

*Town of Hilton Head Island,  
South Carolina*



***COMPREHENSIVE ANNUAL FINANCIAL REPORT***

*Fiscal Year Ended*

*June 30, 2021*



**TOWN OF HILTON HEAD ISLAND, SC  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2021**

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**ELECTED OFFICIALS**

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**John J. McCann, Mayor, At-Large**



**David Ames, Ward 3**



**Tamara Becker, Ward 4**



**Alex Brown, Ward 1**



**William (Bill) D. Harkins  
Mayor Pro-Tem, Ward 2**



**Thomas W. Lennox, Ward 5**



**Glenn Stanford, Ward 6**

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**SENIOR STAFF**

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Marc Orlando  
Josh Gruber  
Bradley Tadlock  
John Troyer  
Shawn Colin  
Jeff Buckalew  
Angie Stone  
Jennifer Ray

Town Manager  
Deputy Town Manager  
Fire Chief  
Director of Finance  
Senior Advisor to the Town Manager  
Interim Director of Public Projects & Facilities  
Assistant Town Manager  
Capital Projects Manager

**The Finance Department is responsible for the preparation of the annual CAFR.**

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**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

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Introductory Section

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## **Transmittal Letter**

For The Fiscal Year Ended June 30, 2021  
The Town of Hilton Head Island, South Carolina

December 14, 2021

The Honorable Mayor, Members of the Town Council, and Citizens of the Town of Hilton Head Island, South Carolina:

The Comprehensive Annual Financial Report of the Town of Hilton Head Island, South Carolina, (the Town) for the fiscal year ended June 30, 2021, is submitted in accordance with South Carolina Code Ann., Section 5-7-240 that requires an annual audit of the books of account and financial records of the Town. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal control that it established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

In relation to the Town of Hilton Head Island's financial statements being presented fairly and in accordance with generally accepted accounting principles, Greene, Finney and Horton Company, LLC, has issued an unmodified ("clean") opinion for the year ended June 30, 2021. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### ***Town of Hilton Head Island Profile***

The Town of Hilton Head Island, incorporated in 1983, is a barrier island on the Atlantic coast of South Carolina. The Island is located about 30 miles from Savannah, Georgia, and about 90 miles from Charleston, South Carolina. Approximately 54 square miles in area, the Island is about 12 miles long and 5 miles wide. A four-lane bridge over the Intercoastal Waterway connects the Island with the mainland. The Town has jurisdiction over the entire Island except for Mariner's Cove, Blue Heron Point, and Windmill Harbor. The Town is empowered to levy a property tax on both real and personal property located within its boundaries.

The Town of Hilton Head Island 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 six (6) other members. The Council appoints the government's manager, who in turn appoints the heads of the various departments. The mayor and each member of council shall be elected for a term of office of four (4) years.

The annual budget serves as the foundation for the Town of Hilton Head Island's financial planning and control. The Town Council formally adopts the budget and legally allocates, or appropriates, available monies for the Town's various funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented. At the first Council meeting in May, the Town Manager submits to the Town Council

a proposed budget for the fiscal year commencing the following July 1. Town Council budget workshops are held for each budgeted fund to discuss proposed expenditures and the means of financing them. A public hearing is held prior to the budget's final adoption in order to obtain taxpayer comments. In June, the budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year.

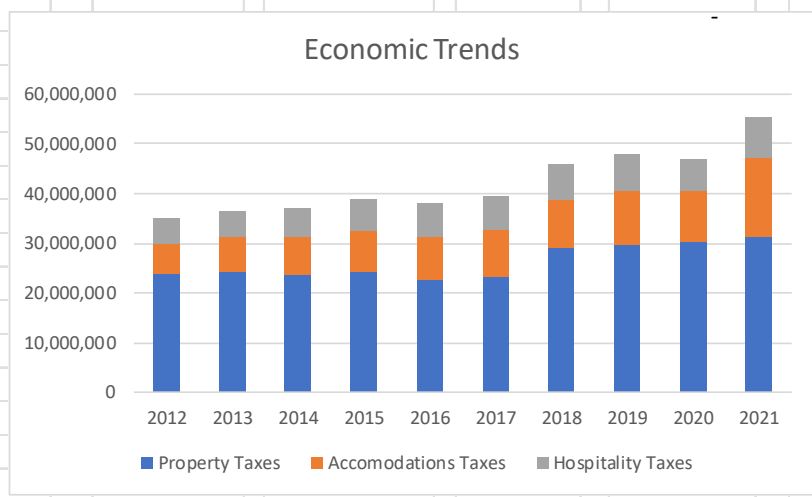
The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year in accordance with the budget amendment policies included in the current budget document.

**Local Economy**

Tourism is the largest industry in the Island's economy. There are approximately 2.7 million visitors annually. It hosts a major sports event in the Heritage golf tournament. The Island has established world-class accommodations. The peak summer population is approximately 150,000.

The Town has emerged successfully from the effects and response to Hurricane Matthew. The Town has also successfully managed through the COVID-19 pandemic. Accommodations taxes – which are based on room rentals and Hospitality taxes – which are based on sales of prepared food and beverages both had record collections for 2021. Another measure of the strength is property tax collections – which are based on property values and millage rates – also had record collections without an increase in millage rate for 2021. Hilton Head Island is seeing a significant rebound from the initial COVID-19 slowdown to stronger than ever. Hilton Head is growing and our neighbors are growing as well – which is good for all of us in our regional economy.

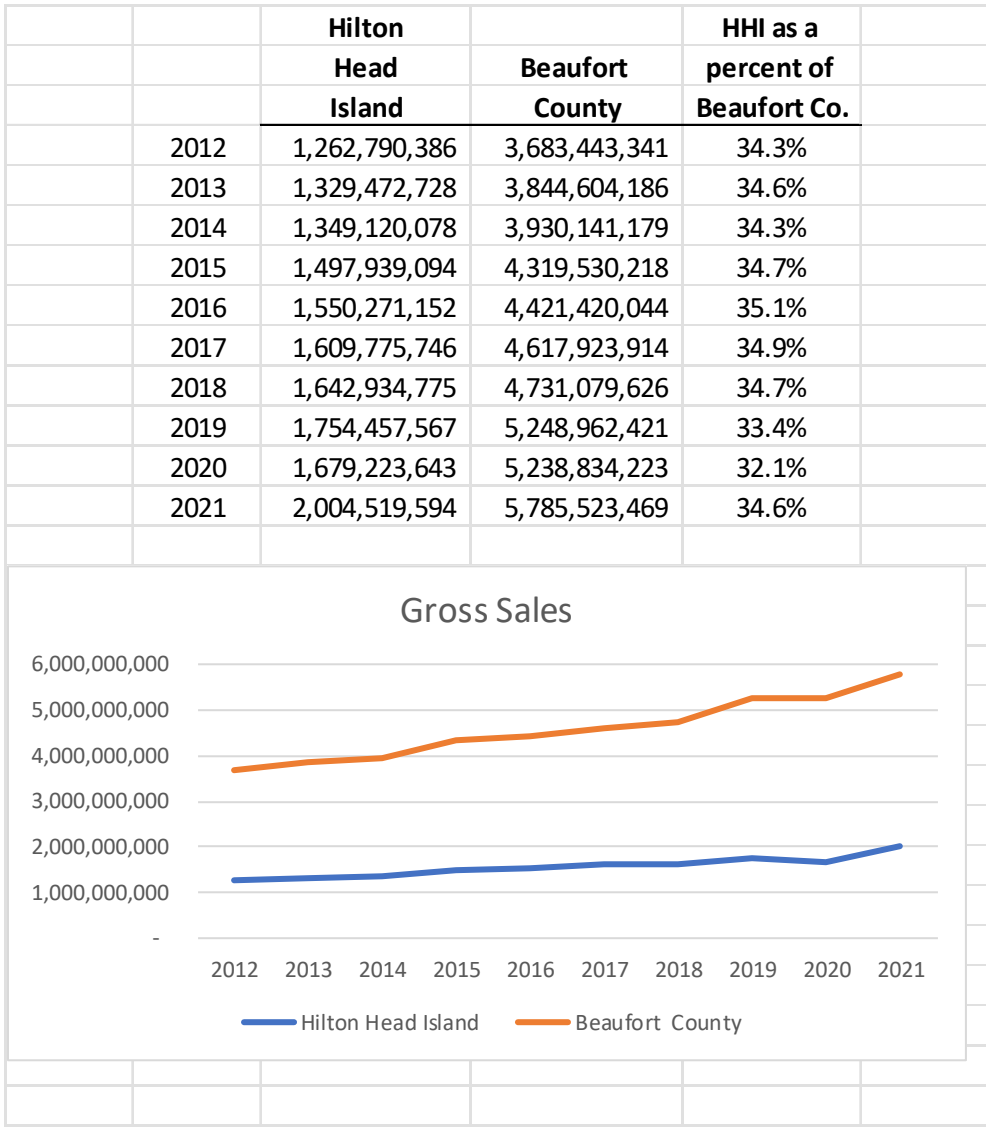
	Property Taxes	Accommodations Taxes	Hospitality Taxes	Total	Percentage Change
2012	23,974,619	6,099,093	5,160,134	35,233,846	n/a
2013	24,242,142	6,995,760	5,250,995	36,488,897	3.6%
2014	23,613,446	7,735,390	5,633,430	36,982,266	1.4%
2015	24,158,786	8,361,794	6,155,004	38,675,584	4.6%
2016	22,576,837	8,940,834	6,506,306	38,023,977	-1.7%
2017	23,111,039	9,561,791	6,661,873	39,334,703	3.4%
2018 *	29,094,854	9,863,909	6,867,787	45,826,550	16.5%
2019	29,824,023	10,620,098	7,545,767	47,989,888	4.7%
2020	30,508,737	10,032,022	6,284,461	46,825,220	-2.4%
2021	31,512,116	15,745,380	8,051,256	55,308,752	18.1%



\* First year of 5 mills for 5 years to replenish reserves after Hurricane Matthew.

**Local Economy (continued)**

The local economy also noted record sales for both Hilton Head Island and Beaufort County recorded in 2021 as another indicator of the growth and health of the region.



**Long Term Financial Planning**

The Town of Hilton Head Island’s three-year financial plan is based upon sound financial reserves and conservative revenue growth forecasts for the foreseeable future. The Town approaching build out, mainland development, and the national economy will be ongoing challenges for the Town as it strives to maintain its continued commitment to providing the highest quality essential services to the citizens of this community. The Finance Department plays a pivotal role in maintaining and recommending enhancements to the financial plan elements to ensure the continued fiscal stability of the Town. Achieving and maintaining fiscal stability requires many elements all working in concert with one another. The following identifies key elements of our financial plan.

### Adopted Financial Policies

Financial policies establish the framework for the Town's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. These policies set the tone for all fiscal decisions made by staff and Town Council. The Town currently has financial policies governing operations, capital planning, debt management, reserves and financial reporting. Regular reviews and enhancement of these policies are done in conjunction with the financial plan development and are adopted annually by Town Council.

### Financial Resource Planning

The Town's strategic financial planning begins with determining the Town's fiscal capacity based upon long-term financial forecasts of recurring available revenues. Conservative financial forecasts coupled with financial trend analysis techniques and careful reserve analysis help preserve the fiscal wellbeing of the Town of Hilton Head Island. Strategic financial capacity planning is a critical element to reach long-term financial stability goals and to determine special financial needs for critical objectives of the Town Council.

### Multi-Year Operating Budget Planning

Multi-year budget planning encompasses long-range operating expenditure plans, which are linked to community expectations and broad goals of the Town Council. The multi-year approach provides a better opportunity for staff to change its financial paradigm from what do we need this year to how do we accomplish our level of service objectives over time, given our financial capacity. While the Town is required to adopt an annual budget to meet State statutory requirements, the Town builds a three-year financial plan to help anticipate future impacts and ensure achievement of Town objectives. For Fiscal 2022, the Town continued its longer-term look to ensure economic sustainability. This is another step forward in the Town's planning process. Town Council and Town Management continue to monitor the budget monthly with its Finance and Administrative Committee, and expects to present any proposed adjustments, if necessary to Town Council to again manage through the pandemic successfully.

### Capital Improvement Project Planning

The Town's Capital Improvement Program is based on the Town's comprehensive plan "Our Town." The purpose was to get the community involved in the long-term vision and prioritization for the Town's future. The Capital Improvement Plan is based off this important work. The impact of projects on operating costs are planned and considered in developing future operating budget plans. Pay-as-you-go funding sources are conservatively estimated to avoid over-committing to capital construction using revenues that are not certain. To the extent debt financing is used, capital project plans are sized to conform to existing debt management policies.

### Debt Management

All debt issued by the Town is for the purpose of financing capital infrastructure or long-lived costly assets. Each debt issuance is evaluated in respect to debt service as a percentage of operating expenditures, tax and revenue bases for the repayment of debt, the overall debt burden on the community, statutory limitations and factors affecting tax-exempt interest costs. In all cases, a long-term analysis is made considering the financial (debt) capacity that best fits the Town's ability to pay for capital projects. The size of the capital improvement program based on debt capacity in conjunction with conservatively estimated revenues (pay-as-you-go projects) helps stabilize per capita debt and lower annual debt service costs to the Town over the long-term.

The Town's credit ratings on its General Obligation outstanding bonds were again this year affirmed at Aaa, AA+, and AA+, from the three major credit ratings agencies, Moody's Investor Service, Standard and Poor's Rating Group, and Fitch Ratings, respectively. These ratings reinforce confidence in our efforts to maintain a fiscally sound operation through uncertain economic times.

### **Major Initiatives**

The Town has several initiatives in the works. The Town has a Tax Increment Financing District which has helped to construct a facility for the University of South Carolina at Beaufort as well as a major park facility (the Low Country Celebration Park) and road work among a number of other projects. The Town is starting some significant road, pathway and park upgrades. The Town is embarking on a ten-year implementation from the update to the comprehensive planning process to map out its future for the next phase of the Town's future.

	FY 2021 - General Fund -- from Schedule A		
	Final Budget	Actual	Variance
Revenue	\$ 34,951,391	\$ 38,309,720	\$ 3,358,329
Transfers In/(Out), net	8,293,691	6,214,761	(2,078,930)
Expenditures	44,012,324	40,959,947	3,052,377
Revenues Over (Under) Expenditures	\$ (767,242)	\$ 3,564,534	\$ 4,331,776

### **Hurricanes Matthew, Irma, Florence and Irma**

The Town's forethought and planning proved to be an especially important factor to respond to a major event in Fiscal 2017: Hurricane Matthew and another smaller subsequent events in Fiscal 2018, 2019 and 2020. Fiscal 2021 has so far spared the Island from weather-related disasters. The Town was named part of a federal disaster area due to the storms and responded accordingly. The Town has made great strides in recovery – and emerged even stronger than ever. The Town continues to work closely with FEMA and State officials to ensure maximum allowable reimbursements. The planning and preparation by the Town has proved invaluable during this experience. You can read more in detail on Hurricanes in the Notes to the Financial Statements.

### **COVID-19 pandemic**

The Town was not immune to the effects of the COVID-19 pandemic over the course of the last nearly two years. The Town has met the challenge head-on and is managing very successfully through the pandemic. Since the start of the pandemic, the Town reduced debt, increased fund balances and recently recorded record revenues. The threat is not over, but the Town is well-positioned to successfully manage to the day the pandemic is declared over. The Town received \$2.6 million in American Relief Program (ARP) funds as the first of two installments from the federal government. These funds are set aside in the grants fund, and Town Council has considered and voted on how to deploy these funds to best help the community.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Hilton Head Island for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2020. This was the thirty second consecutive year that the government has received the prestigious award. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Town also received the GFOA Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2020. It was the sixteenth year the Town has received this award. The budget document serves as the Town's primary fiscal policy document.

The preparation of this report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department. I would also like to thank the leadership team of the Town,

and its dedicated employees for their efforts to maintain the high quality of services our citizens expect while being prudent stewards of the Town's finances as the economy rebounds from the storms and the pandemic. I would also wish to thank the Town Manager, Marc Orlando and Town Council members for their continued fiscal responsibility and leadership managing through the COVID-19 and hurricane responses.

We believe that this report clearly illustrates the strong financial posture of the Town of Hilton Head Island and we wish to take this opportunity to thank you and the citizens of Hilton Head Island for the vital role you have historically played in enabling the Town to maintain this high degree of fiscal responsibility.

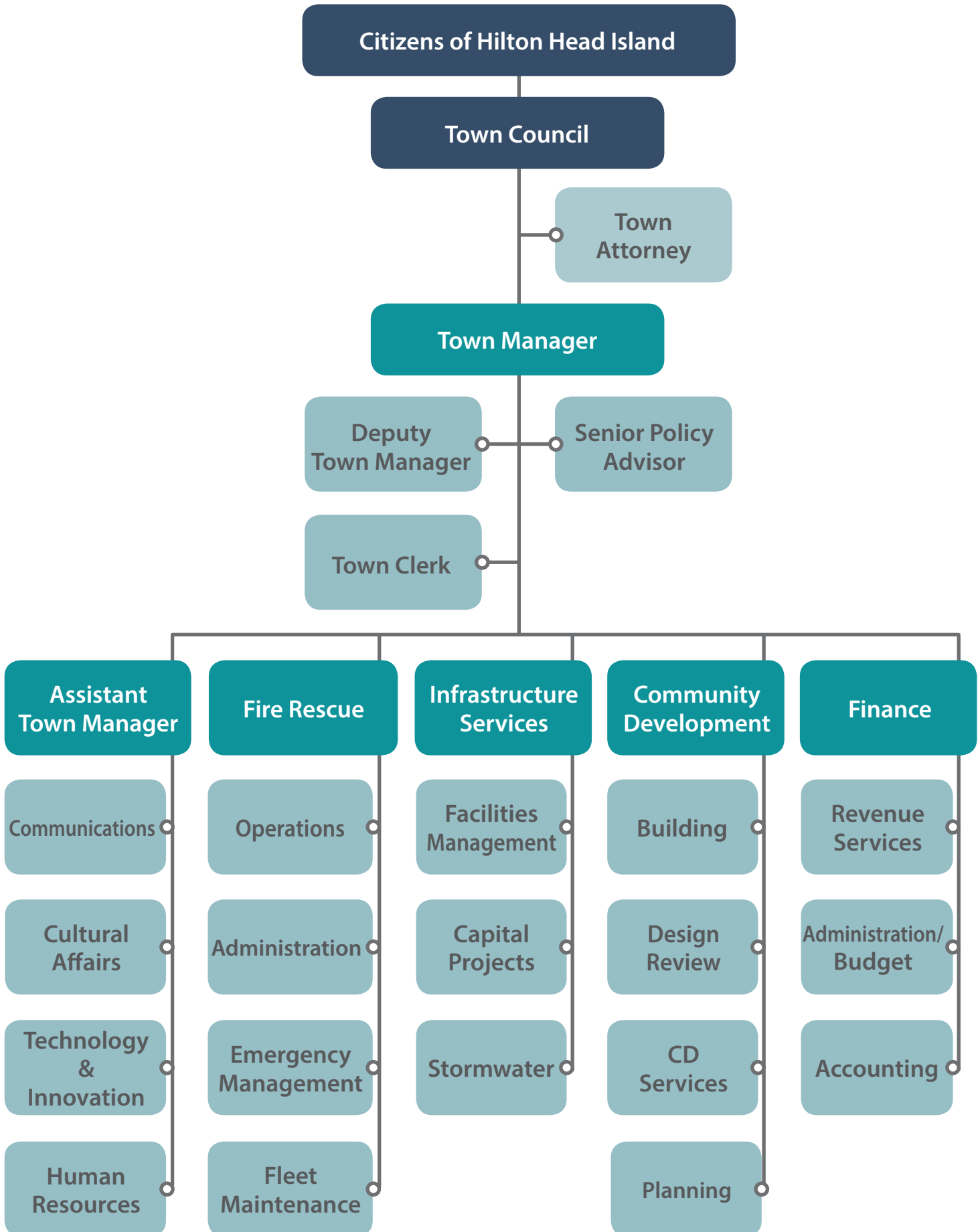
Respectfully submitted,

*John M. Troyer*

John M. Troyer, CPA  
Director of Finance



# Town Organization Chart



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**LIST OF ELECTED AND APPOINTED OFFICIALS**

**AS OF JUNE 30, 2021**

**MAYOR**

The Honorable John J. McCann

**MAYOR PRO TEMPORE**

William D. Harkins

**COUNCIL MEMBERS**

David Ames

Tamara Becker

Alex Brown

Thomas W. Lennox

Glen Stanford

**SENIOR STAFF**

Marc Orlando, Town Manager

Josh Gruber, Deputy Town Manager

Bradley Tadlock, Fire Chief

John Troyer, Director of Finance

Shawn Colin, Senior Advisor to the Town Manager

Jeff Buckalew, Interim Director of Public Projects & Facilities

Angie Stone, Assistant Town Manager

Jennifer Ray, Capital Projects Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Hilton Head Island  
South Carolina**

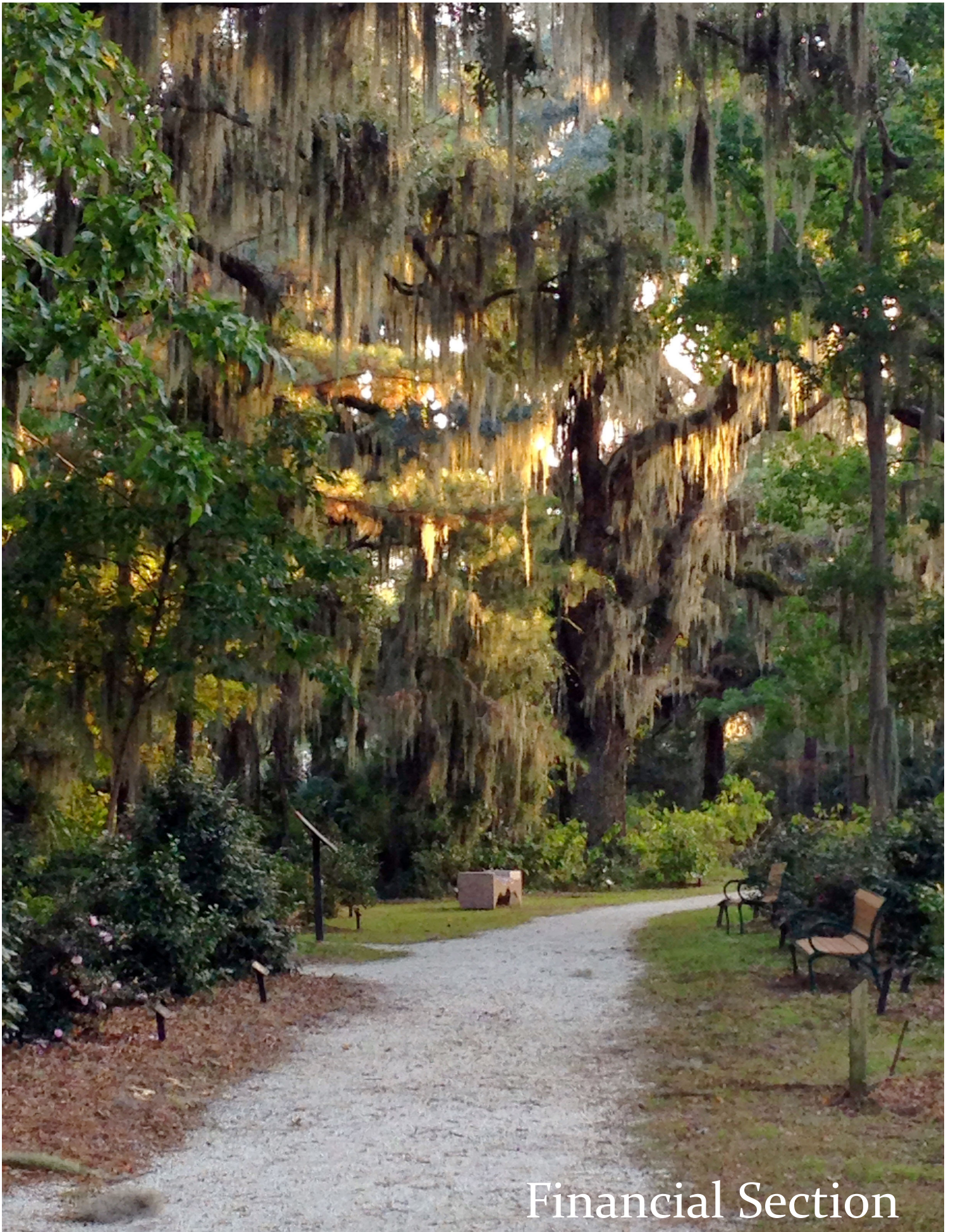
For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

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# Financial Section

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of Town Council  
Town of Hilton Head Island, South Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hilton Head Island, South Carolina, (the "Town") as of and for the year ended June 30, 2021, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hilton Head Island, South Carolina, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof 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, the budgetary comparison schedule, and pension plan schedules, as listed in the table of contents, 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.

### *Supplementary and 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, supplementary information, statistical section, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and statistical section 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 December 14, 2021 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.

*Greene Finney, LLP*

Greene Finney, LLP  
Mauldin, South Carolina  
December 14, 2021



## TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

#### FOR THE YEAR ENDED JUNE 30, 2021

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As management of the Town of Hilton Head Island ("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, 2021 ("2021" or "FY 2021") as compared to fiscal year ended June 30, 2020 ("2020" or "FY 2020"). The intent of this discussion and analysis is to look at the Town's financial performance as a whole. We would encourage readers to not only consider the information presented here but also the information provided in the letter of transmittal, financial statements and notes to the financial statements to enhance their understanding of the Town's overall improved financial position.

#### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$291,066,000 (net position), including \$281,028,000 in net position for governmental activities and \$10,039,000 in net position for business-type activities. Unrestricted net position was approximately \$13,286,000, including unrestricted net position of approximately \$10,094,000 and \$3,192,000 for governmental and business-type activities, respectively.
- The Town's total net position increased by approximately \$38,827,000 and \$159,000 for its governmental and business-type activities, respectively, for a total increase in net position of approximately \$38,986,000 compared to the prior year net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$145,663,000, an increase of approximately \$15,456,000 over the prior year fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$7,658,000 or 19% of total General Fund expenditures for the year ended June 30, 2021. Total fund balance for the General Fund, which includes committed, assigned, and unassigned fund balance, was approximately \$25,676,000 or 63% of total General Fund expenditures for the year ended June 30, 2021.
- The overall increase in the Town's capital assets for the period ending June 30, 2021, was approximately \$8,045,000 (3%), including an increase of \$7,620,000 for its governmental activities and an increase of \$425,000 and business-type activities, respectively. Capital asset additions for governmental activities of approximately \$12,837,000 exceeded depreciation expense of \$5,147,000 and net disposals of \$70,000. Capital asset additions for business-type activities of \$1,711,000 exceeded depreciation expense of \$1,286,000.
- The Town's total long-term obligations, not including the net pension liability, decreased by approximately \$17,887,000 during the current fiscal year, including decreases of \$15,937,000 and \$1,950,000 for governmental and business-type activities, respectively. The Town issued \$12,115,000 in new debt for governmental activities, and made principal and refunding payments of \$27,905,000. The Town issued \$5,630,000 in new debt for business-type activities, and made principal and refunding payments of \$7,580,000. The Town recognized approximately \$1,188,000 in new premiums and \$1,335,000 in amortization of premiums.

#### OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – *Introductory Section*, *Financial Section* (which includes management's discussion and analysis, the financial statements, required supplementary information, and supplementary information), and *Statistical Section*.

#### Financial Statements

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

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The *fund financial statements* are designed for a more detailed look at the Town's finances.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2021

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OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

*Government-Wide Financial Statements*

The *statement of net position* presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The Town's governmental activities include general government, management services, community services, public safety, culture and recreation, Visitors and Convention Bureau, and administration. Taxes (including business licenses), building permits, impact assessments, other charges for services, and state and federal grant funds finance most of these activities. The Town's business-type activities relate to the operations of the stormwater program. The government-wide financial statements can be found as listed in the table of contents.

*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 all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can be readily 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 the *modified accrual basis of 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 him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between *governmental activities* (reported in the statement of net position and the statement of activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The Town maintains numerous individual governmental funds. 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, Tax Increment Financing Fund, Accommodations Tax Fund, Real Estate Transfer Fees Fund, Beach Preservation Fees Fund, Hospitality Fees Fund, Debt Service Fund, Capital Projects Fund, and Natural Disasters Fund – as they are considered major funds. Information from the other governmental funds is combined into aggregated presentations. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules elsewhere in this report. The governmental fund financial statements can be found as listed in the table of contents.

**Proprietary Funds** – The Town maintains one proprietary fund. *Enterprise funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has one enterprise fund to account for its stormwater operations. The proprietary fund financial statements can be found as listed in the table of contents.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

**Financial Statements (Continued)**

*Fund Financial Statements (Continued)*

**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 as listed in the table of contents.

**Other Information** – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. Regarding the Town’s major funds, the Town adopts an annual budget for its General Fund, as required by South Carolina Constitution, Article 10, Section 7, as well as adopting budgets for the Debt Service Fund, Capital Projects Fund, and Stormwater Fund. A required budgetary comparison schedule for the General Fund has been provided to demonstrate compliance with the budget. Budgetary comparison schedules are not required to be presented for Debt Service, Capital Projects, or enterprise funds. Required pension schedules have been included which provide relevant information regarding the Town’s participation in the South Carolina Police Officers Retirement System (“PORS”). Required supplementary information can be found as listed in the table of contents.

