

The Town of Bluffton, South Carolina

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

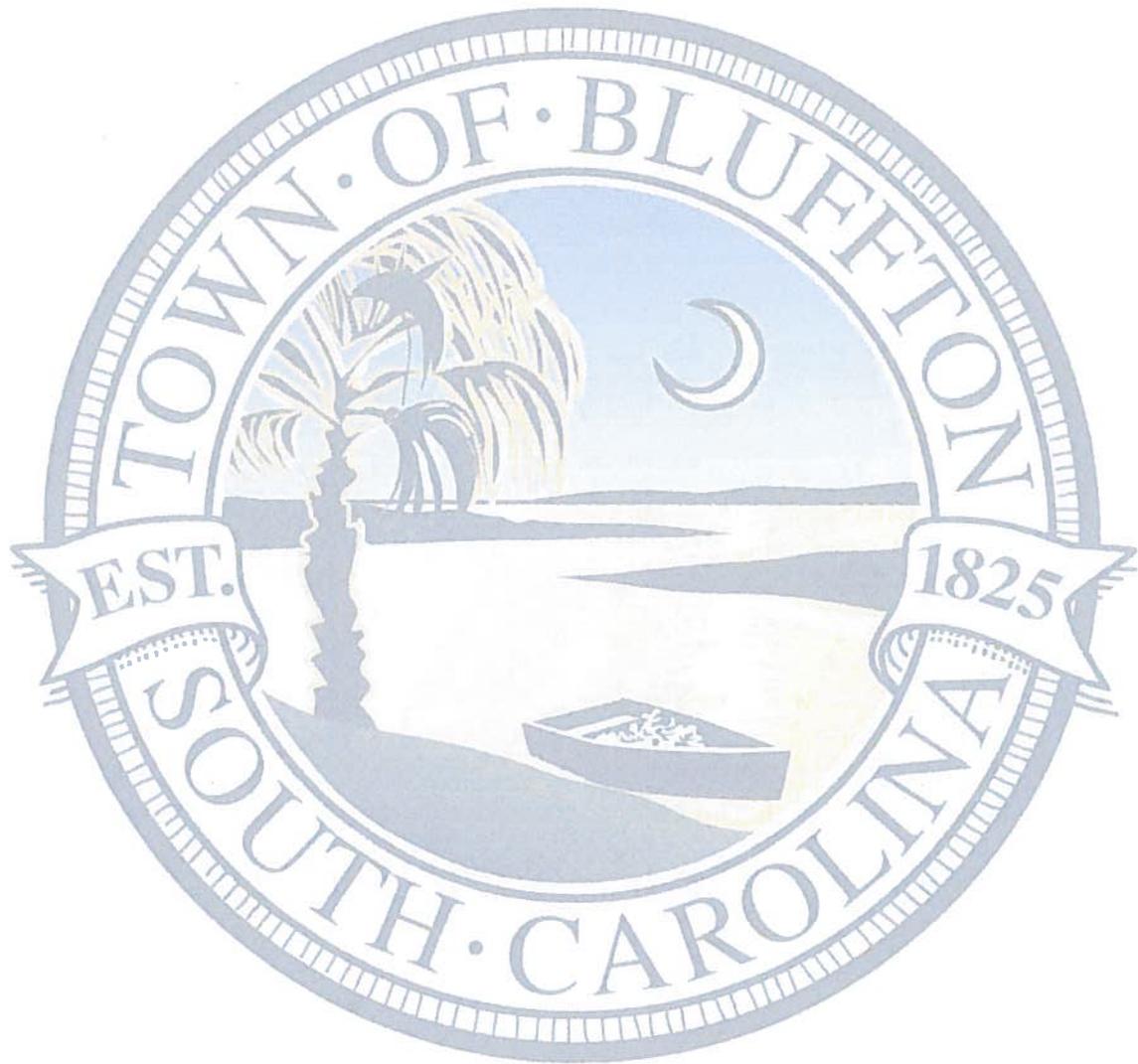
Comprehensive Annual Financial Report for the
Town of Bluffton, South Carolina

For the Year Ended June 30, 2014



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, 2014
Table of Contents

INTRODUCTORY SECTION

	<u>Page</u>
Transmittal Letter	1-5
Principal Officials	6
Organizational Chart	7
GFOA Certificate of Achievement	8

FINANCIAL SECTION

Independent Auditors' Report	9-10
Management's Discussion and Analysis	11-20
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	21
Statement of Activities	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds	23
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	26
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Stormwater Fund	27
Notes to the Financial Statements	28-45
Individual and Combining Fund Statements and Schedules	
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
General Fund	46
Capital Improvements Program Fund	47
Debt Service Fund	48
Stormwater Fund	49
Combining Balance Sheet – Non-major Governmental Funds	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds	51

STATISTICAL SECTION

(Unaudited)

Statistical Section Table of Contents	52
Financial Trends	
Schedule 1 – Net Assets by Component, Last Ten Fiscal Years	53

Town of Bluffton, South Carolina
Comprehensive Annual Financial Report
For the Period Ended June 30, 2014
Table of Contents

STATISTICAL SECTION (CONTINUED)

Schedule 2 – Changes in Net Assets, Last Ten Fiscal Years	54
Schedule 3 – Program Revenues by Function/Program, Last Ten Fiscal Years	55
Schedule 4 – Fund Balances, Governmental Funds, Last Ten Fiscal Years	56
Schedule 5 – Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	57
Revenue Capacity	
Schedule 6 – Tax Revenues by Source, Governmental Funds, Last Ten Fiscal Years	58
Schedule 7 – Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years	59
Schedule 8 – Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	60
Schedule 9 – Principal Property Tax Payers, Current Year and Nine Years Ago	61
Schedule 10 – Property Tax Levies and Collections, Last Ten Fiscal Years	62
Schedule 11 – Direct and Overlapping Sales Tax Rates, Last Ten Fiscal Years	63
Debt Capacity	
Schedule 12 – Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	64
Schedule 13 – Ratios of Net General Bonded Debt Outstanding, Last Ten Fiscal Years	65
Schedule 14 – Direct and Overlapping Governmental Activities Debt	66
Schedule 15 – Legal Debt Margin Information, Last Ten Fiscal Years	67
Schedule 16 – Pledged Revenue Coverage, Last Ten Fiscal Years	68
Demographic and Economic Information	
Schedule 17 – Demographic and Economic Statistics, Last Ten Calendar Years	69
Schedule 18 – Principal Employers	70
Operating Information	
Schedule 19 – Full-Time Equivalent (FTE) Town Governmental Employees by Function/Program	71
Schedule 20 – Operating Indicators by Function/Program, Last Ten Fiscal Years	72
Schedule 21 – Capital Asset Statistics by Function/Program, Last Ten Fiscal Years	73

SUPPLEMENTAL SECTION

Municipal Fines, Assessments and Surcharges	74
---	----

COMPLIANCE SECTION

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	75
--	----

Lisa Sulka
Mayor

Ted Huffman
Mayor Pro Tempore

Marc Orlando
Town Manager



Council Members

Karen Lavery
Fred Hamilton
Larry Toomer

Sandra Lunceford
Town Clerk

January 13, 2015

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, 2014.

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 KRT, CPAs, P.C. Based upon their independent audit, an unmodified opinion was rendered for the Town's Financial Statements for the fiscal year ended June 30, 2014. The Independent Auditors' Report is presented as the first component of the financial section of this report.

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 of Bluffton 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 45 annexations increasing the Town's boundary to 54 square miles in area. In just a few years, Bluffton grew from a one square-mile-town to controlling the future development of more than 34,500 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 12,893 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, 2014, the number of commercial, residential, and other miscellaneous building and safety permits processed increased by approximately 36% over the prior fiscal year with the corresponding revenues up 11%.

The Don Ryan Center for Innovation (DRCI) is a public-private partnership between the Clemson Institute for Community and Economic Development, CareCore National, and the Town of Bluffton to establish the state's first incubator in a non-metropolitan area of the state. 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. In this fiscal year the DRCI graduated five businesses. The center was awarded a SC Department of Commerce Grant in the amount of \$100,000.

Major Initiatives and Revitalization Efforts

The Town purchased seven acres of land at Buckwalter Place through the use of utility tax credits received in 2013. This purchase increases the footprint of the Technology Park at Buckwalter Place to 30.25 acres. The utility tax credits are provided through statewide contributions from utilities for the purpose of economic development projects. Local utilities, Hargray Communications and Palmetto Electric Cooperative, contributed to the funding to assist in this land purchase.

In October of this fiscal year the town also purchased five acres in Buckwalter Place from Beaufort County with funds from the remaining utility tax credits and Multi-County Industrial Park fees. These land purchases will enable the town to better negotiate with prospective companies to move their businesses and primary jobs to the town.

The town established a Major Home Repairs Program for low-income residents with funding from the Home Program Grant which is federally-funded through the Department of Housing and Urban Development for \$119,129 and \$28,533 from the Lowcountry Regional Housing Consortium. This program is available for anyone whose household income is less than 80% of the median income for Beaufort County. Each household can receive up to \$25,000 worth of repairs. This program is a part of the town's neighborhood assistance program established to improve the quality of life for all Bluffton residents while creating a safer community and providing for affordable housing.

The Town's Wharf Street Redevelopment was completed last fiscal year consisting of six affordable energy-efficient cottages built on more than half acre of land. This project replaced two vacant, unmaintained structures with a coastal cottage neighborhood. The last home was sold in October 2013. This \$1.2 million redevelopment project received the "Best Community Revitalization Award" from *Southern Living Magazine* and was featured in the August 2014 issue.

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 fund 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 upgraded the town's bond rating in June 2014 from AA- to 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, 2013. This was the sixth 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 Vickie Isaacs, Budget Administrator, for the vital role she played in the coordination and completion of this project.

Respectfully,



Shirley Freeman
Director of Finance/Administration



Trisha Greathouse
Assistant Director of Finance/Administration



Town of Bluffton, South Carolina
Elected and Appointed Officials
Year Ended June 30, 2014

Elected Officials

Mayor: The Honorable Lisa Sulka

Council:

Ted Huffman – Mayor Pro Tempore
Fred Hamilton
Karen Lavery
Larry Toomer

Appointed Officials

Anthony Barrett – Town Manager

Terry A. Finger – Town Attorney

Senior Management

Marc Orlando
Frank Hodge
James Ayers
Shirley Freeman
Katherine Robinson
Joey Reynolds
Sandra Lunceford

Deputy Town Manager/Director of Economic Development
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, 2013

Executive Director/CEO



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, the discretely presented component units and the aggregate remaining fund information of the Town of Bluffton, South Carolina (Town) as of and for the year ended June 30, 2014, 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, the discretely presented component units and the aggregate remaining fund information of the Town, as of June 30, 2014, and the respective changes in financial position and the budgetary comparison statements 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 information on pages 11-20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental

Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, individual and combining fund financial statements and schedules, statistical section and supplementary section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual and combining fund financial statements and schedules and supplementary section as listed in the table of contents 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 individual and combining fund financial statements and schedules and supplementary section as listed in the table of contents 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 January 13, 2015, 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.

KRT, CPA&P.C.

Savannah, Georgia
January 13, 2015

Town of Bluffton
Management's Discussion and Analysis
June 30, 2014

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, 2014. 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 \$26,639,693 (*net position*). Of this amount, \$8,328,146 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens and vendors.
- The Town's total net position increased by \$4,018,021 or 17% for Fiscal Year 2014.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$16,614,382, an increase of \$2,999,822 in comparison with the prior year. Approximately 36% percent of this total amount, or \$5,917,866, 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 \$5,917,866 or 57% percent of total General Fund expenditures for the fiscal year.
- The Town's total debt decreased by \$263,773 (1.5%) during the current fiscal year. The Town had principle payments on outstanding debt of \$960,609 and entered into a new lease agreement with Branch Banking and Trust Company (BB&T) for the purchase of seven (7) 2014 Ford SUVs and a Rhino boom mower. The purchase price of the new vehicles and equipment was \$291,000. The Town also entered into a three year, \$300,000 intergovernmental agreement for the purchase of 5 acres in the Buckwalter Tech Park from Beaufort County. In addition, the compensating absences liability increased by \$105,628.
- 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 the financial statements 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 of the Town and its component units. 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.

Town of Bluffton
Management's Discussion and Analysis
June 30, 2014

Property taxes, charges for services, and state and federal grant funds finance most of these activities. Financial information for two non-major component units is reported separately from the primary government. The non-major component units are the Don Ryan Center for Innovation and The Bluffton Public Development Corporation.

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

Fund Financial Statements - The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net 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 27 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 28 through 45 of this report.

**Town of Bluffton
Management's Discussion and Analysis
June 30, 2014**

Other Supplemental information – In addition to the basic financial statements and accompanying notes, the report also presents certain 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. The committee's recommendations are proposed to Town Council for final approval. Combining and individual fund statements and schedules can be found on pages 46 through 51 of this report.

