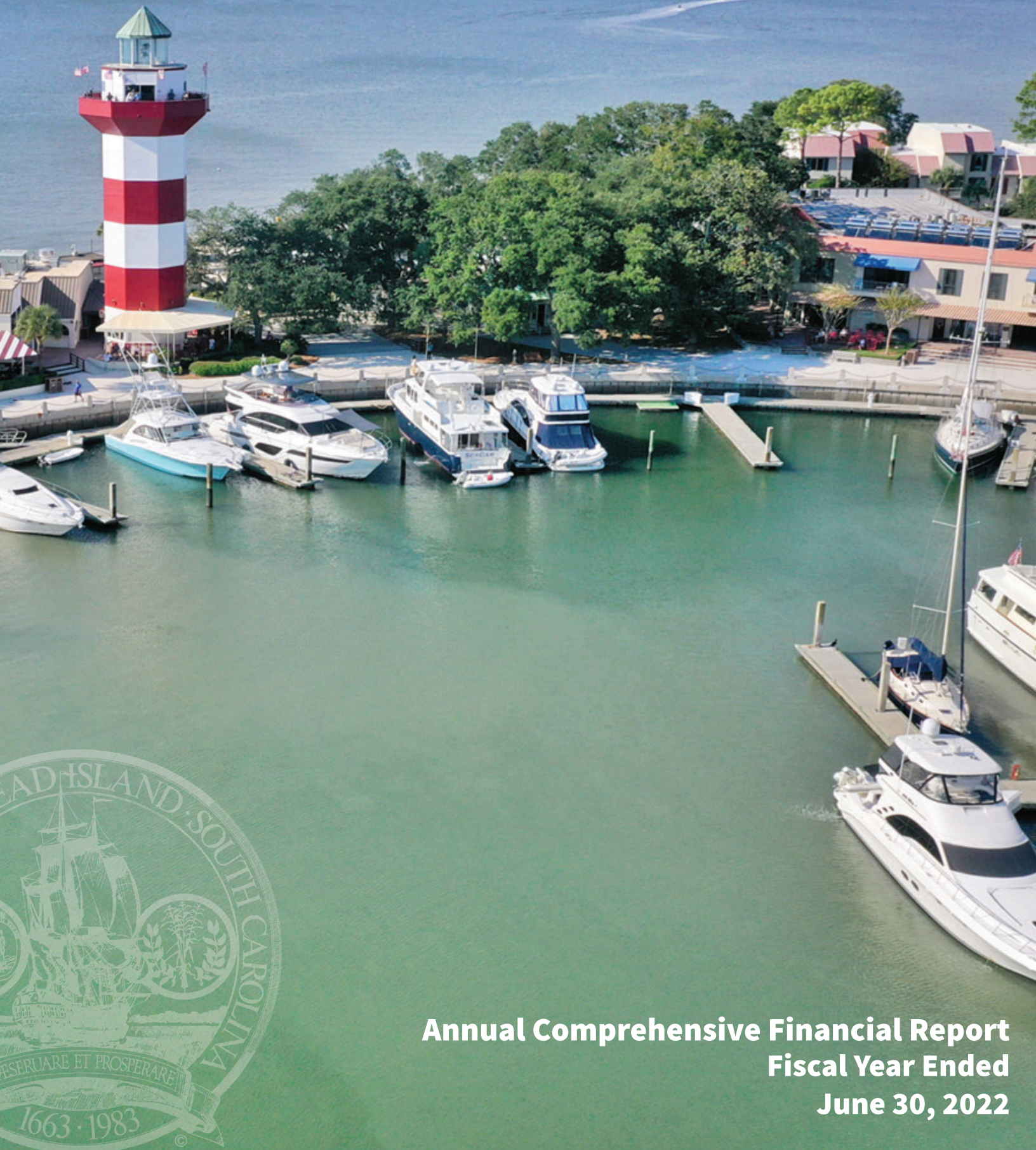


Town of Hilton Head Island, South Carolina



**Annual Comprehensive Financial Report
Fiscal Year Ended
June 30, 2022**

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**Town of Hilton Head Island
Annual Comprehensive Financial Report
Fiscal Year Ending, June 30, 2022**



John J. McCann, Mayor, At-Large



Alex Brown, Ward 1



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



David Ames, Ward 3



Tamara Becker, Ward 4



Thomas W. Lennox, Ward 5



Glen Stanford, Ward 6

SENIOR STAFF

**Marc Orlando
Josh Gruber
Ben Brown
Shawn Colin
Angie Stone
Bradley Tadlock
John Troyer
Lisa Stauffer
Bob Bromage**

**Town Manager
Deputy Town Manager
Senior Advisor to the Town Manager
Assistant to the Town Manager-Community Development
Assistant Town Manager
Fire Chief
Director of Finance
Director of Human Resources
Public Safety Director**

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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, 2022
The Town of Hilton Head Island, South Carolina

December 15, 2022

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

The Annual Comprehensive Financial Report of the Town of Hilton Head Island, South Carolina, (the Town) for the fiscal year ended June 30, 2022, 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 Cauley, LLC, has issued an unmodified ("clean") opinion for the year ended June 30, 2022. 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.