Supplementary information, including combining information for the non-major governmental funds, the budgetary comparison schedules for the other major and non-major budgeted funds, and the uniform schedule of fines, assessments and surcharges (per Act 96), is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

**Financial Statements (Continued)**

	<b>Fund Financial Statements</b>		
	<b>Town-Wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire Town	The activities of the Town that are not proprietary	Activities the Town operates similar to private businesses: extended day program
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table provides a summary of the Town's net position at June 30, 2021 compared to June 30, 2020:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Assets:</b>						
Current and Other Assets	\$157,411,315	\$139,358,386	3,768,123	5,895,172	161,179,438	\$145,253,558
Capital Assets, Net	280,738,361	273,118,546	13,395,693	12,970,669	294,134,054	286,089,215
<b>Total Assets</b>	<b>438,149,676</b>	<b>412,476,932</b>	<b>17,163,816</b>	<b>18,865,841</b>	<b>455,313,492</b>	<b>431,342,773</b>
<b>Deferred Outflows of Resources:</b>						
Deferred Charges on Bond	1,904,953	1,514,630	356,242	447,774	2,261,195	1,962,404
Deferred Pension Charges	4,268,662	2,928,183	-	-	4,268,662	2,928,183
<b>Total Deferred Outflows of Resources</b>	<b>6,173,615</b>	<b>4,442,813</b>	<b>356,242</b>	<b>447,774</b>	<b>6,529,857</b>	<b>4,890,587</b>
<b>Liabilities:</b>						
Long-Term Liabilities	131,119,443	147,110,732	6,905,000	8,855,000	138,024,443	155,965,732
Net Pension Liability	19,044,080	16,690,570	-	-	19,044,080	16,690,570
Other Liabilities	12,305,819	9,890,429	576,235	579,060	12,882,054	10,469,489
<b>Total Liabilities</b>	<b>162,469,342</b>	<b>173,691,731</b>	<b>7,481,235</b>	<b>9,434,060</b>	<b>169,950,577</b>	<b>183,125,791</b>
<b>Deferred Inflows of Resources:</b>						
Deferred Gain on Bond Refunding	50,589	54,203	-	-	50,589	54,203
Deferred Pension Credits	775,782	1,026,151	-	-	775,782	1,026,151
<b>Total Deferred Inflows of Resources</b>	<b>826,371</b>	<b>1,080,354</b>	<b>-</b>	<b>-</b>	<b>826,371</b>	<b>1,080,354</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	160,928,772	144,351,204	6,847,044	4,896,777	167,775,816	149,247,981
Restricted	110,004,264	90,551,046	-	-	110,004,264	90,551,046
Unrestricted	10,094,542	7,245,410	3,191,779	4,982,778	13,286,321	12,228,188
<b>Total Net Position</b>	<b>\$281,027,578</b>	<b>242,147,660</b>	<b>10,038,823</b>	<b>9,879,555</b>	<b>291,066,401</b>	<b>\$252,027,215</b>

The Town's current and other assets at June 30, 2021 increased by approximately \$15,926,000 (11%) from the prior year, consisting of an increase of \$18,053,000 (13%) in its governmental activities offsetting a decrease of \$2,127,000 (36%) in its business-type activities. The increase in governmental activities was primarily due to the Town receiving bond proceeds that were unspent at year end. The decrease in business-type activities was primarily related to a decrease in internal balances during the current year.

The Town's capital assets at June 30, 2021 (net of accumulated depreciation), increased by approximately \$8,045,000 (3%), including an increase of approximately \$7,620,000 (3%) and an increase of approximately \$425,000 (3%) for governmental and business-type activities, respectively. As noted previously, capital asset additions for governmental activities of approximately \$12,837,000 exceeded depreciation expense of approximately \$5,147,000 and net disposals of approximately \$70,000. Capital asset additions for business-type activities of approximately \$1,711,000 were greater than depreciation expense of approximately \$1,286,000. Capital asset additions for governmental activities consisted of approximately \$2,338,000 in land, \$785,000 in construction in progress additions - including infrastructure and the recreation center expansion - \$4,963,000 in buildings, \$82,000 in furniture, fixtures and equipment additions, \$68,000 in vehicles, and \$4,601,000 in improvements other than buildings for park development. Capital asset additions for business-type activities included approximately \$1,711,000 in construction in progress additions related to infrastructure.

The Town completed approximately \$20,632,000 in on-going capital projects which were reclassified from construction in progress as follows: \$12,095,000 transferred to improvements other than buildings and \$8,537,000 transferred to infrastructure.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

Deferred outflows of resources (resources that will be used in a future period) increased by approximately \$1,639,000 (34%), including an increase of \$1,731,000 (39%) for governmental activities and a decrease of \$92,000 (20%) decrease in business-type activities. The increase in governmental activities is primarily due to an increase of \$1,340,000 in deferred pension charges as a result of actuarial assumption changes or experience improvements for the PORS. The decrease in business-type activities is due to amortization of outstanding deferred charges on refunding in the current year.

Long-term liabilities decreased by approximately \$17,941,000 (12%), including decreases of \$15,991,000 (11%) and \$1,950,000 (22%) for governmental and business-type activities, respectively. As noted previously, the Town issued \$12,115,000 in new debt for governmental activities and made principal and refunding payments of \$27,905,000. The Town added \$1,188,000 in new premiums and recognized \$1,335,000 in amortization of premiums. The Town issued \$5,630,000 in new debt for business-type activities and made \$7,580,000 in principal payments.

The net pension liability increased by approximately \$2,354,000 (14%), which was all related to governmental activities, due to the PORS' total net pension liability increasing. The State funding of the pension program has had challenges that have been addressed by increasing the required contribution amounts and improving investment earnings. As the State funding of the pension program is improved, the Town will experience a decreases in its net pension liability. This liability is not controlled by the Town.

Other liabilities increased by approximately \$2,413,000 (23%), including an increase of \$2,416,000 (24%) in governmental activities and a decrease of \$3,000 (1%) in business-type activities. The increase in governmental activities is primarily due to deferred revenue from funds received through the American Recovery Act.

Deferred inflows of resources decreased by approximately \$254,000 (24%), which was all related to governmental activities, due to a \$3,600 decrease in deferred gain on bond refunding as a result of current year amortization and a \$250,400 decrease in deferred pension credits as a result of a change in the Town's change in proportionate share for its participation in the PORS.

The Town's total net position increased by approximately \$38,827,000 and \$159,000 for its governmental and business-type activities, respectively, for a total increase in net position of \$38,986,000 compared to the prior year net position. The Town also had a change in principle affecting governmental activities by approximately \$53,000. See Note I.B for more detail on this change.

Assets and deferred outflows exceeded liabilities and deferred inflows of resources (net position) by \$291,066,000, including \$281,028,000 in net position for governmental activities and \$10,039,000 in net position for business-type activities. The largest portion of the Town's net position, or \$167,776,000 (58%), which includes \$160,929,000 (57%) and \$6,847,000 (68%) for governmental and business-type activities, respectively, reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot generally be used to liquidate these liabilities.

An additional portion of the Town's net position of approximately \$110,004,000 (38%), which was all related to governmental activities, represents resources that are subject to external restrictions on how they may be used. This portion of the net position is restricted primarily for special revenue programs which are restricted by the revenue source (i.e. tax increment financing revenues, accommodation taxes, real estate transfer fees, beach preservation fees, hospitality taxes, etc.). The remaining balance is unrestricted net position of \$13,286,000 (5%), including \$10,095,000 (4%) and \$3,192,000 (32%) for governmental and business-type activities, respectively.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following table shows the changes in the Town's net position for FY 2021 compared to FY 2020.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$ 37,629,156	\$ 27,474,454	5,043,167	4,928,623	42,672,323	\$ 32,403,077
Operating Grants and Contributions	2,985,776	820,896	-	-	2,985,776	820,896
Capital Grants and Contributions	151,926	890,000	-	-	151,926	890,000
General Revenues:						
Property Taxes	31,500,198	30,556,573	-	-	31,500,198	30,556,573
Other Taxes	23,796,636	16,316,483	-	-	23,796,636	16,316,483
Other	2,429,861	4,025,074	9,228	86,566	2,439,089	4,111,640
Total Revenues	<u>98,493,553</u>	<u>80,083,480</u>	<u>5,052,395</u>	<u>5,015,189</u>	<u>103,545,948</u>	<u>85,098,669</u>
Expenses:						
Governmental Activities:						
General Government	487,594	2,543,044	-	-	487,594	2,543,044
Management Services	6,087,358	5,575,062	-	-	6,087,358	5,575,062
Community Services	25,648,683	21,948,681	-	-	25,648,683	21,948,681
Public Safety	18,983,033	20,793,073	-	-	18,983,033	20,793,073
Culture and Recreation	2,144,683	3,344,738	-	-	2,144,683	3,344,738
Visitor and Convention Bureau	3,047,544	1,939,622	-	-	3,047,544	1,939,622
Administrative	71,279	35,540	-	-	71,279	35,540
Interest and Other Charges	3,321,054	4,751,574	-	-	3,321,054	4,751,574
Business-Type Activities:						
Stormwater	-	-	4,768,127	4,410,846	4,768,127	4,410,846
Total Expenses	<u>59,791,228</u>	<u>60,931,334</u>	<u>4,768,127</u>	<u>4,410,846</u>	<u>64,559,355</u>	<u>65,342,180</u>
Change in Net Position Before Transfers	38,702,325	19,152,146	284,268	604,343	38,986,593	19,756,489
Transfers	125,000	125,000	(125,000)	(125,000)	-	-
Change in Net Position	38,827,325	19,277,146	159,268	479,343	38,986,593	19,756,489
Net Position - Beginning of Year as Prev. Reported	242,147,660	222,870,514	9,879,555	9,400,212	252,027,215	232,270,726
Cumulative Change in Accounting Principal ^	52,593	-	-	-	52,593	-
Net Position- Beginning of Year, Restated	<u>242,200,253</u>	<u>222,870,514</u>	<u>9,879,555</u>	<u>9,400,212</u>	<u>252,079,808</u>	<u>232,270,726</u>
Net Position - End of Year	<u>\$ 281,027,578</u>	<u>242,147,660</u>	<u>10,038,823</u>	<u>9,879,555</u>	<u>291,066,401</u>	<u>\$ 252,027,215</u>

Revenues and other financing sources exceeded expenses and other financing uses by approximately \$38,986,000 for the year ended June 30, 2021, including \$38,827,000 and \$159,000 in governmental and business-type activities, respectively. Total revenues increased from the prior year by \$18,447,000 (22%), including increases of approximately \$18,410,000 (23%) in governmental activities and increases of approximately \$37,000 (1%) in business-type activities. The increase in governmental activities revenues is primarily due to an increase in accommodations taxes and hospitality taxes that were reduced in the prior year due to the COVID-19 pandemic, operating grants revenue from Covid-19 related grants, and beach preservation fees. The Town is in better shape than ever to meet the future challenges.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

Total expenses decreased from the prior year by approximately \$783,000 (1%), composed of a decrease of approximately \$1,140,000 (2%) in governmental activities offset by an increase of \$357,000 (8%) in business-type activities. The decrease in governmental activities is primarily due to a decrease of \$2,055,000 in general government expenditures, a decrease of \$1,810,000 in public safety, \$1,200,000 in culture and recreation, and \$1,431,000 in interest and other charges, due in part to a reduction of activity primarily related to the COVID-19 pandemic, offset by increases of \$3,700,000 in community services and \$1,108,000 in visitor and convention bureau expenditures. The increase in business-type activities is primarily due to increases in activity levels to ensure Stormwater readiness for the next storm including repairs and maintenance to the system.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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

**Governmental Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of FY 2021, the Town's governmental funds reported combined ending fund balance of approximately \$145,663,000, which represents an increase of \$15,456,000 in comparison with the prior year. Approximately 5% of this total amount \$7,658,000 constitutes General Fund unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is assigned, committed, or restricted as shown below:

<u>Classification/Fund</u>	<u>Purpose</u>	<u>Amount</u>
Restricted:		
Tax Increment Financing District	Economic development	\$ 3,967,581
Accommodations Tax	Tourism promotion	7,015,839
Real Estate Transfer Fee	Environmental conservation	10,975,937
Beach Preservation Fee	Beach renourishment	13,537,345
Hospitality Fee	Public health and safety	11,988,636
Debt Service	Debt service payments	11,095,631
Capital Projects	Construction of major capital facilities	7,774,484
Natural Disasters	Response to natural disasters	33,977,293
Palmetto Electric	Underground electrical service	10,311,833
HOME Grant	HOME grant program	8,760
Federal & Operating Grants	Federal and operating grants	584,996
Road Usage Fee	Road projects	3,611,639
Firemen's Fund	Firemen's fund	57,064
Committed:		
General	Disaster recovery	17,593,863
Beach Preservation Fee	Beach renourishment	5,080,403
Assigned:		
General	Town Council initiatives	424,261
Unassigned:		
General		7,657,894
Total Fund Balance		<u>\$ 145,663,459</u>



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)**

**Governmental Funds (Continued)**

The General Fund is the operating fund of the Town. At the end of FY 2021, the total fund balance was approximately \$25,676,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$7,658,000 or 19% of total General Fund expenditures for the year ended June 30, 2021. Total fund balance, which includes committed, assigned, and unassigned fund balance was approximately \$25,676,000 or 63% of total General Fund expenditures for the year ended June 30, 2021. Some of the highlights for the increase in fund balance for the General Fund are as follows:

- General Fund revenues increased by approximately \$4,355,000 (13%) over the prior year primarily due to the following:
  - \$1,570,000 increase in business license and franchise fee revenues, primarily due to the timing of the receipt of the fourth quarterly disbursements for the prior year (revenues were unavailable as of June 30, 2020 and thus not recognized until the year ended June 30, 2021).
  - \$2,020,000 increase in accommodations taxes due to COVID-19 reducing hotel occupancies in the prior year.
- General Fund expenditures increased by approximately \$1,959,000 (5%) over the prior year primarily due to the following:
  - \$609,000 increase in community services primarily related to facilities management operating costs.
  - \$842,000 increase in Non-Departmental for additional expenses related to salaries and operating grants.

Fund balance for the Tax Increment Financing District Fund ("TIF") decreased by approximately \$2,157,000 as a result of revenues of approximately \$5,371,000 being exceeded by transfers out of approximately \$7,528,000. TIF fund revenues increased approximately \$227,000 (4%) partially due to an increase of approximately \$330,000 in real and personal property taxes offset by a \$103,000 decrease in investment earnings. Transfers out increased approximately \$871,000 due to increased transfers to the Debt Service fund to meet debt service requirements.

Fund balance for the Accommodations Tax Fund increased approximately \$3,572,000 as a result of revenues of \$10,190,000 exceeding expenditures and other financing uses of approximately \$6,618,000. Accommodations Tax Fund revenues increased by approximately \$3,693,000 (57%) primarily due to increased tourism activity in the current year. Expenditures and other financing uses experienced a decrease of \$100,000 (2%) and an increase of \$11,000 (1%), respectively.

Fund balance for the Real Estate Transfer Fee Fund increased approximately \$3,229,000 as a result of revenues of approximately \$7,143,000 exceeding expenditures and other financing uses of approximately \$3,914,000. Real Estate Transfer Fees Fund revenues increased approximately \$3,504,000 (96%) related to increased property sales on the island. Expenditures remained relatively flat compared to the prior year and other financing uses increased \$1,957,000 (104%) related to the Town using a portion of the current year increase in revenues to fund capital projects.

Fund balance for the Beach Preservation Fee Fund increased approximately \$5,179,000 as a result of revenues of approximately \$11,146,000 exceeding expenditures and other financing uses of approximately \$5,967,000. Revenues increased approximately \$3,895,000 (54%) due to a \$4,041,000 increase in beach preservation fees due to increased tourism activity in the current year. Expenditures and other financing uses were consistent with the prior year.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)**

**Governmental Funds (Continued)**

Fund balance for the Hospitality Fee Fund increased \$2,252,000 due to revenues of \$8,068,000 exceeding expenditures and other financing uses of \$5,816,000. Hospitality Fee Fund revenues increased \$1,643,000 (26%) primarily due to increased tourism activity in the current year. Expenditures increased \$8,000 (3%). Other financing uses decreased \$458,000 (8%) due to a decrease in transfers to the General Fund.

Fund balance for the Debt Service Fund increased \$38,000 due to revenues and other financing sources of \$33,134,000 exceeding expenditures and refunding payments of \$33,096,000. Debt Service Fund revenues decreased by \$214,000 (4%) compared to the prior year. Transfers in decreased \$472,000 (3%) based on changes in the debt service requirements. General Obligation refunding bonds were issued during the current year in the amount of \$12,115,000. Proceeds were used to refund the Town's 2011 and 2013 General Obligation Bonds. Expenditures decreased \$89,000 (1%) due to scheduled changes in principal and interest payments.

Fund balance for the Capital Projects Fund decreased \$4,569,000 due to revenues and other financing sources of \$9,493,000 being exceeded by expenditures of \$14,062,000. Capital Projects Fund revenues decreased \$622,000 (35%) primarily due to a decrease in grants (\$738,000). Net other financing sources increased \$2,796,000 due to current and future capital needs. Expenditures decreased \$9,296,000 (40%) due a decrease in community services capital outlay.

Fund balance for the Natural Disasters Fund increased \$1,569,000 due to revenues of \$5,760,000 exceeding expenditures and other financing uses of \$4,191,000. Natural Disasters Fund revenue increased \$361,000 (7%) primarily due to an increase of \$731,000 related to grants, partially offset by a decrease of \$493,000 in investment income. The collection of real and personal property taxes is due to the Town implementing 5.0 mills for disaster recovery in 2018. FY 2021 completes the fourth of five years for the 5 mills for disaster recovery. Expenditures decreased \$376,000 (37%) due to a decrease in debris removal and other recovery expenditures in the current year. Other financing uses of \$3,538,000 were due to transfers to the Debt Service Fund to fund debt service requirements on the \$18 million disaster recovery bonds.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)**

**Governmental Funds (Continued)**

The following table shows the revenues and other financing sources, expenditures and other financing uses, fund balances, and changes in fund balances for the Town's governmental funds for the years ended June 30, 2021 and June 30, 2020:

Fund	Year Ended June 30, 2021			
	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	Fund Balance	Changes in Fund Balance
General	\$ 44,524,481	40,959,947	25,676,018	\$ 3,564,534
Tax Increment Financing	5,370,949	7,528,273	3,967,581	(2,157,324)
Accommodations Tax (State)	10,189,664	6,617,246	7,015,839	3,572,418
Real Estate Transfer Fee	7,143,103	3,913,626	10,975,937	3,229,477
Beach Preservation Fee	11,146,212	5,967,173	18,617,748	5,179,039
Hospitality Fee	8,067,753	5,816,110	11,988,636	2,251,643
Debt Service	33,133,727	33,096,218	11,095,631	37,509
Capital Projects	9,493,238	14,061,999	7,774,484	(4,568,761)
Natural Disasters	5,759,554	4,190,136	33,977,293	1,569,418
Non-Major Governmental	5,875,770	3,097,843	14,574,292	2,777,927
<b>Total Governmental Funds</b>	<b>\$ 140,704,451</b>	<b>125,248,571</b>	<b>145,663,459</b>	<b>\$ 15,455,880</b>

Fund	Year Ended June 30, 2020			
	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	Fund Balance	Changes in Fund Balance
General	\$ 40,011,765	39,000,968	22,111,484	\$ 1,010,797
Tax Increment Financing	5,143,708	6,657,136	6,124,905	(1,513,428)
Accommodations Tax (State)	6,512,992	6,706,391	3,443,421	(193,399)
Real Estate Transfer Fee	3,639,165	1,920,896	7,746,460	1,718,269
Beach Preservation Fee	7,251,587	6,117,170	13,438,709	1,134,417
Hospitality Fee	6,424,440	6,266,087	9,736,993	158,353
Debt Service	37,036,043	37,932,308	11,058,122	(896,265)
Capital Projects	7,319,325	23,358,099	12,343,245	(16,038,774)
Natural Disasters	5,398,702	4,566,853	32,407,875	831,849
Non-Major Governmental	4,351,294	2,703,061	11,743,772	1,648,233
<b>Total Governmental Funds</b>	<b>\$ 123,089,021</b>	<b>135,228,969</b>	<b>130,154,986</b>	<b>\$ (12,139,948)</b>

**Enterprise Fund**

The information discussed previously related to business-type activities relates solely to the Stormwater Fund. See the previous discussion for detailed information regarding changes in the Stormwater Fund.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)**

**General Fund Budgetary Highlights**

During the fiscal year, the Town prepared three General Fund budget amendments. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once more exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in expenditures that become necessary to maintain services. The amendments to the General Fund budget in the current year were to provide \$623,000 for purchase order or contract commitments that carried forward from the previous year and to roll forward \$481,000 from the previous fiscal year for planned projects or programs which were not started or completed at year end. Town Council added \$350,000 in COVID response spending in the General Fund. The total increase from the original to the revised General Fund budget was \$1,454,000.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2021, amounted to approximately \$280,738,000 and \$13,396,000, respectively, (net of accumulated depreciation). These capital assets include land, construction in progress, buildings, improvements, furniture, fixtures, and equipment, vehicles, and infrastructure.

The capital assets (net of accumulated depreciation) as of June 30, 2021, and 2020 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 170,497,481	168,159,310	-	-	170,497,481	\$ 168,159,310
Development Rights	10,734,391	10,734,391	-	-	10,734,391	10,734,391
Easements/Right-of-Ways	3,548,960	3,548,960	-	-	3,548,960	3,548,960
Construction in Progress	1,354,155	21,201,706	-	-	1,354,155	21,201,706
Buildings	31,912,307	28,622,973	-	-	31,912,307	28,622,973
Furniture, Fixtures and Equipment	538,996	732,500	-	-	538,996	732,500
Vehicles	3,902,982	4,537,023	-	-	3,902,982	4,537,023
Improvements Other Than Buildings						
- Park Development	26,726,818	10,797,149	-	-	26,726,818	10,797,149
Infrastructure	31,522,271	24,784,534	13,395,693	12,970,669	44,917,964	37,755,203
Total	<u>\$ 280,738,361</u>	<u>273,118,546</u>	<u>13,395,693</u>	<u>12,970,669</u>	<u>294,134,054</u>	<u>\$ 286,089,215</u>

The overall increase in the Town's capital assets for the period ending June 30, 2021, was approximately \$8,045,000 (3%), including an increase of \$7,620,000 for its governmental activities and an increase of \$425,000 in business-type activities, respectively. Capital asset additions for governmental activities of \$12,837,000 exceeded depreciation expense of \$5,147,000 and net disposals of \$70,000. Capital asset additions for business-type activities of \$1,711,000 exceeded depreciation expense of \$1,286,000.

Additional information on the Town's capital assets can be found in Notes I and III of the notes to the financial statements.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Debt**

As of June 30, 2021, the Town's governmental and business-type activities had total outstanding long-term debt of \$119,795,000 and \$6,905,000, respectively. Of the Town's total, \$67,235,000 was general obligation debt, which is backed by the full faith and credit of the Town. The Town's total long-term obligations as of June 30, 2021, and 2020 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
General Obligation Bonds	\$ 67,235,000	75,625,000	-	-	67,235,000	\$ 75,625,000
Tax Increment Financing Bonds	15,040,000	18,635,000	-	-	15,040,000	18,635,000
Revenue/Special Obligation Bonds:						
Beach Preservation Fees	23,315,000	26,070,000	-	-	23,315,000	26,070,000
Hospitality Tax	14,205,000	15,255,000	-	-	14,205,000	15,255,000
Stormwater	-	-	6,905,000	8,855,000	6,905,000	8,855,000
Total Long- Term Obligations	<u>\$ 119,795,000</u>	<u>135,585,000</u>	<u>6,905,000</u>	<u>8,855,000</u>	<u>126,700,000</u>	<u>\$ 144,440,000</u>

The Town also has a net pension liability that is discussed in Note IV.B in the notes to the financial statements.

The overall decrease in the Town's debt for the current fiscal year was \$17,740,000 (12%). Major events during the current fiscal year included the following:

- The Town issued \$12,115,000 in 2020 general obligation bonds to refund its 2011 general obligation bonds and a portion of its 2013 general obligation bonds. See Note III. H. in the Notes to the Financial Statements for more information on this refunding.
- The Town issued \$5,630,000 in 2021 stormwater bonds to refund its 2010 stormwater bonds. See Note III. H. in the Notes to the Financial Statements for more information on this refunding.
- The Town made principal and refunding payments of \$35,485,000.

Additional information regarding the Town's long-term obligations can be found in Note III in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES FOR THE TOWN**

The Town implemented a number of financial responses in the wake of Hurricane Matthew. The Town issued a \$20 million Bond Anticipation Note to help finance the recovery efforts pending federal and state reimbursements. This note has been repaid. The Town also issued \$18 million in taxable Disaster Reserve bonds to restore reserves used for Hurricane Matthew to prepare for the next storm. These bonds were financed with property taxes of 5 mills for 5 years. Fiscal 2021 finishes the fourth of the planned five years with 5 mills assessed for disaster recovery. The Town has certainly benefitted from the foresight of its officials in building reserves and preparing for events like Matthew and Irma. Town Council has shown leadership in making the necessary and appropriate responses to keep the Town hurricane ready operationally and financially.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES FOR THE TOWN (CONTINUED)**

**Real Estate Revenues**

Real Estate related revenues, including construction permits and real estate transfer fees, were 79% higher than last year’s amounts. FY 2021 was a strong year that exceeded expectations in both transfer fees and construction permits, and the activity remains strong. These are indicative of a strong local real estate market.

Fiscal Year	Real Estate Transfer Fee		Construction Permits		Total Real Estate Revenues	
	Actual	Percentage Change	Actual	Percentage Change	Actual	Percentage Change
2017	\$ 2,780,312	14%	\$ 1,697,438	48%	\$ 4,477,750	26%
2018	3,463,489	25%	1,880,231	11%	5,343,720	19%
2019	3,380,107	-2%	1,513,153	-20%	4,893,260	-8%
2020	3,552,965	5%	1,619,638	7%	5,172,603	6%
2021	\$ 7,127,885	101%	\$ 2,125,382	31%	\$ 9,253,267	79%

**Tourism Revenues**

Tourism related revenues, especially Accommodations Taxes, Beach Preservation Fees and Hospitality Taxes had a strong rebound year resulting in an increase for FY21. See the chart below for more information.

Fiscal Year	ATAX/Beach Preservation Fees		Hospitality Tax		Total Tourism Revenues		
	Actual	Percentage Change	Actual	Percentage Change	Actual	\$ Amount Inc.(Dec.)	Percentage Change
2017	\$ 16,422,549	6%	\$ 6,661,873	6%	\$ 23,084,422	\$ 2,430,945	6%
2018	16,951,729	3%	6,867,787	3%	23,819,516	735,094	3%
2019	18,100,241	7%	7,545,777	10%	25,646,018	1,826,502	8%
2020	17,115,252	-5%	6,284,461	-17%	23,399,713	(2,246,305)	-9%
2021	\$ 26,869,181	57%	\$ 8,051,256	28%	\$ 34,920,437	\$ 11,520,724	49%

**Budgets and tax rates for Fiscal 2022**

Town Council adopted a \$96,838,322 budget for FY 2022. This budget is more than the \$78,619,447 adopted for FY 2021 but included carryforward funding and an aggressive Capital Improvements Plan. The primary reason for the increase is that the Town had adopted aggressive Capital Improvements Plans in FY 2015 and FY 2016. With the hurricanes, a number of projects were delayed for limitations of both operational resources and financial resources. As the Town moved past responses to the hurricanes, the capital projects moved forward. The Town limited new projects while the projects in the pipeline were completed. Currently, the Town is working on a \$28 million CIP based on the new Comprehensive Plan. The Town had focused its efforts at completing these projects well, before undertaking significant new projects in FY22. The Town also completed a new comprehensive plan that current and future construction in progress will be based on.

Town Council built the budget based on the same tax rate for FY 2022 as FY 2021. Town Council increased its reserve policy to better prepare the Town for the next storm. The planned surplus is \$125,000 for the General Fund in FY 2022. The millage rate was assessed at 28.10 mills for FY2021 and FY2022. The budget for FY 2022 marks the fifth year of the 5 mills for 5 years to repay the Disaster Reserve restoration bonds and bolster reserves after Hurricane Matthew. The Town’s commitment to financial stability and responsibility is clearly evident in its 2022 budget.

The Town and the entire world faced the COVID-19 pandemic. The Town temporarily deferred raises, capital spending, implementation of a salary study and other measures to ensure fiscal balance. After a temporary set-back early in the pandemic, the Island became busier than ever as people discovered what a great place to remote work and social distance. The Town set numerous revenue and fund balance records for FY2021 in spite of the pandemic.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**REQUESTS FOR TOWN INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's financial situation. Questions concerning any of the information should be addressed to the Director of Finance, Town of Hilton Head Island, One Town Center Court, Hilton Head Island, South Carolina, 29928.