Government-wide Financial Analysis

The government-wide financial statements for the fiscal year ended June 30, 2014 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
	2014	2013	
Current and other assets	\$ 17,901,254	\$ 15,517,253	15%
Capital assets, net	27,792,817	26,966,623	3%
Total assets	<u>\$ 45,694,071</u>	<u>\$ 42,483,876</u>	<u>8%</u>
Current and other liabilities	\$ 2,947,516	\$ 3,299,668	(11%)
Long-term liability outstanding	16,106,862	16,454,036	(2%)
Total liabilities	<u>19,054,378</u>	<u>19,753,704</u>	<u>(4%)</u>
Total deferred inflows of resources	<u>-</u>	<u>5,000</u>	<u>100%</u>
Net position:			
Net investment in Capital Assets	10,745,284	9,552,186	12%
Restricted	7,566,263	6,629,087	14%
Unrestricted	8,328,146	6,543,899	27%
Total net position	<u>26,639,693</u>	<u>22,725,172</u>	<u>17%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 45,694,071</u>	<u>\$ 42,483,876</u>	<u>8%</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 \$26,639,693 as of June 30, 2014. The Town's overall financial position improved and net position increased by \$4,018,021 or 17% during Fiscal Year 2014. During FY 2014 an internal audit of Municipal Improvement Development (MID) fees collected by the Town of Bluffton in the Hampton Lake Subdivision has revealed an overpayment of the development fee from certain lot owners. The software record failure occurred over the preceding eight years resulting in an adjustment to the beginning fund balance of the general fund and net position in FY 2014 in the amount of \$103,500.

The Town increased its current and other assets by \$2,384,001 as a result of improved cash position at year-end. This improved cash position is largely attributable to revenues exceeding expenses. The 17% increase in the Town's total net position is the result of a better than anticipated economic recovery for local businesses and residential development as well as a continued cautionary spending emphasis. The Town increased its capital assets, net by \$826,194 as a result of additions exceeding depreciations in the current fiscal year. The \$352,152 net decrease in current and other

Town of Bluffton
Management's Discussion and Analysis
June 30, 2014

liabilities is related to the timing and management of outstanding payables to vendors and Beaufort County. A variety of development impact fees are collected by the Town for the county and are remitted in subsequent periods. The \$347,174 net decrease in the Town's long-term liabilities is related to the principal payments from the general obligation and revenue bonds due in Fiscal Year 2014 offset by the increases related to the new vehicle and equipment leases and the Intergovernmental Agreement entered into in FY 2014 for the purchase of land at the Buckwalter Tech Park from the County. 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 \$8,328,146 in unrestricted funds and may be used to meet the ongoing obligations to citizens and creditors.

The following table presents the Town's changes in net position for the fiscal year ending June 30, 2014 and 2013.

Town of Bluffton Changes in Net Position
Figure 2

	Governmental Activities		
	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 6,957,053	\$ 6,147,517	13%
Operating grants and contributions	236,472	267,960	(12%)
Capital grants and contributions	1,565,210	2,552,546	(39%)
General revenues:			
Property taxes	5,580,452	5,573,318	0%
Accommodations taxes	515,367	529,646	(3%)
Hospitality taxes	1,333,838	1,190,858	12%
Interest	9,576	10,070	(5%)
Unrestricted intergovernmental revenue	617,942	330,780	87%
Miscellaneous	91,201	245,068	(63%)
Total revenues	<u>16,907,111</u>	<u>16,847,763</u>	<u>0%</u>
Expenses:			
Administrative	3,177,857	2,953,686	8%
Judicial	261,663	300,056	(13%)
Planning	797,378	896,613	(11%)
Building Safety	832,699	685,841	21%
Police Department	4,007,350	3,752,007	7%
Public Works	945,375	912,800	4%
Stormwater Management	644,128	638,438	1%
Project Management	487,943	612,469	(20%)
Community Development	1,070,319	1,500,055	(29%)
Interest on long-term debt	664,378	1,005,006	(34%)
Total expenses	<u>12,889,090</u>	<u>13,256,971</u>	<u>(3%)</u>
Changes in Net Position	4,018,021	3,590,792	
Net position, July 1, as restated	22,621,672	19,134,380	
Net position, June 30	<u>\$ 26,639,693</u>	<u>\$ 22,725,172</u>	<u>17%</u>

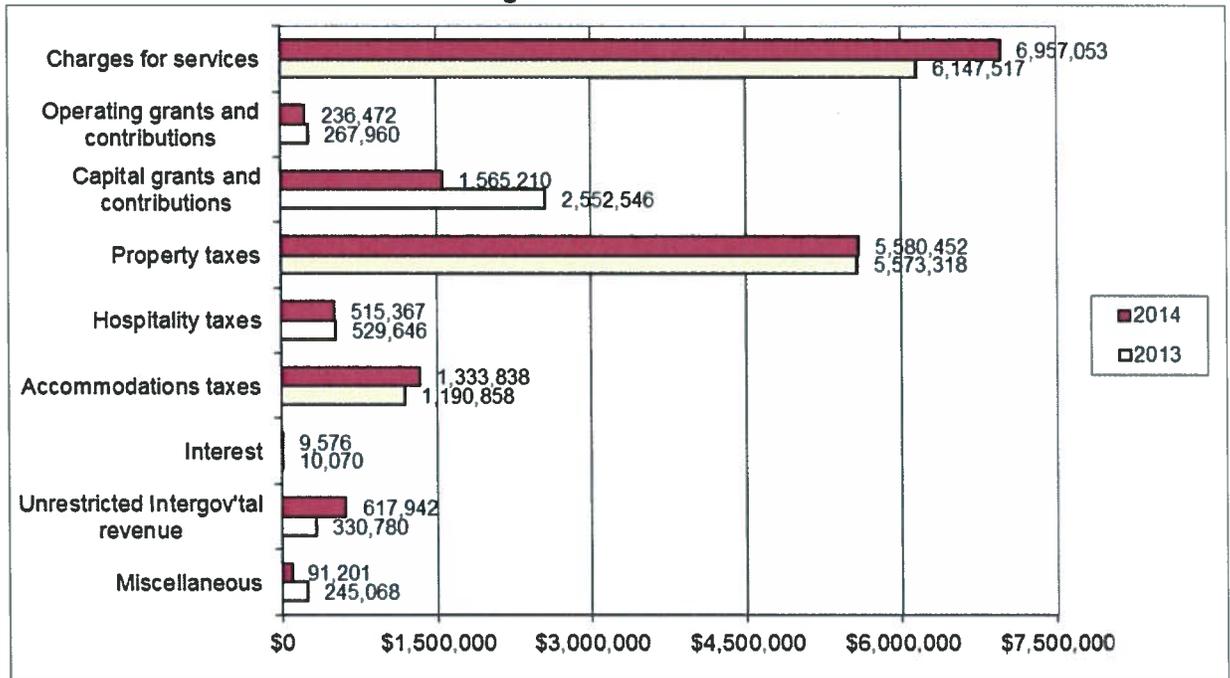
**Town of Bluffton
Management's Discussion and Analysis
June 30, 2014**

Governmental Activities - Governmental activities increased the Town's net position by \$4,018,021. 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 (41%) (e.g. business licenses, franchise fees, permit fees, development fees), capital grants and contributions (9%), property taxes (33%) and hospitality taxes (8%) are the largest sources of funds. All other revenue sources comprise 9% of all funds received by the Town.

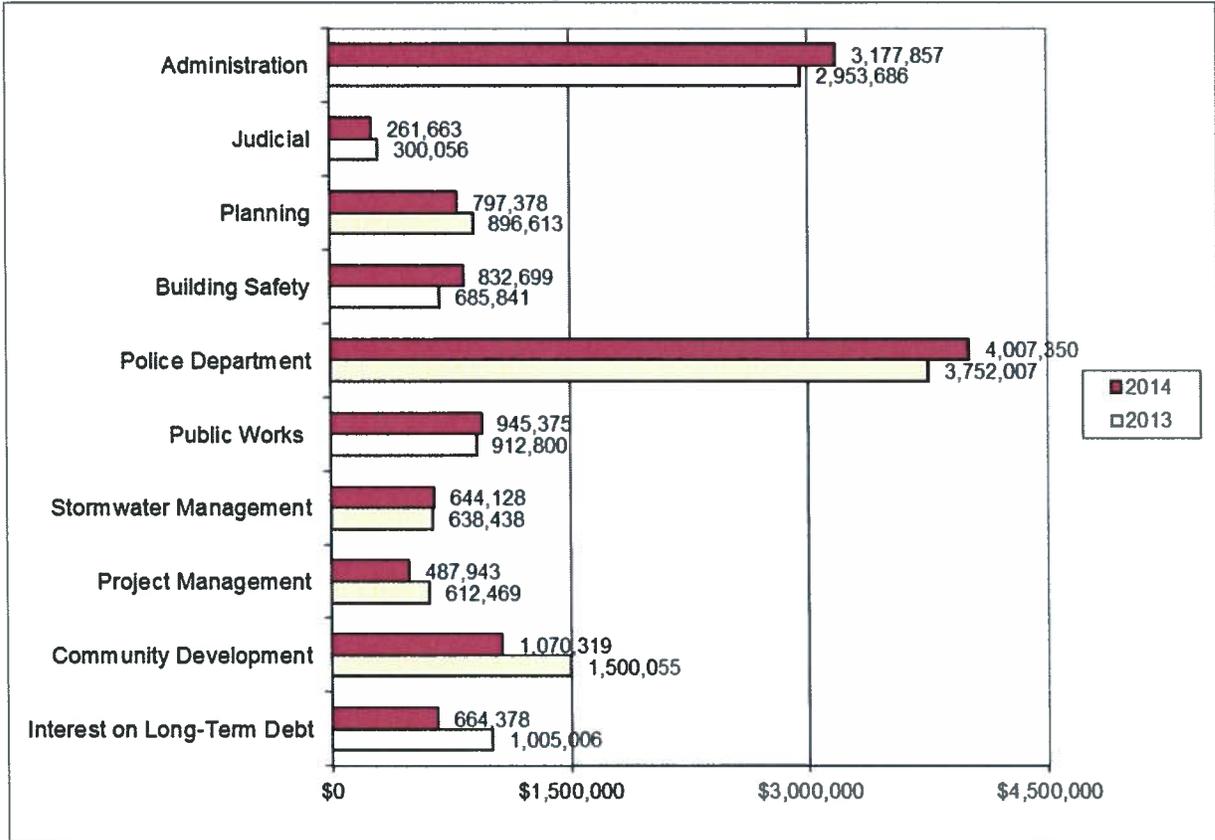
The following charts compare fiscal years 2014 and 2013 revenues by source and expenses by program.

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



**Town of Bluffton
Management's Discussion and Analysis
June 30, 2014**

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



Major expenses for Fiscal Year 2014 were associated with the Police Department (31%), Administration (24%) and Community Development functions (9%). 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 majority of the larger projects started in Fiscal Year 2014 are in the early planning and design phases. This effected the amount of capital grants and contribution revenue received in FY 14 given that many reimbursable expenditures are for construction phase costs.

Transfers between the funds in Fiscal Year 2014 increased by \$370,932 primarily due to the transfer of \$370,000 of TIF revenues to the Capital Improvements Fund for the purchase of land as appropriated by Town Council. Transfers In occurred in the amount \$757,787 to the Capital Improvements Program Fund from other funds and were used to fund portions of the Fund's budgeted projects in Fiscal Year 2014. Transfers In to the General Fund remained consistent with prior year only decreasing by \$23,976. Major Transfers In to the General Fund for Fiscal Year 2014 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.

Town of Bluffton
Management's Discussion and Analysis
June 30, 2014

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 \$16,614,382, an increase of \$2,999,822 in comparison with the prior fiscal year. Approximately 36% of total fund balance, or \$5,917,866, constitutes unassigned fund balance which is available for spending at the government's discretion. The remainders of fund balance (\$10,696,516) are designated to indicate that they are not available for new spending because they have already been designated as nonspendable (\$184,569), restricted (\$7,381,694), committed (\$2,126,251) or assigned (\$1,004,002). Significant amounts of restricted balances are due to external designations for debt service, 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 \$1,985,712 during Fiscal Year 2014. The majority of the increase was due to increased revenue received with the positive economic recovery of local businesses and residential developers.

General Fund revenues (excluding transfers in and other financing sources) for Fiscal Year 2014 were \$11,518,131, an increase of \$586,261 or 5% from the previous year. Licenses and Permits totaled \$6,053,330, an increase of \$764,501 over the prior year. Business Licenses, Building Permits, and Franchise Fee collections represent the largest increase for revenues within the Licenses and Permits category. Property tax revenues for the General Fund totaled \$4,100,473, a decrease of \$159,141 when compared to the prior year. This slight decrease is the result of new millage estimations made for Tax Year 2013 (FY 2014) property tax reassessments which occur in South Carolina every 5 years. The estimations strive to maintain consistent property tax revenue levels from year to year regardless of changes in property values.

General Fund expenditures totaled \$10,361,561, a spending increase of \$494,330 from the prior year or 5%. This increase can be attributed to new equipment and vehicle costs, new employees hired for building safety inspections, public information and building and grounds maintenance and town-wide contract services.

At the end of the fiscal year, the unassigned fund balance of the General Fund was \$5,917,866, while the total fund balance was \$8,852,617. 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 57% of the total General Fund expenditures, while total fund balance represents 85% of that same amount.

The Capital Improvements Project (CIP) Fund's fund balance increased \$278,219 during Fiscal Year 2014. The increase is mainly the result of Municipal Improvement Development Fees (MIDF) being recognized in the CIP fund starting in the later part of FY 2014 that were previously recorded within the General Fund and later transferred for projects. These fees are designated by developer agreements for municipal improvements and have been designated as funding sources for upcoming capital projects.

At the end of the fiscal year, the Debt Service Fund's fund balance was \$978,299 a decrease of \$164,851 from prior year. Fiscal Year 2014 was the first year a principal payment was made on the 2010 General Obligation Bonds of \$200,000.

The Stormwater Utility Fund's fund balance increased \$307,761 during Fiscal Year 2014. The 20% increase is related to the delay of programmed capital project expenditure funding. These projects that were expected to start in FY 2014 were delayed due to permitting and design delays.

