623	5.32
2012	1,221,889	630,000	370,916	1,000,916	1.22
2013	1,196,684	650,000	350,372	1,000,372	1.20

Note: Revenue includes property taxes and MID (Municipal Improvement District) fees, Municipal Improvement Development Fees (MIDF), and Development Agreement Fees.

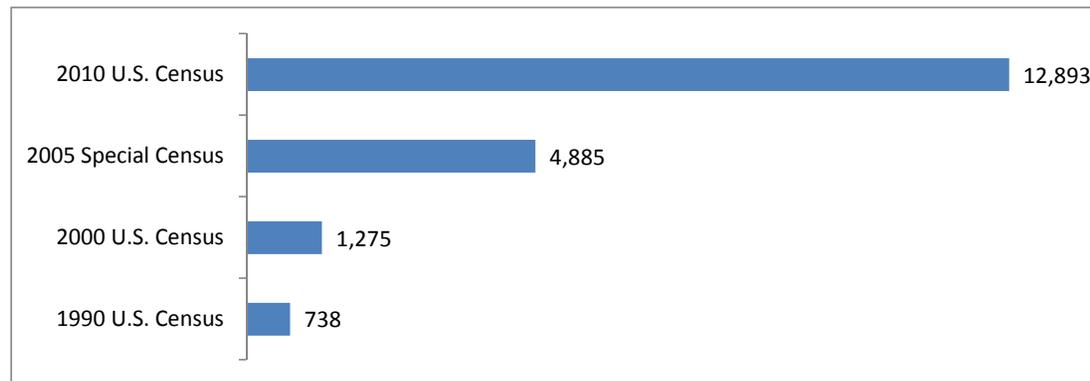
* Bonds Refinanced to take advantage of lower interest rates.

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

Calendar Year	Population	Personal Income* (\$000's)	Per Capita Personal Income*	Town of Bluffton School Enrollment	Beaufort County School Enrollment	Annual Unemployment Rate*
2002	2,483	4,468,099	34,559	1,942	17,604	4.2%
2003	2,631	4,655,361	35,538	2,059	17,911	4.8%
2004	2,930	5,193,821	38,097	3,496	18,364	5.0%
2005	4,885	5,635,079	39,824	3,721	18,974	4.9%
2006	6,377	6,325,937	42,971	4,052	19,229	4.7%
2007	9,576	6,680,773	44,123	4,423	19,221	4.3%
2008	12,333	6,972,712	44,583	4,625	19,067	5.3%
2009	12,519	6,614,260	41,407	5,256	19,525	8.9%
2010	12,893	6,520,432	40,001	5,345	19,626	9.0%
2011	12,734	6,861,132	41,662	4,913	19,953	9.2%
2012	12,932	7,217,962	42,952	5,245	20,852	7.9%

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

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



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

<u>Employer</u>	<u>2013</u>			<u>2004</u>		
	<u># of Employees</u>	<u>Rank</u>	<u>% of Total Town Employment</u>	<u># of Employees</u>	<u>Rank</u>	<u>% of Total Town Employment</u>
Beaufort County School District (Bluffton Township)	521	1	n/a	n/a	n/a	n/a
CareCore National, LLC	474	2	n/a	n/a	n/a	n/a
Inn at Palmetto Bluff	323	3	n/a	n/a	n/a	n/a
Publix	225	4	n/a	n/a	n/a	n/a
Resort Services, Inc.	180	5	n/a	n/a	n/a	n/a
Hargray	170	6	n/a	n/a	n/a	n/a
Bluffton Township Fire District	126	7	n/a	n/a	n/a	n/a
Kroger	122	8	n/a	n/a	n/a	n/a
Town of Bluffton	104	9	n/a	n/a	n/a	n/a
Outback Steakhouse	85	10	n/a	n/a	n/a	n/a