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# Basic Financial Statements

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TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2021

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 145,002,100	777,757	\$ 145,779,857
Cash and Cash Equivalents - Restricted	-	109	109
Accounts Receivable	8,257,650	-	8,257,650
Due from Other Governments	7,128,782	12,218	7,141,000
Internal Balances	(2,978,039)	2,978,039	-
Capital Assets:			
Non-Depreciable	186,134,987	-	186,134,987
Depreciable, Net	94,603,374	13,395,693	107,999,067
<b>TOTAL ASSETS</b>	<b>438,148,854</b>	<b>17,163,816</b>	<b>455,312,670</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charges on Bond Refunding	1,904,953	356,242	2,261,195
Deferred Pension Charges	4,268,662	-	4,268,662
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,173,615</b>	<b>356,242</b>	<b>6,529,857</b>
<b>LIABILITIES</b>			
Accounts Payable	4,819,365	551,121	5,370,486
Accrued Payroll and Related Payables	1,544,594	-	1,544,594
Due to Other Governments	2,009,589	-	2,009,589
Unearned Revenue	2,684,566	-	2,684,566
Irrigation and Pool Surety Bonds Payable	49,200	-	49,200
Performance Bonds Payable	18,729	-	18,729
Accrued Interest Payable	1,178,954	25,114	1,204,068
Noncurrent Liabilities:			
Net Pension Liability - Due in More than One Year	19,044,080	-	19,044,080
Due Within One Year	18,162,136	1,205,000	19,367,136
Due In More Than One Year	112,957,307	5,700,000	118,657,307
<b>TOTAL LIABILITIES</b>	<b>162,468,520</b>	<b>7,481,235</b>	<b>169,949,755</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Gain on Bond Refunding	50,589	-	50,589
Deferred Pension Credits	775,782	-	775,782
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>826,371</b>	<b>-</b>	<b>826,371</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	160,928,772	6,847,044	167,775,816
Restricted For:			
Response to Natural Disasters	34,432,296	-	34,432,296
Debt Service	9,959,072	-	9,959,072
Other	65,612,896	-	65,612,896
Unrestricted	10,094,542	3,191,779	13,286,321
<b>TOTAL NET POSITION</b>	<b>\$ 281,027,578</b>	<b>10,038,823</b>	<b>\$ 291,066,401</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
General Government	\$ 487,594	2,125,382	-	-	1,637,788	-	\$ 1,637,788
Management Services	6,087,358	11,265,459	-	-	5,178,101	-	5,178,101
Community Services	25,648,683	15,332,256	1,386,515	151,926	(8,777,986)	-	(8,777,986)
Public Safety	18,983,033	1,778,174	1,599,261	-	(15,605,598)	-	(15,605,598)
Culture and Recreation	2,144,683	-	-	-	(2,144,683)	-	(2,144,683)
Visitor and Convention Bureau	3,047,544	-	-	-	(3,047,544)	-	(3,047,544)
Administration	71,279	7,127,885	-	-	7,056,606	-	7,056,606
Interest and Other Charges	3,321,054	-	-	-	(3,321,054)	-	(3,321,054)
Total Governmental Activities	59,791,228	37,629,156	2,985,776	151,926	(19,024,370)	-	(19,024,370)
Business-Type Activities:							
Stormwater	4,768,127	5,043,167	-	-	-	275,040	275,040
Total Business-Type Activities	4,768,127	5,043,167	-	-	-	275,040	275,040
<b>Total Primary Government</b>	<b>\$ 64,559,355</b>	<b>42,672,323</b>	<b>2,985,776</b>	<b>151,926</b>	<b>(19,024,370)</b>	<b>275,040</b>	<b>(18,749,330)</b>
General Revenues:							
Taxes:							
Property Taxes							
					31,500,198	-	31,500,198
Accommodation Taxes							
					15,745,380	-	15,745,380
Hospitality Taxes							
					8,051,256	-	8,051,256
State Shared Funds							
					1,185,499	-	1,185,499
Impact Fees							
					680,385	-	680,385
Other Revenue							
					356,993	-	356,993
Investment Income							
					206,984	9,228	216,212
Transfers							
					125,000	(125,000)	-
Total General Revenues and Transfers							
					57,851,695	(115,772)	57,735,923
<b>CHANGE IN NET POSITION</b>					<b>38,827,325</b>	<b>159,268</b>	<b>38,986,593</b>
NET POSITION - Beginning of Year, as Previously Reported					242,147,660	9,879,555	252,027,215
Cumulative Change in Accounting Principle - See Note I.B					52,593	-	52,593
NET POSITION - Beginning of Year, Restated					242,200,253	9,879,555	252,079,808
<b>NET POSITION, End of Year</b>					<b>\$ 281,027,578</b>	<b>10,038,823</b>	<b>\$ 291,066,401</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

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TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	GENERAL FUND	TAX INCREMENT FINANCING FUND	ACCOMMODATIONS TAX FUND	REAL ESTATE TRANSFER FEES FUND
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 100,535,407	955,949	564,307	239,122
Accounts Receivable	2,365,472	-	-	-
Interfund Receivables	122,317	3,002,567	3,794,760	10,000,714
Due from Other Governments	1,439,236	9,065	4,110,959	736,101
<b>TOTAL ASSETS</b>	<b>\$ 104,462,432</b>	<b>3,967,581</b>	<b>8,470,026</b>	<b>10,975,937</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,404,666	-	1,454,187	-
Accrued Payroll, Benefits, and Other Liabilities	1,544,594	-	-	-
Due to Other Governments	2,009,589	-	-	-
Interfund Payables	73,635,474	-	-	-
Unearned Revenue	570	-	-	-
Irrigation and Pool Bonds	49,200	-	-	-
Performance Bonds	18,729	-	-	-
<b>TOTAL LIABILITIES</b>	<b>78,662,822</b>	<b>-</b>	<b>1,454,187</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	123,592	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>123,592</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Restricted	-	3,967,581	7,015,839	10,975,937
Committed	17,593,863	-	-	-
Assigned	424,261	-	-	-
Unassigned	7,657,894	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>25,676,018</b>	<b>3,967,581</b>	<b>7,015,839</b>	<b>10,975,937</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 104,462,432</b>	<b>3,967,581</b>	<b>8,470,026</b>	<b>10,975,937</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

<b>BEACH PRESERVATION FEE FUND</b>	<b>HOSPITALITY FEES FUND</b>	<b>DEBT SERVICE FUND</b>	<b>CAPITAL PROJECTS FUND</b>	<b>NATURAL DISASTERS FUND</b>	<b>OTHER NON- MAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
952,431	888,886	1,057,483	4,634,984	33,952,436	1,221,095	\$ 145,002,100
3,646,611	2,092,729	-	-	-	152,838	8,257,650
14,026,346	9,007,021	10,038,147	5,057,604	29,171	15,701,105	70,779,752
-	-	42,396	115,210	455,005	220,810	7,128,782
<b>18,625,388</b>	<b>11,988,636</b>	<b>11,138,026</b>	<b>9,807,798</b>	<b>34,436,612</b>	<b>17,295,848</b>	<b>\$ 231,168,284</b>
7,640	-	-	1,911,819	4,315	36,738	\$ 4,819,365
-	-	-	-	-	-	1,544,594
-	-	-	-	-	-	2,009,589
-	-	-	121,495	-	822	73,757,791
-	-	-	-	-	2,683,996	2,684,566
-	-	-	-	-	-	49,200
-	-	-	-	-	-	18,729
7,640	-	-	2,033,314	4,315	2,721,556	84,883,834
-	-	42,395	-	455,004	-	620,991
-	-	42,395	-	455,004	-	620,991
13,537,345	11,988,636	11,095,631	7,774,484	33,977,293	14,574,292	114,907,038
5,080,403	-	-	-	-	-	22,674,266
-	-	-	-	-	-	424,261
-	-	-	-	-	-	7,657,894
<b>18,617,748</b>	<b>11,988,636</b>	<b>11,095,631</b>	<b>7,774,484</b>	<b>33,977,293</b>	<b>14,574,292</b>	<b>145,663,459</b>
<b>18,625,388</b>	<b>11,988,636</b>	<b>11,138,026</b>	<b>9,807,798</b>	<b>34,436,612</b>	<b>17,295,848</b>	<b>\$ 231,168,284</b>

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TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

JUNE 30, 2021

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 145,663,459</b>
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Revenues which will be collected in the future but are not available soon enough to pay for the current period's expenditures are considered unavailable revenue in the funds.	620,991
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets was \$338,343,568 and the accumulated depreciation was \$57,605,209.	280,738,361
The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plan are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(15,551,200)
Interest is recorded as an expenditure when due and payable in the governmental funds. Interest is recorded in the government-wide statements when it is incurred. This amount represents the amount of interest incurred but not yet due and payable at year-end.	(1,178,954)
Bond deferred charges on refunding are recorded as expenditures in the year they are incurred in the governmental funds, but are amortized over the lives of the bonds in the government-wide statements. This amount represents net bond deferred charges on refunding at year-end.	1,904,953
Bond deferred gains on refunding are recorded as revenues in the year they are incurred in the governmental funds, but are amortized over the lives of the bonds in the government-wide statements. This amount represents net bond deferred gains on refunding at year-end.	(50,589)
Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:	
Long-Term Debt and Premiums	(125,885,172)
Compensated Absences	(5,234,271)
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 281,027,578</u></b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2021

	GENERAL FUND	TAX INCREMENT FINANCING FUND	ACCOMMODATION TAX FUND	REAL ESTATE TRANSFER FEES FUND
<b>REVENUES</b>				
Real and Personal Property Tax	\$ 15,925,355	5,361,090	-	-
Accommodations Tax	5,561,900	-	10,183,480	-
Hospitality Tax	-	-	-	-
Business License and Franchise Fees	11,265,459	-	-	-
Permits	2,125,382	-	-	-
Impact Fees	-	-	-	-
Lease	-	-	-	-
Real Estate Transfer Fees	-	-	-	7,127,885
Beach Preservation Fees	-	-	-	-
Electric Franchise Fees	-	-	-	-
State Shared Funds	896,909	-	-	-
Grants	78,831	-	-	-
Road Usage Fees	-	-	-	-
EMS Revenue	1,776,344	-	-	-
Public Safety Revenue	1,830	-	-	-
One Percent Revenue	-	-	-	-
Miscellaneous Revenue	654,895	-	-	-
Investment Income	22,815	9,859	6,184	15,218
<b>TOTAL REVENUES</b>	<b>38,309,720</b>	<b>5,370,949</b>	<b>10,189,664</b>	<b>7,143,103</b>
<b>EXPENDITURES</b>				
Current:				
General Government	1,923,342	-	-	-
Management Services	5,779,364	-	-	-
Community Services	9,064,283	-	-	-
Public Safety	19,156,810	-	-	-
Non-Departmental	4,894,018	-	-	-
Culture and Recreation	-	-	1,863,308	-
Visitor and Convention Bureau	-	-	3,047,544	-
Administration	-	-	-	71,279
Debt Service:				
Administrative Charges	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay:				
Management Services	140,194	-	-	-
Community Services	-	-	-	-
Non-Departmental	1,936	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>40,959,947</b>	<b>-</b>	<b>4,910,852</b>	<b>71,279</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,650,227)</b>	<b>5,370,949</b>	<b>5,278,812</b>	<b>7,071,824</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	6,195,601	-	-	-
Transfers Out	-	(7,528,273)	(1,706,394)	(3,842,347)
Proceeds from the Sale of Capital Assets	19,160	-	-	-
Bonds Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Payments to Escrow Agent	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>6,214,761</b>	<b>(7,528,273)</b>	<b>(1,706,394)</b>	<b>(3,842,347)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,564,534</b>	<b>(2,157,324)</b>	<b>3,572,418</b>	<b>3,229,477</b>
FUND BALANCE - Beginning of Year, As Previously Reported	22,111,484	6,124,905	3,443,421	7,746,460
Cumulative Change in Accounting Principle - See Note I.B.	-	-	-	-
FUND BALANCES, Beginning of Year, Restated	22,111,484	6,124,905	3,443,421	7,746,460
<b>FUND BALANCES - End of Year</b>	<b>\$ 25,676,018</b>	<b>3,967,581</b>	<b>7,015,839</b>	<b>10,975,937</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

BEACH PRESERVATION FEE FUND	HOSPITALITY FEES FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	NATURAL DISASTERS FUND	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	5,448,437	-	4,777,234	-	\$ 31,512,116
-	-	-	-	-	-	15,745,380
-	8,051,256	-	-	-	-	8,051,256
-	-	-	-	-	-	11,265,459
-	-	-	-	-	-	2,125,382
-	-	-	680,385	-	-	680,385
-	-	-	43,235	-	-	43,235
-	-	-	-	-	-	7,127,885
11,123,801	-	-	-	-	-	11,123,801
-	-	-	-	-	2,811,144	2,811,144
-	-	-	288,590	-	-	1,185,499
-	-	-	151,926	917,667	1,385,815	2,534,239
-	-	-	-	-	1,055,675	1,055,675
-	-	-	-	-	-	1,776,344
-	-	-	-	-	-	1,830
-	-	-	-	-	603,463	603,463
-	-	-	-	-	500	655,395
22,411	16,497	18,963	11,211	64,653	19,173	206,984
<b>11,146,212</b>	<b>8,067,753</b>	<b>5,467,400</b>	<b>1,175,347</b>	<b>5,759,554</b>	<b>5,875,770</b>	<b>98,505,472</b>
-	-	-	-	-	-	1,923,342
-	-	-	-	-	-	5,779,364
-	-	-	-	-	878,035	9,942,318
-	-	-	-	652,871	1,552,437	21,362,118
31,715	-	-	-	-	-	4,925,733
-	281,375	-	-	-	-	2,144,683
-	-	-	-	-	-	3,047,544
-	-	-	-	-	-	71,279
-	-	408,206	-	-	-	408,206
-	-	15,655,000	-	-	-	15,655,000
-	-	4,138,637	-	-	-	4,138,637
-	-	-	-	-	-	140,194
-	-	-	14,061,999	-	-	14,061,999
-	-	-	-	-	-	1,936
<b>31,715</b>	<b>281,375</b>	<b>20,201,843</b>	<b>14,061,999</b>	<b>652,871</b>	<b>2,430,472</b>	<b>83,602,353</b>
<b>11,114,497</b>	<b>7,786,378</b>	<b>(14,734,443)</b>	<b>(12,886,652)</b>	<b>5,106,683</b>	<b>3,445,298</b>	<b>14,903,119</b>
-	-	14,363,351	8,317,891	-	-	28,876,843
(5,935,458)	(5,534,735)	-	-	(3,537,265)	(667,371)	(28,751,843)
-	-	-	-	-	-	19,160
-	-	12,115,000	-	-	-	12,115,000
-	-	1,187,976	-	-	-	1,187,976
-	-	(12,894,375)	-	-	-	(12,894,375)
<b>(5,935,458)</b>	<b>(5,534,735)</b>	<b>14,771,952</b>	<b>8,317,891</b>	<b>(3,537,265)</b>	<b>(667,371)</b>	<b>552,761</b>
<b>5,179,039</b>	<b>2,251,643</b>	<b>37,509</b>	<b>(4,568,761)</b>	<b>1,569,418</b>	<b>2,777,927</b>	<b>15,455,880</b>
13,438,709	9,736,993	11,058,122	12,343,245	32,407,875	11,743,772	130,154,986
-	-	-	-	-	52,593	52,593
13,438,709	9,736,993	11,058,122	12,343,245	32,407,875	11,796,365	130,207,579
<b>18,617,748</b>	<b>11,988,636</b>	<b>11,095,631</b>	<b>7,774,484</b>	<b>33,977,293</b>	<b>14,574,292</b>	<b>\$ 145,663,459</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2021**

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 15,455,880</b>
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(11,919)
Changes in the Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(762,662)
Repayment of principal and payments made to an escrow agent are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	27,905,000
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	(12,115,000)
Bond deferred gains and losses are expenditures in the year they are incurred in governmental funds, but are amortized over the lives of the bonds in the Statement of Activities. This amount represents the amortization of deferred charges for the year.	393,937
Premiums on issuance of debt must be deferred and amortized over the life of the respective debt in the Statement of Activities. However, proceeds from premiums are reported as an other financing source in the year they are received in the governmental funds. This represents the amount which current year premiums were exceeded by amortization of premiums in the current year.	147,266
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. This represents the change in accrued interest during the current year.	140,985
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	54,023
Governmental funds report only proceeds received from the sale of capital assets without any consideration for the net book value of the assets that were sold. The Statement of Activities reports gains or losses based on the proceeds and the net book value of the assets sold.	(69,971)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$12,836,863 exceeded depreciation expense of \$5,147,077 in the current period.	7,689,786
<b>TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 38,827,325</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**STATEMENT OF NET POSITION - PROPRIETARY FUND**

**JUNE 30, 2021**

	<b>STORMWATER FUND</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 777,757
Cash and Cash Equivalents, Restricted	109
Due from Other Governments	12,218
Interfund Receivables	2,978,039
Total Current Assets	<u>3,768,123</u>
Non-Current Assets:	
Capital Assets:	
Depreciable, Net	13,395,693
Total Non-Current Assets	<u>13,395,693</u>
<b>TOTAL ASSETS</b>	<b><u>17,163,816</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Charges on Bond Refunding	356,242
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>356,242</u></b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	551,121
Accrued Interest Payable	25,114
Current Portion of Bonds Payable	1,205,000
Total Current Liabilities	<u>1,781,235</u>
Non-Current Liabilities:	
Bonds Payable	5,700,000
Total Non-Current Liabilities	<u>5,700,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>7,481,235</u></b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	6,847,044
Unrestricted	3,191,779
<b>TOTAL NET POSITION</b>	<b><u>\$ 10,038,823</u></b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND**

**YEAR ENDED JUNE 30, 2021**

	<b>STORMWATER FUND</b>
<b>OPERATING REVENUES</b>	
Stormwater Fees	\$ 5,043,167
<b>TOTAL OPERATING REVENUES</b>	<b>5,043,167</b>
<b>OPERATING EXPENSES</b>	
Maintenance and Repair	2,176,496
Administrative - Salary and Benefits	581,675
Administrative - Operating	265,777
Depreciation	1,285,588
<b>TOTAL OPERATING EXPENSES</b>	<b>4,309,536</b>
<b>OPERATING INCOME</b>	<b>733,631</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment Income	9,228
Administrative	(150,500)
Interest Expense	(308,091)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(449,363)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>284,268</b>
Transfers Out	(125,000)
<b>CHANGE IN NET POSITION</b>	<b>159,268</b>
NET POSITION, Beginning of Year	9,879,555
<b>NET POSITION, End of Year</b>	<b>\$ 10,038,823</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2021

	<b>STORMWATER FUND</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Charges for Fees and Services	\$ 5,047,472
Payments to Suppliers	(2,409,123)
Payments to Employees	(581,675)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,056,674</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers to Other Funds for Non-Capital Purposes	(125,000)
Receipts from Non-Operating Grants and Contributions	(4,071)
Change in Interfund Receivable	1,860,080
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>1,731,009</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(1,710,612)
Bond and Note Payments	(1,315,000)
Proceeds from Issuance of Debt	5,630,000
Payment to Refunding Agent	(6,352,083)
Nonoperating Administrative Expenses	(150,500)
Interest and Fiscal Charges Paid on Bonds	(165,451)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(4,063,646)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Income Received on Investments	9,228
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>9,228</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(266,735)</b>
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,044,601</u>
<b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ <u>777,866</u></b>
Reconciliation of Operating Income to Net Cash From Operating Activities:	
Operating Income	\$ 733,631
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:	
Depreciation Expense	1,285,588
(Increase) Decrease in Assets:	
Accounts Receivable	4,305
Increase (Decrease) in Liabilities:	
Accounts Payable	33,150
Net Cash Provided By Operating Activities	<u>\$ 2,056,674</u>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

# TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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The Town of Hilton Head Island (the “Town”) was organized under a charter originally granted by the State of South Carolina in 1983. The Town of Hilton Head Island operates under the Council-Manager form of government in accordance with Home Rule Act Number 283. Town Council (“Council”) is composed of a Mayor and six council members elected from single member wards. All legislative powers of the Town are vested in Council. Each member of Council, including the Mayor, has one vote in each matter. Under the Town’s form of government, the Council hires a Manager who acts as the chief executive officer.

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

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

As required by GAAP, the financial statements must present the Town’s financial information with any of 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 and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered 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 that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity’s resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town’s financial statements to be misleading.

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 in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town has one blended component unit and no discretely presented component units.

The Town of Hilton Head Island Public Facilities Corporation (the “Corporation”), a blended component unit, is a not-for-profit 501(c)(3) organization created to facilitate the issuance of debt for acquisition of the Town’s administration facilities. The Town appoints the Corporation’s board members and the Corporation provides services entirely to the Town. Because the Corporation is so closely related to the Town, it is, in effect, the same as the primary government. The Corporation’s financial information is reported in the Debt Service Fund and Capital Projects Fund of the Town. Separate financial statements for the Corporation are not issued.



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

The Town has limited relationships with the following entities:

**Hilton Head Island Recreation Association, Inc.** - Hilton Head Island Recreation Association, Inc. is a not-for-profit organization that provides recreation facilities, sports leagues, day-care services and training classes to the residents of Hilton Head Island, South Carolina. The Town provides bookkeeping services to the Association at no charge. The Town has no day-to-day supervisory responsibilities and the Association maintains separate corporate powers, and, as such, the financial information for the Association has not been made a part of these financial statements. The Town contributed approximately \$1,327,000 to the Association for the year ended June 30, 2021. The Association issues separate audited and/or reviewed financial statements.

**Coastal Discovery Museum** – The Coastal Discovery Museum is a not-for-profit, community based, educational institution dedicated to fostering greater knowledge and appreciation of the cultural heritage and natural history of South Carolina’s Low Country. The Town provides bookkeeping services to the Museum at no charge. The Town has no day-to-day supervisory responsibilities and the Museum maintains separate corporate powers, and as such, the financial information of the Museum has not been made a part of these financial statements. The Town contributed approximately \$500,000 to the Museum for the year ended June 30, 2021. The Museum issues separate audited financial statements.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town. For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements.

*Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. The Town business-type activities consist of the stormwater operations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the Town generally considers its revenues to be available if they are collected within 30 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve-month availability period is generally used.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable.

Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental fund financial statements is on major funds rather than by fund type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Town uses the following fund categories:

**Governmental fund types** are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities are accounted for through governmental funds. The Town's governmental fund types and funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

**Special revenue funds** are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Town has the following special revenue funds:

- i. **The Tax Increment Financing ("TIF") District Fund, a major fund** and an unbudgeted fund is used to account for and report the proceeds from incremental taxes charged to individuals that are restricted for expenditures related to economic development within the TIF districts.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

- ii. **The Beach Preservation Fee Fund, a major fund** and an unbudgeted fund is used to account for and report the proceeds from the beach preservation fees that are restricted for expenditures related to nourishment and restoration of the Town's beaches.
- iii. **The Real Estate Transfer Fee Fund, a major fund** and an unbudgeted fund is used to account for and report the proceeds from the fee equal to one quarter of one percent (0.0025%) of the purchase price upon the transfer of any real property situated within the corporate limits of the Town that is restricted for expenditures related to environmental conservation.
- iv. **The Accommodations Tax Fund, a major fund** and an unbudgeted fund is used to account for and report the proceeds from the state-imposed two percent (2%) tax levied on rentals of transient accommodations within the corporate limit that are restricted for expenditures related to tourism promotion.
- v. **The Hospitality Fees Fund, a major fund** and an unbudgeted fund is used to account for and report the proceeds from the two percent (2%) tax levied on the sale of prepared meals and beverages sold in establishments or sales of prepared meals and beverages sold in establishments licensed for on-premise consumption of alcoholic beverages, beer or wine that are restricted for expenditures that enhance the health, safety, and general welfare of the Town.
- vi. **The Natural Disasters Fund, a major fund** and an unbudgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures related to the Town's response to a natural disaster or declared emergency.
- vii. The Town also reports the Palmetto Electric Franchise Fees Fund, the Operating Grants Fund, the Home Grant Fund, the Road Usage Fee Fund, and the Firemen's Fund as unbudgeted non-major special revenue funds.

**Debt service funds** are used to account for the accumulation of resources and payments of long-term bond principal and interest from government resources. The Debt Service Fund, a major fund and a budgeted fund, is used to account for and report the accumulation of financial resources that are restricted for the payment of all long-term debt principal, interest and related costs for the Town.

**Capital projects funds** are used to account for and report financial resources that are restricted, committed, or assigned for (a) the acquisition, construction, or renovation of major capital facilities, (b) ongoing major improvement projects which usually span more than one year, and (c) major equipment or other capital asset acquisitions which are not financed by another fund. The Capital Projects Fund, a major fund and a budgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to equipment, site acquisitions, construction renovation of capital facilities, and other capital assets for the Town except for those financed in the Enterprise Fund.

**Proprietary Fund Types** are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Town has one enterprise fund and has no internal service funds.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating items. Proprietary fund types include the following fund:

**The Stormwater Fund, a major enterprise fund** and a budgeted fund is used to account for and report the costs associated with the management, construction, maintenance, protections, control, regulation, use, and enhancement of stormwater systems and programs within the Town limits in concert with Beaufort County and other water resource management programs. Costs are recovered through user charges in a manner similar to private business enterprises.

*Change in Accounting Principle*

The Town adopted GASB Statement No. 84, *Fiduciary Activities* ("GASB #84") for the year ended June 30, 2021. The primary objective of GASB #84 was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB #84 made it clear that the Firemen's Fund should be reported by the Town in a special revenue fund. The balances and activities were previously recorded in a fiduciary fund.

The adoption of GASB #84 resulted in the restatement of the Town's fund balance and net position as of July 1, 2020 for its governmental funds and government-wide financial statements to reflect the reporting of the Firemen's Fund in the special revenue funds. The fund balance of the Town's governmental funds and net position of the Town's governmental activities as of July 1, 2020 was increased by approximately \$53,000, reflecting the cumulative change in accounting principle related to the adoption of GASB #84.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. *Cash, Cash Equivalents, and Investments*

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Pooled Investment Fund ("Pool") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the pool are reported as investments.

The Town's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the Town to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) 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 HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

- (c) (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.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a fair 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.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) 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 (a), (b), (c), and (f) 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 Town's cash and investment objectives are safety, liquidity and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices. The Town currently or in the past year has primarily used the following investments in its operating activities:

- South Carolina Local Government Investment Pool ("SCLGIP") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The SCLGIP is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and GASB Statement No. 72 "*Fair Value Measurement and Application*", investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the SCLGIP is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.
- Government mutual funds are generally open-ended funds that invest in short term debt securities (including obligations of the United States and related agencies) that generally have a weighted average maturity of less than one year and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

2. *Receivables and Payables*

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund receivables or payables have been recorded.

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes for the past ten years, less an allowance for amounts estimated to be uncollectible. All net property taxes receivable at year end, except those collected within 30 days, are recorded as unavailable revenue (a component of deferred inflows of resources) and thus not recognized as revenue until collected in the governmental funds.

Property taxes are assessed and collected by Beaufort County under a joint billing and collection agreement. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15<sup>th</sup> of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16<sup>th</sup> – 3%, February 1<sup>st</sup> – an additional 7%, and March 16<sup>th</sup> – an additional 5%. On March 16<sup>th</sup>, the property tax bills are transferred to the delinquent tax collection office of Beaufort County and the properties are subject to sale. Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. Other personal property taxes are levied in October and are payable by December 31.

The Town records receivables related to federal, state, and local grants when the reimbursable expenditure is incurred, less an allowance for amounts estimated to be uncollectible (if any). All trade, property taxes, grants, and other receivables are shown net of an allowance for uncollectibles.

3. *Inventories and Prepaid Items*

Inventories and prepaid items, if any, in the governmental funds are accounted for using the purchase method (expensed when paid).

4. *Capital Assets*

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets used in the operations of governmental funds and not specifically related to activities reported in proprietary funds have been reported as assets in the governmental activities column of the government-wide financial statement. Capital assets are defined by the Town as assets including, but not limited to, land, buildings, machinery and equipment with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. The only exception to the \$5,000 threshold is software acquisition. Software and other associated intangibles with an initial individual cost of \$50,000 or more and an estimated useful life in excess of two years are capitalized.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

4. Capital Assets (Continued)

Capital assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at estimated acquisition value (as estimated by the Town) at the date of donation. The costs 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 are depreciated on the straight-line method using the following estimated useful lives:

Category	Estimated Useful Life in Years
Building	25-30 years
Infrastructure	25 years
Vehicles	8-15 years
Furniture, fixtures, and equipment	5-20 years
Roads	25-30 years
Waterway	30 years
Dams	30-50 years
Software	10 years

5. Compensated Absences

The Town has a policy to accrue compensated absences for employees when the obligation relating to the employee's rights to receive compensation is attributable to the employee's services already rendered, when the rights vest and accumulate and when the payment is payable. Vacation pay meets the above criteria for accrual, whereas sick pay does not. Sick pay does not vest until an employee is eligible to retire. In accordance with GASB Statement No. 16, "Accounting for Compensated Absences", no liability is recorded for nonvesting accumulative rights to receive sick pay benefits. The entire compensated absence liability and expense is reported on the government-wide financial statements. Governmental funds will only recognize a liability for compensated absences if they are significant and have matured, for example, as a result of employee resignations or retirements.

Upon retirement, the value of sick leave accruals is contributed to a retirement health savings plan.

The General Fund is used to liquidate the liability for compensated absences.