Town of Bluffton
Management's Discussion and Analysis
June 30, 2014

The Hospitality Tax Fund's fund balance increased \$523,412 or 32% during Fiscal Year 2014. This increase is due to a 12% increase in collections with the improved economic condition of the Town and delays in proposed tourism capital improvement projects spending in Fiscal Year 2014.

General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of four 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 \$154,120 starting at \$10,855,890 and ending at \$11,010,010.

Actual revenues for the General Fund were \$1,751,261 more than the original adopted budget and \$1,603,641 more than the revised budget. Licenses and Permits exceeded budget by a 33% increase or \$1,516,760. Service Revenues exceeded budget by \$171,890 or 29%, 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. Intergovernmental revenues were down \$82,499 from prior year and under budget by approximately \$91,779 due to the timing of federal grant projects and awards occurring close to year-end. These projects will be completed in FY 2015.

Actual expenditures for the General Fund were \$648,449 below revised budget. The favorable variance was due to lower contract and professional services costs and lower equipment costs due to delays in purchasing.

The General Fund continues to receive budgeted transfers from special revenue funds to support tourism projects and related support personnel. Net Transfers In (Out) increased by a marginal \$43,964 in Fiscal Year 2014 due to transfers out that occurred in FY 2013 of MIDF fees from the general fund to CIP to cover budgeted capital project expenditures. These fees are being recorded within the CIP fund starting in FY 2014, therefore no additional transfers out were necessary in FY 2014.

Capital Assets and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental activities as of June 30, 2014, totals \$27,792,817 (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 3%.

Major capital asset transactions during the year included the lease purchase of seven (7) new 2014 Ford SUVs, the purchase of machinery and equipment for town-wide maintenance, and Buckwalter Park and Bluffton Village land purchases to improve the Town's assets available for prospective economic development.

**Town of Bluffton
Management's Discussion and Analysis
June 30, 2014**

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

	Governmental Activities
	2014
Land	\$ 14,595,674
Building and improvements	6,105,720
Drainage	478,147
Roads	2,811,386
Sidewalks and Trails	1,632,656
Land Improvements	140,673
Machinery and equipment	430,538
Vehicles	561,825
Construction in progress	1,036,198
Total	\$ 27,792,817

Additional information on the Town's capital assets can be found in Note 5 to the financial statements.

Long-term Debt - At the end of the current fiscal year, the Town has total debt outstanding of \$17,629,153. Of this amount, \$6.3 million of General Obligation Debt is secured by the full faith and credit of the Town. Nine million nine hundred twenty thousand dollars (\$9,920,000) represents bonded debt for the Tax Increment Financing District funded from the incremental tax revenue. The Town entered into a capital lease purchase in March of 2014 with Branch Bank and Trust (BB&T) for the purchase of 7 SUVs and equipment in the amount of \$291,000 and an intergovernmental agreement with Beaufort County in October 2013 for \$300,000 for the purchase of 5 acres in Buckwalter Tech Park.

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

	Governmental Activities
	2014
General Obligation Bonds	\$ 6,300,000
Refunded TIF Bonds	9,920,000
Premium (Discount) on Bond Issues	(2,497)
Intergovernmental Agreement	300,000
Capital Lease	527,533
Total	\$ 17,045,036

The Town's debt decreased \$369,401 during the current fiscal year. This was related to bond principal payment and capital lease payment schedules as well as the additions mentioned above. State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8% of its total assessed valuation of all taxable real estate and personal property within the Town limits. The current debt limitation for the Town is \$11,244,755 of which \$4,944,755 is remaining for additional general obligation issues. At June 30, 2014, only \$6.3 million of the Town's debt applies to this limitation.

The Town maintains a bond rating of Aa2 from Moody's Investor Service and received an upgrade to AA+ from Standard and Poor's Corporation in 2014. 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 7 to the financial statements.

Town of Bluffton
Management's Discussion and Analysis
June 30, 2014

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.
- The number of residential building permits increased this year by 36%. This trend is expected to continue into 2015.
- The Town is entering the fourth year of a 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 was the first of five such projects planned in the state to commercialize technology and create new businesses. At present eight innovators have enrolled at the Center and five innovators completed the program in 2014.
- The unemployment rate for Beaufort County is 5.9% and slightly above the State's rate of 5.3% at June 30, 2014. Currently, no data is available specifically for the Town of Bluffton.
- The Fiscal Year 2015 General Fund budget is balanced at \$12,422,205, up 14.6% from Fiscal Year 2014. This increase is attributable to the hiring of additional personnel in the police, building safety and building and grounds departments in FY 2015 and the related equipment and training expenses for each.
- The FY 2015 budget includes no tax increase. The tax levy was maintained at 44.35 mills with the same distribution as last fiscal year; the General Fund will receive 40 mills and the Debt Service Fund will receive 4.35 mills.
- The Capital Improvements Project Fund appropriation for Fiscal Year 2015 is \$3,925,000. 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, Pathways, Oyster Factory Park and the May River Road and Calhoun Streetscape. In December 2014, budget amendments were approved by Council to bring appropriations to \$7,721,073 and included additions for the aforementioned projects with funding from carryovers from Fiscal Year 2014's budget.
- The Debt Service Fund provides for the payment of bond principal and interest payments totaling \$1,536,050 for Fiscal Year 2015. 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 2015 is 1,647,065. Operational expenditures total \$737,065 and Capital Improvements Projects expenditures of \$910,000 are forecasted for stormwater drainage improvements, wetlands restoration, stormwater retrofits and Watershed Sewer Master Plan implementation. In December 2014, budget amendments were approved by Council to bring appropriations to \$2,349,207 and included additions for the aforementioned projects with funding from carryovers from Fiscal Year 2014'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, 2014

	Primary Government		Component Units	
	Governmental Activities	Total	The Don Ryan Center for Innovation	Bluffton Public Development Corporation
ASSETS				
Cash and Cash Equivalents	\$ 10,500,615	\$ 10,500,615	\$ 15,637	\$ 4,985
Restricted Cash and Cash Equivalents	5,099,736	5,099,736	-	-
Investments	46,391	46,391	-	-
Property Taxes Receivable, net	105,500	105,500	-	-
Other Receivables	1,964,443	1,964,443	2,512	-
Prepaid Assets	184,569	184,569	-	-
Capital Assets				
Nondepreciable	15,631,872	15,631,872	-	-
Depreciable	12,160,945	12,160,945	-	-
Total Assets	<u>\$ 45,694,071</u>	<u>\$ 45,694,071</u>	<u>\$ 18,149</u>	<u>\$ 4,985</u>
LIABILITIES				
Accounts Payable	\$ 501,937	\$ 501,937	\$ -	\$ -
Deposits and Bonds Payable	151,583	151,583	-	-
Accrued Interest	138,353	138,353	-	-
Due to Other Governments	287,580	287,580	2,953	4,985
Accrued Payroll and Withholding	345,772	345,772	-	-
Items due in less than one year	1,522,291	1,522,291	-	-
Items due in more than one year	16,106,862	16,106,862	-	-
Total Liabilities	<u>19,054,378</u>	<u>19,054,378</u>	<u>2,953</u>	<u>4,985</u>
NET POSITION				
Net Investment in Capital Assets	10,745,284	10,745,284	-	-
Restricted for:				
Capital Projects	3,886,897	3,886,897	-	-
Tourism Projects and Related Support	2,487,788	2,487,788	-	-
Debt Service	978,299	978,299	-	-
Other Purposes	213,279	213,279	15,196	-
Unrestricted	8,328,146	8,328,146	-	-
Total Net Position	<u>26,639,693</u>	<u>26,639,693</u>	<u>15,196</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 45,694,071</u>	<u>\$ 45,694,071</u>	<u>\$ 18,149</u>	<u>\$ 4,985</u>

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

**Town of Bluffton
Statement of Activities
For the Year Ended June 30, 2014**

Function / Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	Don Ryan Center for Innovation	Bluffton Public Development Corporation
Primary Government								
Governmental Activities								
General Government								
Administration	\$ 3,177,857	\$ 5,016,969	\$ -	\$ -	\$ 1,839,112	\$ 1,839,112	\$ -	\$ -
Judicial	261,663	164,583	-	-	(97,080)	(97,080)	-	-
Planning	797,378	630,359	-	283,400	116,381	116,381	-	-
Public Safety								
Building Safety	832,699	1,090,532	-	-	257,833	257,833	-	-
Police Department	4,007,350	54,610	236,472	-	(3,716,268)	(3,716,268)	-	-
Public Works	945,375	-	-	-	(945,375)	(945,375)	-	-
Stormwater Management	644,128	-	-	1,255,176	611,048	611,048	-	-
Project Management	487,943	-	-	-	(487,943)	(487,943)	-	-
Community Development	1,070,319	-	-	26,634	(1,043,685)	(1,043,685)	-	-
Interest on long-term debt	664,378	-	-	-	(664,378)	(664,378)	-	-
Total governmental activities	12,889,090	6,957,053	236,472	1,565,210	(4,130,355)	(4,130,355)	-	-
Total Primary Government	\$ 12,889,090	\$ 6,957,053	\$ 236,472	\$ 1,565,210	\$ (4,130,355)	\$ (4,130,355)	\$ -	\$ -
Component Units:								
Don Ryan Center for Innovation	\$ 183,990	\$ 16,712	\$ 160,076	-	-	-	\$ (7,202)	\$ -
Bluffton Public Development Corporation	\$ 89,000	-	\$ 89,000	-	-	-	-	\$ -
General Revenues:								
Property Taxes					5,580,452	5,580,452	-	-
Accommodations Taxes					515,367	515,367	-	-
Hospitality Taxes					1,333,838	1,333,838	-	-
Interest Income					9,576	9,576	-	-
Intergovernmental Revenue					617,942	617,942	-	-
Miscellaneous					91,201	91,201	39	-
Total general revenues and capital contributions					<u>8,148,376</u>	<u>8,148,376</u>	<u>39</u>	<u>-</u>
Change in Net Position					4,018,021	4,018,021	(7,163)	-
Net Position - Beginning, as restated					<u>22,621,672</u>	<u>22,621,672</u>	<u>22,359</u>	<u>-</u>
Net Position - Ending					<u>\$ 26,639,693</u>	<u>\$ 26,639,693</u>	<u>\$ 15,196</u>	<u>\$ -</u>

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

**Town of Bluffton
Balance Sheet
Governmental Funds
June 30, 2014**

	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	\$ 7,434,984	\$ 977,234	\$ -	\$ -	\$ 1,854,078	\$ 234,319	\$ 10,500,615
Restricted Cash and Cash Equivalents	1,174,768	924,397	966,759	1,887,791	-	146,021	5,099,736
Investments	40,036	-	6,355	-	-	-	46,391
Property taxes receivable, net	100,315	-	5,185	-	-	-	105,500
Other Receivables	1,384,678	27,234	-	21,273	343,414	187,844	1,964,443
Prepaid Assets	184,569	-	-	-	-	-	184,569
Due from other Funds	7,860	471,071	-	-	-	-	478,931
Total Assets	<u>\$ 10,327,210</u>	<u>\$ 2,399,936</u>	<u>\$ 978,299</u>	<u>\$ 1,909,064</u>	<u>\$ 2,197,492</u>	<u>\$ 568,184</u>	<u>\$ 18,380,185</u>
Liabilities							
Accounts Payable	\$ 283,211	\$ 141,582	\$ -	\$ 4,312	\$ -	\$ 72,832	\$ 501,937
Deposits and Bonds Payable	151,583	-	-	-	-	-	151,583
Due to other Funds	418,285	639	-	21,717	33,692	4,598	478,931
Due to Other Governments	287,580	-	-	-	-	-	287,580
Salaries and Benefits Payable	333,934	-	-	11,838	-	-	345,772
Total Liabilities	<u>1,474,593</u>	<u>142,221</u>	<u>-</u>	<u>37,867</u>	<u>33,692</u>	<u>77,430</u>	<u>1,765,803</u>
Fund Balances							
Nonspendable	184,569	-	-	-	-	-	184,569
Restricted	759,661	1,138,728	978,299	1,871,197	2,163,800	470,009	7,381,694
Committed	1,990,521	114,985	-	-	-	20,745	2,126,251
Assigned	-	1,004,002	-	-	-	-	1,004,002
Unassigned	5,917,866	-	-	-	-	-	5,917,866
Total Fund Balances	<u>8,852,617</u>	<u>2,257,715</u>	<u>978,299</u>	<u>1,871,197</u>	<u>2,163,800</u>	<u>490,754</u>	<u>16,614,382</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,327,210</u>	<u>\$ 2,399,936</u>	<u>\$ 978,299</u>	<u>\$ 1,909,064</u>	<u>\$ 2,197,492</u>	<u>\$ 568,184</u>	<u>\$ 18,380,185</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, 2014

Total Governmental Fund Balances	\$ 16,614,382
----------------------------------	---------------

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.	27,792,817
---	------------

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

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	\$ (138,353)	
	Items due in less than one year	(1,522,291)	
	Items due in more than one year	<u>(16,106,862)</u>	
			(17,767,506)

Net position of governmental activities	<u><u>\$ 26,639,693</u></u>
---	-----------------------------