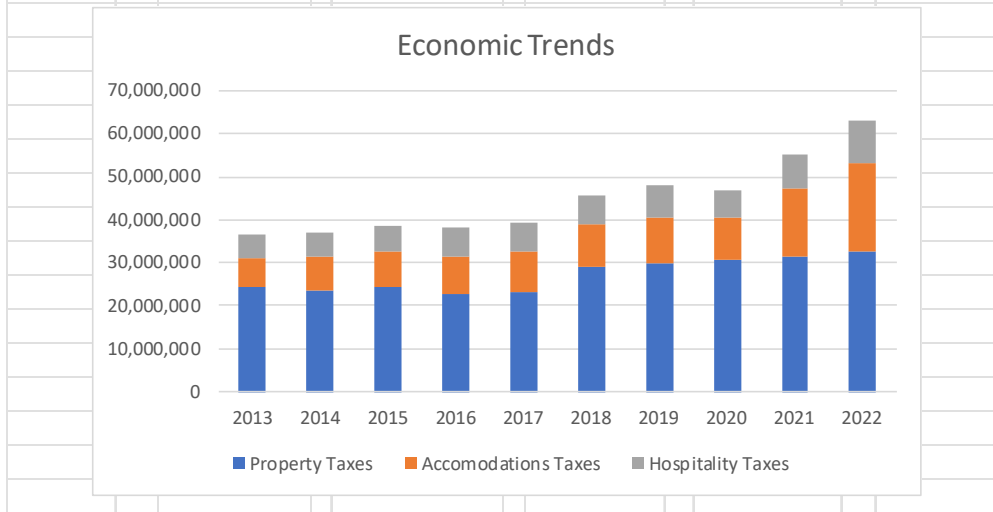
The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year in accordance with the budget amendment policies included in the current budget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

Local Economy

Tourism is the largest industry in the Island's economy. There are approximately 3.0 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 again had record collections for 2022. 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 2022. Hilton Head Island has seen 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.

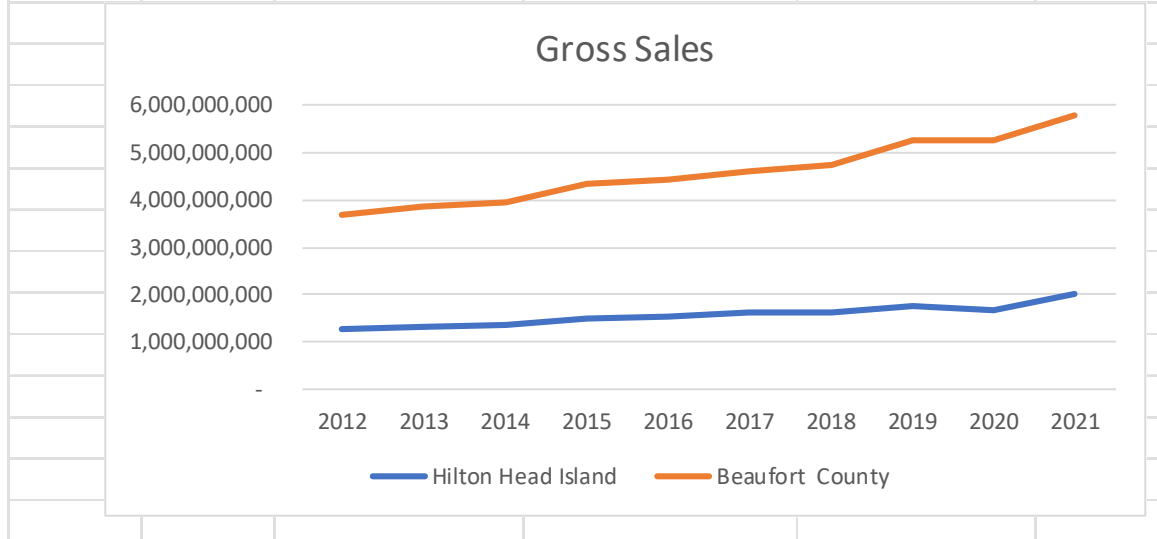
	Property Taxes	Accommodations Taxes	Hospitality Taxes	Total	Percentage Change
2013	24,242,142	6,995,760	5,250,995	36,488,897	3.6%
2014	23,613,446	7,735,390	5,633,430	36,982,266	1.4%
2015	24,158,786	8,361,794	6,155,004	38,675,584	4.6%
2016	22,576,837	8,940,834	6,506,306	38,023,977	-1.7%
2017	23,111,039	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%
2022	32,690,057	20,595,819	9,907,025	63,192,901	14.3%



Local Economy (continued)

The local economy also noted record sales for both Hilton Head Island and Beaufort County in 2022 as another indicator of the growth and economic health of the region.