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expensed in the period incurred.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt and capital leases, compensated absences, contractually required pension contributions, special termination benefits and other similar long-term liabilities that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

6. *Accrued Liabilities and Long-Term Obligations (Continued)*

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt or capital leases issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

7. *Deferred Outflows and Inflows of Resources*

As defined by GASB Concept Statement No. 4 “*Elements of Financial Statements*”, deferred outflows of resources and deferred inflows of resources are the consumption of net assets by the government that are applicable to a future reporting period and an acquisition of net position by the government that are applicable to a future reporting period, respectively.

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has two types of deferred outflows of resources: (1) The Town reports *deferred charges on bond refundings* in its Statement of Net Position. *Deferred charges on bond refundings*, which are the differences between the reacquisition prices and the net carrying amounts of the defeased debt, are deferred and amortized over the shorter of the life of the refunding or refunded bonds. Amortization of *deferred charges on bond refundings* is included in interest expense in the Statement of Activities. (2) The Town also reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina Police Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has three types of deferred inflows of resources: (1) The Town reports *unavailable revenue* only in the governmental funds balance sheet. These items are deferred and recognized as an inflow of resources (revenues) in the period the amounts become available. (2) The Town reports *deferred gains on bond refundings* in its Statement of Net Position. *Deferred gains on bond refundings*, which are the differences between the reacquisition prices and the net carrying amounts of the defeased debt, are deferred and amortized over the shorter of the life of the refunding or refunded bonds. Amortization of *deferred gains on bond refundings* is included in interest expense in the Statement of Activities. (3) The Town also reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Police Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

8. *Fund Balance*

In accordance with GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*” (“GASB #54”), the Town classifies its governmental fund balances as follows:

**Nonspendable** – includes amounts that inherently cannot be spent either because they are not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. Fund Balance (Continued)

**Restricted** – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

**Committed** – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (Town Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed amounts for the Town consist of amounts passed and approved by resolution by Town Council (“Council”).

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed and that such assignments are made before the report issuance date. The Town reserves the right to assign fund balance by a simple majority vote of Council.

**Unassigned** – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town generally uses restricted amounts first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. See Note III.D for more information on fund balance.

9. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. See Note III.E for more information on net position.

10. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances any unused expenditure appropriations lapse at year end.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

*11. Pensions*

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end.

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

*12. Accounting 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. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

*13. Fair Value*

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**13. Fair Value (Continued)**

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

**14. Comparative Data**

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual appropriated budgets are adopted for the General Fund, Debt Service Fund, Capital Projects Fund and the Stormwater Fund. The Town uses the following procedures in establishing budgetary data reflected in these financial statements:

1. The Town Manager submits to Town Council a proposed operating budget for the General Fund, Capital Projects Fund, Debt Service Fund and Stormwater Fund for the year which includes proposed expenditures and the means of financing them.
2. Public hearings are held for taxpayers' comments for the General Fund, Capital Projects Fund, Debt Service Fund and Stormwater Fund budgets.
3. The budgets are legally enacted and adopted by Town Council.
4. Budgetary transfers between departments and projects may be authorized by the Town Manager for up to \$100,000; however, large transfers and any revisions that alter the total expenditures of any fund must be approved by Town Council.

The expenditures may not legally exceed appropriations at the fund level except for additional funds received as grants or donations. Appropriations except capital projects lapse at year-end.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

*Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town’s deposits might not be recovered. The Town does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2021, \$8,767,000 of the Town’s bank balances of approximately \$9,763,000 (with a carrying value of approximately \$9,690,000) were exposed to custodial credit risk, as they were uninsured and uncollateralized. The exposure to custodial credit risk was the result of a manual process performed by the bank that resulted in the posting of collateral based on inaccurate data prepared by the bank. The bank discovered the error on July 1, 2021 and contacted the Town to inform them of the error on the same day. The Town’s deposits were fully collateralized on June 29, 2021 and July 1, 2021.

*Investments*

As of June 30, 2021, the Town had the following investments and maturities:

Investment Type	Fair Value Level <sup>(1)</sup>	Credit Rating <sup>^</sup>	Fair Value	Investment Maturity in Years
SC Local Government Investment Pool	N/A <sup>(2)</sup>	NR, NR	\$ 132,622,037	< 1 year
Open-Ended Mutual Fund Investing in Governmental Securities	Level 1	AAAm, Aaa-mf	3,467,737	< 1 year
Total			\$ 136,089,774	

<sup>(1)</sup> See Note I.C.13 for the details of the Town's fair value hierarchy

<sup>(2)</sup> Investments that have a net asset value are not subject to the fair value hierarchy.

\* Credit ratings are not required for obligations of the US government.

<sup>^</sup> If available, credit ratings are for Standard & Poor's and Moody's Investors Services.

NR - Not Rated

**Interest Rate Risk:** Interest rate risk is limiting investment maturities to help manage exposure to fair value losses from increasing interest rates. The Town’s policy is to minimize interest rate risk by (1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; thereby, avoiding the need to sell securities on the open market prior to maturity and (2) investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk but follows the investment statutes of the state of South Carolina. As of June 30, 2021, none of the Town’s investments were exposed to custodial credit risk.

**Credit Risk for Investments:** Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town’s investment policy minimizes credit risk by limiting investments to the types of securities in compliance with the provisions of South Carolina statutes as discussed previously.

**Concentration of Credit Risk for Investments:** The Town places no limit on the amount the Town may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

*Investments*

Certain cash, cash equivalents and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2021 were (a) those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, impact assessment fees, etc.) and (b) unspent capital lease and bond proceeds.

*Reconciliation to the Financial Statements*

The following table reconciles the amounts reported as deposits and investments in the notes to the financial statements to cash and cash equivalents and investments reported in the financial statements:

	Financial Statements
<hr/>	
Statement of Net Position	
Cash and Cash Equivalents	\$ 145,779,857
Cash and Cash Equivalents - Restricted	109
Total	<u>\$ 145,779,966</u>
<hr/>	
	Notes
Deposits and Cash on Hand	\$ 9,690,192
Investments	136,089,774
Total	<u>\$ 145,779,966</u>

B. Receivables and Unavailable and Unearned Revenues

*Property Taxes*

The Town's fiscal year 2021 real and business personal property taxes (which were for tax year 2020) were levied on September 30, 2020 and were due beginning on this date based on the assessed valuation as of January 1, 2020. Property taxes were normally considered late on January 16, 2021, however the property tax bills were not mailed by Beaufort County until mid-January due to an unexpected delay in calculating the tax bills by the Beaufort County Auditor. Therefore, the payment deadline was extended, for this year only, from January 15, 2021 to March 31, 2021. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Assessed values are established by the Beaufort County Tax Assessor and the South Carolina Tax Commission. The Town's current operating, debt service, and natural disasters millage rates were 17.20 mills, 5.90 mills, and 5.00 mills, respectively. In addition, the Town charges a \$25 road usage fee per vehicle registered at addresses within the Town. Town property taxes and road usage fees are billed and collected by Beaufort County under a joint billing and collection agreement.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable and Unearned Revenues (Continued)

The Town’s governmental activities receivables and allowances at June 30, 2021 consisted of the following:

	Government-wide Financial Statements - Governmental Activities				
	Governmental Fund Financial Statements				
	Beach				
	General Fund	Preservation Fee	Hospitality Fee	Non-Major Governmental	Total Governmental
Receivables:					
EMS fees	\$ 912,592	-	-	-	\$ 912,592
Local accommodations taxes	1,823,306	-	-	-	1,823,306
Other receivables	9,574	-	-	-	9,574
Franchise fees	-	-	-	152,838	152,838
Beach preservation fees	-	3,646,611	-	-	3,646,611
Hospitality fees	-	-	2,092,729	-	2,092,729
Less: EMS allowance	(380,000)	-	-	-	(380,000)
Total Receivables	<u>\$ 2,365,472</u>	<u>3,646,611</u>	<u>2,092,729</u>	<u>152,838</u>	<u>\$ 8,257,650</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable and Unearned Revenues (Continued)

*Due From Other Governments*

The amounts due from other governments to the Town as of June 30, 2021 are as follows:

	Government-Wide Financial Statements - Governmental Activities								
	Governmental Fund Financial Statements								
	General Fund	Tax Increment Financing	Accommodations Taxes	Real Estate Transfer Fees	Debt Service Fund	Capital Projects Fund	Natural Disasters	Non-Major Governmental	Total
Due from other governments:									
Beaufort County:									
Property Taxes	\$ 349,608	-	-	-	61,195	536	49,471	-	\$ 460,810
Other	905,713	-	-	-	-	-	-	-	905,713
Road Usage Fees	-	-	-	-	-	-	-	95,478	95,478
Real Estate Transfer Fees	-	-	-	736,101	-	-	-	-	736,101
Tax Increment Financing	-	9,065	-	-	-	-	-	-	9,065
Grants	-	-	-	-	-	-	-	125,332	125,332
Less: Property Tax Allowance	(52,844)	-	-	-	(18,799)	(535)	(13,542)	-	(85,720)
State of South Carolina:									
Aid to Subdivisions	236,759	-	-	-	-	-	-	-	236,759
Sunday Liquor Fees	-	-	-	-	-	115,209	-	-	115,209
Accommodations Taxes	-	-	4,110,959	-	-	-	-	-	4,110,959
Federal Government:									
FEMA	-	-	-	-	-	-	419,076	-	419,076
Total	<u>\$ 1,439,236</u>	<u>9,065</u>	<u>4,110,959</u>	<u>736,101</u>	<u>42,396</u>	<u>115,210</u>	<u>455,005</u>	<u>220,810</u>	<u>\$ 7,128,782</u>

	Government-Wide Financial Statements - Business-Type Activities								
	Enterprise Fund Financial Statements								
	Stormwater Fund								
Beaufort County:									
Stormwater Fees	\$ 12,218								
Total	<u>\$ 12,218</u>								

*Unavailable and Unearned Revenues*

Governmental funds report as a component of deferred inflows of resources (a) revenues that are not considered to be available to liquidate liabilities (unavailable revenue) and (b) revenues that have been received but are intended to finance future periods (deferred revenue). Governmental funds also defer revenue recognition and report liabilities in connection with resources that have been received but not yet earned (unearned revenue).

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable, Deferred, and Unearned Revenues (Continued)

*Unavailable and Unearned Revenues (Continued)*

At June 30, 2021, the various components of unavailable and unearned revenues were as follows:

	Fund	Deferred Inflows	Liabilities	Total
		of Resources Unavailable	Unearned	
Advance - Miscellaneous	General	\$ -	570	\$ 570
Advance - Revolving Fund Loans	Non-Major Governmental	-	2,683,996	2,683,996
Delinquent Taxes Receivable	General Fund	123,592	-	123,592
Delinquent Taxes Receivable	Debt Service	42,395	-	42,395
Delinquent Taxes Receivable	Natural Disasters	35,928	-	35,928
Grants Receivable - FEMA	Natural Disasters	419,076	-	419,076
Total		<u>\$ 620,991</u>	<u>2,684,566</u>	<u>\$ 3,305,557</u>

C. Interfund Receivables, Payables, and Transfers

*Interfund Receivables and Payables*

Interfund balances at June 30, 2021, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<b><u>Major Governmental Funds:</u></b>		
General Fund	\$ 122,317	\$ 73,635,474
Tax Increment Financing Fund	3,002,567	-
Accommodations Tax Fund	3,794,760	-
Real Estate Transfer Fees Fund	10,000,714	-
Beach Preservation Fees Fund	14,026,346	-
Hospitality Fees Fund	9,007,021	-
Debt Service Fund	10,038,147	-
Capital Projects Fund	5,057,604	121,495
Natural Disasters Fund	29,171	-
<b><u>Other Non-Major Governmental Funds:</u></b>		
Palmetto Electric Franchise Fees Fund	9,000,693	-
Operating Grants Fund	3,105,084	-
Home Grant	79,167	-
Road Usage Fee Fund	3,516,161	-
Firemen's Fund	-	822
<b><u>Proprietary Funds:</u></b>		
Stormwater Fund	2,978,039	-
Totals	<u>\$ 73,757,791</u>	<u>\$ 73,757,791</u>



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables, and Transfers (Continued)

*Interfund Receivables and Payables (Continued)*

Amounts due from/to funds resulted from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30, 2021.

*Interfund Transfers*

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Major Governmental Funds:</u></b>		
General Fund	\$ 6,195,601	\$ -
Tax Increment Financing Fund	-	7,528,273
Accommodations Tax Fund	-	1,706,394
Real Estate Transfer Fee Fund	-	3,842,347
Beach Preservation Fees Fund	-	5,935,458
Hospitality Fees Fund	-	5,534,735
Debt Service Fund	14,363,351	-
Capital Projects Fund	8,317,891	-
Natural Disasters Fund	-	3,537,265
<b><u>Other Non-Major Governmental Funds:</u></b>		
Palmetto Electric Franchise Fees Fund	-	416,352
Road Usage Fee Fund	-	251,019
<b><u>Proprietary Fund:</u></b>		
Stormwater Fund	-	125,000
Totals	<u>\$ 28,876,843</u>	<u>\$ 28,876,843</u>

The Town uses transfers to (1) 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, (2) move Town grant monies from grantor funds to grantee funds, and (3) transfer bond proceeds from the fund that by statute or budget requires to receive them to other funds authorized to execute the project.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Fund Balances

Fund balances for all major and non-major funds as of June 30, 2021 were distributed as follows:

Classification/Fund	Purpose	Amount
Restricted:		
Tax Increment Financing District	Economic development	\$ 3,967,581
Accommodations Tax	Tourism promotion	7,015,839
Real Estate Transfer Fee	Environmental conservation	10,975,937
Beach Preservation Fee	Beach renourishment	13,537,345
Hospitality Fee	Public health and safety	11,988,636
Debt Service	Debt service payments	11,095,631
Capital Projects	Construction of major capital facilities	7,774,484
Natural Disasters	Response to natural disasters	33,977,293
Palmetto Electric	Underground electrical service	10,311,833
HOME Grant	HOME grant program	8,760
Federal & Operating Grants	Federal and operating grants	584,996
Road Usage Fee	Road projects	3,611,639
One Percent	Fireman's fund	57,064
Committed:		
General	Disaster recovery	17,593,863
Beach Preservation Fee	Beach renourishment	5,080,403
Assigned:		
General	Town Council initiatives	424,261
Unassigned:		
General		7,657,894
Total Fund Balance		\$ 145,663,459

In relation to fund balance committed for Disaster Recovery, the Town Council has established:

- **Committed for Operating Expenditures** – The Town will establish and maintain an operating balance based on a range with a minimum of 35% up to a maximum of 40% of the Town’s adopted fiscal year operating budget. The operating balance may be utilized for emergency purposes in post-disaster occurrences; to offset an early fiscal year tax revenue income stream deficiency; and to avoid emergency Town borrowing or use of tax anticipation notes. The Director of Finance is authorized to transfer the amount of undesignated fund balance above the 40% maximum into the debt service fund to maintain an account for the reduction of Town debt. This account shall be called debt defeasance. An annual report shall be given each year in conjunction with the budget. The Town had the full 40% committed in fund balance of approximately \$17,594,000 at June 30, 2021.
- **Committed for Advertising Expenditures** – The Town will set aside 2% of the 2% local hospitality tax and 5% of the 1% local accommodations tax revenues collected annually into an advertising account. These funds are committed for disaster management communications oriented programs. The fund will be used to provide post disaster advertising, a communications link to emergency agencies, and media programs to provide public notice. Funds may be distributed upon authorization by the Town Manager. The total amount of funds for this purpose will not exceed \$1,000,000, which is included in the Natural Disasters Fund. Annual interest earned on funds will also be deposited into the account.



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

**III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**F. Accommodations Tax Fund**

Accommodations Tax Fund is a Special Revenue Fund used to record Accommodations Tax receipts and grants approved by Town Council payable out of appropriations. Thirty percent (approximately \$3,048,000) and five percent (approximately \$508,000) of Accommodations Taxes after deducting a \$25,000 transfer to the General Fund are required to be transferred to the Hilton Head Island Chamber of Commerce Visitor and Convention Bureau and the General Fund, respectively. The remaining amounts are allocated to various projects approved by Town Council and these projects must be tourism-related. Town Council has adopted a policy whereby the appropriations for an individual grant will lapse if the project is not underway by December 31 of the year following appropriation. The grant can be extended, by the Town Manager, for one additional calendar year.

Due to the COVID-19 disruption, Town Council approved a one-year extension for all 2020 Accommodation Tax grants, enabling the grant recipients the ability to use the 2020 funding through December 31, 2021, if needed.

Town Council has approved amounts for calendar year 2021 as follows:

Grantee	Appropriations
Art League of Hilton Head	\$ 65,000
Arts Center of Coastal Carolina	325,000
David M. Carmines Memorial Foundation	115,000
Gullah Museum of Hilton Head Island	17,000
Hilton Head Choral Society	16,000
Hilton Head Concours d'Elegance	88,000
Hilton Head Dance Theater	19,000
HHI Airport	165,000
HHI Land Trust	28,684
HHI Recreation Association	10,000
HHI Wine and Food, Inc.	88,000
HHI-Bluffton Chamber of Commerce VCB	350,000
Hilton Head Symphony Orchestra	270,000
Lean Ensemble Theatre	40,000
Lowcountry Golf Course Owners Association	50,000
Lowcountry Gullah	75,000
Main Street Youth Theater	25,000
Mitchelville Preservation Project	185,000
Native Island Business & Community	225,000
Operation R&R	2,000
The Coastal Discovery Museum-Operations	310,000
The Coastal Discovery Museum-Honey Horn Capital Improvements	350,000
The First Tee of the Lowcountry	25,000
The Heritage Library	110,000
The Outside Foundation	10,367
The Sandbox	17,875
Town of Hilton Head Island	1,000,000
World Affairs Council of HH	8,984
Total	<u>\$ 3,990,910</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

G. Capital Assets

Capital asset activity for the Town’s governmental activities for the year ended June 30, 2021, was as follows:

<u>Primary Government</u>	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 168,159,310	2,338,171	-	-	\$ 170,497,481
Development Rights	10,734,391	-	-	-	10,734,391
Easements/Right-of-Ways	3,548,960	-	-	-	3,548,960
Construction In Progress	21,201,706	784,945	-	(20,632,496)	1,354,155
Total Capital Assets, Non-Depreciable	<u>203,644,367</u>	<u>3,123,116</u>	<u>-</u>	<u>(20,632,496)</u>	<u>186,134,987</u>
Capital Assets, Depreciable:					
Buildings	44,361,644	4,963,206	593,895	-	48,730,955
Furniture, Fixtures and Equipment	4,959,259	82,332	-	-	5,041,591
Vehicles	9,397,664	67,690	32,462	-	9,432,892
Improvements Other Than Buildings:					
Park Development	17,768,431	4,600,519	-	12,095,541	34,464,491
Infrastructure	46,001,697	-	-	8,536,955	54,538,652
Total Capital Assets, Depreciable	<u>122,488,695</u>	<u>9,713,747</u>	<u>626,357</u>	<u>20,632,496</u>	<u>152,208,581</u>
Less: Accumulated Depreciation for:					
Buildings	15,738,671	1,603,902	523,925	-	16,818,648
Furniture, Fixtures and Equipment	4,226,759	275,836	-	-	4,502,595
Vehicles	4,860,641	701,730	32,461	-	5,529,910
Improvements Other Than Buildings:					
Park Development	6,971,282	766,391	-	-	7,737,673
Infrastructure	21,217,163	1,799,218	-	-	23,016,381
Total Accumulated Depreciation	<u>53,014,516</u>	<u>5,147,077</u>	<u>556,386</u>	<u>-</u>	<u>57,605,207</u>
Total Capital Assets, Depreciable, Net	<u>69,474,179</u>	<u>4,566,670</u>	<u>69,971</u>	<u>20,632,496</u>	<u>94,603,374</u>
Total Capital Assets, Net	<u>\$ 273,118,546</u>	<u>7,689,786</u>	<u>69,971</u>	<u>-</u>	<u>\$ 280,738,361</u>

Capital asset depreciation expense for governmental activities was charged to functions/programs as follows:

Functions/Programs	Depreciation
General Government	\$ 822,435
Management Services	128,411
Community Services	2,631,008
Public Safety	1,565,223
Total	<u>\$ 5,147,077</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

**III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**G. Capital Assets (Continued)**

Capital asset activity for the Town’s business-type activities for the year ended June 30, 2021, was as follows:

<u>Primary Government (continued)</u> <u>Business-Type Activities</u>	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Depreciable:					
Infrastructure	\$ 24,444,469	1,710,612	-	-	\$ 26,155,081
Total Capital Assets, Depreciable	<u>24,444,469</u>	<u>1,710,612</u>	<u>-</u>	<u>-</u>	<u>26,155,081</u>
Less: Accumulated Depreciation for:					
Infrastructure	11,473,800	1,285,588	-	-	12,759,388
Total Accumulated Depreciation	<u>11,473,800</u>	<u>1,285,588</u>	<u>-</u>	<u>-</u>	<u>12,759,388</u>
Total Capital Assets, Depreciable, Net	<u>12,970,669</u>	<u>425,024</u>	<u>-</u>	<u>-</u>	<u>13,395,693</u>
Total Capital Assets, Net	<u>\$ 12,970,669</u>	<u>425,024</u>	<u>-</u>	<u>-</u>	<u>\$ 13,395,693</u>

Capital asset depreciation expense for business-type activities was charged to functions/programs as follows:

Functions/Programs	Depreciation
Stormwater	\$ 1,285,588
Total	<u>\$ 1,285,588</u>

Improvements by the Town to roads and other infrastructure owned by the federal, state, or local governments are not capitalized but are expensed as incurred as community services expenditures.

**H. Long-Term Obligations**

The Town issues bonds to provide funds for the acquisition and construction of major capital facilities as well as the purchase of land. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the Town. Tax Increment Financing Bonds (“TIFB”) are considered a special obligation of the Town payable solely from ad valorem taxes generated by improvements to real property within the redevelopment project area. The full faith, credit, and taxing powers of the Town are not pledged for the payment of the TIFB nor the interest thereon. Special Obligation Bonds (“SOB”) are considered a special obligation of the Town payable from a specified revenue source, such as hospitality tax, beach preservation fees, stormwater fees, etc. The full faith, credit and taxing powers of the Town are not pledged for the payment of the SOB nor the interest thereon.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

Details on the Town’s outstanding debt issues as of June 30, 2021 are as follows:

*General Obligation Bonds*

**\$5,005,000 General Obligation Bonds Dated September 9, 2009**

On September 9, 2009, the Town issued \$5,005,000 in general obligation bonds with an average interest rate of 2.72% to advance refund \$4,900,000 general obligation bonds dated November 16, 1999 with an average interest rate of 5.56%. The net proceeds of \$5,248,484 including a premium of \$34,061 (after payment of \$139,061 in issuance costs) and funds on hand were used to purchase United States government securities. These general obligation bonds were refunded to reduce total debt service payments over the life of the bonds and to obtain an economic gain. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	3.250	\$ 54,906	430,000	\$ 484,906
2023	3.375	40,409	445,000	485,409
2024	3.500	24,850	460,000	484,850
2025	3.500	8,400	480,000	488,400
		<u>\$ 128,565</u>	<u>\$ 1,815,000</u>	<u>\$ 1,943,565</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

**\$5,000,000 General Obligation Bonds Dated June 18, 2013**

On June 18, 2013, the Town issued \$5,000,000 in general obligation bonds to finance land acquisition. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	5.000	\$ 19,167	186,111	\$ 205,278
2023	5.000	9,861	197,222	207,083
		<u>\$ 29,028</u>	<u>\$ 383,333</u>	<u>\$ 412,361</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

*General Obligation Bonds (Continued)*

**\$4,000,000 General Obligation Bonds Dated June 18, 2013**

On June 18, 2013, the Town issued \$4,000,000 in general obligation bonds to finance land acquisition. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	5.000	\$ 15,333	148,889	\$ 164,222
2023	5.000	7,889	157,778	165,667
		<u>\$ 23,222</u>	<u>\$ 306,667</u>	<u>\$ 329,889</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

**\$13,080,000 General Obligation Bonds Dated September 14, 2016**

On September 14, 2016, the Town issued \$13,080,000 in general obligation bonds with a net interest rate of 0.999% to advance refund \$13,210,000 general obligation bonds dated March 15, 2005. The net proceeds of \$13,593,831 including \$513,831 in premiums (after payment of \$209,846 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for in substance defeasance. These general obligation bonds were refunded to reduce total debt service by \$1,272,716 over the life of the bonds and to obtain a present value economic gain of \$1,219,122. A schedule for the amount due for this refunded issue is as follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	4.000	\$ 52,425	765,000	\$ 817,425
2023	1.500	31,050	810,000	841,050
2024	1.500	18,788	825,000	843,788
2025	1.500	6,300	840,000	846,300
		<u>\$ 108,563</u>	<u>\$ 3,240,000</u>	<u>\$ 3,348,563</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay the first \$1,347,000 annually. The remaining annual debt service requirement is funded by transfers of real estate transfer fees to the Debt Service Fund.



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

*General Obligation Bonds (Continued)*

**\$9,035,000 General Obligation Bonds Dated September 14, 2016**

On September 14, 2016, the Town issued \$9,035,000 in general obligation bonds with a net interest rate of 1.98% to advance refund \$9,515,000 general obligation bonds dated February 3, 2010. The net proceeds of \$9,708,531 including \$673,531 in premiums (after payment of \$173,384 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for in substance defeasance. These general obligation bonds were refunded to reduce total debt service over the life of the bonds by \$1,281,272 and to obtain a present value economic gain of \$1,225,838. A schedule for the amount due for this refunded issue is as follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	4.000	\$ 215,838	585,000	\$ 800,838
2023	4.000	192,438	605,000	797,438
2024	4.000	168,238	635,000	803,238
2025	4.000	142,838	665,000	807,838
2026	4.000	116,238	465,000	581,238
2027-2031	2.000	393,488	2,420,000	2,813,488
2032-2035	various	127,688	2,155,000	2,282,688
		<u>\$ 1,356,766</u>	<u>7,530,000</u>	<u>\$ 8,886,766</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

**\$5,770,000 General Obligation Bonds Dated September 14, 2016**

On September 14, 2016, the Town issued \$5,770,000 in general obligation bonds with a net interest rate of 1.629% to advance refund \$5,715,000 general obligation bonds dated March 4, 2008. The net proceeds of \$6,156,989 including \$386,989 in premiums (after payment of \$102,706 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for in substance defeasance. These general obligation bonds were refunded to reduce total debt service over the life of the bonds by \$446,334 and to obtain a present value economic gain of \$430,003. A schedule for the amount due for this refunded issue is as follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	4.000	\$ 61,500	925,000	\$ 986,500
2023	2.000	32,350	1,065,000	1,097,350
2024	2.000	10,850	1,085,000	1,095,850
		<u>\$ 104,700</u>	<u>\$ 3,075,000</u>	<u>\$ 3,179,700</u>

Transfers from the Real Estate Transfer Fee Fund to the Debt Service Fund are used to repay these bonds.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

*General Obligation Bonds (Continued)*

**\$27,310,000 General Obligation Bonds Dated September 21, 2017**

On September 21, 2017, the Town issued \$27,310,000 in general obligation bonds to fund the Capital Improvements Plan. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	5.000	\$ 926,069	640,000	\$ 1,566,069
2023	5.000	894,069	570,000	1,464,069
2024	5.000	865,569	605,000	1,470,569
2025	5.000	835,319	940,000	1,775,319
2026	5.000	788,319	780,000	1,568,319
2027-2031	various	3,449,433	4,385,000	7,834,433
2032-2036	3.000	2,748,815	5,075,000	7,823,815
2037-2041	various	1,935,408	5,895,000	7,830,408
2042-2046	3.250	933,726	6,905,000	7,838,726
2047	3.250	49,238	1,515,000	1,564,238
		<u>\$ 13,425,965</u>	<u>\$ 27,310,000</u>	<u>\$ 40,735,965</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

**\$18,000,000 General Obligation Bonds Dated September 21, 2017**

On September 21, 2017, the Town issued \$18,000,000 in general obligation bonds to replenish reserves used to respond to Hurricane Matthew. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	2.000	\$ 140,665	3,395,000	\$ 3,535,665
2023	2.100	72,765	3,465,000	3,537,765
		<u>\$ 213,430</u>	<u>\$ 6,860,000</u>	<u>\$ 7,073,430</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

*General Obligation Bonds (Continued)*

**\$5,000,000 General Obligation Bonds Dated May 8, 2019**

On May 8, 2019, the Town issued \$5,000,000 in general obligation bonds with an average interest rate of 3.40% to provide for the capital improvements plan of 2019 and 2020. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	5.000	\$ 174,900	180,000	\$ 354,900
2023	5.000	165,900	185,000	350,900
2024	5.000	156,650	195,000	351,650
2025	5.000	146,900	205,000	351,900
2026	5.000	136,650	215,000	351,650
2027-2031	various	515,700	1,245,000	1,760,700
2032-2036	3.000	285,150	1,480,000	1,765,150
2037-2039	3.000	60,150	995,000	1,055,150
		<u>\$ 1,642,000</u>	<u>\$ 4,700,000</u>	<u>\$ 6,342,000</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

**\$5,830,000 General Obligation Bonds Dated December 3, 2020**

On December 3, 2020, the Town issued \$5,830,000 in general obligation bonds with a Net Interest Rate of 0.6142% to currently refund \$6,665,000 general obligation bonds Series dated August 3, 2011. The net proceeds of \$6,778,109, including a premium of \$1,145,085 (after payment of \$194,823 in issuance costs) were used in the current refunding. These general obligation bonds were refunded to reduce total debt service by \$721,624 over the life of the bonds and to obtain a present value economic gain of \$705,853. A schedule for the amount due for this refunded issue is as follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	5.000	\$ 273,600	605,000	\$ 878,600
2023	5.000	243,350	640,000	883,350
2024	5.000	211,350	670,000	881,350
2025	5.000	177,850	705,000	882,850
2026	5.000	142,600	740,000	882,600
2027-2028	various	206,200	2,445,000	2,651,200
		<u>\$ 1,254,950</u>	<u>\$ 5,805,000</u>	<u>\$ 7,059,950</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

*General Obligation Bonds (Continued)*

**\$6,285,000 General Obligation Bonds Dated December 3, 2020**

On December 3, 2020, the Town issued \$6,285,000 in general obligation taxable bonds with a Net Interest Rate of 1.647% to advance refund \$5,585,000 general obligation bonds Series dated June 18, 2013. The net proceeds of \$6,116,265, including a premium of \$42,890 (after payment of \$210,808 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for an advanced refunding. These general obligation bonds were refunded to reduce total debt service by \$472,376 over the life of the bonds and to obtain a present value economic gain of \$425,404. We have apportioned the bonds 55.55% /44.45% between this issue to delineate how much is applicable to the debt limit. A schedule for the amount due for this refunded issue is as follows:

**\$3,491,317.50 portion (55.55%) General Obligation Bonds – applicable to the debt limit**

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	3.000	\$ 56,617	47,218	\$ 103,835
2023	3.000	55,200	49,995	105,195
2024	3.000	53,700	255,530	309,230
2025	0.750	46,034	263,863	309,897
2026	0.950	44,055	266,640	310,695
2027-2031	various	174,015	1,380,418	1,554,433
2032-2035	various	58,447	1,185,993	1,244,440
		<u>\$ 488,068</u>	<u>\$ 3,449,657</u>	<u>\$ 3,937,725</u>

**\$2,793,682.50 portion (44.45%) General Obligation Bonds – not applicable to the debt limit**

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	3.000	\$ 45,303	37,782	\$ 83,085
2023	3.000	44,170	40,005	84,175
2024	3.000	42,970	204,470	247,440
2025	0.750	36,836	211,138	247,974
2026	0.950	35,252	213,360	248,612
2027-2031	various	139,243	1,104,583	1,243,826
2032-2035	various	46,768	949,005	995,773
		<u>\$ 390,542</u>	<u>\$ 2,760,343</u>	<u>\$ 3,150,885</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

*Special Obligation Bonds*

**\$30,075,000 Special Obligation Bonds (Beach Preservation Fees) Dated September 28, 2017**

On September 28, 2017, the Town issued \$30,075,000 special obligation bonds (beach preservation fee) to finance beach renourishment projects. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	5.000	\$ 1,094,125	2,865,000	\$ 3,959,125
2023	5.000	947,375	3,005,000	3,952,375
2024	5.000	793,375	3,155,000	3,948,375
2025	5.000	631,625	3,315,000	3,946,625
2026	5.000	461,750	3,480,000	3,941,750
2027-2028	5.000	379,375	7,495,000	7,874,375
		<u>\$ 4,307,625</u>	<u>\$ 23,315,000</u>	<u>\$ 27,622,625</u>

Beach Preservation fees are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.