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, 2014

	General Fund	Capital Improvements Program Fund	Debt Service Fund	Stormwater Fund	Hospitality Tax Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property Taxes	\$ 4,100,473	\$ -	\$ 1,479,979	\$ -	\$ -	\$ -	\$ 5,580,452
Hospitality and Accommodations Taxes	-	-	-	-	1,333,838	515,367	1,849,205
Licenses & Permits	6,053,330	252,000	151,650	-	-	-	6,456,980
Stormwater Utility Fees	-	-	-	1,113,215	-	-	1,113,215
Grants and Entitlements	10,867	26,634	-	141,961	-	-	179,462
Intergovernmental	505,374	230,764	107,409	-	-	-	843,547
Service Revenues	587,490	-	-	-	-	11,400	598,890
Fees and Fines	164,583	-	-	-	-	-	164,583
Interest Income	6,477	2,177	184	-	334	404	9,576
Miscellaneous	89,537	21,604	-	-	60	-	111,201
Total Revenues	11,518,131	533,179	1,739,222	1,255,176	1,334,232	527,171	16,907,111
EXPENDITURES							
Current							
Legislative	103,148	-	-	-	-	-	103,148
Executive	352,154	-	-	-	-	-	352,154
Economic Development	191,686	-	-	-	-	-	191,686
Public Information	73,523	-	-	-	-	-	73,523
Human Resources	234,151	-	-	-	-	-	234,151
Non-Departmental	895,360	-	-	-	-	65	895,425
Finance	609,957	-	-	-	-	-	609,957
Municipal Court	223,621	-	-	-	-	-	223,621
Municipal Judges	37,373	-	-	-	-	-	37,373
Information Technology	557,241	-	-	-	-	-	557,241
Facilities and Asset Management	845,448	-	-	-	-	-	845,448
Stormwater Management	-	-	-	624,318	-	-	624,318
Project Management	490,314	-	-	-	-	-	490,314
Growth Management	449,054	-	-	-	-	-	449,054
Planning and Environmental Sustainability	361,910	-	-	-	-	-	361,910
Building Safety	815,999	-	-	-	-	-	815,999
Police	3,723,356	-	-	-	-	-	3,723,356
Community Development	-	15	1,500	-	-	389,846	391,361
Debt Service							
Principal	90,609	-	870,000	-	-	-	960,609
Interest	5,039	-	662,573	-	-	-	667,612
Capital Outlay	301,618	1,387,152	-	275,679	-	-	1,964,449
Total Expenditures	10,361,561	1,387,167	1,534,073	899,997	-	389,911	14,572,709
Excess (Deficiency) of Revenues Over Expenditures	1,156,570	(853,988)	205,149	355,179	1,334,232	137,260	2,334,402
OTHER FINANCING SOURCES (USES)							
Transfers In	538,142	757,787	-	-	-	-	1,295,929
Transfers Out	-	-	(370,000)	(47,418)	(810,820)	(67,691)	(1,295,929)
Sale of Assets	-	74,420	-	-	-	-	74,420
Capital Leases	291,000	300,000	-	-	-	-	591,000
Total Other Financing Sources and Uses	829,142	1,132,207	(370,000)	(47,418)	(810,820)	(67,691)	665,420
Net Change in Fund Balance	1,985,712	278,219	(164,851)	307,761	523,412	69,569	2,999,822
Fund Balance - Beginning, as restated	6,866,905	1,979,496	1,143,150	1,563,436	1,640,388	421,185	13,614,560
Fund Balance - Ending	\$ 8,852,617	\$ 2,257,715	\$ 978,299	\$ 1,871,197	\$ 2,163,800	\$ 490,754	\$ 16,614,382

Net change in fund balances - total governmental funds \$ 2,999,822

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	1,625,734	
Less: Depreciation Expense	(799,540)	826,194

The net effect of various miscellaneous transactions involving assets (i.e. sales, trade-ins, and donations) is to decrease net position. (74,420)

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. 369,609

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. (103,184)

Change in net position of governmental activities \$ 4,018,021

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

Town of Bluffton
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	\$ 4,097,000	\$ 4,097,000	\$ 4,100,473	\$ 3,473
Licenses & Permits	4,536,570	4,536,570	6,053,330	1,516,760
Intergovernmental	465,400	608,020	516,241	(91,779)
Service Revenues	415,600	415,600	587,490	171,890
Fees and Fines	170,500	170,500	164,583	(5,917)
Miscellaneous	81,800	86,800	96,014	9,214
Total Revenues	<u>9,766,870</u>	<u>9,914,490</u>	<u>11,518,131</u>	<u>1,603,641</u>
EXPENDITURES				
Legislative	121,670	121,670	103,148	(18,522)
Economic Development	155,300	200,300	191,686	(8,614)
Executive	363,000	363,000	352,154	(10,846)
Public Information	74,910	77,910	73,523	(4,387)
Human Resources	215,080	215,080	234,151	19,071
Non-Departmental	1,001,980	998,980	895,360	(103,620)
Finance	647,920	647,920	609,957	(37,963)
Municipal Court	227,375	227,375	223,621	(3,754)
Municipal Judges	47,615	47,615	37,373	(10,242)
Information Technology	638,605	643,605	583,298	(60,307)
Facilities and Asset Management	998,750	998,750	882,139	(116,611)
Project Management	501,125	501,125	490,314	(10,811)
Growth Management	474,370	472,370	449,054	(23,316)
Planning and Environmental Sustainability	478,600	584,720	361,910	(222,810)
Building Safety	846,415	846,415	848,123	1,708
Police	4,063,175	4,063,175	4,025,750	(37,425)
Total Expenditures	<u>10,855,890</u>	<u>11,010,010</u>	<u>10,361,561</u>	<u>(648,449)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,089,020)</u>	<u>(1,095,520)</u>	<u>1,156,570</u>	<u>2,252,090</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	712,010	718,510	538,142	(180,368)
Capital Leases	377,010	377,010	291,000	(86,010)
Total Other Financing Sources and Uses	<u>1,089,020</u>	<u>1,095,520</u>	<u>829,142</u>	<u>(266,378)</u>
Net Change in Fund Balance	-	-	1,985,712	1,985,712
Fund Balance - Beginning	6,866,905	6,866,905	6,866,905	-
Fund Balance - Ending	<u>\$ 6,866,905</u>	<u>\$ 6,866,905</u>	<u>\$ 8,852,617</u>	<u>\$ 1,985,712</u>

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

Town of Bluffton
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Stormwater Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual	
REVENUES				
Licenses and Permits	\$ 1,080,000	\$ 1,080,000	\$ 1,113,215	\$ (33,215)
Intergovernmental	290,000	331,990	141,961	\$ 190,029
Other	200	200	-	\$ 200
Total Revenues	1,370,200	1,412,190	1,255,176	(157,014)
EXPENDITURES				
Stormwater Management	1,586,270	1,876,935	899,997	(976,938)
Excess (Deficiency) of Revenues over Expenditures	(216,070)	(464,745)	355,179	819,924
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(665,280)	(795,920)	(47,418)	(748,502)
Net Change in Fund Balance	(881,350)	(1,260,665)	307,761	1,568,426
Fund Balance - Beginning	1,563,436	1,563,436	1,563,436	-
Fund Balance - Ending	\$ 682,086	\$ 302,771	\$ 1,871,197	\$ 1,568,426

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

Town of Bluffton
Notes to Financial Statements
June 30, 2014

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 67 as of June 30, 2014. 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, permitting and general administration.

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

Finally, an entity could be a component unit even if it met all the conditions for fiscal 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 two 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, 2014 was \$15,196 and the Town has a receivable on its books from the DRCI of \$2,953 at year-end. Additional financial information can be obtained from the Don Ryan Center for Innovation at PO Box 2277, Bluffton, SC 29910.

The Bluffton Public Development Corporation - The Bluffton Public Development Corporation (“BPDC”) was established in September of 2012 and was formed for charitable purposes including, but not limited to engaging in the economic development of the Town of Bluffton. The Town shall have the right to vote on: the election and removal of directors of the ten member Board of Directors, the disposition of the corporation’s assets, and any election to dissolve the corporation. The BPDC shall submit an annual budget to the Town. The Town’s Assistant Town Manager is the Executive Director of the BPDC. The net position of the BPDC at June 30, 2014 was \$0 and the Town has a receivable on its books from the BPDC of \$4,985 at year-end. Additional financial information can be obtained from the Town of Bluffton, PO Box 386, Bluffton, SC 29910.

Town of Bluffton
Notes to Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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 include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. These statements report financial information about the primary government (the Town) and its legally separate component units for which the primary government is financially accountable. While activities of discretely presented component units are reported in the Town's government-wide financial statements, separate columns are utilized so that the activities of these component units can be viewed independently from those of the primary government.

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.

B. 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.

Town of Bluffton
Notes to Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting (continued)

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.

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 formalized budget for the Hospitality Tax Fund was not passed in 2014 and is not anticipated in future years. These funds are transferred to capital projects funds for tourism related capital improvement projects approved by Council. 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.

Town of Bluffton
Notes to Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

F. Deposits and Investments

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

G. Prepaid Items

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

H. Property Taxes

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

I. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are \$5,000 for all categories except roads, buildings and 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	10 to 35
Drainage	25
Roads	20
Land Improvements	10 to 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.

Town of Bluffton
Notes to Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

L. Allowance for Uncollectible Accounts

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

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 (\$1,628,384 for FY 2014). 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, 2014

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, 2014 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, 2014, none of the Town's primary government bank balances of \$15,519,443 (book balance of \$15,600,351) 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, 2014
Amounts insured by FDIC coverage	\$ 500,000
Amounts collateralized with securities held by the pledging financial institution in the Town's name	16,513,662
Excess Collateralization	(1,494,219)
Total bank balances	\$ 15,519,443

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 \$5,099,736 at June 30, 2014. 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, 2014

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 \$46,391. 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, 2014

Note 4 – Receivables

At June 30, 2014, the Town's receivable balances were as follows:

	General Fund	Capital Improvements Program Fund	Debt Service Fund	Stormwater Fund	Hospitality Tax Fund	Other Governmental Funds	Total
Receivables:							
Administrative fees	\$ -	\$ 2,200	\$ -	\$ -	\$ -	\$ -	\$ 2,200
Alcohol taxes	-	11,000	-	-	-	-	11,000
Contract police services	5,760	-	-	-	-	-	5,760
Federal & state grants	10,000	13,134	-	-	-	-	23,134
Fines and Fees	1,574	-	-	-	-	-	1,574
Franchise fees	968,894	-	-	-	-	-	968,894
Hospitality taxes	-	-	-	-	343,414	-	343,414
Licenses & permits	192,105	900	-	-	-	-	193,005
Local accommodations taxes	-	-	-	-	-	107,000	107,000
Local government fund	61,358	-	-	-	-	-	61,358
Other/miscellaneous	25,117	-	-	-	-	-	25,117
Property taxes	100,315	-	5,185	-	-	-	105,500
School resources	119,870	-	-	-	-	-	119,870
State accommodations taxes	-	-	-	-	-	80,844	80,844
Stormwater utility fees	-	-	-	21,273	-	-	21,273
Total Receivables	\$ 1,484,993	\$ 27,234	\$ 5,185	\$ 21,273	\$ 343,414	\$ 187,844	\$ 2,069,943

Town of Bluffton
Notes to Financial Statements
June 30, 2014

Note 5 – Capital Assets – Primary Government

Capital asset activity for the governmental activities for the year ended June 30, 2014 was as follows:

	<u>Beginning Balances</u>	<u>Additions/ Completions</u>	<u>Disposals/ Adjustments</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,741,434	\$ 854,240		\$ 14,595,674
Construction in progress	948,940	132,581	(45,323)	1,036,198
Total capital assets not being depreciated	<u>14,690,374</u>	<u>986,821</u>	<u>(45,323)</u>	<u>15,631,872</u>
Capital assets being depreciated:				
Building and improvements	7,277,807	221,814		7,499,621
Drainage	683,071			683,071
Roads	3,935,539			3,935,539
Sidewalks and Trails	1,870,094			1,870,094
Land Improvements	182,495			182,495
Machinery and equipment	1,856,928	155,566		2,012,494
Vehicles	1,771,318	306,856	(163,791)	1,914,383
Total capital assets being depreciated	<u>17,577,252</u>	<u>684,236</u>	<u>(163,791)</u>	<u>18,097,697</u>
Less accumulated depreciation for:				
Building and improvements	1,159,040	234,861		1,393,901
Drainage	170,770	34,154		204,924
Roads	927,376	196,777		1,124,153
Sidewalks and Trails	161,597	75,841		237,438
Land Improvements	33,703	8,119		41,822
Machinery and equipment	1,436,367	145,589		1,581,956
Vehicles	1,412,150	104,199	(163,791)	1,352,558
Total accumulated depreciation	<u>5,301,003</u>	<u>799,540</u>	<u>(163,791)</u>	<u>5,936,752</u>
Total capital assets being depreciated, net	<u>12,276,249</u>			<u>12,160,945</u>
Governmental activity capital assets, net	<u>\$ 26,966,623</u>			<u>\$ 27,792,817</u>

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

Administration	\$	22,094
Public Works		81,969
Stormwater		11,940
Building Safety		618
Engineering		44,300
Information Technology		73,135
Municipal Court		664
Planning		1,903
Police Department		267,730
Community Development		295,187
Total Depreciation Expense	<u>\$</u>	<u>799,540</u>

Note 6 – 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, 2014

Note 6 – 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, 2014, 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:

	2014	2013	2012
South Carolina Retirement System	\$ 367,109	\$ 363,658	\$ 304,034
Police Officers Retirement System	\$ 263,963	\$ 233,571	\$ 221,621

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

Note 7 – Long-term Obligations

The following is a summary of changes in the Town's long-term obligations as of June 30, 2014:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Next Fiscal Year
Governmental activities					
Bonds and notes payable:					
General obligation bonds	\$ 6,500,000	\$ -	\$ (200,000)	\$ 6,300,000	\$ 210,000
Revenue bonds	10,590,000	-	(670,000)	9,920,000	690,000
Premium (Discount) on bond issue	(2,705)	-	208	(2,497)	(208)
Intergovernmental Agreement	-	300,000	-	300,000	100,000
Capital lease obligations	327,142	291,000	(90,609)	527,533	163,479
Total bonds and notes payable	\$ 17,414,437	\$ 591,000	\$ (960,401)	\$ 17,045,036	\$ 1,163,271
Other liabilities:					
Compensated absences	\$ 478,489	\$ 464,648	\$ (359,020)	\$ 584,117	\$ 359,020
Governmental activities long-term liabilities	\$ 17,892,926	\$ 1,055,648	\$ (1,319,421)	\$ 17,629,153	\$ 1,522,291

Town of Bluffton
Notes to Financial Statements
June 30, 2014

Note 7 – 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 32.5% Federal Interest Rebate from the IRS on the interest payments which totaled \$107,409 in FY 2014.