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

Notes: n/a = not available

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

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
Administration	4.0	4.0	7.0	2.0	4.0	2.0	0.0	0.0	0.0	0.0
Information Technology	0.0	0.0	0.0	0.0	0.0	2.0	4.0	4.0	3.5	4.0
Municipal Court	1.0	2.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	3.0
Executive	0.0	0.0	0.0	7.0	8.0	7.0	5.0	3.0	3.0	4.0
Don Ryan Center for Innovation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0
Human Resources	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0
Finance	3.0	3.0	5.0	5.0	6.0	6.0	6.0	7.0	7.0	7.0
Growth Management Administration	0.0	0.0	0.0	0.0	0.0	0.0	4.0	4.0	3.0	3.0
Planning & Community Development	7.0	8.0	10.0	8.0	13.0	10.0	5.0	5.0	5.0	6.0
Environmental Protection										
Environmental Protection	0.0	0.0	0.0	0.0	7.0	6.0	0.0	0.0	0.0	0.0
Stormwater Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.5	5.0
Engineering										
Project Management	0.0	0.0	0.0	8.5	4.5	6.5	6.5	9.0	7.0	6.0
Public Works										
Public Works	3.0	3.0	5.0	5.0	5.0	4.0	6.0	8.0	8.0	8.0
Public Safety										
Police	11.0	15.0	28.0	33.0	36.0	38.0	39.0	40.0	40.0	40.0
Building Safety	0.0	0.0	0.0	0.0	4.0	5.0	10.0	7.0	8.0	9.0
Total	29.0	35.0	60.0	73.5	91.5	90.5	89.5	93.0	97.0	98.0

Source: Town Finance Department

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

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

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
Business licenses issued	575	795	1,274	2,214	2,207	2,208	2,280	1,961	2,245	2,422
Hospitality Tax remitters	n/a	n/a	n/a	58	81	81	89	100	108	110
Accommodations Tax remitters	-	2	4	4	4	5	4	4	10	10
Court case counts	3,790	4,131	3,420	6,928	5,251	8,302	8,242	6,514	6,466	5,170
Jury trial counts	n/a	n/a	2	5	-	6	5	5	4	6
Planning and Community Development applications issued	190	127	377	334	294	260	183	254	296	346
Environmental Protection/Stormwater Management										
Certificates of compliance	n/a	n/a	29	49	46	30	17	8	7	7
Notices to comply	n/a	n/a	6	183	176	151	117	15	49	602
Stop work orders	n/a	n/a	1	-	1	-	-	-	-	-
Citations	n/a	n/a	n/a	11	30	13	-	-	-	-
Outreach/Education (# of people)	n/a	n/a	n/a	1,483	834	996	1,250	1,366	1,508	4,687
Public Safety										
Police calls for service	n/a	7,000	14,000	18,155	18,477	23,543	34,000	35,864	32,102	30,034
Domestic calls	n/a	293	536	732	428	657	915	558	674	655
Traffic collisions	n/a	364	1,041	787	820	693	1,011	1,012	960	1,107
Citations	n/a	4,011	5,107	5,818	8,064	10,886	11,724	9,828	11,094	8,466
Arrests	n/a	350	609	919	1,083	1,216	1,510	1,231	1,023	947
Reports	n/a	1,246	2,754	3,005	2,859	2,978	3,976	3,656	2,910	2,693
Building permit counts	424	489	1,509	1,175	699	682	657	695	803	1,005
Development permits Issued	35	29	56	64	39	21	17	11	28	34
Construction site inspections	n/a	n/a	n/a	n/a	n/a	n/a	5,415	5,722	6,402	11,787
Public Projects & Facilities										
# of capital improvement projects to manage	2	2	5	17	20	18	16	21	24	24
# of parks to maintain	3	4	4	4	6	6	6	7	7	7
# of pathways to maintain	7	7	7	9	11	12	12	13	14	15