**\$28,530,000 Special Obligation Bonds Tax Increment Financing (TIF) Dated July 27, 2017**

On July 27, 2017, the Town issued \$28,530,000 in special obligation bonds (tax increment financing) to fund TIF projects within the Capital Improvement Plans. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	1.780	\$ 267,712	3,660,000	\$ 3,927,712
2023	1.780	202,564	3,725,000	3,927,564
2024	1.780	136,259	3,795,000	3,931,259
2025	1.780	68,708	3,860,000	3,928,708
		<u>\$ 675,243</u>	<u>\$ 15,040,000</u>	<u>\$ 15,715,243</u>

TIF revenues are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.

**\$16,520,000 Special Obligation Bonds (Hospitality) Dated October 29, 2019**

On October 29, 2019, the Town issued \$16,520,000 in special obligation refunding bonds (hospitality) with a net interest rate of 2.84% to advance refund the remaining portion of the Town's outstanding Series 2011A and Series 2011B Special Obligation Bonds. The net proceeds of \$16,006,603 (net of issuance costs of \$513,397), along with \$1,635,176 released from the Series 2011 Bond debt service reserve funds, were used to purchase United States government securities placed in an irrevocable trust for in-substance defeasance. These special obligation bonds were refunded to reduce total debt service over the life of the bonds by \$2,524,469 and to obtain a net present value economic gain of \$433,665. A schedule of the amount due for this refunding is as follows:

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

*Special Obligation Bonds (Continued)*

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2022	2.020	\$ 371,406	1,075,000	\$ 1,446,406
2023	2.060	349,691	1,095,000	1,444,691
2024	2.160	327,134	1,110,000	1,437,134
2025	2.350	303,158	1,140,000	1,443,158
2026	2.450	276,368	1,165,000	1,441,368
2027-2031	various	963,727	4,580,000	5,543,727
2032-2036	various	387,239	4,040,000	4,427,239
		<u>\$ 2,978,723</u>	<u>\$ 14,205,000</u>	<u>\$ 17,183,723</u>

Hospitality revenues are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.

**\$3,200,000 Stormwater Bonds Dated January 31, 2018**

On January 31, 2018, the Town issued \$3,200,000 in revenue bonds to fund Stormwater projects. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Business-Type Activities		
		Interest	Principal	Total
2022	2.710	\$ 62,195	300,000	\$ 362,195
2023	2.710	54,065	310,000	364,065
2024	2.710	45,664	320,000	365,664
2025	2.710	36,992	330,000	366,992
2026	2.710	28,049	335,000	363,049
2027-2028	2.710	28,591	700,000	728,591
		<u>\$ 255,556</u>	<u>\$ 2,295,000</u>	<u>\$ 2,550,556</u>

Payments on these special revenue bonds will be funded with Stormwater revenues.

**\$5,630,000 Stormwater Bonds Dated January 14, 2021**

On January 14, 2021, the Town issued \$5,630,000 in special obligation refunding bonds (Stormwater) with a net interest rate of 0.83% to currently refund the remaining portion of the Town's outstanding Series 2010 Special Obligation Bonds (Stormwater). The net proceeds (net of issuance costs of \$144,000), along with \$870,555 contribution from Stormwater funds, were used to currently refund the Series 2010 Bonds. These special obligation bonds were refunded to reduce total debt service over the life of the bonds by \$1,022,207 and to obtain a net present value economic gain of \$156,124. A schedule of the amount due for this refunding is as follows:

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

*Special Obligation Bonds (Continued)*

For the Year Ending June 30	Interest Rate by Year (%)	Business-Type Activities		
		Interest	Principal	Total
2022	0.830	\$ 38,263	905,000	\$ 943,263
2023	0.830	30,752	915,000	945,752
2024	0.830	23,157	920,000	943,157
2025	0.830	15,521	930,000	945,521
2026	0.830	7,802	940,000	947,802
		<u>\$ 115,495</u>	<u>\$ 4,610,000</u>	<u>\$ 4,725,495</u>

Payments on these bonds will be funded with Stormwater revenues.

*Legal Debt Limit*

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

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

In addition, Hilton Head Island’s Town Council imposes an 80% cap on the debt limit or a minimum of \$20,000,000. Below is the calculation of the legal debt limit as of June 30, 2021:

Assessed Value	<u>\$ 1,001,752,640</u>
Debt Limit - Eight Percent (8%) of Assessed Value, without voter's approval	<u>80,140,211</u>
Council Imposed 80% Cap or Minimum of \$20,000,000	60,140,211
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonds 2009A (Refunding of Series 1999A)	(1,815,000)
General Obligation Bonds 2013A (Partial)	(306,667)
General Obligation Bonds 2017A	(27,310,000)
General Obligation Bonds 2017B	(6,860,000)
General Obligation Bonds 2019	(4,700,000)
General Obligation Bonds 2020B (Refunding)	<u>(3,449,657)</u>
Total Amount Applicable to Debt Limit	(44,441,324)
Legal Debt Margin without a Referendum	<u><u>\$ 15,698,887</u></u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the Town's governmental activities for the year ended June 30, 2021:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt:					
General Obligation Bonds:					
GOB - September 2009 (\$5.005M)	\$ 2,235,000	-	420,000	1,815,000	\$ 430,000
GOB - August 2011 (\$12.385M)	7,375,000	-	7,375,000	-	-
GOB - June 2013 (\$5.0M)	3,666,669	-	3,283,336	383,333	186,111
GOB - June 2013 (\$4.0M)	2,933,331	-	2,626,664	306,667	148,889
GOB - September 2016 (\$13.08M)	4,980,000	-	1,740,000	3,240,000	765,000
GOB - September 2016 (\$9.035M)	8,080,000	-	550,000	7,530,000	585,000
GOB - September 2016 (\$5.77M)	3,985,000	-	910,000	3,075,000	925,000
GOB - September 2017 (\$27.31M)	27,310,000	-	-	27,310,000	640,000
GOB - September 2017 (\$18.0M)	10,190,000	-	3,330,000	6,860,000	3,395,000
GOB - May 2019 (\$5.0M)	4,870,000	-	170,000	4,700,000	180,000
GOB - December 2020 (\$5.83M)	-	5,830,000	25,000	5,805,000	605,000
GOB - December 2020 (\$6.285M)	-	6,285,000	75,000	6,210,000	85,000
Total General Obligation Bonds	<u>75,625,000</u>	<u>12,115,000</u>	<u>20,505,000</u>	<u>67,235,000</u>	<u>7,945,000</u>
Special Obligation Bonds:					
SOB - September 2017 (\$30.075M)	26,070,000	-	2,755,000	23,315,000	2,865,000
SOB - October 2019 (\$16.520M)	15,255,000	-	1,050,000	14,205,000	1,075,000
Total Special Obligation Bonds	<u>41,325,000</u>	<u>-</u>	<u>3,805,000</u>	<u>37,520,000</u>	<u>3,940,000</u>
Tax Increment Financing Bonds:					
TIFB - July 2017 (\$28.53M)	18,635,000	-	3,595,000	15,040,000	3,660,000
Total Tax Increment Financing Bonds	<u>18,635,000</u>	<u>-</u>	<u>3,595,000</u>	<u>15,040,000</u>	<u>3,660,000</u>
Subtotal	135,585,000	12,115,000	27,905,000	119,795,000	15,545,000
Premiums on Bonds	6,237,438	1,187,976	1,335,242	6,090,172	-
Total Debt	<u>141,822,438</u>	<u>13,302,976</u>	<u>29,240,242</u>	<u>125,885,172</u>	<u>15,545,000</u>
Compensated Absences	5,288,294	2,725,212	2,779,235	5,234,271	2,617,136
Total Long-Term Obligations	<u>\$ 147,110,732</u>	<u>16,028,188</u>	<u>32,019,477</u>	<u>131,119,443</u>	<u>\$ 18,162,136</u>



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the Town’s business-type activities for the year ended June 30, 2021:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt:					
Revenue Bonds:					
December 2010 (\$13.81M)	\$ 6,265,000	-	6,265,000	-	\$ -
January 2018 (\$3.2M)	2,590,000	-	295,000	2,295,000	300,000
January 2021 (\$5.63M)	-	5,630,000	1,020,000	4,610,000	905,000
Total Revenue Bonds	<u>8,855,000</u>	<u>5,630,000</u>	<u>7,580,000</u>	<u>6,905,000</u>	<u>1,205,000</u>
Total Long-Term Obligations	<u>\$ 8,855,000</u>	<u>5,630,000</u>	<u>7,580,000</u>	<u>6,905,000</u>	<u>\$ 1,205,000</u>

Presented below is a summary of debt service requirements to maturity by year for the Town’s governmental and business-type activities as of June 30, 2021:

For the Year Ended June 30	Governmental Activities			Business-type Activities		
	Interest	Principal	Total	Interest	Principal	Total
2022	\$ 3,769,566	15,545,000	19,314,566	100,458	1,205,000	\$ 1,305,458
2023	3,289,081	16,055,000	19,344,081	84,817	1,225,000	1,309,817
2024	2,809,733	12,995,000	15,804,733	68,821	1,240,000	1,308,821
2025	2,403,968	12,625,000	15,028,968	52,513	1,260,000	1,312,513
2026	2,001,233	7,325,000	9,326,233	35,851	1,275,000	1,310,851
2027-2031	6,221,185	25,055,000	31,276,185	28,591	700,000	728,591
2032-2036	3,654,109	14,885,000	18,539,109	-	-	-
2037-2041	1,995,558	6,890,000	8,885,558	-	-	-
2042-2046	933,726	6,905,000	7,838,726	-	-	-
2047	49,238	1,515,000	1,564,238	-	-	-
Total	<u>\$ 27,127,397</u>	<u>\$ 119,795,000</u>	<u>\$ 146,922,397</u>	<u>\$ 371,051</u>	<u>\$ 6,905,000</u>	<u>\$ 7,276,051</u>

**Defeased Debt**

The Town has defeased various bond issues by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The liability of the defeased bonds has been removed from the Town’s long-term debt and the trust account assets are not included in these statements. At June 30, 2021, outstanding in-substance defeased debt was \$5,585,000 and is scheduled for payment on March 1, 2023.

**Debt from Direct Placement / Borrowing**

The Town’s outstanding Series 2017 Tax Increment Financing Bonds, Series 2018 Stormwater Revenue Bonds, and Series 2021 Stormwater Revenue Bonds are direct placements / direct borrowings. Direct placements / borrowings generally contain provisions that in an event of default, outstanding amounts can become immediately due if the Town is unable to make payment, and they may contain collateral provisions.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

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**IV. OTHER INFORMATION**

**A. Contingencies**

Arbitrage - State and local bonds issued after 1984 are subject to arbitrage restrictions as enacted by the Federal government. To retain the bond's tax exempt status, local governments must meet the regulations as adopted by the U.S. Treasury Department. The proceeds from the bond issue must not be invested, for more than a temporary period, in obligations producing a materially higher yield than the bond issue. To maintain tax exempt status, the yield earned at the materially higher rate over the bond cost must be remitted to the U.S. Treasury every five years. Exceptions to the regulations include the requirement that the local government expend all the bond proceeds within designated periods which could be up to three years. Based on preliminary calculations by the Town's Management, the Town is not earning materially higher yields and it expects to expend all funds within the designated time.

Risk Management and Litigation - 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 participates in the State of South Carolina insurance fund and also purchases commercial insurance as its primary defense against losses arising from the above. The fund provides beneficial insurance rates with regular insurance coverage. The fund is not considered a risk pool. The amount of settlements has not exceeded insurance coverage over the past three fiscal years.

The Town has also designated a portion of its fund balance to defray the extraordinary costs it anticipates it would incur during a natural disaster. These anticipated costs are for employee overtime, disaster aid and the like. All risk management activities are accounted for in the general fund.

Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. No amount for claims has been accrued at June 30, 2021.

Lawsuits - The Town has been named in several lawsuits concerning zoning, enforcement of Town ordinances and for performance. None of these suits claim any damages.

The Town has been named in several lawsuits concerning other matters asserting monetary damages. The cases are in preliminary stages and the possible outcome or damages are unknown at this time. The Town carries liability insurance, and these lawsuits, with the exception of the lawsuit discussed below, should be covered. Management does not believe that any of these will have a material effect on the financial statements.

Beaufort County Sheriff's Fees – The Town has accrued \$2,000,000 for sheriff's services provided by Beaufort County for the fiscal year ended June 30, 2021. In prior fiscal years, the Town paid over \$3,000,000 per year to Beaufort County for sheriff's services.

After completing a study of the services provided by the sheriff's office, the Town determined that the sheriff's services provided by Beaufort County were consistent with the sheriff services provided to other areas of Beaufort County. Therefore, the Town's position was the sheriff services provided should be covered by the property taxes paid by Town property owners to the County, and no additional fees should be paid by the Town to Beaufort County.

Negotiations between the Town and Beaufort County failed in July 2020, where the Town proposed to pay \$2,000,000 per year for sheriff's services and for the Town to take on some additional financial responsibilities from the County.

The Town has estimated that \$2,000,000 is the appropriate liability for sheriff's services provided by Beaufort County for the fiscal year ended June 30, 2021 and has properly accrued a liability equal to that amount. This liability is included in Due to Other Governments on the financial statements.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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IV. OTHER INFORMATION (CONTINUED)

**B. Retirement Plans**

*Great-West Life and Annuity Retirement Plan*

The Town established a defined contribution 401(a) money purchase plan on February 15, 1984, effective for the fiscal year beginning July 1, 1984, for all full-time employees. That Plan was effective through December 31, 1996, at which time the funds were rolled over to a 401(k) plan effective January 1, 1997. The plan is administered by and the funds are held by the Great-West Life & Annuity Company, a retirement plan administrator. All full-time and part-time employees are covered by the plan except those covered by the South Carolina Police Officers Retirement System (“PORS”) plan and are fully vested after five years of service. The plan calls for employer contributions to include a 5% automatic contribution, 100% match of the employee’s first 4% contribution and 50% match of the next 4% contributed. All plan amendments must be approved by the Town Manager or his designee.

For the years ended June 30, 2021, 2020, and 2019, employer contributions were based on a total payroll of approximately \$9,762,000, \$9,548,000, and \$9,063,000, respectively. The amount contributed by the employer for the year ended June 30, 2021 was approximately \$1,006,000 or 10.3% of covered payroll. During the years ended June 30, 2020 and 2019, approximately \$974,000 and \$926,000 were contributed to the plan by the employer, respectively. Employee contributions to the plan were approximately \$888,000 or 9.1% of covered payroll for year ended June 30, 2021.

*State Retirement Plan*

The Town participates in the State of South Carolina’s retirement plans. The South Carolina Public Employee Benefit Authority (“PEBA”), created on July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ (“Systems”) five defined benefit plans. PEBA has an 11-member Board of Directors (“PEBA Board”), appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (“SFAA”), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The PEBA issues a Comprehensive Annual Financial Report (“Annual Report”) containing financial statements and required supplementary information for the System’ Pension Trust Funds. The Annual Report is publicly available through the Retirement Benefits’ link on the PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plan (Continued)*

*Plan Description*

The South Carolina Police Officers Retirement System (“PORS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

*Plan Membership*

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under the system is presented below.

- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in the PORS. Magistrates are required to participate in the PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

*Plan Benefits*

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of benefit terms for the system is presented below.

- PORS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plan (Continued)*

*Plan Contributions*

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (“UAAL”) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the PEBA Board is prohibited from decreasing the PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the PEBA Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

As noted earlier, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town’s contributions are actuarially determined but are communicated to and paid by the Town as a percentage of the employees’ annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

	PORS Rates		
	2019	2020	2021
Employer Contribution Rate: <sup>^</sup>			
Retirement	16.84%	17.84%	17.84%
Incidental Death Benefit	0.20%	0.20%	0.20%
Accidental Death Contributions	0.20%	0.20%	0.20%
	<u>17.24%</u>	<u>18.24%</u>	<u>18.24%</u>
Employee Contribution Rate	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>

<sup>^</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plan (Continued)*

*Plan Contributions (Continued)*

The required contributions and percentages of amounts contributed to the Plan for the past three years were as follows:

Year Ended June 30,	PORS Contributions	
	Required	% Contributed
2021	\$ 1,687,637	100%
2020	1,582,361	100%
2019	\$ 1,456,287	100%

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly (“State”) funded 1 percent of the PORS contribution increase for the year ended June 30, 2020. The State’s budget appropriated these funds directly to the PEBA for the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2020 (measurement date) to the Town was approximately \$81,000 for the PORS.

The Town recognized contributions (on-behalf benefits) from the State of approximately \$81,000 for the year ended June 30, 2021. These contributions by the State are recognized as intergovernmental revenues and pension expenditures in the Town’s governmental fund financial statements.

Eligible payrolls of the Town covered under the Plan for the past three years were as follows:

Year Ended June 30,	PORS Payroll	
2021	\$	9,252,397
2020		8,675,225
2019	\$	8,447,139

*Actuarial Assumptions and Methods*

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the System was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation (previous report was issued for the period ending June 30, 2015).

The June 30, 2020 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2019. The TPL was rolled-forward from the valuation date to the Plan’s fiscal year end, June 30, 2020, using generally accepted actuarial principles.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plan (Continued)*

*Actuarial Assumptions and Methods (Continued)*

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020 for the PORS.

	PORS
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return*	7.25%
Projected Salary Increases*	3.5% to 9.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually

\* Includes inflation at 2.25%.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table ("2016 PRSC"), was developed using the System's mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plan (Continued)*

*Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments is based upon 20 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>51.0%</b>		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Real Return	100.0%		5.80%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			8.05%

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions*

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2020, for the PORS, are presented in the following table:



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plan (Continued)*

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PORS	\$ 8,046,386,629	4,730,174,642	\$ 3,316,211,987	58.8%

The TPL is calculated by the System’s actuary, and the Plan’s fiduciary net position is reported in the System’s financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the System’s notes to the financial statements and required supplementary information. Liability calculations performed by the System’s actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans’ funding requirements.

At June 30, 2021, the Town reported a liability of approximately \$19,044,000 for its proportionate share of the NPL for the PORS. The NPL was measured as of June 30, 2020, and the TPL for the Plans used to calculate the NPL was determined based on the most recent actuarial valuation report of July 1, 2019 that was projected forward to the measurement date. The Town’s proportion of the NPL was based on a projection of the Town’s long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2020 measurement date, the Town’s PORS proportion was 0.57427 percent, which was a decrease of 0.00811 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of approximately \$2,450,000 for the PORS. At June 30, 2021, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>PORS</b>		
Differences Between Expected and Actual Experience	\$ 404,726	\$ 83,828
Change in Assumptions	232,400	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,950,070	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	74,827	691,954
Employer Contributions Subsequent to the Measurement Date	1,606,639	-
Total PORS	<u>\$ 4,268,662</u>	<u>\$ 775,782</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plan (Continued)*

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

Approximately \$1,607,000 that was reported as deferred outflows of resources related to the Town’s contributions subsequent to the measurement date to the PORS will be recognized as a reduction of the NPL in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	PORS
2022	\$ 424,347
2023	404,790
2024	562,589
2025	494,515
Total	<u>\$ 1,886,241</u>

*Discount Rate*

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

*Sensitivity Analysis*

The following table presents the sensitivity of the Town’s proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The Town’s proportionate share of the net pension liability of the PORS	\$ 25,211,156	19,044,080	\$ 14,092,315
Total	<u>\$ 25,211,156</u>	<u>19,044,080</u>	<u>\$ 14,092,315</u>

*Plan’s Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued Annual Report containing financial statements and required supplementary information for the PORS. The Annual Report is publicly available through the PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*State Retirement Plan (Continued)*

*Payable to Plan*

The Town reported a payable of approximately \$213,000 to the PEBA as of June 30, 2021, representing required employer and employee contributions for the month of June 2021 for the PORS. This amount is included in Accounts Payable on the financial statements and was paid in July 2021.

C. Health Plans

In January 2001, the Town instituted a medical expense reimbursement plan whereby the Town contributes a set amount each year per employee. The employees submit reimbursement requests for qualified expenses to Human Resources. Amounts not used during the calendar year are carried over to the next year, subject to a \$5,000 cap. The Town's liability under this plan totaled approximately \$331,000 at June 30, 2021, and is included as a liability in the General Fund in accrued payroll, benefits, and other liabilities. During the fiscal year ended June 30, 2021, the Town reimbursed approximately \$186,000 in claims under this plan.

In January 2005, the Town also instituted a preventive dental care reimbursement plan whereby employees covered by the State Dental Plan are eligible for reimbursement of out-of-pocket expenses associated with preventive dental care up to an established limit each year. The reimbursement is available to the employee and their dependents provided they are covered under the State Dental Plan. Unused funds are forfeited at the end of the year. For the period ended June 30, 2021 the limit was \$150 per covered individual, and the Town's liability under this plan totaled approximately \$80,000 at June 30, 2021, and is included in the General Fund in accounts payable. During the fiscal year ended June 30, 2021, the Town reimbursed \$17,100 in claims under this plan.

D. Contract Commitments and Operating Leases

*Commitments*

At June 30, 2021, the Town had remaining construction commitments of approximately \$3,933,000 related to ongoing capital activities, including infrastructure improvements, software upgrades, park construction and improvements, and roadway and pathway construction and improvements.

*Operating Leases*

The Town leases various office equipment under non-cancelable operating leases. The Town made rental payments of approximately \$45,000 during the year ended June 30, 2021. The future minimum rentals under these leases are as follows:

Year Ending June 30,	Future Minimum Rental Payments
2022	\$ 49,795
2023	47,313
2024	38,354
2025	22,796
2026	6,773
2027	415
	<u>\$ 165,446</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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**IV. OTHER INFORMATION (CONTINUED)**

**E. Deferred Compensation Plan**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the employee.

The plan is administered by and the funds are held by Great-West, a retirement plan administrator.

Investments are managed by the plan's trustee under a range of investment options. The choice of the investment option(s) is made by the participants.

**F. Postemployment Benefits Other than Pensions**

*Plan Description*

In February 2002, the Town instituted a defined contribution plan, the Town of Hilton Head Island Retirement Health Savings Plan ("Plan"), whereby the Town contributes funds to each eligible employee's Health Reimbursement Account ("HRA"). The Town has established a Retirement Plan Advisory Committee consisting of members of the Town's Executive Steering Committee and Senior Staff, which have the authority to establish and amend the benefit terms and contribution rates of the Plan. The Plan is administered through a qualified trust managed by Educators Benefit Consultants, LLC.

*Plan Benefits*

The Town contributes 100% of forfeited sick leave (hours in excess of the maximum allowed to be accrued as of the end of the calendar year) on an annual basis while actively employed by the Town and 100% of any remaining MedFlex (Town sponsored HRA) balance no later than 60 days after retirement or after the date that the employee is deemed totally or permanently disabled (as defined by PORS or the Town's long-term disability insurance carrier). The Town also contributes 100% of the employee's accumulated sick leave balance upon (1) retirement, (2) the date which the participant is deemed totally or permanently disabled (as defined by PORS or the Town's long-term disability carrier), or (3) death if retirement-eligible. The surviving spouse and/or surviving eligible dependents of the deceased participant are immediately eligible to maintain the account and utilize it to fund eligible medical benefits. If the participant's account balance has not been fully utilized upon the death of the eligible spouse, the account balance may continue to be utilized to pay benefits to eligible dependents. Upon death of all eligible dependents the account balance is forfeited. If there are no living spouse or dependents at the time of death of the participant, the account balance is forfeited. Participants who are eligible to retire but who are (1) involuntarily terminated and not offered the option to retire in lieu of termination, (2) involuntarily terminated after declining the option to retire in lieu of termination, or (3) retirement eligible but die while actively employed by the Town are not eligible to receive employer contributions the balance in their account is forfeited. Forfeitures revert back to the employer for use to offset future employer contributions or other purposes permitted by law.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

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**IV. OTHER INFORMATION (CONTINUED)**

**F. Postemployment Benefits Other than Pensions (Continued)**

*Plan Benefits (Continued)*

Participants are 100% vested upon the death, disability or retirement from the Town as follows: (1) upon death of the participant, benefits are payable to the surviving spouse and dependents as described previously; (2) a participant who becomes totally and permanently disabled (as defined by PORS or the Town’s long-term disability insurance carrier) is eligible to receive plan benefits; and (3) a participant retires after meeting qualifications as follows: (i) to qualify for retirement under PORS, Class Two members must have 25 years of service credit or be at least 55 with 5 years of earned service credit. Class Three members must have 27 years of service credit or be at least 55 with 8 years or earned service credit; (ii) to qualify for retirement under the Town’s retirement plan, an employee must have 25 years of service with the Town or be at least age 55 with 5 years of service with the Town.

*Plan Contributions*

The Town contributed approximately \$344,000, including both the retirement and annual contributions, to the trust during the year ended June 30, 2021. The Town does not have a liability related to the defined contribution plan as of June 30, 2021. No contributions other than employer contributions are required nor accepted.

**G. Proprietary Fund Infrastructure Agreements**

The Town has entered into a series of agreements with a number of Public Utility Districts (PUDs) and Homeowner Associations (HOAs). The Town is granted easements to the stormwater infrastructure in certain areas of the Town, and the Town takes responsibility for future maintenance. The Town is currently undergoing a system-wide mapping project to identify all the features within these agreements. Some are known to be impaired. Because of the uncertainty in the condition of the features, the Town has determined a fair valuation cannot be established. The Town has chosen the most conservative reporting position and not recorded any assets for stormwater features within these easements. The Town is recording assets when it incurs costs that meet the capitalization criteria which there were none in the fiscal year ending June 30, 2021.

**H. Subsequent Events**

Effective October 1, 2021, the Town suspended collection of the Road Usage Fee of \$25.00 that was imposed on vehicles registered to an address within the boundaries of the Town. The fee was adopted by the Town in 2016. However, in June 2021, the South Carolina Supreme Court ruled in the Burns, et al. v. Greenville County Council, et al. case that a “service or user fee” – including “uniform service charges” are a charge required to be paid in return for a particular government service or program made available to the payer of that fee that benefits the payer in some manner different from the members of the general public not paying the fee.