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
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>\$ 4,364,749</u>	<u>\$ 6,300,000</u>	<u>\$ 10,664,749</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, 2014

Note 7 – Long-term Obligations (continued)

Tax Increment Revenue Refunding Bonds

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 principal and interest on the bonds is payable from tax revenues received by the Town with respect to the Redevelopment Project Area.

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
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>\$ 2,029,363</u>	<u>\$ 9,920,000</u>	<u>\$ 11,949,363</u>

See Note 19 for current refunding of this bond occurring subsequent to June 30, 2014.

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
2015	1.840%	1,574	42,376	43,950
2016	1.840%	794	43,156	43,950
		<u>\$ 2,368</u>	<u>\$ 85,532</u>	<u>\$ 87,900</u>

Town of Bluffton
Notes to Financial Statements
June 30, 2014

Note 7 – 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
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
		<u>\$ 4,096</u>	<u>\$ 151,001</u>	<u>\$ 155,097</u>

On March 27, 2014 the Town entered into a lease agreement with Branch Banking and Trust Company for the purchase of seven (7) 2014 Ford Utility Police Interceptor vehicles, the removable outfitting equipment and one (1) Rhino boom mower. The purchase price of the new vehicles and associated equipment was \$291,000. The lease bears an interest rate of 1.21% and is payable in annual installments of principal and interest of \$74,964 through March of 2018. The lease is being paid annually through the general fund. A schedule of the amount due for this lease follows:

\$291,000 Lease Purchase Agreement dated March 27, 2014

Fiscal Year Ending June 30	Interest Rate	Governmental Activities		
		Interest	Principal	Total
2015	1.210%	3,521	71,443	74,964
2016	1.210%	2,657	72,307	74,964
2017	1.210%	1,782	73,182	74,964
2018	1.210%	896	74,068	74,964
		<u>\$ 8,856</u>	<u>\$ 291,000</u>	<u>\$ 299,856</u>

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

The assets acquired through outstanding capital leases are as follows:

Asset:	Governmental Activities
Vehicles	\$ 546,728
Less: Accumulated Depreciation	(134,460)
	<u>\$ 412,268</u>

Town of Bluffton
Notes to Financial Statements
June 30, 2014

Note 7 – Long-term Obligations (continued)

Annual requirements to amortize general long-term debt at June 30, 2014, 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
2015	163,479	7,134	210,000	328,688	690,000	307,358	1,063,479	643,179
2016	165,793	4,819	215,000	322,493	715,000	284,807	1,095,793	612,119
2017	124,192	2,471	225,000	315,613	735,000	261,535	1,084,192	579,618
2018	74,068	896	235,000	307,625	760,000	237,540	1,069,068	546,061
2019	-	-	240,000	298,695	785,000	212,743	1,025,000	511,438
2020-2024	-	-	1,315,000	1,325,590	4,315,000	663,266	5,630,000	1,988,856
2025-2029	-	-	1,555,000	966,245	1,920,000	62,114	3,475,000	1,028,359
2030-2034	-	-	1,880,000	474,300	-	-	1,880,000	474,300
2035	-	-	425,000	25,500	-	-	425,000	25,500
Totals	\$ 527,533	\$ 15,320	\$ 6,300,000	\$ 4,364,748	\$ 9,920,000	\$ 2,029,362	\$ 16,747,533	\$ 6,409,430

Total interest paid and accrued by the Town of Bluffton during the year ended June 30, 2014 was approximately \$664,378 of which, none was capitalized. All bonds are being repaid out of the Debt Service Fund and the intergovernmental agreement is being paid out of the Capital Improvements Program Fund. All other debt is being repaid from the General Fund.

Note 8 – 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, 2014 was \$140,559,440. The computation of legal debt limits is as follows:

General obligation debt limit (\$140,559,440 x 8%)	\$ 11,244,755
General obligation debt at June 30, 2014	6,300,000
Excess of debt limit over general obligation debt	<u>\$ 4,944,755</u>

Town of Bluffton
Notes to Financial Statements
June 30, 2014

Note 9 – 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, 2014, 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	\$ 184,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 184,569
Restricted for:							
Drug Enforcement	4,310	-	-	-	-	-	4,310
Stormwater Improvement	-	-	-	1,871,197	-	-	1,871,197
TIF Debt Service	-	-	732,423	-	-	-	732,423
GO Bond Debt Service	-	-	245,876	-	-	-	245,876
Municipal Improvement District Funds	660,951	218,736	-	-	-	-	879,687
Boat Ramp Repair	-	-	-	-	-	146,021	146,021
Buckwalter Park	-	670,187	-	-	-	-	670,187
Linear Park	-	179,805	-	-	-	-	179,805
Kent Estates Leisure Trail	28,000	42,000	-	-	-	-	70,000
Village of Verdier Leisure Trail	42,000	28,000	-	-	-	-	70,000
Tree Fund	24,400	-	-	-	-	-	24,400
Tourism Projects and Related Support	-	-	-	-	2,163,800	323,988	2,487,788
Committed to:							
Emergency Recovery Fund	1,628,384	-	-	-	-	20,745	1,649,129
Equipment & Vehicle Replacement Reserve	362,137	-	-	-	-	-	362,137
Bluffton Home Series Program	-	114,985	-	-	-	-	114,985
Assigned to:							
Other Capital Improvement Purposes	-	1,004,002	-	-	-	-	1,004,002
Unassigned:	5,917,866	-	-	-	-	-	5,917,866
Total Fund Balances	<u>\$ 8,852,617</u>	<u>\$ 2,257,715</u>	<u>\$ 978,299</u>	<u>\$ 1,871,197</u>	<u>\$ 2,163,800</u>	<u>\$ 490,754</u>	<u>\$ 16,614,382</u>

Ordinance No. 2013-04 "Fiscal Year 2014 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 2014, this amount was established as \$1,628,384. The fund amount is established by Council Ordinance every year with the adoption of each year's General Fund budget. The fund was created to provide emergency funds for a natural disaster (i.e. hurricane) or other state of emergency.

Note 10 – Net Investment in Capital Assets

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

Capital Assets	\$ 33,729,569
Less: Accumulated Depreciation	<u>(5,936,752)</u>
	27,792,817
Less: Outstanding Principal of Capital-Related Borrowings	
General obligation bonds	(6,300,000)
Revenue bonds	(9,920,000)
Capital lease obligations	<u>(827,533)</u>
	<u>(17,047,533)</u>
Net Investment in Capital Assets	<u>\$ 10,745,284</u>

Town of Bluffton
Notes to Financial Statements
June 30, 2014

Note 11 – 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, 2014, is shown in the following schedule. These balances occur during the ordinary course of activities and are expected to be settled during the next year.

Due To	Due From					Total
	General Fund	Capital Improvements Program Fund	Stormwater Fund	Hospitality Tax Fund	Non Major Governmental Funds	
General Fund	\$ -	\$ 639	\$ 3,179	\$ -	\$ 4,042	\$ 7,860
Capital Improvements Program Fund	418,285	-	18,538	33,692	556	471,071
Total	<u>\$ 418,285</u>	<u>\$ 639</u>	<u>\$ 21,717</u>	<u>\$ 33,692</u>	<u>\$ 4,598</u>	<u>\$ 478,931</u>

Note 12 – 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, 2014, are summarized as follows:

Transfers In	Transfers Out				Total
	Debt Service Fund	Stormwater Fund	Hospitality Tax Fund	Non Major Governmental Fund	
General Fund	\$ -	\$ 4,729	\$ 500,000	\$ 33,413	\$ 538,142
Capital Improvements Program Fund	370,000	42,689	310,820	34,278	757,787
Totals	<u>\$ 370,000</u>	<u>\$ 47,418</u>	<u>\$ 810,820</u>	<u>\$ 67,691</u>	<u>\$ 1,295,929</u>

Note 13 – 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, 2014 totaled \$33,413 and the distributions to the Visitor and Convention Bureau totaled \$50,479. 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 \$80,000 for the year ending June 30, 2014.

The unpaid balances for approved grants are reflected as an encumbrance of fund balance in the Special Revenue Fund. Fund balance at June 30, 2014, was \$94,657 with no remaining grant balance to encumber.

Town of Bluffton
Notes to Financial Statements
June 30, 2014

Note 14 – 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, 2014, this amount totaled \$25,768. The remaining amounts are allocated to tourism-related projects approved by Town Council.

Grant appropriations and expenditures for the year ending June 30, 2014, were as follows:

<u>Grant Recipient</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Lapsed</u>	<u>Encumbrances</u>
Old Town Bluffton Merchants Society	\$ 36,000	\$ 36,000	\$ -	\$ -
Historic Bluffton Arts & Seafood Festival	20,000	20,000	-	-
Greater Bluffton Chamber of Commerce	15,000	15,000	-	-
Beaufort County Black Chamber of Commerce	10,300	10,300	-	-
The Farmers Market of Bluffton	30,000	4,502	-	25,498
HHI-Bluffton Chamber of Commerce	71,000	35,000	-	36,000
HHI-Bluffton Chamber of Commerce (Outdoor Billboard Campaign)	15,000	15,000	-	-
The May River Theatre Company	12,000	12,000	-	-
Society of Bluffton Artists	9,800	-	-	9,800
Prior Year Grant Appropriations	-	85,797	-	-
Total	<u>\$ 219,100</u>	<u>\$ 233,599</u>	<u>\$ -</u>	<u>\$ 71,298</u>

The fund balance of the Special Revenue Fund is restricted for tourism-related projects under SC Code except for the allowable 1% committed to Emergency Recovery by Town Council. Fund balance at June 30, 2014, was \$250,076 of which \$71,298 was encumbered by unpaid balances of approved grants.

Note 15 – Operating Leases

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

In addition, the Town has several five-year lease agreements for copiers designated to the various departments. For the year ended June 30, 2014, base payments under these leases totaled \$48,139. Future minimum lease payments are as follows:

<u>Year ending June 30,</u>	<u>Lease Amounts</u>
2015	44,732
2016	44,732
2017	39,164
2018	30,672
2019	19,437
	<u>\$ 178,737</u>

Town of Bluffton
Notes to Financial Statements
June 30, 2014

Note 16 – 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 17 – 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 18 – Prior Period Adjustment

During FY 2014 an internal audit of Municipal Improvement Development (MID) fees collected by the Town of Bluffton in the Hampton Lake Subdivision has revealed an overpayment of the development fee from certain lot owners. The software record failure occurred over the preceding eight years resulting in an adjustment to the beginning fund balance of the general fund and net position in FY 2014 in the amount of \$103,500.

Note 19 – Subsequent Events

On December 1, 2014 the Town issued \$8,923,000 of tax increment financing bonds for a current refunding of the \$9,230,000 of the outstanding principal of the tax increment financing bonds refunded by the Town in 2010 and issued by the Town in 2005 and 2006. In order to be eligible for a Bank Qualified bond (debt issuing of less than \$10 million in a calendar year) and to receive a better rate, the remaining principal on the bond had to be reduced with an additional pay down of \$307,000. The refunding was undertaken to take advantage of the lower interest rates available in the tax exempt bond market. BB&T agreed to a negotiated interest rate of 2.58% and to decrease the refunding penalty to .25%. This provided the Town with a Net Present Value (NPV) cash flow savings of \$637,428 through the remaining life of the bond.

Note 20 – Commitments and Contingencies

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

Arbitrage

State and local bonds issued after 1984 are subject to arbitrage restrictions as enacted by the Federal Government. To retain a bond's tax exempt status, local governments must comply with the regulations as adopted by the government to expend all of the bond proceeds within designated periods. The Town believes it is in compliance with all arbitrage rules as of June 30, 2014.