Source: Town departments

Note: n/a = not available

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

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
Town-owned parcels	9	10	11	19	26	27	27	28	27	28
Town-owned property acreage	313	400	409	419	544	551	551	571	564	571
Town vehicles	1	1	1	1	1	2	3	2	2	3
Environmental Protection/Stormwater Management										
Town vehicles	-	-	-	2	3	3	-	-	3	5
Engineering										
Town vehicles	-	-	1	1	4	5	4	4	2	1
Public Works										
Town vehicles	1	2	3	3	5	7	7	7	7	7
Utility vehicles	-	-	-	-	-	-	-	1	1	1
Dump Truck	-	-	-	-	-	-	-	-	1	1
Tractor	-	-	-	-	-	-	-	-	1	1
Public Safety										
Law Enforcement Center	-	-	-	-	-	-	-	1	1	1
Police vehicles	6	11	22	31	38	42	42	41	47	47
Police mobility vehicles	-	-	-	-	-	-	2	2	2	2
Police Boat - Marine Patrol	1	1	1	1	1	1	1	1	1	1
Town vehicles (Building Safety)	-	-	-	-	1	3	4	3	3	5
Public Projects & Facilities										
Streets (miles)	0.88	0.88	0.88	3.14	3.70	3.95	3.95	4.25	3.81	3.81
Pathways (miles)	0.88	0.88	0.88	2.45	3.01	3.01	6.25	6.25	11.86	11.86
Parks (count)	3	4	4	4	6	6	6	7	7	7

Source: Finance Department and Public Works Department

**Town of Bluffton
Fines and Assessments
For the Year Ended June 30, 2013**

Fines and Fees Collected	\$ 170,265
Assessments Collected	159,973
Surcharges Collected	74,309
Assessments Collected for Victim Services	20,123
Surcharges Collected for Victim Services	2,298
Total fines, assessments and surcharges collected	<u>\$ 426,968</u>

Fines and Fees retained by the Town	\$ 167,024
Assessments retained by the Town	-
Surcharges retained by the Town	-
Assessments for Victim Services retained by the Town	20,123
Surcharges for Victim Services retained by the Town	2,298
Total fines, assessments and surcharges retained by the Town	<u>\$ 189,445</u>

Fines and Fees remitted to State Treasurer	\$ 5,352
Assessments remitted to State Treasurer	159,973
Surcharges remitted to State Treasurer	74,309
Total fines, assessments and surcharges remitted to State Treasurer	<u>\$ 239,635</u>

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

Town of Bluffton
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of the Interior - National Park Service	15.904	45-08-AP-4135	\$ 31,590
U.S. Department of Transportation - Federal Highway Administration			
Pass-through programs from: South Carolina Department of Transportation			
ARRA - Highway Planning and Construction	20.205	07Q220DT10012	75,281
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	265,914
U.S. Department of Housing and Urban Development			
Pass-through programs from: South Carolina Department of Commerce			
Community Development Block Grant	14.228	#4-CI-09-002	810
Community Development Block Grant	14.228	#4-V-10-004	261,110
Subtotal U.S. Department of Housing and Urban Development			<u>261,920</u>
U.S. Department of Justice			
ARRA - COPs Hiring Recovery Program	16.710	2009RKWX0741	34,758
Bullet Proof Vest Partnership Program	16.607	n/a	4,826
Subtotal U.S. Department of Justice			<u>39,584</u>
Total expenditures of federal awards			<u>\$ 674,289</u>

Town of Bluffton
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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, 2013. 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 position, 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

INDEPENDENT AUDITORS' 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karp, Renning & Tindol, P.C.

Savannah, Georgia
November 20, 2013

KARP, RONNING & TINDOL

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the Town, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kap, Renning & Tindel, P.C.

Savannah, Georgia
November 20, 2013

Town of Bluffton
For the Year Ended June 30, 2013

I. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. Summary of Auditors' Results

Financial Statements

1. The auditors' report expresses an unmodified 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 unmodified 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.
Federal Clean Water Act Section 319	66.460

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

B. FINDINGS AND QUESTIONED COSTS--FINANCIAL STATEMENTS AUDIT

None reported

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

None reported

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

None reported