Due to the ruling of the Burns, et al. v. Greenville County Council, et al. case, the Town Council believes it is appropriate to suspend the collection of its Road Usage Fee while it evaluates its options relative to ensuring compliance with the legal criteria outlined in the Burns opinion

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

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**IV. OTHER INFORMATION (CONTINUED)**

**I. COVID-19 Health Pandemic**

In March 2020, the World Health Organization classified the coronavirus (“COVID-19”) outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the outbreak continues to evolve as of the date of these financial statements. Management is actively monitoring the impact from this health crisis on its financial condition, liquidity, operations, workforce and citizens. As of June 30, 2021, the Town has received approximately \$2,613,000 in funds from the US Treasury directly related to the COVID-19 pandemic, as well as additional COVID-19 related funding for FEMA and CDBG program activities.

# Required Supplementary Information

## **Budgetary Comparison Schedule**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgets and Actual – General Fund – Schedule A

## **Schedules Related to the South Carolina Retirement System Participation**

Schedule of the Town of Hilton Head Island's Proportionate Share of Net Pension Liability – Schedule B

Schedule of the Town of Hilton Head Island's Contributions – Police Officers Retirement System – Schedule C

## REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Real and Personal Property Taxes	\$ 15,386,182	15,386,182	15,925,355	\$ 539,173
Accommodations Tax	3,690,430	3,690,430	5,561,900	1,871,470
Business License and Franchise Fees	10,959,917	10,959,917	11,265,459	305,542
Permits	1,522,575	1,522,575	2,125,382	602,807
State Shared Funds	840,000	840,000	896,909	56,909
Grants	143,587	143,587	78,831	(64,756)
EMS Revenue	1,507,500	1,507,500	1,776,344	268,844
Public Safety Revenue	55,000	55,000	1,830	(53,170)
Miscellaneous Revenue	546,200	546,200	654,895	108,695
Investment Income	300,000	300,000	22,815	(277,185)
<b>TOTAL REVENUES</b>	<b>34,951,391</b>	<b>34,951,391</b>	<b>38,309,720</b>	<b>3,358,329</b>
<b>EXPENDITURES</b>				
Current:				
General Government	2,013,858	2,190,769	1,923,342	267,427
Management Services	5,967,556	6,069,551	5,779,364	290,187
Community Services	9,512,851	9,877,280	9,064,283	812,997
Public Safety	19,825,011	19,868,585	19,156,810	711,775
Non-Departmental	4,925,954	5,627,921	4,894,018	733,903
Capital Outlay	313,218	378,218	142,130	236,088
<b>TOTAL EXPENDITURES</b>	<b>42,558,448</b>	<b>44,012,324</b>	<b>40,959,947</b>	<b>3,052,377</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(7,607,057)</b>	<b>(9,060,933)</b>	<b>(2,650,227)</b>	<b>6,410,706</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	7,943,691	8,293,691	6,195,601	(2,098,090)
Sale of Capital Assets	-	-	19,160	19,160
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>7,943,691</b>	<b>8,293,691</b>	<b>6,214,761</b>	<b>(2,078,930)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>336,634</b>	<b>(767,242)</b>	<b>3,564,534</b>	<b>4,331,776</b>
FUND BALANCES - Beginning of Year	22,111,484	22,111,484	22,111,484	-
<b>FUND BALANCES - End of Year</b>	<b>\$ 22,448,118</b>	<b>21,344,242</b>	<b>25,676,018</b>	<b>\$ 4,331,776</b>

**Notes to Schedule:**

The notes to the budgetary comparison schedule are an integral part of this schedule.

This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

The Town's final budget reflected the use of appropriated fund balance of \$767,242. Actual performance was better than budget and no fund balance was used.



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED JUNE 30, 2021**

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**A. BASIS OF ACCOUNTING**

The budgetary comparison schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

**B. BUDGETARY INFORMATION**

The Town's procedures in establishing the budgetary data reflected in the budgetary comparison schedule are as follows:

1. The Town Manager submits to Town Council a proposed operating budget for the General Fund, Capital Projects Fund, Debt Service Fund, and Stormwater Fund for the year which includes proposed expenditures and the means of financing them.
2. Public hearings are held for taxpayers' comments for the General Fund, Capital Projects Fund, Debt Service Fund, and Stormwater Fund budgets.
3. The budgets are legally enacted through passage of an ordinance by July 1.
4. Budgetary transfers between departments and projects may be authorized by the Town Manager for up to \$100,000; however, large transfers and any revisions that alter the total expenditures of any fund must be approved by Town Council.

The expenditures may not legally exceed appropriations at the fund level except for additional funds received as grants or donations. Appropriations lapse at year-end.

## REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM

## LAST EIGHT FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability	0.57427%	0.58238%	0.59288%	0.64589%	0.62151%	0.55035%	0.65013%	0.65013%
Town's Proportionate Share of the Net Pension Liability	\$ 19,044,080	16,690,570	16,799,396	17,694,659	15,764,333	11,994,845	12,446,267	\$ 13,477,016
Town's Covered Payroll	\$ 8,675,225	8,447,139	8,206,297	8,698,094	8,204,054	7,762,118	7,819,385	\$ 7,472,105
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	219.52%	197.59%	204.71%	203.43%	192.15%	154.53%	159.17%	180.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.79%	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%	62.98%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of the preceding fiscal year.

The Town adopted GASB #68 during the year ended June 30, 2015. Information is not available before 2014.

The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

SCHEDULE OF CONTRIBUTIONS  
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 1,687,637	1,582,361	1,456,287	1,332,703	1,238,850	1,127,237	1,040,900	1,004,009	889,180	860,238	\$ 881,261
Contributions in Relation to the Contractually Required Contribution											
Contributions from the Town	1,606,639	1,501,363	1,375,289	1,251,705	1,238,850	1,127,237	1,040,900	1,004,009	889,180	860,238	881,261
Contributions from the State	80,998	80,998	80,998	80,998	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	-	\$ -
Town's Covered Payroll	\$ 9,252,397	8,675,225	8,447,139	8,206,297	8,698,094	8,204,054	7,762,118	7,819,385	7,472,105	7,570,521	\$ 7,755,527
Contributions as a Percentage of Covered Payroll	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%	12.84%	11.90%	11.36%	11.36%

Notes to Schedule:

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

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# Supplemental Financial Information

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# Supplementary Information

## Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budgets and Actual

### **Governmental Activities:**

#### **General Fund**

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

#### **Debt Service Fund**

The Debt Service Fund account is used for accumulating resources for the payment of interest and principal and general long-term obligation debt.

#### **Capital Projects Fund**

The Capital Projects Funds account for all resources used for the acquisition or construction of assets and major capital improvements other than those financed by proprietary funds and trust funds.

### **Business-Type Activities:**

#### **Stormwater Fees**

The Stormwater Fund is used to account for the costs associated with the management, construction, maintenance, protections, control, regulation, use, and enhancement of stormwater systems and programs within the Town limits of Hilton Head Island in concert with Beaufort County and other water resource management programs.

## BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
<b>REVENUES</b>				
Real and Personal Property Taxes	\$ 15,386,182	15,386,182	15,925,355	\$ 539,173
Accommodations Tax - Local 1%	3,690,430	3,690,430	5,561,900	1,871,470
Business License and Franchise Fees:				
Business License - Town	4,931,406	4,931,406	5,255,705	324,299
Business License - MASC	5,063,961	5,063,961	5,188,526	124,565
Business License - Transportation	-	-	11,405	11,405
Cable Television Franchise Fee	929,200	929,200	772,715	(156,485)
Beach Franchise Fee	35,350	35,350	37,108	1,758
Total Business License and Franchise Fees	10,959,917	10,959,917	11,265,459	305,542
Permits:				
Construction	603,000	603,000	1,084,627	481,627
Development	15,075	15,075	14,172	(903)
Other	904,500	904,500	1,026,583	122,083
Total Permits	1,522,575	1,522,575	2,125,382	602,807
State Shared Funds	840,000	840,000	896,909	56,909
Grants:				
Beaufort County Hazmat	11,677	11,677	-	(11,677)
Beaufort County E911	131,910	131,910	76,131	(55,779)
CDBG	-	-	700	700
Miscellaneous	-	-	2,000	2,000
Total Grants	143,587	143,587	78,831	(64,756)
Public Safety - EMS Revenue	1,507,500	1,507,500	1,776,344	268,844
Public Safety - County D/T Revenue	55,000	55,000	1,830	(53,170)
Miscellaneous Revenue:				
Beach Services	252,500	252,500	298,401	45,901
Donations	-	-	300	300
Other	272,700	272,700	356,194	83,494
Victims Assistance	21,000	21,000	-	(21,000)
Total Miscellaneous Revenue	546,200	546,200	654,895	108,695
Investment Income	300,000	300,000	22,815	(277,185)
<b>TOTAL REVENUES</b>	<b>34,951,391</b>	<b>34,951,391</b>	<b>38,309,720</b>	<b>3,358,329</b>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Town Council:				
Salaries and Benefits	172,962	172,962	154,096	18,866
Operating	320,639	340,439	333,709	6,730
Town Council Initiatives	-	150,286	74,946	75,340
Total Town Council	\$ 493,601	663,687	562,751	\$ 100,936

(Continued)



## BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
Human Resources:				
Salaries and Benefits	\$ 451,670	451,670	461,338	\$ (9,668)
Operating	196,754	203,579	137,145	66,434
Total Human Resources	648,424	655,249	598,483	56,766
Town Manager:				
Salaries and Benefits	847,885	847,885	746,393	101,492
Operating	23,948	23,948	15,715	8,233
Total Town Manager	871,833	871,833	762,108	109,725
Total General Government	2,013,858	2,190,769	1,923,342	267,427
Management Services:				
Finance - Administration:				
Salaries and Benefits	1,839,234	1,839,234	1,779,884	59,350
Operating	212,891	227,391	246,451	(19,060)
Total Finance - Administration	2,052,125	2,066,625	2,026,335	40,290
Administration - Legal:				
Salaries and Benefits	528,241	528,241	500,249	27,992
Operating	51,482	58,367	28,854	29,513
Total Administration - Legal	579,723	586,608	529,103	57,505
Administrative Services - Office of Cultural Affairs:				
Salaries and Benefits	126,962	126,962	137,952	(10,990)
Operating	131,068	133,568	95,320	38,248
Total Administrative Services - Office of Cultural Affairs	258,030	260,530	233,272	27,258
Administrative Services - Administrative Support:				
Salaries and Benefits	244,469	244,469	226,850	17,619
Operating	38,223	38,223	44,545	(6,322)
Total Administrative Services - Administrative Support	282,692	282,692	271,395	11,297
Administrative Services - Information Technology:				
Salaries and Benefits	961,449	961,449	913,137	48,312
Operating	1,456,642	1,534,752	1,451,961	82,791
Total Administrative Services - Information Technology	2,418,091	2,496,201	2,365,098	131,103
Communications:				
Salaries and Benefits	297,755	297,755	318,962	(21,207)
Operating	79,140	79,140	35,199	43,941
Total Communications	376,895	376,895	354,161	22,734
Total Management Services	5,967,556	6,069,551	5,779,364	290,187
Community Services:				
Community Development - Administration:				
Salaries and Benefits	670,487	670,487	644,066	26,421
Operating	37,698	37,698	24,075	13,623
Total Community Development - Administration	\$ 708,185	708,185	668,141	\$ 40,044

(Continued)

## BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
Community Development - CD Services:				
Salaries and Benefits	\$ 426,778	426,778	458,494	\$ (31,716)
Operating	10,012	16,444	4,491	11,953
Total Community Development - CD Services	436,790	443,222	462,985	(19,763)
Community Development - Inspection/Compliance:				
Salaries and Benefits	978,073	978,073	1,065,890	(87,817)
Operating	57,680	91,907	43,985	47,922
Total Community Development - Inspection/Compliance	1,035,753	1,069,980	1,109,875	(39,895)
Community Development - Development, Review, Zoning:				
Salaries and Benefits	716,461	716,461	635,171	81,290
Operating	30,756	108,204	31,616	76,588
Total Community Development - Development, Review, Zoning	747,217	824,665	666,787	157,878
Community Development - Comprehensive Planning:				
Salaries and Benefits	655,917	655,917	636,916	19,001
Operating	17,685	63,891	51,873	12,018
Total Community Development - Comprehensive Planning	673,602	719,808	688,789	31,019
Public Facilities - Administration:				
Salaries and Benefits	306,077	306,077	241,843	64,234
Operating	5,665	5,665	2,537	3,128
Total Public Facilities - Administration	311,742	311,742	244,380	67,362
Public Facilities - Engineering:				
Salaries and Benefits	548,660	548,660	481,970	66,690
Operating	474,315	481,904	352,823	129,081
Total Public Facilities - Engineering	1,022,975	1,030,564	834,793	195,771
Public Facilities - Facilities Management:				
Salaries and Benefits	1,241,877	1,241,877	1,119,694	122,183
Operating	3,334,710	3,527,237	3,268,839	258,398
Total Public Facilities - Facilities Management	4,576,587	4,769,114	4,388,533	380,581
Total Community Services	9,512,851	9,877,280	9,064,283	812,997
Public Safety:				
Fire Rescue - Executive:				
Salaries and Benefits	716,983	716,983	729,466	(12,483)
Operating	473,558	459,807	356,160	103,647
Total Fire Rescue - Executive	1,190,541	1,176,790	1,085,626	91,164
Fire Rescue - Operations:				
Salaries and Benefits	11,372,755	11,372,755	11,766,743	(393,988)
Operating	355,685	327,041	283,932	43,109
Total Fire Rescue - Operations	11,728,440	11,699,796	12,050,675	(350,879)
Fire Rescue - Support Services:				
Salaries and Benefits	2,185,265	2,185,265	2,187,999	(2,734)
Operating	793,131	1,009,562	697,411	312,151
Total Fire Rescue - Support Services	\$ 2,978,396	3,194,827	2,885,410	\$ 309,417

(Continued)

## BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
Sheriff/Other Public Safety:				
Police Services/Contract	\$ 3,397,512	2,009,552	2,022,221	\$ (12,669)
Park Services	-	1,247,960	676,092	571,868
Stipend	123,600	123,600	91,925	31,675
Victims' Rights	65,448	65,448	-	65,448
Beach Services	341,074	350,612	344,861	5,751
Total Sheriff/Other Public Safety	3,927,634	3,797,172	3,135,099	662,073
Total Public Safety	19,825,011	19,868,585	19,156,810	711,775
Non-Departmental - Townwide:				
Non-Grant Expenditures:				
Personnel	1,004,386	1,004,386	872,401	131,985
Operating	2,129,651	2,341,618	1,922,502	419,116
Total Non-Grant Expenditures	3,134,037	3,346,004	2,794,903	551,101
Operating Grants:				
Grant Match	17,359	17,359	-	17,359
Recreation Center - Operating Grant	920,706	1,060,706	1,060,706	-
Coastal Discovery Grant - Operating Grant	75,000	75,000	75,000	-
Coastal Discovery Grant - Capital Grant	30,000	30,000	-	30,000
Coastal Discovery Grant - Mitchellville Grant	110,000	110,000	105,000	5,000
Event Management and Hospitality Training	184,522	184,522	110,663	73,859
LTRA Grant	200,000	200,000	200,000	-
Art Center	-	200,000	200,000	-
Multidisciplinary Court	50,000	50,000	50,000	-
Solicitor Career Criminal Program	118,500	118,500	118,500	-
Community Foundation Grant	50,000	50,000	-	50,000
LEPC	10,830	10,830	4,246	6,584
Concours D'Elegance Grant	-	150,000	150,000	-
Beaufort County EDC	25,000	25,000	25,000	-
Total Operating Grants	1,791,917	2,281,917	2,099,115	182,802
Total Non-Departmental - Townwide	4,925,954	5,627,921	4,894,018	733,903
Capital Outlay:				
Management Services:				
Administrative Services - Information Technology:				
Computer Software	158,218	158,218	140,194	18,024
Total Administrative Services - Information Technology	158,218	158,218	140,194	18,024
Total Management Services	158,218	158,218	140,194	18,024
Townwide:				
Equipment & Vehicles	155,000	220,000	1,936	218,064
Total Townwide	155,000	220,000	1,936	218,064
Total Capital Outlay	313,218	378,218	142,130	236,088
<b>TOTAL EXPENDITURES</b>	<b>42,558,448</b>	<b>44,012,324</b>	<b>40,959,947</b>	<b>3,052,377</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (7,607,057)</b>	<b>(9,060,933)</b>	<b>(2,650,227)</b>	<b>\$ 6,410,706</b>

(Continued)

## BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In:				
Beach Preservation Fee Fund	\$ 1,498,253	1,498,253	1,248,544	\$ (249,709)
Hospitality Tax Fund	3,819,466	3,819,466	2,546,311	(1,273,155)
Tax Increment Financing Fund	183,600	183,600	153,000	(30,600)
State Accommodations Tax Fund	1,792,750	1,792,750	1,706,394	(86,356)
Electricity Franchise Fee Fund	499,622	849,622	416,352	(433,270)
Stormwater Utility Fund	150,000	150,000	125,000	(25,000)
Sale of Capital Assets	-	-	19,160	19,160
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>7,943,691</b>	<b>8,293,691</b>	<b>6,214,761</b>	<b>(2,078,930)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>336,634</b>	<b>(767,242)</b>	<b>3,564,534</b>	<b>4,331,776</b>
FUND BALANCES - Beginning of Year	22,111,484	22,111,484	22,111,484	-
<b>FUND BALANCES - End of Year</b>	<b>\$ 22,448,118</b>	<b>21,344,242</b>	<b>25,676,018</b>	<b>\$ 4,331,776</b>

## Notes to Schedule:

This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

The Town's final budget reflected the use of appropriated fund balance of \$767,242. Actual performance was better than budget and no fund balance was used.

## BUDGET (GAAP BASIS) AND ACTUAL - DEBT SERVICE FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Real and Personal Property Taxes	\$ 5,360,838	5,360,838	5,448,437	\$ 87,599
Investment Income	60,000	60,000	18,963	(41,037)
<b>TOTAL REVENUES</b>	<b>5,420,838</b>	<b>5,420,838</b>	<b>5,467,400</b>	<b>46,562</b>
<b>EXPENDITURES</b>				
Administrative	100,000	100,000	21,375	78,625
Cost of Issue	250,000	250,000	386,831	(136,831)
Debt Service:				
Principal	15,560,000	15,560,000	15,655,000	(95,000)
Interest	4,600,000	4,600,000	4,138,637	461,363
<b>TOTAL EXPENDITURES</b>	<b>20,510,000</b>	<b>20,510,000</b>	<b>20,201,843</b>	<b>308,157</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(15,089,162)</b>	<b>(15,089,162)</b>	<b>(14,734,443)</b>	<b>354,719</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In:				
Beach Preservation Fees	3,975,850	3,975,850	3,975,850	-
Hospitality Tax	1,629,650	1,629,650	1,441,776	(187,874)
Real Estate Transfer Fees	2,608,613	2,608,613	1,481,757	(1,126,856)
Lease Revenue	65,000	65,000	-	(65,000)
TIF Taxes	3,926,703	3,926,703	3,926,703	-
Natural Disasters Fund	3,537,265	3,537,265	3,537,265	-
Bonds Issued	-	-	12,115,000	12,115,000
Bond Premiums	-	-	1,187,976	1,187,976
Payments to Escrow Agent	(990,000)	(990,000)	(12,894,375)	(11,904,375)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>14,753,081</b>	<b>14,753,081</b>	<b>14,771,952</b>	<b>18,871</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(336,081)</b>	<b>(336,081)</b>	<b>37,509</b>	<b>373,590</b>
FUND BALANCES - Beginning of Year	11,058,122	11,058,122	11,058,122	-
<b>FUND BALANCES - End of Year</b>	<b>\$ 10,722,041</b>	<b>10,722,041</b>	<b>11,095,631</b>	<b>\$ 373,590</b>

**Notes to Schedule:**

The notes to the budgetary comparison schedule are an integral part of this schedule.

This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

The Town's original and final budget reflected the use of appropriated fund balance of \$336,081. Actual performance was better than budget and no fund balance was used.

## BUDGET (GAAP BASIS) AND ACTUAL - CAPITAL PROJECTS FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Grants	\$ -	-	151,926	\$ 151,926
Sunday Permit Fees	250,000	250,000	288,590	38,590
Other Revenue	-	-	43,235	43,235
Impact Fees	628,000	628,000	680,385	52,385
Investment Income	-	-	11,211	11,211
<b>TOTAL REVENUES</b>	<b>878,000</b>	<b>878,000</b>	<b>1,175,347</b>	<b>297,347</b>
<b>EXPENDITURES</b>				
Public Facilities:				
Northwest Quadrant - Coligny/Sandbox	-	5,476,960	4,901,815	575,145
Fire Hydrant Project	100,000	309,455	-	309,455
Sewer Service Projects	-	601,588	-	601,588
Emergency Operations Center Modifications	-	103,300	103,300	-
Total Public Facilities	100,000	6,491,303	5,005,115	1,486,188
Park Development:				
Public Art Program	-	25,000	25,000	-
Chaplin Linear Park and Boardwalk	-	500,000	7,393	492,607
Island Recreation Center Expansion	-	92,551	1,246	91,305
Shelter Cove Park Parking	-	333,274	126,338	206,936
Cordillo Court Tennis Courts	-	238,432	207,624	30,808
Restroom Upgrades	-	127,528	125,271	2,257
Rowing and Sailing Center	-	322,000	78,689	243,311
Field Lighting - Chaplin	-	10,004	-	10,004
Parks Planning	-	500,000	-	500,000
Shelter Cove Community Park	-	2,345,075	14,553	2,330,522
Park Upgrades	250,000	937,166	238,100	699,066
Total Park Development	250,000	5,431,030	824,214	4,606,816
Land Acquisition:				
Miscellaneous	20,000	77,898	24,012	53,886
Stoney Area Land Purchase	-	1,450,000	1,459,296	(9,296)
Shelter Cove Site	-	875,000	878,875	(3,875)
Total Land Acquisition	20,000	2,402,898	2,362,183	40,715
Beach Maintenance:				
Beach Management & Monitoring	500,000	1,420,283	174,489	1,245,794
Islandwide Beach Renourishment	-	1,276,744	91,072	1,185,672
Total Beach Maintenance	\$ 500,000	2,697,027	265,561	\$ 2,431,466

(Continued)

## BUDGET (GAAP BASIS) AND ACTUAL - CAPITAL PROJECTS FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
Facilities Improvements:				
Fire Station #2 Replacement	\$ -	3,893,441	3,367,771	\$ 525,670
Town Hall Renovations	50,000	331,724	287,641	44,083
Recreation Center Upfits	375,000	450,037	255,814	194,223
Airport Runway Extension	-	150,000	-	150,000
Fire Rescue Training Enhancements	55,000	90,000	3,558	86,442
Honey Horn Improvements	53,000	98,384	96,698	1,686
Fire Apparatus, Vehicle Replacement and Shed	3,988,000	4,074,469	195,668	3,878,801
Computer Software Equipment	-	750,000	13,275	736,725
Demo -- Kingfisher/Fairfield Square	-	625,000	99,361	525,639
Total Facilities Improvements	4,521,000	10,463,055	4,319,786	6,143,269
Roadway Improvements:				
Traffic Signal Pembroke US 278	-	87,676	-	87,676
Office Park Road Intersection Improvements	-	318,107	-	318,107
Shelter Cove at Town Center Intersection	-	1,614,627	41,773	1,572,854
Intersection Improvements Squire Pope	-	33,680	-	33,680
Automobile Place to Dillon Road	-	300,000	-	300,000
Arrow Road Resurfacing	-	500,000	295,892	204,108
Murray Road	-	220,000	-	220,000
Pope Avenue Resurfacing	-	13,416	1,226	12,190
Coligny Road & Pathway Improvements	450,000	3,146,426	467,857	2,678,569
Traffic Signal Gumtree	200,000	254,400	230,164	24,236
Summit Drive Realignment	-	600,000	10,554	589,446
Road Usage Fee / Road Improvements / Acquisitions	330,000	2,451,914	-	2,451,914
Stoney Land Planning	-	78,300	78,300	-
Bluffton Beautification	-	55,100	-	55,100
Total Roadway Improvements	980,000	9,673,646	1,125,766	8,547,880
Pathway Improvements:				
Pathway Improvements	100,000	219,404	159,374	60,030
Total Pathway Improvements	100,000	219,404	159,374	60,030
Total Community Services and Capital Outlay	6,471,000	37,378,363	14,061,999	23,316,364
Debt Service:				
Debt Issue Costs	-	100,000	-	100,000
Total Debt Service	-	100,000	-	100,000
<b>TOTAL EXPENDITURES</b>	<b>6,471,000</b>	<b>37,478,363</b>	<b>14,061,999</b>	<b>23,416,364</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (5,593,000)</b>	<b>(36,600,363)</b>	<b>(12,886,652)</b>	<b>\$ 23,713,711</b>

(Continued)

BUDGET (GAAP BASIS) AND ACTUAL - CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the Sale of Assets	\$ 20,000	20,000	-	\$ (20,000)
Transfers In:				
Beach Preservation Fees	500,000	4,714,897	711,064	(4,003,833)
Hospitality Tax	4,243,000	6,307,659	1,546,648	(4,761,011)
Tax Increment Financing	450,000	4,951,744	3,448,570	(1,503,174)
Road Usage Fees	330,000	3,712,907	251,019	(3,461,888)
Electric Franchise Fee	-	500,000	-	(500,000)
Real Estate Transfer Fees	-	2,950,000	2,360,590	(589,410)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,543,000</b>	<b>23,157,207</b>	<b>8,317,891</b>	<b>(14,839,316)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(50,000)</b>	<b>(13,443,156)</b>	<b>(4,568,761)</b>	<b>8,874,395</b>
FUND BALANCES - Beginning of Year	12,343,245	12,343,245	12,343,245	-
<b>FUND BALANCES - End of Year</b>	<b>\$ 12,293,245</b>	<b>(1,099,911)</b>	<b>7,774,484</b>	<b>\$ 8,874,395</b>

Notes to Schedule:

The notes to the budgetary comparison schedule are an integral part of this schedule.

This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

The Town's original and final budget reflected the use of appropriated fund balance of \$50,000 and \$13,443,156, respectively. Actual performance was better than budget.



## BUDGET (NON-GAAP BASIS) AND ACTUAL - PROPRIETARY FUND

## SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
<b>OPERATING REVENUES</b>				
Stormwater Utility Fees	\$ 4,824,000	4,824,000	5,043,167	\$ 219,167
<b>TOTAL OPERATING REVENUES</b>	<b>4,824,000</b>	<b>4,824,000</b>	<b>5,043,167</b>	<b>219,167</b>
<b>OPERATING EXPENSES</b>				
Planned Unit Developments:				
Hilton Head Plantation	95,000	190,977	157,339	33,639
Indigo Run Plantation	82,000	273,616	162,874	110,742
Long Cove Club	-	5,000	4,705	295
Leamington Plantation	25,000	25,284	4,604	20,680
Palmetto Dunes Plantation	4,000	68,323	9,300	59,023
Palmetto Hall Plantation	15,000	91,374	1,389	89,985
Port Royal Plantation	40,000	60,691	43,930	16,761
Shipyard Plantation	20,000	94,802	94,802	-
Sea Pines Plantation	456,000	1,381,912	677,965	703,947
Wexford Plantation	35,000	63,000	46,169	16,831
Total Planned Unit Developments	772,000	2,254,979	1,203,077	1,051,903
Non-Planned Unit Developments:				
Stormwater Maintenance	605,000	1,038,431	331,529	706,902
Inventory and Modeling	-	214,814	166,986	47,828
Pump Station	525,000	561,132	170,967	390,165
Total Non-Planned Unit Developments	1,130,000	1,814,377	669,482	1,144,895
Other Non-classified Expenses:				
Contingency - PUD	500,000	601,906	221,540	380,366
Contingency - Non-PUD	350,000	350,000	82,397	267,603
Contingency - Pump Stations	50,000	50,000	-	50,000
Total Other Non-classified Expenses	900,000	1,001,906	303,937	697,969
Other Operating Expenses:				
Administrative Salaries/Benefits	571,510	571,510	581,675	(10,165)
Administrative Operating	362,000	418,804	265,777	153,027
Administrative Capital Outlay	30,000	30,000	-	30,000
Depreciation	1,250,000	1,250,000	1,285,588	(35,588)
Total Other Operating Expenses	2,213,510	2,270,314	2,133,040	137,274
<b>TOTAL OPERATING EXPENSES</b>	<b>5,015,510</b>	<b>7,341,576</b>	<b>4,309,536</b>	<b>3,032,041</b>
<b>OPERATING INCOME (EXPENSE)</b>	<b>(191,510)</b>	<b>(2,517,576)</b>	<b>733,631</b>	<b>3,251,207</b>
<b>NON-OPERATING INCOME (EXPENSES):</b>				
Investment Income	2,000	2,000	9,228	7,228
Administrative Expense	(20,490)	(20,490)	(150,500)	(130,010)
Interest Expense	(264,000)	(264,000)	(216,559)	47,441
Amortization Expense - Loss on Refunding	-	-	(91,532)	(91,532)
Debt Issue Costs	-	-	-	-
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<b>(282,490)</b>	<b>(282,490)</b>	<b>(449,363)</b>	<b>(166,873)</b>
<b>INCOME BEFORE TRANSFERS/BOND PROCEEDS</b>	<b>(474,000)</b>	<b>(2,800,066)</b>	<b>284,268</b>	<b>3,084,334</b>
Transfers Out	(150,000)	(150,000)	(125,000)	25,000
<b>NET CHANGE IN FUND NET POSITION</b>	<b>(624,000)</b>	<b>(2,950,066)</b>	<b>159,268</b>	<b>3,109,334</b>
FUND BALANCES - Beginning of Year	9,879,555	9,879,555	9,879,555	-
<b>NET POSITION - End of Year</b>	<b>\$ 9,255,555</b>	<b>6,929,489</b>	<b>10,038,823</b>	<b>\$ 3,109,334</b>

The Town's original and final budget reflected the use of appropriated net position of \$624,000 and \$2,950,066, respectively. Actual performance was better than budget and no net position was used.