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	\$ 4,097,000	\$ 4,097,000	\$ 4,100,473	\$ 3,473
Licenses & Permits				
Franchise Fees	1,592,350	1,592,350	2,035,453	
Business Licenses	1,200,000	1,200,000	1,416,147	
MASC Telecommunications	105,000	105,000	102,901	
MASC Insurance Tax Collection	923,000	923,000	1,310,818	
Building Permits	615,000	615,000	1,090,532	
Administrative Fees	50,645	50,645	50,646	
Fee in Lieu - Developer Fees	10,575	10,575	10,573	
Application Fees	40,000	40,000	36,260	
Total Licenses & Permits	4,536,570	4,536,570	6,053,330	1,516,760
Intergovernmental				
State Shared Revenues				
Local Government Fund	238,900	238,900	279,769	
Federal Grants	-	142,620	10,867	
Total State Shared Revenues	238,900	381,520	290,636	(90,884)
Other Local Governments				
School Resource Officers	160,000	160,000	168,516	
School Crossing Guards	66,500	66,500	57,089	
Total Other Local Governments	226,500	226,500	225,605	(895)
Total Intergovernmental	465,400	608,020	516,241	(91,779)
Service Revenues				
Contract Police Services	65,000	65,000	54,610	
Impact Fee Collection Fee	18,600	18,600	27,103	
Development Fees	332,000	332,000	505,777	
Total Sales and Service	415,600	415,600	587,490	171,890
Fines & Fees				
Municipal Court	150,000	150,000	139,611	
Victims Assistance	20,500	20,500	21,235	
Forfeitures	-	-	3,737	
Total Fees and Fines	170,500	170,500	164,583	(5,917)
Miscellaneous Revenues				
Donations	5,000	10,000	-	
Miscellaneous	54,900	54,900	60,862	
Rental Income	15,700	15,700	28,675	
Interest Income	6,200	6,200	6,477	
Total Miscellaneous	81,800	86,800	96,014	9,214
Total Revenues	9,766,870	9,914,490	11,518,131	1,603,641
EXPENDITURES				
Legislative	121,670	121,670	103,148	(18,522)
Economic Development	155,300	200,300	191,686	(8,614)
Executive	363,000	363,000	352,154	(10,846)
Public Information	74,910	77,910	73,523	(4,387)
Human Resources	215,080	215,080	234,151	19,071
Non-Departmental	1,001,980	998,980	895,360	(103,620)
Finance	647,920	647,920	609,957	(37,963)
Municipal Court	227,375	227,375	223,621	(3,754)
Municipal Judges	47,615	47,615	37,373	(10,242)
Information Technology	638,605	643,605	583,298	(60,307)
Facilities and Asset Management	998,750	998,750	882,139	(116,611)
Project Management	501,125	501,125	490,314	(10,811)
Growth Management Administration	474,370	472,370	449,054	(23,316)
Planning and Environmental Sustainability	478,600	584,720	361,910	(222,810)
Building Safety	846,415	846,415	848,123	1,708
Police	4,063,175	4,063,175	4,025,750	(37,425)
Total Expenditures	10,855,890	11,010,010	10,361,561	(648,449)
Excess (Deficiency) of Revenues Over Expenditures	(1,089,020)	(1,095,520)	1,156,570	2,252,090
OTHER FINANCING SOURCES (USES)				
Capital Leases	377,010	377,010	291,000	(86,010)
Transfers In (Out)	712,010	718,510	538,142	(180,368)
Total Other Financing Sources and Uses	1,089,020	1,095,520	829,142	(266,378)
Net Change in Fund Balance	-	-	1,985,712	1,985,712
Fund Balance - Beginning	6,866,905	6,866,905	6,866,905	-
Fund Balance - Ending	\$ 6,866,905	\$ 6,866,905	\$ 8,852,617	\$ 1,985,712

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Capital Improvements Program Fund
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Federal/State Revenue				
Federal Grants	\$ 100,000	\$ 1,057,985	\$ 13,500	\$ (1,044,485)
State Grants			13,134	13,134
Total Federal/State Revenue	100,000	1,057,985	26,634	(1,031,351)
Other Revenues				
Intergovernmental Revenue	-	55,700	230,764	175,064
Interest Income	-	-	2,177	2,177
Donations	-	-	1,604	1,604
Tree Fund Revenue	-	-	20,000	20,000
Development Fees	-	-	252,000	252,000
Total Other Revenues	-	55,700	506,545	450,845
Total Revenues	100,000	1,113,685	533,179	(580,506)
EXPENDITURES				
Capital Outlay				
BIS Sidewalks & Lighting - Phase I		10,970	38	(10,932)
Bluffton Parkway Phase 5B		31,060	33,264	2,204
Buck Island Sewer - Phase I		3,735	-	(3,735)
Buck Island Sewer - Phase II		10,000	400	(9,600)
Buck Island Sewer - Phase III	615,000	1,254,435	33,375	(1,221,060)
Buck Island Sewer - Phase IV	120,000	120,000	31,413	(88,587)
Buckwalter Place Improvements	1,000,000	1,000,000	20,000	(980,000)
Calhoun Street & Adjacent Area Study	125,000	125,000	46,766	(78,234)
DuBois Park		207,100	207,126	26
General Pathways	80,000	80,000	14,894	(65,106)
Land Acquisition	1,000,000	1,095,000	366,036	(728,964)
May River Road/Bruin Road Streetscape - Phase I		84,270	75,252	(9,018)
May River Road/Bruin Road Streetscape - Phase II & III	400,000	1,377,110	8,251	(1,368,859)
NSP Affordable Housing		5,000	4,610	(390)
Oyster Factory Park	225,000	521,330	34,278	(487,052)
Parks and Recreation Improvements	125,000	125,000	20,663	(104,337)
Small Home Series		50,480	38,437	(12,043)
Tech Park Expansion		154,780	452,349	297,569
Current				
Community Development			15	15
Total Expenditures	3,690,000	6,255,270	1,387,167	(4,868,103)
Excess (Deficiency) of Revenues Over Expenditures	(3,590,000)	(5,141,585)	(853,988)	4,287,597
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	2,000,000	1,630,000	757,787	(872,213)
Capital Leases	-	-	300,000	300,000
Sale of Assets	-	-	74,420	74,420
Total Other Financing Sources and Uses	2,000,000	1,630,000	1,132,207	(497,793)
Net Change in Fund Balance	(1,590,000)	(3,511,585)	278,219	3,789,804
Fund Balance - Beginning	1,979,496	1,979,496	1,979,496	-
Fund Balance - Ending	\$ 389,496	\$ (1,532,089)	\$ 2,257,715	\$ 3,789,804

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Debt Service Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	\$ 1,465,215	\$ 1,465,215	\$ 1,479,979	\$ 14,764
MID Fees	-	-	151,650	151,650
Interest Income	600	600	184	(416)
Federal Interest Rebate	106,535	106,535	107,409	874
Total Revenues	<u>1,572,350</u>	<u>1,572,350</u>	<u>1,739,222</u>	<u>166,872</u>
EXPENDITURES				
Other Miscellaneous	39,775	39,775	1,500	(38,275)
Bond Principal	870,000	870,000	870,000	-
Bond Interest	662,575	662,575	662,573	(2)
Total Expenditures	<u>1,572,350</u>	<u>1,572,350</u>	<u>1,534,073</u>	<u>(38,277)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>205,149</u>	<u>205,149</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	-	(370,000)	(370,000)	-
Total Other Financing Sources and Uses	<u>-</u>	<u>(370,000)</u>	<u>(370,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>(370,000)</u>	<u>(164,851)</u>	<u>205,149</u>
Fund Balance - Beginning	1,143,150	1,143,150	1,143,150	-
Fund Balance - Ending	<u>\$ 1,143,150</u>	<u>\$ 773,150</u>	<u>\$ 978,299</u>	<u>\$ 205,149</u>

Town of Bluffton
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Stormwater Fund
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Over/ (Under)
	Original	Final	Actual Amounts	
REVENUES				
Licenses & Permits				
Stormwater Fees	\$ 1,080,000	\$ 1,080,000	\$ 1,113,215	\$ 33,215
Federal/State Revenue				
Federal Grants	290,000	331,990	41,961	(290,029)
State Grants	-	-	100,000	100,000
Total Federal/State Revenue	<u>290,000</u>	<u>331,990</u>	<u>141,961</u>	<u>(190,029)</u>
Other Revenues				
Interest Income	200	200	-	(200)
Local Grants			-	-
Total Other Revenues	<u>200</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Total Revenues	<u>1,370,200</u>	<u>1,412,190</u>	<u>1,255,176</u>	<u>(157,014)</u>
EXPENDITURES				
Personnel				
Stormwater	498,090	498,090	413,110	(84,980)
Operating Costs				
Stormwater	243,210	243,210	211,208	(32,002)
Capital Outlay				
Stormwater Improvements	100,000	231,545	136,234	(95,311)
319 Pilot Project	-	159,120	111,832	(47,288)
319 Grant - Phase II	490,000	490,000	27	(489,973)
Wetlands Restoration	80,000	80,000	86	(79,914)
Watershed Sewer Master Plan	90,000	90,000	27,500	(62,500)
Hampton Lake Stormwater BMP Retrofit	84,970	84,970	-	(84,970)
Total Expenditures	<u>1,586,270</u>	<u>1,876,935</u>	<u>899,997</u>	<u>(976,938)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(216,070)</u>	<u>(464,745)</u>	<u>355,179</u>	<u>819,924</u>
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(665,280)	(795,920)	(47,418)	(748,502)
Total Other Financing Sources and Uses	<u>(665,280)</u>	<u>(795,920)</u>	<u>(47,418)</u>	<u>(748,502)</u>
Net Change in Fund Balance	(881,350)	(1,260,665)	307,761	1,568,426
Fund Balance - Beginning	1,563,436	1,563,436	1,563,436	-
Fund Balance - Ending	<u>\$ 682,086</u>	<u>\$ 302,771</u>	<u>\$ 1,871,197</u>	<u>\$ 1,568,426</u>

**Town of Bluffton
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	Boat Ramp Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 42,108	\$ 192,211	\$ 234,319
Restricted Cash and Cash Equivalents	146,021	-	-	146,021
Other Receivables	-	80,844	107,000	187,844
Total Assets	<u>\$ 146,021</u>	<u>\$ 122,952</u>	<u>\$ 299,211</u>	<u>\$ 568,184</u>
LIABILITIES AND FUND BALANCES				
Accounts Payable	\$ -	\$ 24,253	\$ 48,579	\$ 72,832
Due to other Funds	-	4,042	556	4,598
Total Liabilities	<u>-</u>	<u>28,295</u>	<u>49,135</u>	<u>77,430</u>
Fund Balances:				
Restricted	146,021	94,657	229,331	470,009
Committed	-	-	20,745	20,745
Total Fund Balances	<u>146,021</u>	<u>94,657</u>	<u>250,076</u>	<u>490,754</u>
Total Liabilities and Fund Balances	<u>\$ 146,021</u>	<u>\$ 122,952</u>	<u>\$ 299,211</u>	<u>\$ 568,184</u>

Town of Bluffton
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Boat Ramp Fund	State Accommodations Tax Fund	Local Accommodations Tax Fund	Total Nonmajor Special Revenue Funds
REVENUES				
Accommodations Taxes	\$ -	\$ 193,264	\$ 322,103	\$ 515,367
Development Fees	11,400	-	-	11,400
Interest Income	347	13	44	404
Total Revenues	11,747	193,277	322,147	527,171
EXPENDITURES				
Current				
Administrative	45	-	20	65
Community Development	-	130,479	259,367	389,846
Total Expenditures	45	130,479	259,387	389,911
Excess (Deficiency) of Revenues Over Expenditures	11,702	62,798	62,760	137,260
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,990)	(33,413)	(32,288)	(67,691)
Total Other Financing Sources and Uses	(1,990)	(33,413)	(32,288)	(67,691)
Net Change in Fund Balance	9,712	29,385	30,472	69,569
Fund Balance - Beginning	136,309	65,272	219,604	421,185
Fund Balance - Ending	\$ 146,021	\$ 94,657	\$ 250,076	\$ 490,754

Statistical Section (unaudited)

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

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the Town's financial performance and well being have changed over time.</i>	53-57
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.</i>	58-63
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's abilities to issue additional debt in the future.</i>	64-68
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	69-70
Operating Information <i>These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.</i>	71-73

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

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

	<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>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 10,745,284
Restricted	208,790	598,582	559,677	4,531,438	2,492,544	214,401	5,152,452	5,474,434	6,629,087	7,566,263
Unrestricted	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	8,328,146
Total governmental activities net position	<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>	<u>\$ 26,639,693</u>

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

	<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>	<u>2014</u>
Expenses										
Governmental activities:										
General Government:										
Administration	\$ 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	\$ 3,177,857
Judicial	179,509	317,630	619,267	451,086	278,295	307,603	307,168	312,215	300,056	261,663
Planning	577,425	807,697	695,190	841,091	1,011,981	1,556,322	1,212,826	997,773	896,613	797,378
Public Safety:										
Building Safety	-	-	-	375,157	740,370	985,977	806,099	666,711	685,841	832,699
Police	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	4,007,350
Public Works	602,250	726,092	899,639	452,851	546,691	779,592	820,750	912,322	912,800	945,375
Environmental Protection/Stormwater Management	-	-	-	816,075	918,052	-	-	628,636	638,438	644,128
Engineering/Project Management	-	-	638,985	477,419	686,276	662,107	808,562	665,071	612,469	487,943
Community Development	406,936	8,158,171	749,409	856,205	1,287,273	1,258,689	3,820,154	2,787,424	1,500,055	1,070,319
Interest on Long-Term Debt	-	260,244	566,589	642,512	558,983	523,777	756,571	705,764	1,005,006	664,378
Total governmental activities expenses	<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>	<u>\$ 12,889,090</u>
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
General Government										
Administration	\$ 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	\$ 5,016,969
Judicial	308,062	673,572	550,653	218,263	246,837	256,973	227,290	196,065	190,993	164,583
Planning	932,043	1,001,680	1,374,021	817,380	583,987	1,256,292	450,158	382,225	557,075	630,359
Public Safety										
Building Safety	-	-	-	-	199,312	424,196	532,291	576,706	979,777	1,090,532
Police	8,341	12,103	22,322	86,153	89,156	65,008	75,353	55,985	56,638	54,610
Environmental Protection/Stormwater Management										
Community Development	591,527	4,263,922	1,198,882	322,274	151,897	159,275	165,000	156,750	242,225	-
Operating grants and contributions	106,704	84,382	127,955	114,983	146,419	403,468	467,776	410,086	267,960	236,472
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	1,565,210
Total governmental activities program revenues	<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>	<u>\$ 8,758,735</u>
Net (Expense)Revenue										
Total governmental activities net expense	<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>	<u>\$ (4,130,355)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 5,580,452
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	1,849,205
Intergovernmental Revenue	54,570	121,565	284,170	277,104	407,173	170,274	233,896	284,065	330,780	617,942
Investment earnings	39,998	434,870	758,217	651,325	311,680	181,283	108,796	35,283	10,070	9,576
Capital contributions	1,245,000	839,577	-	-	-	-	-	-	-	-
Gain/(Loss) on Sale of Capital Assets	-	-	-	912,810	-	-	-	-	-	-
Miscellaneous	17,276	68,026	160,470	489,892	106,936	118,199	404,205	251,462	245,068	91,201
Total governmental activities	<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>	<u>\$ 8,148,376</u>
Change in Net Position										
Governmental activities	<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>	<u>\$ 4,018,021</u>