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# Supplementary Information

## Combining and Individual Fund Financial Schedules

### Non-Major Governmental Funds

**Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

1. **Palmetto Electric Franchise Fees** - This fund is used to account for franchise fees paid by Palmetto Electric Cooperative, Inc. These funds will be utilized to offset costs associated with the undergrounding (placement underground) of all existing and future non-transmission lines owned by Palmetto Electric pursuant to the terms and conditions of the Franchise Agreement and related Underground Service Agreement between the Town and Palmetto Electric.
2. **Operating Grants** – This fund was established to account for revenues and expenditures of the Town’s operating grants.
3. **Home Grant** – Homeownership Assistance Program provides a no-interest, ten-year deferred loan to prospective, income-qualified homebuyers to meet down payment and closing cost requirements.
4. **Road Usage Fee** – This fund was established to account for revenues and expenditures of the Town’s Road Usage Fee.
5. **Firemen’s Fund** – This fund was established to account for the accumulation of resources primarily from the firemen’s share of insurance proceeds remitted by the State of South Carolina to the Town firemen and expended for their benefit.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2021

	<b>PALMETTO ELECTRIC FRANCHISE FEES</b>	<b>OPERATING GRANTS</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,158,302	-
Accounts Receivable	152,838	-
Due from Other Governments	-	125,332
Interfund Receivables	9,000,693	3,105,084
<b>TOTAL ASSETS</b>	<b>\$ 10,311,833</b>	<b>3,230,416</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ -	31,831
Interfund Payables	-	-
Unearned Revenue	-	2,613,589
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>2,645,420</b>
<b>FUND BALANCES</b>		
Restricted:		
Underground Electrical Service	10,311,833	-
Federal and Operating Grants	-	584,996
HOME Grant Program	-	-
Road Improvements	-	-
One Percent	-	-
<b>TOTAL FUND BALANCES</b>	<b>10,311,833</b>	<b>584,996</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,311,833</b>	<b>3,230,416</b>

<b>SPECIAL REVENUE FUNDS</b>					<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>HOME GRANT</b>	<b>ROAD USAGE FEE</b>	<b>FIREMENS FUND</b>			
-	-	62,793	\$		1,221,095
-	-	-			152,838
-	95,478	-			220,810
79,167	3,516,161	-			15,701,105
<b>79,167</b>	<b>3,611,639</b>	<b>62,793</b>	<b>\$</b>		<b>17,295,848</b>
-	-	4,907	\$		36,738
-	-	822			822
70,407	-	-			2,683,996
<b>70,407</b>	<b>-</b>	<b>5,729</b>			<b>2,721,556</b>
-	-	-			10,311,833
-	-	-			584,996
8,760	-	-			8,760
-	3,611,639	-			3,611,639
-	-	57,064			57,064
<b>8,760</b>	<b>3,611,639</b>	<b>57,064</b>			<b>14,574,292</b>
<b>79,167</b>	<b>3,611,639</b>	<b>62,793</b>	<b>\$</b>		<b>17,295,848</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2021**

	<b>PALMETTO ELECTRIC FRANCHISE FEES</b>	<b>OPERATING GRANTS</b>
<b>REVENUES</b>		
Electric Franchise Fees	\$ 2,811,144	-
Grant Revenue	-	1,385,815
Road Usage Fees	-	-
One Percent	-	-
Investment Income	16,903	-
Miscellaneous Revenue	-	-
<b>TOTAL REVENUES</b>	<b>2,828,047</b>	<b>1,385,815</b>
<b>EXPENDITURES</b>		
Current:		
Public Safety	-	953,406
Community Services	779,439	106,596
<b>TOTAL EXPENDITURES</b>	<b>779,439</b>	<b>1,060,002</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,048,608</b>	<b>325,813</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers Out	(416,352)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(416,352)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,632,256</b>	<b>325,813</b>
FUND BALANCE - Beginning of Year, As Previously Reported	8,679,577	259,183
Cumulative Change in Accounting Principle - See Note I.B.	-	-
FUND BALANCES, Beginning of Year, Restated	8,679,577	259,183
<b>FUND BALANCE - End of Year</b>	<b>\$ 10,311,833</b>	<b>584,996</b>

<b>SPECIAL REVENUE FUNDS</b>					<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>HOME GRANT</b>	<b>ROAD USAGE FEE</b>	<b>FIREMENS FUND</b>			
-	-	-	\$		2,811,144
-	-	-			1,385,815
-	1,055,675	-			1,055,675
-	-	603,463			603,463
55	2,176	39			19,173
500	-	-			500
<b>555</b>	<b>1,057,851</b>	<b>603,502</b>			<b>5,875,770</b>
-	-	599,031			1,552,437
(8,000)	-	-			878,035
<b>(8,000)</b>	<b>-</b>	<b>599,031</b>			<b>2,430,472</b>
<b>8,555</b>	<b>1,057,851</b>	<b>4,471</b>			<b>3,445,298</b>
-	(251,019)	-			(667,371)
-	<b>(251,019)</b>	-			<b>(667,371)</b>
<b>8,555</b>	<b>806,832</b>	<b>4,471</b>			<b>2,777,927</b>
205	2,804,807	-			11,743,772
-	-	52,593			52,593
205	2,804,807	52,593			11,796,365
<b>8,760</b>	<b>3,611,639</b>	<b>57,064</b>	<b>\$</b>		<b>14,574,292</b>

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# Statistical Section

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# STATISTICAL SECTION

This part of the Town of Hilton Head Island’s (“Town”) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes, and required supplementary information says about the Town’s overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends Information <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>	122
Revenue Capacity Information <i>These schedules contain information to help the reader assess the Town’s most significant local revenue source, the property tax.</i>	128
Debt Capacity Information <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 ability to issue additional debt in the future.</i>	134
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>	139
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Town’s financial report relates to the services the Town provides and the activities it performs.</i>	141

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

Schedule 1

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS  
(accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental Activities										
Net Investment in Capital Assets	\$ 160,928,772	144,351,204	125,075,197	123,118,927	135,840,935	169,753,952	163,062,329	147,652,780	134,730,092	\$ 127,695,520
Restricted	110,004,264	90,551,046	90,782,943	73,002,476	49,430,348	31,347,375	31,942,739	35,442,375	42,860,346	39,307,871
Unrestricted	10,094,542	7,245,410	7,012,374	12,993,432	(1,278,494)	13,639,863	10,121,639	19,969,187	15,130,825	12,610,400
Total Governmental Activities Net Position	281,027,578	242,147,660	222,870,514	209,114,835	183,992,789	214,741,190	205,126,707	203,064,342	192,721,263	179,613,791
Business-Type Activities										
Net Investment in Capital Assets	6,847,044	4,896,777	4,660,533	4,911,086	4,478,605	4,759,203	4,569,085	3,320,300	1,985,756	587,800
Unrestricted	3,191,779	4,982,778	4,739,679	3,402,531	2,308,143	2,395,261	1,838,661	1,971,277	1,965,359	1,776,610
Total Business-Type Activities Net Position	10,038,823	9,879,555	9,400,212	8,313,617	6,786,748	7,154,464	6,407,746	5,291,577	3,951,115	2,364,410
Total	\$ 291,066,401	252,027,215	232,270,726	217,428,452	190,779,537	221,895,654	211,534,453	208,355,919	196,672,378	\$ 181,978,201

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 487,594	2,543,044	6,041,666	5,182,132	9,177,681	6,119,293	5,501,516	5,014,153	4,457,904	\$ 4,353,125
Management Services	6,087,358	5,575,062	5,410,617	5,682,232	5,030,374	5,240,408	5,249,881	5,176,878	4,781,208	4,387,130
Community Services	25,648,683	21,948,681	24,884,430	38,440,753	28,419,138	18,658,764	15,337,540	15,914,686	13,292,741	30,544,682
Public Safety	18,983,033	20,793,073	21,377,534	25,913,844	63,979,026	19,802,724	16,529,019	14,130,095	16,425,512	16,535,835
Culture and Recreation	2,144,683	3,344,738	2,984,245	2,729,719	2,583,815	2,652,668	2,429,893	1,962,094	1,907,032	1,210,594
Visitor & Convention Bureau	3,047,544	1,939,622	2,056,508	1,888,500	1,831,924	1,709,995	1,580,537	1,473,482	1,341,508	1,096,019
Administration	71,279	35,540	33,801	34,635	517,130	212,356	2,500,842	1,779,235	1,797,946	3,611,539
Interest on Debt	3,321,054	4,751,574	4,796,359	6,725,441	2,312,765	3,042,722	3,396,216	4,114,335	4,051,860	3,658,811
Total Governmental Activities Expenses	\$ 99,791,228	\$ 60,931,334	\$ 67,585,160	\$ 86,597,256	\$ 113,851,853	\$ 57,438,930	\$ 52,525,444	\$ 49,564,958	\$ 48,055,711	\$ 65,397,735
Business-Type Activities:										
Stormwater	4,768,127	4,410,846	3,759,466	3,143,464	2,856,923	2,755,139	2,367,173	1,997,630	1,757,863	4,449,857
Total Business-Type Activities Expenses	\$ 4,768,127	\$ 4,410,846	\$ 3,759,466	\$ 3,143,464	\$ 2,856,923	\$ 2,755,139	\$ 2,367,173	\$ 1,997,630	\$ 1,757,863	\$ 4,449,857
Total Primary Governmental Expenses	\$ 64,559,355	\$ 65,342,180	\$ 71,344,626	\$ 89,740,720	\$ 116,708,776	\$ 60,194,069	\$ 54,892,617	\$ 51,562,588	\$ 49,813,574	\$ 69,847,592
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,125,382	1,619,639	1,586,816	2,045,077	1,943,264	3,168,940	2,455,854	2,579,305	2,565,756	\$ 3,799,757
Management Services	11,265,459	9,695,618	10,692,146	11,196,245	9,289,682	8,224,310	8,334,478	7,795,909	7,774,138	7,254,622
Community Services	15,332,256	11,114,700	11,696,013	11,385,333	10,806,905	10,016,676	9,802,304	9,055,993	8,262,464	6,189,471
Public Safety	1,778,174	1,491,532	1,769,028	1,731,897	1,480,903	1,486,087	1,505,579	1,163,678	1,306,780	1,457,047
Administration	7,127,885	3,552,965	3,380,107	3,463,489	2,780,312	2,887,147	2,534,932	2,468,881	2,255,107	1,905,459
Operating Grants and Contributions	2,985,776	820,896	73,867	32,450,642	12,923,774	838,915	348,467	630,208	338,378	305,329
Capital Grants and Contributions	151,926	890,000	111,000	194,510	1,350,261	19,956	275,000	-	142,116	1,044,854
Total Governmental Activities Program Revenues	\$ 40,766,858	\$ 29,185,350	\$ 29,308,977	\$ 62,467,193	\$ 40,555,101	\$ 26,642,031	\$ 25,256,614	\$ 23,693,974	\$ 22,644,739	\$ 21,956,539
Business-Type Activities:										
Charges for Services:										
Stormwater	\$ 5,043,167	4,928,623	4,895,801	4,775,637	3,583,005	3,551,400	3,551,386	3,564,300	3,580,445	3,491,879
Operating Grants and Contributions	-	-	-	-	-	44,272	25,764	-	-	-
Total Business-Type Activities Program Revenues	\$ 5,043,167	\$ 4,928,623	\$ 4,895,801	\$ 4,775,637	\$ 3,583,005	\$ 3,595,672	\$ 3,577,150	\$ 3,564,300	\$ 3,580,445	\$ 3,491,879
Total Primary Governmental Program Revenues	\$ 45,810,025	\$ 34,113,973	\$ 34,204,778	\$ 67,242,830	\$ 44,138,106	\$ 30,237,703	\$ 28,833,764	\$ 27,258,274	\$ 26,225,184	\$ 25,448,418
Total Governmental Activities (Expense)	\$ (19,024,370)	\$ (31,745,984)	\$ (38,276,183)	\$ (24,130,063)	\$ (73,296,899)	\$ (30,796,899)	\$ (27,268,830)	\$ (25,870,984)	\$ (25,410,972)	\$ (43,441,196)
Total Business-Type Activities (Expense)	\$ 275,040	\$ 517,777	\$ 1,156,335	\$ 1,632,173	\$ 726,082	\$ 840,533	\$ 1,209,977	\$ 1,566,670	\$ 1,822,582	\$ (957,978)
Total Primary Government Net (Expense)	\$ (18,749,330)	\$ (31,228,207)	\$ (37,119,848)	\$ (22,497,890)	\$ (72,570,817)	\$ (29,956,366)	\$ (26,058,853)	\$ (24,304,314)	\$ (23,588,390)	\$ (44,399,174)

(Continued)

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS  
(accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>General Revenues and Other Changes In Net Position</b>										
Governmental Activities										
Taxes:										
Property Taxes	\$ 31,500,198	30,556,573	29,772,468	29,312,409	23,111,039	22,576,837	24,163,776	23,613,446	24,242,142	\$ 23,974,619
Other Taxes	23,796,636	16,316,483	18,165,865	16,731,696	16,223,664	15,447,140	14,516,798	13,368,820	12,246,755	11,259,227
Intergovernmental	1,185,499	1,133,664	1,181,437	1,128,623	1,185,671	1,131,882	1,176,192	1,154,196	1,181,674	1,010,600
Investment Earnings	206,983	2,038,353	2,090,240	763,029	57,785	48,922	50,763	69,810	87,660	124,415
Miscellaneous Revenue	1,037,378	853,057	696,852	1,191,352	875,192	1,206,601	1,896,632	(297,517)	760,213	307,069
Transfers	125,000	125,000	125,000	125,000	1,095,000	-	-	-	-	-
<b>Total Governmental Activities General Revenues</b>	<b>57,851,694</b>	<b>51,023,130</b>	<b>52,031,862</b>	<b>49,252,109</b>	<b>42,548,351</b>	<b>40,411,382</b>	<b>41,804,161</b>	<b>37,908,755</b>	<b>38,518,444</b>	<b>36,675,930</b>
Business-Type Activities										
Investment Earnings	9,228	86,566	75,260	19,696	1,202	443	450	394	253	-
Transfers	(125,000)	(125,000)	(125,000)	(125,000)	(1,095,000)	(94,258)	(94,258)	(74,163)	(236,130)	(235,330)
<b>Total Business-Type Activities General Revenues</b>	<b>(115,772)</b>	<b>(38,434)</b>	<b>(49,740)</b>	<b>(105,304)</b>	<b>(1,093,798)</b>	<b>(93,815)</b>	<b>(93,808)</b>	<b>(73,769)</b>	<b>(235,877)</b>	<b>(235,330)</b>
<b>Total Primary Government General Revenues</b>	<b>57,735,922</b>	<b>50,984,696</b>	<b>51,982,122</b>	<b>49,146,805</b>	<b>41,454,553</b>	<b>40,317,567</b>	<b>41,710,353</b>	<b>37,834,986</b>	<b>38,282,567</b>	<b>36,440,600</b>
<b>Change In Net Position</b>										
Governmental Activities	38,827,324	19,277,146	13,755,679	25,122,046	(30,748,401)	9,614,483	14,535,331	12,037,771	13,107,472	(6,765,266)
Business-Type Activities	159,268	479,343	1,086,595	1,526,869	(367,716)	746,718	1,116,169	1,492,901	1,586,705	(1,193,308)
Cumulative Change in Accounting Principle	52,594	-	-	-	-	-	-	-	-	-
<b>Total Primary Government</b>	<b>\$ 39,039,186</b>	<b>19,756,489</b>	<b>14,842,274</b>	<b>26,648,915</b>	<b>(31,116,117)</b>	<b>10,361,201</b>	<b>15,651,500</b>	<b>13,530,672</b>	<b>14,694,177</b>	<b>\$ (7,958,574)</b>

**PROGRAM REVENUES BY FUNCTION/PROGRAM**

LAST TEN FISCAL YEARS  
(accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,125,382	1,619,639	1,586,816	2,045,077	1,943,264	3,168,940	2,455,854	2,579,305	2,565,756	\$ 3,799,757
Management Services	11,265,459	9,695,618	10,692,146	11,196,245	9,289,682	8,224,310	8,334,478	7,795,909	7,774,138	7,254,622
Community Services	15,332,256	11,114,700	11,696,013	11,385,333	10,806,905	10,016,676	9,802,304	9,055,993	8,262,464	6,189,471
Public Safety	1,778,174	1,491,532	1,769,028	1,731,897	1,480,903	1,486,087	1,505,579	1,163,678	1,306,780	1,457,047
Administration	7,127,885	3,552,965	3,380,107	3,463,489	2,780,312	2,887,147	2,534,932	2,468,881	2,255,107	1,905,459
Operating Grants and Contributions	2,985,776	820,896	73,867	32,450,642	12,923,774	838,915	348,467	630,208	338,378	305,329
Capital Grants and Contributions	151,926	890,000	111,000	194,510	1,330,261	19,956	275,000	-	142,116	1,044,854
<b>Total Governmental Activities Program Revenues</b>	<b>40,766,858</b>	<b>29,185,350</b>	<b>29,308,977</b>	<b>62,467,193</b>	<b>40,555,101</b>	<b>26,642,031</b>	<b>25,256,614</b>	<b>23,693,974</b>	<b>22,644,739</b>	<b>21,956,539</b>
Business-Type Activities:										
Charges for Services:										
Stormwater	5,043,167	4,928,623	4,895,801	4,775,637	3,583,005	3,551,400	3,551,386	3,564,300	3,580,445	3,491,879
Operating Grants and Contributions	-	-	-	-	-	44,272	25,764	-	-	-
<b>Total Business-Type Activities Program Revenues</b>	<b>5,043,167</b>	<b>4,928,623</b>	<b>4,895,801</b>	<b>4,775,637</b>	<b>3,583,005</b>	<b>3,595,672</b>	<b>3,577,150</b>	<b>3,564,300</b>	<b>3,580,445</b>	<b>3,491,879</b>
<b>Total Program Revenues</b>	<b>\$ 45,810,025</b>	<b>\$ 34,113,973</b>	<b>\$ 34,204,778</b>	<b>\$ 67,242,830</b>	<b>\$ 44,138,106</b>	<b>\$ 30,237,703</b>	<b>\$ 28,833,764</b>	<b>\$ 27,258,274</b>	<b>\$ 26,225,184</b>	<b>\$ 25,448,418</b>

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund										
Nonspendable	\$ -	-	-	-	-	-	-	9,796	8,896	\$ 15,308
Restricted	-	-	66,593	66,129	66,025	66,025	66,011	65,998	65,985	98,182
Committed	17,593,863	18,750,207	17,939,891	13,278,518	11,515,420	15,171,715	14,232,879	13,593,096	12,366,509	11,865,342
Assigned	424,261	930,589	1,023,117	2,144,266	821,728	2,013,643	1,471,227	1,007,245	674,725	817,455
Unassigned	7,657,894	2,430,688	2,071,086	3,352,382	3,700,049	3,700,049	3,579,208	3,359,264	4,187,612	3,017,270
Total General Fund	\$ 25,676,018	22,111,484	21,100,687	18,841,295	16,103,222	20,951,432	19,349,325	18,035,399	17,303,727	\$ 15,813,557
All Other Governmental Funds										
Restricted	\$ 114,907,038	102,963,099	116,113,844	109,296,730	49,364,323	31,282,350	31,876,728	35,376,377	42,850,943	\$ 39,209,689
Committed	5,080,403	5,080,403	5,080,403	11,873,362	5,080,403	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Assigned	-	-	-	-	-	2,273,000	1,232,948	1,902,756	554,229	3,293
Unassigned	-	-	-	-	-	6,677	(59,263)	(41,365)	(8,576)	(8,581)
Total All Other Governmental Funds	\$ 119,987,441	108,043,502	121,194,247	121,170,092	54,444,726	45,562,027	45,050,413	49,237,768	55,396,596	\$ 51,204,401

Note: Certain amounts which were presented in prior year comprehensive annual financial reports have been restated due to prior period adjustments.



CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Revenues</b>										
Taxes (see Schedule 6) <sup>a</sup>	\$ 55,308,751	46,825,220	47,989,888	45,826,550	39,334,703	38,023,977	38,675,584	36,982,266	36,488,897	\$ 35,233,846
Licenses, Fees, and Permits <sup>b</sup>	36,189,732	25,989,119	27,181,697	28,015,121	24,465,801	23,738,338	22,475,266	21,316,864	20,163,249	18,633,421
Fines and Penalties			73,665	164,849	245,826	210,243	198,948	224,447	262,022	308,708
Charges for Services	1,819,579	1,531,033	1,790,359	1,786,657	1,536,927	1,556,125	1,673,499	1,242,959	1,461,624	1,602,410
Intergovernmental	4,325,031	3,034,774	5,485,057	29,157,777	15,492,218	1,295,538	1,344,243	1,325,351	1,371,308	1,202,313
Investment Earnings	206,984	2,038,356	2,090,240	763,029	57,783	48,922	50,763	69,810	87,660	124,417
Other Revenues	655,395	735,477	720,238	993,434	858,358	1,242,066	972,240	1,000,494	797,171	1,420,411
<b>Total Revenues</b>	<b>98,505,472</b>	<b>80,153,979</b>	<b>85,331,144</b>	<b>106,707,417</b>	<b>81,991,616</b>	<b>66,115,209</b>	<b>65,390,543</b>	<b>62,162,191</b>	<b>60,631,931</b>	<b>58,525,526</b>
<b>Expenditures</b>										
General Government	1,923,342	1,909,225	1,619,103	1,348,800	4,419,410	1,203,788	1,046,890	1,060,140	968,506	882,111
Management Services	5,779,364	5,411,725	5,218,339	5,604,443	4,990,115	4,947,486	4,986,727	4,818,850	4,512,873	4,303,518
Community Services	9,942,318	10,754,044	10,323,707	9,553,266	8,730,949	7,804,951	7,238,602	6,392,687	5,996,416	5,771,788
Public Safety	21,362,118	20,153,939	19,714,618	23,450,584	62,181,211	17,926,916	17,202,723	17,019,825	16,448,769	16,415,919
Non-Departmental	4,925,733	4,063,621	3,790,863	3,827,008	4,358,634	4,350,151	3,879,828	3,497,973	2,947,442	3,154,901
Accommodations Tax Grants	2,144,683	3,344,738	2,984,245	2,729,719	2,583,815	2,652,668	2,429,893	1,962,094	1,907,032	1,210,594
Visitor & Convention Bureau	3,047,544	1,939,622	2,056,508	1,888,500	1,831,924	1,709,995	1,580,537	1,473,482	1,341,508	1,096,019
Administration	71,279	35,540	33,801	34,635	27,871	28,871	2,317,333	1,481,219	1,335,906	3,208,001
Capital Outlay	14,204,129	23,720,347	21,722,195	34,458,285	25,222,144	13,839,880	11,527,089	13,428,124	13,597,119	26,380,099
Debt Service										
Principal	15,655,000	15,335,000	15,830,000	56,830,000	8,040,000	7,420,000	12,994,999	12,950,000	11,645,000	12,105,000
Interest	4,138,637	4,436,262	5,109,046	5,109,591	2,432,746	3,278,425	3,702,272	4,080,573	4,265,011	3,914,974
Fiscal Charges	408,206	519,267	243,869	14,175	17,125	11,025	-	-	-	-
Issuance Costs	-	-	-	2,086,419	472,186	-	11,025	132,022	150,792	525,364
<b>Total Expenditures</b>	<b>83,602,353</b>	<b>91,623,330</b>	<b>88,646,294</b>	<b>146,935,425</b>	<b>125,308,076</b>	<b>65,174,156</b>	<b>68,917,918</b>	<b>68,296,989</b>	<b>65,116,374</b>	<b>78,968,288</b>
Excess of Revenues Over (Under) Expenditures	14,903,119	(11,469,351)	(3,315,150)	(40,228,008)	(43,316,460)	941,053	(3,527,375)	(6,134,798)	(4,484,443)	(20,442,762)
<b>Other Financing Sources (Uses)</b>										
Transfers In	28,876,843	26,088,860	25,724,979	19,020,874	37,140,890	24,374,977	27,861,903	24,269,122	23,329,394	22,476,082
Transfers Out	(28,751,843)	(25,963,860)	(25,599,979)	(18,895,874)	(36,045,890)	(24,280,719)	(27,767,645)	(24,194,959)	(23,093,264)	(22,240,752)
Sale of Capital Assets	19,160	326,182	3,691	11,001	-	1,078,410	559,688	175,000	266,622	264,930
Bonds Issued	-	-	5,000,000	103,915,000	45,000,000	-	-	-	9,000,000	26,250,000
Refunding Bonds Issued	12,115,000	16,520,000	-	-	27,885,000	-	-	-	-	20,635,000
Premium on Bonds Issued	1,187,976	-	470,006	5,640,446	2,337,101	-	-	-	-	970,485
Payments to Escrow Agent	(12,894,375)	(17,641,779)	-	-	(28,966,152)	-	-	-	-	(21,675,878)
Reimbursement of Prior Year Expenditures	-	-	-	-	-	-	-	458,479	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>552,761</b>	<b>(670,597)</b>	<b>5,598,697</b>	<b>109,691,447</b>	<b>47,350,949</b>	<b>1,172,668</b>	<b>653,946</b>	<b>707,642</b>	<b>10,166,808</b>	<b>26,679,867</b>
<b>Net Change in Fund Balance</b>	<b>\$ 15,455,880</b>	<b>(12,139,948)</b>	<b>2,283,547</b>	<b>69,463,439</b>	<b>4,034,489</b>	<b>2,113,721</b>	<b>(2,873,429)</b>	<b>(5,427,156)</b>	<b>5,682,365</b>	<b>\$ 6,237,105</b>
<b>Capital Expenditures</b>	\$ 12,836,862	20,395,803	10,506,785	11,904,432	7,876,100	4,602,059	29,850,953	12,105,520	9,374,396	\$ 4,743,426
Debt Service as a Percentage Of Noncapital Expenditures	27.97%	27.76%	26.80%	45.87%	8.92%	17.66%	42.74%	30.31%	28.54%	21.58%

Notes:

<sup>a</sup>Property Tax Reassessments performed in 2013 and 2018.

<sup>b</sup>Starting in 2005, the Town executed a contract with Palmetto Electric for the underground burial of electrical cable and began receiving franchise fees to help offset the associated costs billed to the Town for burial of existing cable. With the exception of this franchise agreement which terminates upon completion of the burial project for existing cable, all remaining licenses, permits, and fees are considered charges for service.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

Fiscal Year Ended June 30	Property Tax	Accommodations Tax	Hospitality Tax	Total
2021	\$ 31,512,116	15,745,379	8,051,256	\$ 55,308,751
2020*	30,508,737	10,032,022	6,284,461	46,825,220
2019	29,824,023	10,620,098	7,545,767	47,989,888
2018	29,094,854	9,863,909	6,867,787	45,826,550
2017	23,111,039	9,561,791	6,661,873	39,334,703
2016	22,576,837	8,940,834	6,506,306	38,023,977
2015	24,158,786	8,361,794	6,155,004	38,675,584
2014	23,613,446	7,735,390	5,633,430	36,982,266
2013	24,242,142	6,995,760	5,250,995	36,488,897
2012	\$ 23,974,619	6,099,093	5,160,134	\$ 35,233,846
Change 2012-2021	31.44%	158.16%	56.03%	56.98%

\*COVID-19 Pandemic

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Fiscal Year Ended June 30	Tax Year	Real and Personal Property		Motor Vehicles		Total Taxable		Total Direct Tax Rate	Assessed Value as a Percentage of Actual Value
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2021	2020	\$ 964,993,530	18,335,352,245	36,759,110	568,071,554	1,001,752,640	\$ 18,903,423,799	28.10	5.30%
2020	2019	947,450,110	18,002,018,626	34,141,720	527,622,675	981,591,830	18,529,641,301	28.10	5.30%
2019	2018	935,086,850	17,767,110,598	35,960,940	555,736,716	971,047,790	18,322,847,314	27.72	5.30%
2018	2017	896,643,630	17,036,670,488	41,785,600	645,750,420	938,429,230	17,682,420,908	28.36	5.31%
2017	2016	886,106,320	16,836,456,410	40,547,190	626,612,158	926,653,510	17,463,068,568	22.18	5.31%
2016	2015	881,046,120	16,740,310,118	37,685,410	582,386,500	918,731,530	17,322,696,618	22.18	5.30%
2015	2014	870,403,050	16,565,140,739	36,619,380	553,832,220	907,022,430	17,118,972,959	21.35	5.30%
2014	2013	786,139,446	16,519,224,042	30,959,620	482,196,000	817,099,066	17,001,420,042	20.83	4.81%
2013	2012	808,486,334	16,988,790,235	31,839,682	495,902,719	840,326,016	17,484,692,954	19.33	4.81%
2012	2011	\$ 900,498,390	21,431,112,174	26,653,238	432,725,467	927,151,628	\$ 21,863,837,641	19.33	4.24%

Source: Beaufort County Assessor's Office & Town Finance Department Extrapolations.

**Notes:**

Property in Beaufort County is reassessed once every five years on average. The County assesses at 6% and 4% of actual value for real property, 10.5% for personal property, and 6.0% for motor vehicles. Tax rates are per \$1,000 of assessed value.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Town of Hilton Head Island					Overlapping Rates <sup>a</sup>				
	Operating Millage	Debt Service Millage	Capital Improvements Millage	Natural Disasters Millage	Total Town Millage	Total County Millage	Total School Millage	Public Service Districts Millage <sup>1</sup>	Total	Direct & Overlapping Rates
2021	17.20	5.90	-	5.00	28.10	64.20	150.30	8.60	251.20	251.20
2020	17.13	5.97	-	5.00	28.10	65.30	145.70	8.55	247.65	247.65
2019	15.93	5.97	0.82	5.00	27.72	62.78	136.31	8.53	235.34	235.34
2018	16.38	6.14	0.84	5.00	28.36	63.39	145.21	8.70	245.66	245.66
2017	15.20	6.14	0.84	-	22.18	61.27	143.21	8.66	235.32	235.32
2016	15.20	6.14	0.84	-	22.18	59.15	135.21	8.75	225.29	225.29
2015	14.37	6.14	0.84	-	21.35	56.86	135.21	8.81	222.23	222.23
2014	13.88	6.14	0.81	-	20.83	56.30	129.16	8.45	214.74	214.74
2013	12.86	5.72	0.75	-	19.33	56.30	129.16	8.45	213.24	213.24
2012	12.57	6.01	0.75	-	19.33	47.54	118.26	8.31	193.44	193.44

Notes:

The Town's basic property tax rate may be increased only by a majority vote of Town Council after sufficient public notice of the referendum has been provided to the citizens. Rates for debt service are set based on each year's requirements. The South Carolina legislature has also created laws that limit the millage rate increase for general operating purposes to the Jan. - Dec. of the prior year average CPI for the region plus estimated population growth.

Fiscal year 2020 Town direct rates are the approved millage rates by Town Council.

<sup>a</sup>Overlapping rates are those of local and county governments that apply to property owners within the Town of Hilton Head Island in addition to those imposed directly by the Town itself.

<sup>1</sup>Water and sewage services are provided to the Town by Public Service Districts. The rates reported represent an average of the millage charges from various providers. Service is on a fee-for-usage basis. The providers and districts served are:

- Hilton Head Number 1 Public Service District
- Broad Creek Public Service District
- South Island Public Service District

The County Public Schools rates are for not owner occupied residents. 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 not owner occupied rates were the same.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Taxpayer	Tax Year 2020 (FY2021)				Tax Year 2011 (FY2012)				
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Marriott Ownership Resorts, Inc	\$ 16,817,020	1	1.68%	\$ 23,162,220	1	2.50%			
Palmetto Electric Co-op, Inc	5,904,300	2	0.59%						
Sea Pines Resort, LLC	5,079,800	3	0.51%	2,923,060	6	0.32%			
Columbia Properties Hilton Head, LLC	4,880,580	4	0.49%	4,540,040	2	0.49%			
Hargray Telephone Company Inc	4,460,670	5	0.45%						
SCG Hilton Head Property, LLC	4,335,720	6	0.43%	4,260,000	3	0.46%			
Shelter Cove II, LLC	3,045,420	7	0.30%						
Shelter Cove III, LLC	2,697,310	8	0.27%						
Barnwell Family Associates, LLC	2,095,470	9	0.21%						
HPT IHG-2 Properties Trust	1,656,000	10	0.17%						
Summit Title Agency Trustee - Southwind				3,802,320	4	0.41%			
Greenwood Development				2,837,190	5	0.31%			
Heritage Golf				2,694,030	7	0.29%			
Hilton Head Health System LP				2,137,980	8	0.23%			
Disney Vacation Dev Inc				1,715,650	9	0.19%			
Andrick Deve Corp et al				1,713,740	10	0.18%			
Totals	\$ 50,972,290		5.10%	\$ 49,786,230		5.38%			

Source: Beaufort County

Note: These figures represent property solely within the Town limits of the Town of Hilton Head Island.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2021	\$ 31,886,408	\$ 31,239,114	97.97%	\$ 273,002	\$ 31,512,116	98.83%
2020	31,006,308	29,939,691	96.56%	569,047	30,508,738	98.40%
2019	30,266,050	29,134,100	96.26%	689,923	29,824,023	98.54%
2018	29,255,089	28,529,563	97.52%	565,291	29,094,854	99.45%
2017	23,599,662	22,490,478	95.30%	620,561	23,111,039	97.93%
2016	23,311,081	22,201,474	95.24%	375,364	22,576,838	96.85%
2015	24,844,827	23,885,817	96.14%	277,959	24,163,776	97.26%
2014	24,323,902	23,207,435	95.41%	406,011	23,613,446	97.08%
2013	24,493,618	23,619,196	96.43%	622,946	24,242,142	98.97%
2012	\$ 24,491,432	\$ 23,252,166	94.94%	722,453	\$ 23,974,619	97.89%

Source: Beaufort County and the Town of Hilton Head Island Finance Department.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**DIRECT AND OVERLAPPING SALES TAX RATES**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year Ended June 30</b>	<b>Town Direct Rate</b>	<b>Beaufort County</b>	<b>South Carolina</b>
2021	0%	1%	6%
2020	0%	1%	6%
2019	0%	1%	6%
2018	0%	0%	6%
2017	0%	0%	6%
2016	0%	0%	6%
2015	0%	0%	6%
2014	0%	0%	6%
2013	0%	0%	6%
2012	0%	1%	6%

**Notes:**

All sales tax goes to the State for distribution.

Beaufort County voters approved a 1% sales tax increase for transportation projects effective May 1, 2019.

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	Revenue Bonds	Bond Anticipation Notes	Certificates of Participation	Bond Premium	Total	Revenue Bonds	Total			
2021	\$ 67,235,000	52,560,000	-	-	6,090,172	125,885,172	6,905,000	\$ 132,790,172	5.85%	\$ 3,331	
2020	75,625,000	59,960,000	-	-	6,237,438	141,822,438	8,855,000	150,677,438	7.30%	3,780	
2019	83,515,000	67,620,000	-	-	7,135,387	158,270,387	10,090,000	168,360,387	8.45%	4,247	
2018	86,080,000	75,885,000	-	-	7,350,264	169,315,264	11,290,000	180,605,264	9.50%	4,509	
2017	46,345,000	23,535,000	45,000,000	-	3,104,407	117,984,407	9,035,000	127,019,407	6.61%	3,136	
2016	51,680,000	26,795,000	-	-	1,655,008	80,130,008	9,910,000	90,040,008	4.95%	2,223	
2015	55,945,000	29,950,000	-	-	1,829,733	87,724,733	10,760,000	98,484,733	5.34%	2,460	
2014	60,080,000	38,810,000	-	-	2,004,461	100,894,461	11,585,000	112,479,461	6.07%	2,854	
2013	64,505,000	46,075,000	-	1,260,000	2,186,424	114,026,424	12,390,000	126,416,424	8.07%	3,295	
2012	\$ 58,965,000	53,075,000	-	2,445,000	1,710,331	116,195,331	13,170,000	\$ 129,365,331	8.49%	\$ 3,372	

<sup>1</sup> See the Schedule of Demographic and Economic Statistics for personal income and population data.

Note: Beginning in fiscal year 2013, the outstanding debt by type includes the related premiums.



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**Schedule 13**

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Estimated Actual Taxable Value<sup>1</sup> of Property</b>	<b>Per Capita<sup>2</sup></b>
2021	\$ 70,264,563	0.37%	1,763
2020	78,364,596	0.42%	1,966
2019	86,497,396	0.47%	2,182
2018	87,741,233	0.50%	2,191
2017	92,457,411	0.53%	2,283
2016	51,606,596	0.30%	1,274
2015	58,846,475	0.34%	1,470
2014	59,955,995	0.35%	1,521
2013	64,348,465	0.37%	1,677
2012	\$ 58,088,744	0.27%	1,514

**Notes:**

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

<sup>1</sup> See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property (Schedule 7) for property value data.

<sup>2</sup> See the Schedule of Demographic and Economic Statistics (Schedule 17) for population data. These ratios are calculated using data from the prior calendar year.

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**OUTSTANDING AT YEAR END**

**UNAUDITED**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable<sup>1</sup></b>	<b>Estimated Share of Overlapping Debt</b>
Debt Repaid with Property Taxes:			
Beaufort County School District	\$ 391,567,600	45.50%	\$ 178,144,017
Beaufort County	205,795,000	45.50%	93,626,613
Broad Creek Public Service District	11,541,822	100.00%	11,541,822
Hilton Head No. 1 Public Service District	8,630,000	96.00%	8,284,800
<b>Subtotal, Overlapping Debt</b>	<b>617,534,422</b>		<b>291,597,252</b>
<b>Town of Hilton Head Island Direct Debt</b>	<b>125,885,172</b>	<b>100.00%</b>	<b>125,885,172</b>
<b>Total Direct and Overlapping Debt</b>	<b>\$ 743,419,594</b>		<b>\$ 417,482,424</b>

Sources: Assessed value data used to estimate applicable percentages provided by the Beaufort County Assessor's Office.  
Debt outstanding provided by each governmental unit.

Notes: 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 Hilton Head Island. This process recognizes that, when considering the government'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.

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

Schedule 15

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt Limit	\$ 74,172	67,226	65,368	72,562	73,499	74,132	75,074	77,684	78,527	\$ 80,140
Total Net Debt Applicable to Limit	5,005	8,870	8,227	7,749	7,268	51,767	50,216	51,483	47,538	44,442
Legal Debt Margin	\$ 69,167	58,356	57,141	64,813	66,231	22,365	24,858	26,201	30,989	\$ 35,698

Total Net Debt Applicable to the

Limit as a Percentage of Debt Limit

	6.75%	13.19%	12.59%	10.68%	9.89%	69.83%	66.89%	66.27%	60.54%	55.46%
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Legal Debt Margin Calculation

Assessed Value

	\$ 981,592	\$ 1,001,753
Total Assessed Value	\$ 981,592	\$ 1,001,753

Debt Limit (8% of Total Assessed Value)

	\$ 78,527	\$ 80,140
Council-imposed limit for Disasters (20%) - minimum \$20 million	(20,000)	(20,000)
Total Debt Limit	58,527	60,140

Debt Applicable to Limit:

General Obligation Bonds:

2009A	2,235	1,815
2013A	2,933	307
2017A	27,310	27,310
2017B	10,190	6,860
2019	4,870	4,700
2020B	-	3,450

Total Net Debt Applicable to Limit

	47,538	44,442
Legal Debt Margin	\$ 10,989	\$ 15,698

Note: Article Ten (X), Section Fourteen (14) of the South Carolina Constitution of 1895 as amended provides that a City or Town shall incur General Obligation Debt over the eight percent (8%) limit when approved by a majority vote of qualified electors of the political subdivision voting in a referendum authorized by law. There shall be no conditions or restrictions limiting the incurring of such indebtedness except: (a) those restrictions and limitations imposed in the authorization to incur such indebtedness; (b) the provisions of Article Ten (X) Section 14; and (c) such general obligation debt shall be issued within five years of the date of such referendum and shall mature within forty (40) years from the time such indebtedness shall be incurred.

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Hospitality Tax Bonds				Tax Increment Financing (TIF) Bonds					
	Debt Service		Coverage	Total	Debt Service		Total	Coverage		
	Collections	Principal			Interest	Principal			Interest	
2021	\$ 8,051,256	1,050,000	391,776	\$ 1,441,776	5.58	\$ 5,361,090	3,595,000	331,703	\$ 3,926,703	1.37
2020	6,284,461	1,265,000	243,637	1,508,637	4.17	5,031,311	3,535,000	394,626	3,929,626	1.28
2019	7,545,767	920,000	715,200	1,635,200	4.61	4,687,575	3,470,000	456,392	3,926,392	1.19
2018	6,867,787	895,000	739,350	1,634,350	4.20	4,624,900	2,890,000	428,838	3,318,838	1.39
2017	6,661,873	865,000	762,113	1,627,113	4.09	4,194,830	-	-	-	-
2016	6,506,306	850,000	778,113	1,628,113	4.00	4,090,780	-	-	-	-
2015	6,155,004	835,000	776,427	1,611,427	3.82	6,486,071	4,009,999	112,477	4,122,476	1.57
2014	5,633,430	820,000	811,213	1,631,213	3.45	6,433,568	3,850,000	243,289	4,093,289	1.57
2013	5,250,995	805,000	827,312	1,632,312	3.22	6,562,575	3,695,000	369,432	4,064,432	1.61
2012	\$ 5,160,134	775,000	503,346	\$ 1,278,346	4.04	\$ 6,148,490	3,550,000	490,446	\$ 4,040,446	1.52

Stormwater Revenue Bonds

Beach Preservation Fee Revenue Bonds

Fiscal Year	Stormwater Revenue Bonds				Beach Preservation Fee Revenue Bonds					
	Debt Service		Coverage	Total	Debt Service		Total	Coverage		
	Collections	Principal			Interest	Principal			Interest	
2021	\$ 5,043,167	1,315,000	252,534	\$ 1,567,534	3.22	\$ 11,123,801	2,755,000	1,220,850	\$ 3,975,850	2.80
2020	4,928,623	1,235,000	278,489	1,513,489	3.26	7,083,230	2,645,000	1,328,850	3,973,850	1.78
2019	4,895,801	1,200,000	311,654	1,511,654	3.24	7,480,143	3,875,000	1,430,444	5,305,444	1.41
2018	4,775,637	945,000	265,867	1,210,867	3.94	7,087,820	2,470,000	567,325	3,037,325	2.33
2017	3,583,005	875,000	275,498	1,150,498	3.11	6,860,758	2,395,000	141,913	2,536,913	2.70
2016	3,551,400	850,000	299,128	1,149,128	3.09	6,431,700	2,305,000	223,938	2,528,938	2.54
2015	3,551,386	825,000	321,877	1,146,877	3.10	6,136,679	4,015,000	363,838	4,378,838	1.40
2014	3,564,300	805,000	333,245	1,138,245	3.13	5,597,565	2,595,000	508,968	3,103,968	1.80
2013	3,580,445	780,000	366,077	1,146,077	3.12	4,998,132	2,500,000	608,854	3,108,854	1.61
2012	\$ 3,491,879	640,000	379,470	\$ 1,019,470	3.43	\$ 4,841,395	2,405,000	445,977	\$ 2,850,977	1.70

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**Schedule 17**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Calendar Year</b>	<b>Population<sup>1</sup></b>	<b>Personal Income (expressed in thousands)</b>	<b>Per Capita Personal Income<sup>2</sup></b>	<b>Annual Unemployment Rate<sup>3</sup></b>
2021	39,861	\$ 2,269,765	\$ 56,942	3.9%
2020	39,861	2,063,724	51,773	4.5%
2019	39,639	1,993,406	50,289	2.7%
2018	40,055	1,900,770	47,454	3.2%
2017	40,500	1,921,887	47,454	3.6%
2016	40,512	1,817,733	44,869	5.0%
2015	40,039	1,845,438	46,091	4.9%
2014	39,412	1,854,295	47,049	4.5%
2013	38,366	1,567,366	40,853	5.2%
2012	38,366	\$ 1,523,245	\$ 39,703	6.1%

Source:

<sup>1</sup> Provided by the U.S. Census Bureau, Quick Facts.

<sup>2</sup> Provided by the U.S. Census Bureau.

<sup>3</sup> Provided by the U.S. Census Bureau of Labor Statistics.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**Schedule 18**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

	2021		2012	
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Employees</b>	<b>Rank</b>
SERG Group Restaurants	1,244	1	N/A	N/A
Marriott Vacation Club Intl	580	2	553	2
Sea Pines Resort	536	3	585	1
Hilton Head Medical Ctr and Clinics	506	4	520	3
Coastal Restaurants and Bars	500	5	N/A	N/A
Beaufort County School District	438	6	392	4
Greenwood Communities & Resorts (Palmetto Dunes)	287	7	N/A	N/A
Publix Super Markets	286	8	263	8
Cypress of Hilton Head	274	9	372	6
Omni Hilton Head Oceanfront Resort	230	10	N/A	N/A
<b>TOTAL</b>	<b>4,881</b>		<b>2,685</b>	

Source: Employment head counts were verified via telephone calls to the above companies.

FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN CALENDAR YEARS

UNAUDITED

Function	Full - Time Equivalent Employees as of June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government										
Town Council	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Town Manager	7.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0
Human Resources	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Management Services										
Finance	19.2	19.7	20.7	20.3	17.6	15.6	16.6	17.0	18.0	18.0
Administration	24.2	20.7	20.7	23.3	22.1	21.0	22.0	22.0	22.0	22.0
Community Services										
Community Development	29.1	33.0	30.5	30.1	27.7	25.0	25.0	25.0	27.0	27.0
Public Projects & Facilities	29.0	26.0	25.0	23.0	23.0	22.0	21.0	22.0	22.0	22.0
Public Safety										
Fire & Rescue	142.5	142.5	141.3	144.3	140.9	143.7	143.7	143.0	145.1	147.1
Police Services <sup>a</sup>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>262.0</b>	<b>257.9</b>	<b>254.2</b>	<b>256.0</b>	<b>246.3</b>	<b>242.3</b>	<b>243.3</b>	<b>244.0</b>	<b>249.1</b>	<b>252.1</b>

Source: Town of Hilton Head Island Human Resources Department.

Notes:

A full-time equivalent is a measurement equal to one person working a full-time schedule for one year. A full-time employee of the Town is normally scheduled to work 1,950 hours per year (including vacation and sick leave). The primary exception would be Fire and Rescue shift personnel normally scheduled to work 2,923 hours per year (including vacation and sick leave).

<sup>a</sup>The police services for the Town are provided by the Beaufort County Sheriff's Department as contracted through Beaufort County.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Management Services</b>										
Business license accounts issued	7,177	6,529	6,689	6,944	6,507	5,908	6,291	6,434	5,997	5,802
Business license inspections	194	199	503	521	391	293	529	283	2,324	605
Business license audits	411	359	349	82	28	66	46	124	123	49
Hospitality tax accounts	368	377	379	374	380	461	440	437	419	373
Bed tax accounts	1,262	1,519	1,504	1,461	1,472	1,399	1,308	1,312	1,232	891
Beach passes issued	4,417	4,304	3,170	3,110	3,287	2,850	2,845	2,428	2,688	2,224
Number of court cases docketed	-	-	-	3,858	4,886	3,862	3,459	5,111	6,156	7,152
Number of court cases disposed	-	-	-	3,858	5,004	3,860	3,525	5,271	6,271	7,221
Number of search warrants issued	-	-	-	7	5	6	9	8	28	27
Number of arrest warrants issued	-	-	-	199	284	307	363	307	502	216
Number of bench warrants issued	-	-	-	117	390	312	353	389	363	610
<b>Community Services</b>										
<b>Community Development</b>										
Building inspections conducted	18,942	20,470	21,063	21,124	16,957	15,647	13,907	19,024	12,133	11,813
Building permits issued	307	220	200	257	206	144	156	212	130	89
Miscellaneous permits issued	5,337	4,625	5,091	5,316	5,641	5,015	5,390	5,070	4,619	4,345
<b>Public Projects and Facilities</b>										
# of capital improvement projects to manage	35	31	35	41	34	22	20	20	38	45
# of beach access/parks to maintain	7	7	7	7	7	8	8	8	8	8
Miles of pathways to maintain	65	65	64	64	64	64	64	62	60	58
Maintenance work orders	6,404	5,502	5,000	5,000	5,000	5,100	5,025	5,150	5,212	4,500
<b>Public Safety</b>										
Fire and Rescue service calls	8,213	7,551	7,520	7,498	7,576	7,119	6,809	6,518	6,291	5,796
Actual fires extinguished	37	17	97	119	146	105	93	81	166	130
Inspections	3,874	3,042	2,636	2,594	1,960	3,196	2,121	1,855	1,937	2,281
Telephone requests	75,520	58,375	55,496	48,064	52,981	49,842	50,789	55,841	66,710	65,522
Public training programs	196	304	420	500	352	418	514	415	493	518

(1) The Town closed the municipal court in FY2019.

Sources: Various town departments.



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

Schedule 21

CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government										
Town-owned parcels	147	146	146	145	221	224	223	168	142	175
Town-owned property acreage	1,295	1,293	1,303	1,307	1,307	1,307	1,312	1,321	1,319	1,202
Town-owned development rights	8	8	8	8	8	8	8	8	8	8
Town-owned easements	60	60	53	65	51	51	52	91	50	80
Management Services										
Town vehicles	42	42	43	40	38	38	36	38	38	38
Public Safety										
Emergency Apparatus Vehicles	28	30	30	29	29	28	28	28	25	24
Police Vehicles <sup>a</sup>	-	-	-	-	-	-	-	-	-	-
General Vehicles	22	21	21	20	20	19	19	19	25	30
Fire Stations	7	7	7	7	7	7	7	7	7	7
Public Projects and Facilities*										
Traffic signals	29	29	23	23	23	23	23	23	22	22
Pathways (miles)	65	65	64	64	64	64	64	62	60	58
Beach access/parks	7	7	7	7	7	8	8	8	8	8

\*All Town roads are dedeed to Beaufort County.

Sources: Various town departments and asset database.

Notes:

No capital asset indicators are available for the Planning/Building & Fire Codes function.

<sup>a</sup>Police services currently contracted with Beaufort County Sheriff's Office.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

Schedule 22

PRINCIPAL STORMWATER CUSTOMERS

CURRENT YEAR

UNAUDITED

Customer	Type of Business	Stormwater Fees Billed	Percentage of Total Billed
Town of Hilton Head Island	town government	\$ 90,987	1.79%
Beaufort County	county government	90,418	1.78%
Sea Pines Resort LLC	various	52,605	1.04%
Marriott Ownership Resorts	timeshare condominium	52,552	1.03%
Palmetto Dunes Resort LLC	various	39,798	0.78%
Heritage Golf-Port Royal LLC	golf course & club	23,116	0.45%
indigo Run Land Owner LLC	golf course & club	22,374	0.44%
Topper Golf World LLC-Palmetto Hall	golf course & club	22,118	0.44%
Shelter Cove III LLC	shopping center	21,192	0.42%
Hilton Head Plantation POA	golf course & club	17,185	0.34%
Wexford Plant HOA	golf course & club	15,532	0.31%
Hilton Head Island Holdings, LLC	various	12,388	0.24%
FM Shoppes	various	12,150	0.24%
Swope Properties	shopping center	11,885	0.23%
Sea Pines Country Club Inc	golf course & club	11,802	0.23%
<b>Total</b>		<b>496,102</b>	<b>9.76%</b>
<b>Total Stormwater Fees Billed</b>		<b>\$ 5,082,527</b>	

The Stormwater fee is composed of three components:

- 1 - Administrative fee of \$24 on each account.
- 2 -Gross Area charge on the total acreage of the parcel. The minimum fee is \$21 for the first two acres with a declining charge for additional acres.
- 3 - Impervious area charge based on \$105 for every 4,906 of square feet.

The residential accounts' Impervious area charge is based on established tiers and percentages.



# Compliance Section

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## **COMPLIANCE SECTION**

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021

Program	Assistance Listing Number	Grant / Contract Number	Expenditures	Expenditures to Subrecipients
<b>US DEPARTMENT OF HOUSING / URBAN DEVELOPMENT</b>				
Direct Programs:				
Community Development/Block Grant - Boys & Girls Club Pavilion	14.218	B-20-MC-45-0014	\$ 105,896	\$ -
Community Development/Block Grant - COVID-19	14.218	B-20-MW-45-0014	769,437	769,437
Community Development/Block Grant - Rowing & Sailing	14.218	GRA-19-04	151,926	-
		Total 14.218	<u>1,027,259</u>	<u>769,437</u>
<b>TOTAL US DEPARTMENT OF HOUSING / URBAN DEVELOPMENT</b>			<b><u>1,027,259</u></b>	<b><u>769,437</u></b>
<b>US DEPARTMENT OF HOMELAND SECURITY</b>				
Direct Programs:				
Assistance to Firefighters Grant - FD1014	97.025	N/A	54,013	
Assistance to Firefighters Grant - FD1010	97.025	N/A	58,272	-
		Total 97.025	<u>112,285</u>	<u>-</u>
Pass Through - SC Emergency Management Division				
Disaster Grants - Public Assistance: Hurricane Matthew	97.036	4286	382,570	-
Disaster Grants - Public Assistance: Hurricane Dorian	97.036	4464	18,195	-
Disaster Grants - Public Assistance: COVID-19 - PND01	97.036	4492	652,871	-
		Total 97.036	<u>1,053,636</u>	<u>-</u>
<b>TOTAL US DEPARTMENT OF HOMELAND SECURITY</b>			<b><u>1,165,921</u></b>	<b><u>-</u></b>
<b>US DEPARTMENT OF TRANSPORTATION</b>				
Pass Through - South Carolina Department of Transportation				
Emergency Planning	20.703	N/A	9,715	-
Hazardous Materials Training and Planning	20.703	19SHSP21	30,682	-
Hazardous Materials Training and Planning	20.703	19SHSP23	36,020	-
		Total 20.703	<u>76,417</u>	<u>-</u>
<b>TOTAL US DEPARTMENT OF TRANSPORTATION</b>			<b><u>76,417</u></b>	<b><u>-</u></b>
<b>GRAND TOTALS</b>			<b><u>\$ 2,269,597</u></b>	<b><u>\$ 769,437</u></b>

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

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2021**

---

**A. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the Town of Hilton Head Island, South Carolina (the "Town") for the year ended June 30, 2021. Expenditures for federal financial assistance awarded directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

**B. BASIS OF ACCOUNTING**

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the Town's financial statements.

**C. RELATIONSHIP TO THE FINANCIAL STATEMENTS**

Federal award expenditures are reported in the Town's financial statements as expenditures in the special revenue funds for all federal programs.

**D. MATCHING COSTS**

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

**E. INDIRECT COST RATE**

The Town has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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# Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## 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*

### INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Town Council  
Town of Hilton Head Island, South Carolina

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hilton Head Island, South Carolina (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 14, 2021.

#### 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-001.

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### **The Town's Response to Finding**

The Town's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

### **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.

*Greene Finney, LLP*

Greene Finney, LLP  
Mauldin, South Carolina  
December 14, 2021



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members of Town Council  
Town of Hilton Head Island, South Carolina

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Hilton Head Island, South Carolina (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2021. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*Greene Finney, LLP*

Greene Finney, LLP  
Mauldin, South Carolina  
December 14, 2021

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2021**

---

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?            Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses?            Yes   X   None Reported

Noncompliance material to financial statements noted?   X   Yes            No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified?            Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses?            Yes   X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (Uniform Guidance)?            Yes   X   No

Identification of major programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.218	Community Development Block Grants
97.036	Disaster Grants

Dollar threshold used to distinguish between type A and type B programs:   \$  750,000  

Auditee qualified as low-risk auditee?            Yes   X   No

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2021**

---

**Section II – Current Year Financial Statement Findings**

**2021-001: COLLATERALIZATION OF DEPOSITS**

**Criteria:** The Town should have internal controls in place to ensure that cash and investment balances are properly collateralized in accordance with SC Code Section 6-5-15.

**Condition/Context:** State law requires that financial institutions provide collateral for bank deposits for state and local governments to protect local entities against loss in the event of insolvency, liquidation, or for any other cause. The Town relies on its financial institutions to maintain sufficient collateral for its bank deposits.

**Cause and Effect:** Approximately \$8,767,000 of the Town’s deposits were exposed to custodial credit risk at June 30, 2021, as they were uninsured and uncollateralized. The deposits were uncollateralized as a result of a manual process performed by the bank that resulted in the posting of collateral based on inaccurate data prepared by the bank. The bank discovered the error on July 1, 2021 and contacted the Town to inform the Town of the error on that day. The Town’s deposits were fully collateralized on June 29, 2021 and July 1, 2021.

**Recommendation:** We recommend the Town take the necessary steps to monitor and ensure deposits are sufficiently collateralized in order to ensure compliance with state law.

**Response:** The Town agrees with the recommendations and will ensure all deposit accounts are properly collateralized going forward.

**Section III – Findings and Questioned Costs – Major Federal Awards Programs Audit**

No matters to report.

# TOWN OF HILTON HEAD ISLAND

One Town Center Court, Hilton Head Island, S.C. 29928

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John J. McCann  
Mayor

William D. Harkins  
Mayor ProTem

---

## Council Members

Thomas W. Lennox  
David Ames  
Tamara Becker  
Glenn Stanford  
Alexander Brown, Jr.

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Marc Orlando  
Town Manager

## TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

### CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2021

#### Section II – Current Year Financial Statement Findings

**Finding:** 2021-001 - Collateralization of Deposits

**Contact Person:** John Troyer, Director of Finance, [johntr@hiltonheadislandsc.gov](mailto:johntr@hiltonheadislandsc.gov)

**Corrective Action:** The Town will work with its bank to ensure that all deposits are sufficiently collateralized.

**Proposed Completion Date:** December 31, 2021

---

#### Section III – Federal Award Findings and Questioned Costs

No matters to report.