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Function/Program										
Governmental activities:										
General Government										
Administration	\$ 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	\$ 5,016,969
Municipal Court	308,062	673,572	550,653	218,263	246,837	256,973	227,290	196,065	190,993	164,583
Planning	932,043	1,001,680	1,374,021	817,380	583,987	1,256,292	450,158	382,225	557,075	630,359
Public Safety										
Building Safety	-	-	-	-	199,312	424,196	532,291	576,706	979,777	1,090,532
Police	8,341	12,103	22,322	86,153	89,156	65,008	75,353	55,985	56,638	54,610
Environmental Protection/Stormwater Management										
Community Development	591,527	4,263,922	1,198,882	322,274	151,897	159,275	165,000	156,750	242,225	-
Operating grants and contributions	106,704	84,382	127,955	114,983	146,419	403,468	467,776	410,086	267,960	236,472
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	1,565,210
Total governmental activities	\$ 3,715,390	\$ 8,734,813	\$ 9,681,487	\$ 5,205,640	\$ 5,830,775	\$ 5,926,370	\$ 8,043,170	\$ 7,551,919	\$ 8,968,023	\$ 8,758,735

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

	<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>	<u>2014</u>
Pre-GASB 54 ¹										
General Fund										
Reserved	\$ 1,861,318	\$ 2,592,912	\$ 2,677,873	\$ 530,164	\$ 253,102	\$ 630,934				
Unreserved	883,619	1,161,523	2,651,867	4,506,377	3,718,570	3,419,594				
Total General Fund	<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	\$ 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>\$ 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	\$ 184,569
Restricted						436,555	540,516	688,579	895,290	759,661
Committed						1,567,690	1,567,691	1,833,770	1,939,386	1,990,521
Assigned						194,379	132,992	-	-	-
Unassigned						1,703,810	2,333,024	2,520,528	3,968,242	5,917,866
Total General Fund						<u>\$ 4,050,528</u>	<u>\$ 4,748,967</u>	<u>\$ 5,211,591</u>	<u>\$ 6,970,408</u>	<u>\$ 8,852,617</u>
All Other Governmental Funds										
Restricted						\$ 4,492,059	\$ 4,437,192	\$ 4,668,755	\$ 5,566,307	\$ 6,622,033
Committed						9,999	780,050	237,594	315,565	135,730
Assigned						448,306	833,838	381,712	865,782	1,004,002
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>	<u>\$ 7,761,765</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)

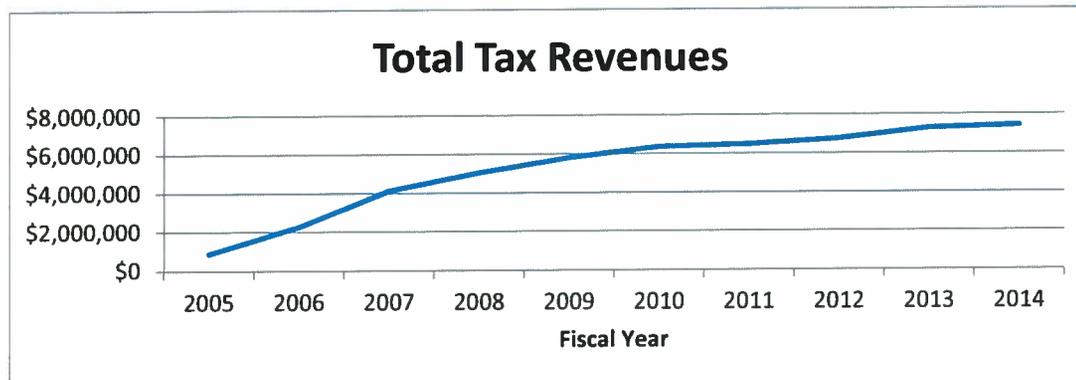
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes (see Schedule 6)	\$ 893,685	\$ 2,275,823	\$ 4,137,101	\$ 5,057,039	\$ 5,821,622	\$ 6,364,396	\$ 6,476,610	\$ 6,747,743	\$ 7,293,822	\$ 7,429,657
Licenses and permits	2,878,658	7,104,420	4,563,527	4,242,728	5,012,441	4,787,752	5,125,588	5,477,203	6,521,506	7,570,195
Fees and Fines	308,062	685,675	550,653	218,263	246,837	256,973	227,290	196,065	190,993	164,583
Charges for services	76,475	37,701	940,015	622,648	395,121	294,925	330,695	335,540	513,105	598,890
Intergovernmental	54,570	121,565	284,170	277,104	407,173	170,274	483,896	284,065	675,842	843,547
Grants and entitlements	124,204	489,254	2,777,292	114,983	155,879	586,720	1,413,877	1,543,111	1,514,043	179,462
Investment earnings	39,998	434,870	758,217	626,817	282,147	154,621	83,373	35,283	10,070	9,576
Other revenues	1,576,705	1,325,366	1,010,470	574,376	227,433	218,199	497,904	251,463	172,818	111,201
Total revenues	\$ 5,952,357	\$ 12,474,674	\$ 15,021,445	\$ 11,733,958	\$ 12,548,653	\$ 12,833,860	\$ 14,639,233	\$ 14,870,473	\$ 16,892,199	\$ 16,907,111
Expenditures										
Legislative	\$ -	\$ -	\$ 59,011	\$ 95,581	\$ 136,996	\$ 142,930	\$ 126,729	\$ 82,606	\$ 95,321	\$ 103,148
Executive	-	-	335,051	784,241	995,011	464,927	317,952	328,699	379,349	425,677
Economic Development	-	-	-	-	-	-	-	54,309	164,527	191,686
Human Resources	-	-	-	-	-	-	184,193	187,384	185,885	234,151
Non-Departmental	790,046	1,384,281	733,503	1,393,442	1,151,854	1,003,794	774,025	842,452	831,061	895,425
Finance	-	-	305,652	358,048	410,066	568,429	588,792	592,727	628,670	609,957
Municipal Court	174,315	306,907	594,764	424,501	229,093	254,623	257,753	268,860	251,726	223,621
Municipal Judges	-	-	16,237	31,025	44,228	49,456	47,437	41,316	47,026	37,373
Information Technology	-	-	-	-	382,810	397,046	446,551	494,425	535,309	557,241
Public Works	353,216	508,365	810,439	378,345	447,916	685,502	753,620	796,449	834,542	845,448
Environmental Protection/Stormwater Management	-	-	-	807,623	908,517	111,079	-	574,097	629,281	624,318
Engineering/Project Management	-	-	612,531	411,951	618,370	599,358	745,533	618,710	567,703	490,314
Growth Management	-	-	-	-	-	398,903	322,261	380,789	391,703	449,054
Planning and Community Development	558,854	755,502	689,220	830,649	1,000,233	1,046,341	879,713	609,598	497,474	361,910
Building Safety	-	-	-	340,488	710,054	970,950	792,362	649,635	676,502	815,999
Police	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	3,723,356
Community Development	406,936	961,077	494,210	428,247	359,476	199,836	328,621	376,272	428,422	391,361
Capital Outlay	1,841,340	3,087,604	10,425,448	5,308,586	3,347,144	4,180,769	7,325,822	2,972,393	2,251,728	1,964,449
Debt Service										
Interest	8,510	260,244	566,589	580,995	565,371	532,966	659,431	706,611	686,850	667,612
Principal	114,832	232,215	232,368	294,393	1,629,764	1,556,399	908,743	1,418,461	690,858	960,609
Cost of Issuance	-	-	-	-	-	-	174,239	-	-	-
Total expenditures	\$ 5,165,109	\$ 9,065,336	\$ 18,518,190	\$ 15,233,383	\$ 16,053,037	\$ 16,238,709	\$ 18,719,927	\$ 15,338,875	\$ 14,262,267	\$ 14,572,709
Excess of revenues over (under) expenditures	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	2,334,402
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	74,420
Capital Leases	224,386	385,178	348,422	193,220	208,531	-	-	168,000	200,000	591,000
Transfers In	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	1,295,929
Transfers Out	(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)	(1,295,929)
Total other financing sources (uses)	\$ 224,386	\$ 14,635,178	\$ 348,422	\$ 313,220	\$ 208,531	\$ -	\$ 5,879,849	\$ 168,000	\$ 588,479	\$ 665,420
Net change in fund balances	\$ 1,011,634	\$ 18,044,516	\$ (3,148,323)	\$ (3,186,205)	\$ (3,295,853)	\$ (3,404,849)	\$ 1,799,155	\$ (300,402)	\$ 3,218,411	\$ 2,999,822
Debt service as a percentage of non- capital expenditures	3.4%	8.7%	6.4%	7.9%	16.4%	15.9%	11.8%	14.5%	10.8%	12.6%

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
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
2014	5,580,452	193,264	322,103	1,333,838	7,429,657
Change 2005-2014	603.0%	N/A	1309.4%	1630.4%	731.4%

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.

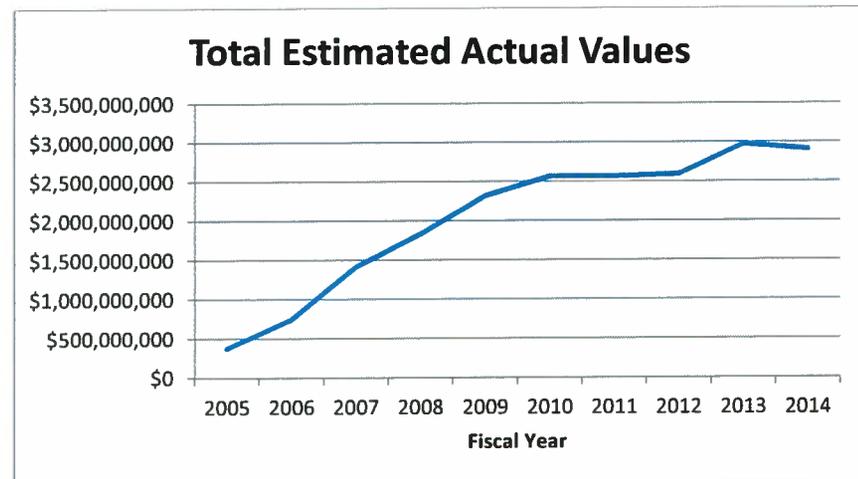
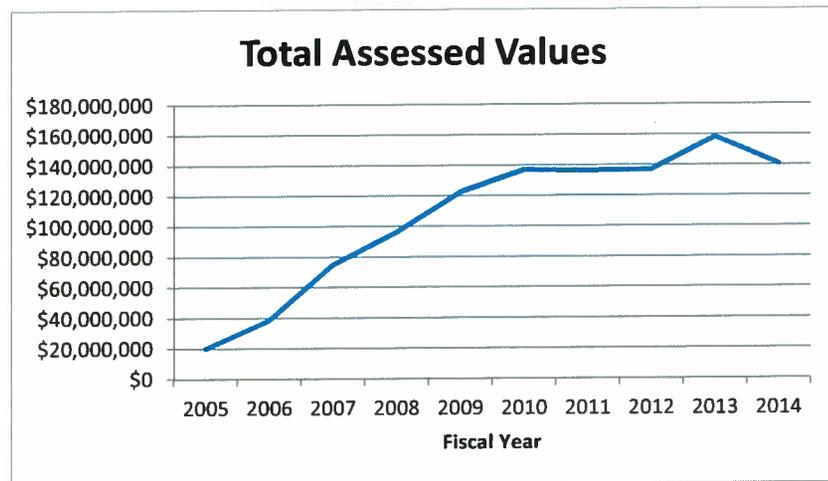


Schedule 7
Town of Bluffton, SC
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

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		
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%
2014	2013	130,020,720	2,735,337,120	10,538,720	175,645,333	140,559,440	2,910,982,453	38.0	4.83%

Source: Beaufort County Assessor's Office.

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



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

Fiscal Year	Tax Year	Town Direct Rates			Overlapping Rates						
		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
* 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
** 2014	2013	40.00	4.35	44.35	46.48	5.48	103.50	31.71	24.02	211.19	255.54

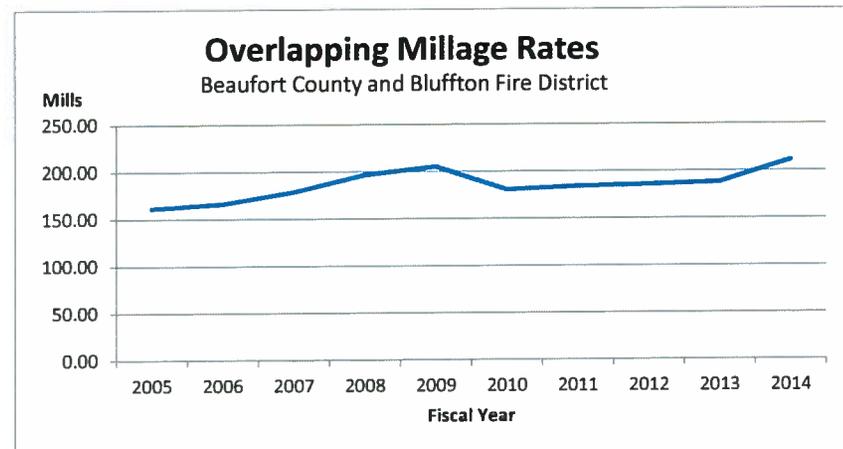
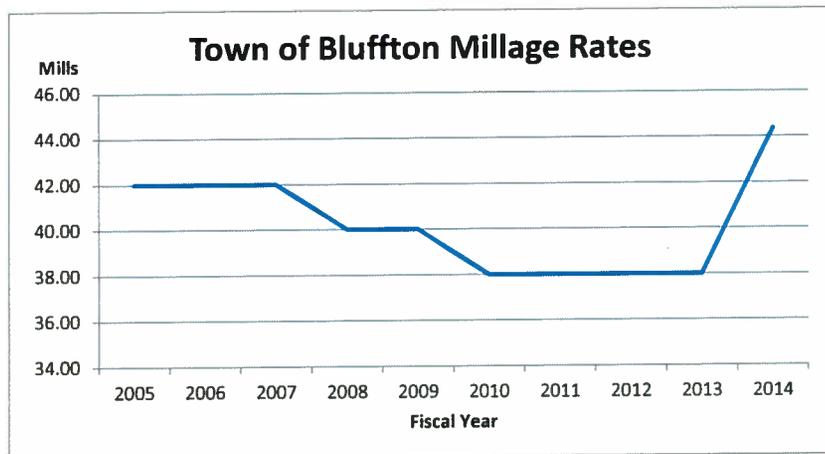
Source: Beaufort County Auditor's Office and Town Finance Department

* Represents Reassessment and millage rollback

** Represents Reassessment and millage rollforward

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 2014 Tax Year 2013</u>			<u>Fiscal Year 2005 Tax Year 2004</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	\$ 4,212,780	1	3.00%	\$ 774,120	1	10.06%
Palmetto Electric Cooperative	1,767,840	2	1.26%	749,492	4	9.74%
East Coast Newspaper Inc.	2,148,650	3	1.53%	314,722	6	
Garrison Bluffton LLC	1,356,870	4	0.97%			
May River Forest LLC	1,069,900	5	0.76%	661,533	3	
Palmetto Bluff Lodge LLC	1,080,290	6	0.77%			
NHC Healthcare/Bluffton	504,000	7	0.36%			0.00%
Bluffton Telephone Company Inc	942,480	8	0.67%			
Crowne Old Carolina LLC A Delaware LLC	826,350	9	0.59%			
BRE Mariner Belfair Town Village LLC	768,330	10	0.55%			
Equity One (Belfair) Inc.				957,946	2	12.45%
Rose Canyon Blufftong LLC				478,878	5	6.22%
SP Forests LLC				239,700	7	3.12%
Quinnco-D'Amico Shults LLC				258,913	8	3.37%
Suntrust Bank				252,128	9	3.28%
Health Care REIT Inc.				225,804	10	2.93%
Total	\$ 14,677,490		9.27%	\$ 4,913,236		63.86%

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
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%	122,449	5,397,855	99.47%
2014	2013	5,610,943	5,364,595	95.61%	-	5,364,595	95.61%

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
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%
2014	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
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	0.24%	1,347
2014	6,300,000	9,920,000	-	-	300,000	527,533	17,047,533	0.21%	1,253

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
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	0.25%	504
2012	6,500,000	6,500,000	-	6,500,000	0.25%	510
2013	6,500,000	6,500,000	-	6,500,000	0.22%	503
2014	6,300,000	6,300,000	-	6,300,000	0.22%	463

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, 2014**

<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	\$ 317,515,621	8.2%	\$ 24,131,187
Beaufort County General Obligation Debt	228,825,745	8.2%	17,390,757
Bluffton Fire District	-	32.8%	-
Subtotal, overlapping debt			<u>41,521,944</u>
Town direct debt			<u>17,047,533</u>
Total direct and overlapping debt			<u><u>\$ 58,569,477</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 2014

Assessed value	\$ 140,559,440
Debt Limit (8% of assessed value)	11,244,755
Debt applicable to limit	<u>(6,300,000)</u>
Legal Debt Margin (without a Referendum)	<u>\$ 4,944,755</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>	<u>2014</u>
Debt limit	\$ 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	\$ 11,244,755
Total net debt applicable to limit	120,000	100,000	80,000	60,000	40,000	20,000	6,500,000	6,500,000	6,500,000	6,300,000
Legal debt margin	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	4,944,755
Total net debt applicable to the limit as a percentage of debt limit	7.53%	3.22%	1.34%	0.78%	0.41%	0.18%	59.54%	59.33%	51.30%	56.03%

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				Coverage
	Revenue	Debt Service		Total	
		Principal	Interest		
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
2014	1,170,795	670,000	329,186	999,186	1.17

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

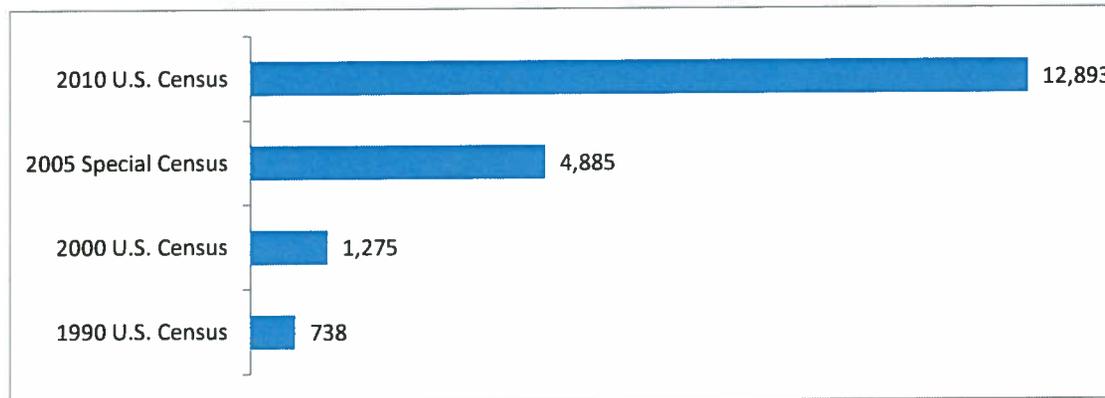
* Bonds Refinanced to take advantage of lower interest rates. Only property taxes and MID fees were used in subsequent years.

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

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income* (\$000's)</u>	<u>Per Capita Personal Income*</u>	<u>Town of Bluffton School Enrollment</u>	<u>Beaufort County School Enrollment</u>	<u>Annual Unemployment Rate*</u>
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%
2013	13,606	8,268,664	41,663	5,491	20,704	5.9%

*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**

Employer	2014			2005		
	# of Employees	Rank	% of Total Town Employment	# of Employees	Rank	% of Total Town Employment
Beaufort County School District (Bluffton)	558	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
NHC Healthcare/Bluffton	205	5	n/a	n/a	n/a	n/a
Resort Services, Inc.	180	6	n/a	n/a	n/a	n/a
Hargray	170	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>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>	<u>2014</u>
General Government										
Administration	4.0	7.0	2.0	4.0	2.0	0.0	0.0	0.0	0.0	0.0
Information Technology	0.0	0.0	0.0	0.0	2.0	4.0	4.0	3.5	4.0	4.0
Municipal Court	2.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	3.0	3.0
Executive	0.0	0.0	7.0	8.0	7.0	5.0	3.0	3.0	4.0	4.0
Economic Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	2.0
Human Resources	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	2.0
Finance	3.0	5.0	5.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0
Growth Management Administration	0.0	0.0	0.0	0.0	0.0	4.0	4.0	3.0	3.0	3.0
Planning & Community Development	8.0	10.0	8.0	13.0	10.0	5.0	5.0	5.0	6.0	4.0
Environmental Protection										
Environmental Protection	0.0	0.0	0.0	7.0	6.0	0.0	0.0	0.0	0.0	0.0
Stormwater Management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.5	5.0	6.0
Engineering										
Project Management	0.0	0.0	8.5	4.5	6.5	6.5	9.0	7.0	6.0	5.0
Public Works										
Public Works	3.0	5.0	5.0	5.0	4.0	6.0	8.0	8.0	8.0	9.0
Public Safety										
Police	15.0	28.0	33.0	36.0	38.0	39.0	40.0	40.0	40.0	44.0
Building Safety	0.0	0.0	0.0	4.0	5.0	10.0	7.0	8.0	9.0	11.0
Total	35.0	60.0	73.5	91.5	90.5	89.5	93.0	97.0	98.0	104.0

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>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>	<u>2014</u>
General Government										
Business licenses issued	795	1,274	2,214	2,207	2,208	2,280	1,961	2,245	2,422	2,549
Hospitality Tax remitters	n/a	n/a	58	81	81	89	100	108	110	112
Accommodations Tax remitters	2	4	4	4	5	4	4	10	10	14
Court case counts	4,131	3,420	6,928	5,251	8,302	8,242	6,514	6,466	5,170	3,867
Jury trial counts	n/a	2	5	-	6	5	5	4	6	3
Planning and Community Development applications issued	127	377	334	294	260	183	254	296	346	422
Environmental Protection/Stormwater Management										
Certificates of compliance	n/a	29	49	46	30	17	8	7	16	6
Notices to comply	n/a	6	183	176	151	117	15	49	602	1,171
Stop work orders	n/a	1	-	1	-	-	-	-	-	-
Citations	n/a	n/a	11	30	13	-	-	-	-	-
Outreach/Education (# of people)	n/a	n/a	1,483	834	996	1,250	1,366	1,508	4,687	2,324
Public Safety										
Police calls for service	7,000	14,000	18,155	18,477	23,543	34,000	35,864	32,102	30,034	38,366
Domestic calls	293	536	732	428	657	915	558	674	655	750
Traffic collisions	364	1,041	787	820	693	1,011	1,012	960	1,107	634
Citations	4,011	5,107	5,818	8,064	10,886	11,724	9,828	11,094	8,466	7,063
Arrests	350	609	919	1,083	1,216	1,510	1,231	1,023	947	880
Reports	1,246	2,754	3,005	2,859	2,978	3,976	3,656	2,910	2,693	3,656
Building permit counts	489	1,509	1,175	699	682	657	695	803	1,005	1,456
Development permits Issued	29	56	64	39	21	17	11	28	34	13
Construction site inspections	n/a	n/a	n/a	n/a	n/a	5,415	5,722	6,402	11,787	20,872
Public Projects & Facilities										
# of capital improvement projects to manage	2	5	17	20	18	16	21	24	24	13
# of parks to maintain	4	4	4	6	6	6	7	7	7	7
# of pathways to maintain	7	7	9	11	12	12	13	14	15	19

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>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>	<u>2014</u>
General Government										
Town-owned parcels	10	11	19	26	27	27	28	27	28	30
Town-owned property acreage	400	409	419	544	551	551	571	564	571	577
Town vehicles	1	1	1	1	2	3	2	2	3	3
Environmental Protection/Stormwater Management										
Town vehicles	-	-	2	3	3	-	-	3	5	3
Engineering										
Town vehicles	-	1	1	4	5	4	4	2	1	2
Public Works										
Town vehicles	2	3	3	5	7	7	7	7	7	6
Utility vehicles	-	-	-	-	-	-	1	1	1	1
Dump Truck	-	-	-	-	-	-	-	1	1	1
Tractor	-	-	-	-	-	-	-	1	1	1
Public Safety										
Law Enforcement Center	-	-	-	-	-	-	1	1	1	1
Police vehicles	11	22	31	38	42	42	41	47	47	47
Police mobility vehicles	-	-	-	-	-	2	2	2	2	3
Police Boat - Marine Patrol	1	1	1	1	1	1	1	1	1	1
Town vehicles (Building Safety)	-	-	-	1	3	4	3	3	5	6
Public Projects & Facilities										
Streets (miles)	0.88	0.88	3.14	3.70	3.95	3.95	4.25	3.81	3.81	3.81
Pathways (miles)	0.88	0.88	2.45	3.01	3.01	6.25	6.25	11.86	11.86	11.86
Parks (count)	4	4	4	6	6	6	7	7	7	7

Source: Finance Department and Public Works Department

**Town of Bluffton
Fines and Assessments
For the Year Ended June 30, 2014**

Fines and Fees Collected	\$ 145,327
Assessments Collected	130,625
Surcharges Collected	55,365
Assessments Collected for Victim Services	16,407
Surcharges Collected for Victim Services	4,725
Total fines, assessments and surcharges collected	<u>\$ 352,449</u>

Fines and Fees retained by the Town	\$ 139,611
Assessments retained by the Town	-
Surcharges retained by the Town	-
Assessments for Victim Services retained by the Town	16,510
Surcharges for Victim Services retained by the Town	4,725
Total fines, assessments and surcharges retained by the Town	<u>\$ 160,846</u>

Fines and Fees remitted to State Treasurer	\$ 6,010
Assessments remitted to State Treasurer	130,625
Surcharges remitted to State Treasurer	55,365
Total fines, assessments and surcharges remitted to State Treasurer	<u>\$ 192,000</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.



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, the discretely presented component units and the aggregate remaining fund information of the Town of Bluffton, South Carolina (Town), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 13, 2015.

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.

KRT, CPA&P.C.

Savannah, Georgia
January 13, 2015