	Hilton Head Island	Beaufort County	HHI as a percent of Beaufort Co.
2013	1,329,472,728	3,844,604,186	34.6%
2014	1,349,120,078	3,930,141,179	34.3%
2015	1,497,939,094	4,319,530,218	34.7%
2016	1,550,271,152	4,421,420,044	35.1%
2017	1,609,775,746	4,617,923,914	34.9%
2018	1,642,934,775	4,731,079,626	34.7%
2019	1,754,457,567	5,248,962,421	33.4%
2020	1,679,223,643	5,238,834,223	32.1%
2021	2,004,519,594	5,785,523,469	34.6%
2022	2,292,682,920	6,694,245,598	34.2%

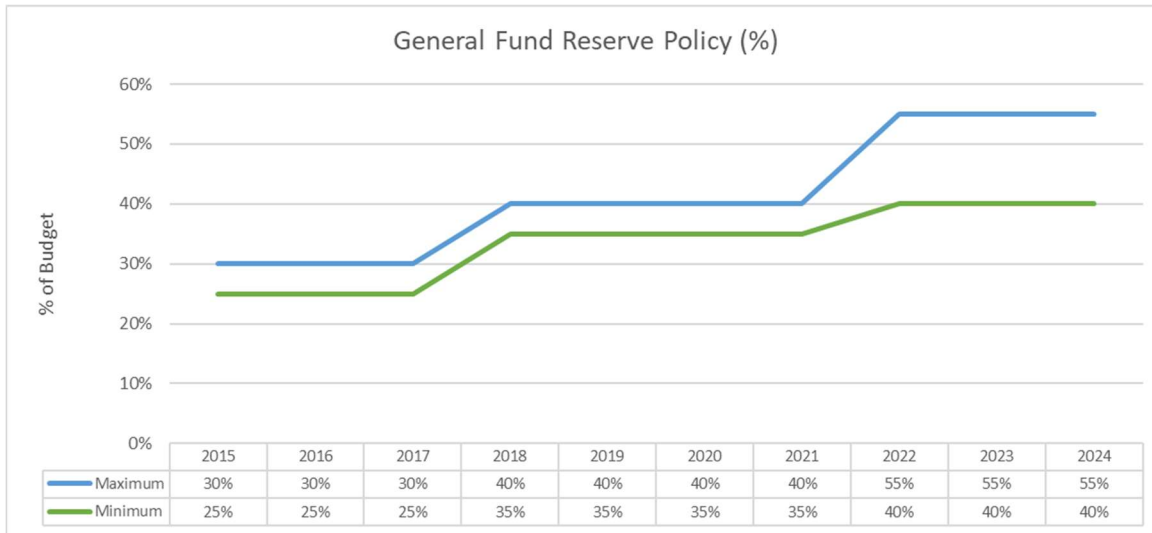


Long Term Financial Planning

The Town of Hilton Head Island’s three-year financial plan is based upon sound financial reserves and conservative revenue forecasts and limiting future expenditures for the foreseeable future. As the Town approaches 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. To coincide with the adoption of the fiscal 2023 budget, the Town updated its General Fund reserve policies:



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 2023, 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 continue to manage through the pandemic and economic uncertainty 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. Funding sources are conservatively estimated that support the capital construction using elastic revenues. To the extent debt financing is used, capital project plans are sized to conform to existing debt management policies. The

Capital Improvements Projects are based on the Strategic Plan – which stems from the community and is developed as policy by Town Council with input from Town Management and staff as a blueprint for policy emphasis moving forward.

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 ability and efforts to maintain a fiscally sound operation through uncertain economic times.

Fiscal 2022 was the fourth year in a row the Town’s debt has declined. The last new money issue was the 2019 General Obligation bonds issued to renovate the Fire Station in Sea Pines. This careful debt management helps to prepare the Town for its future.

Major Initiatives

The Town has an aggressive Capital Improvement Plan in the works. The Town has several parks, roads, beach, pathways, facilities and other projects as part of the CIP. The Town details the projects and the progress on its website at www.hiltonheadislandssc.gov 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 2022 -- General Fund -- from Schedule A		
	Final Budget	Actual	Variance
Revenue	35,197,149	44,022,615	8,825,466
Transfers In (Out), net	8,637,508	2,456,498	(6,181,010)
Expenditures	(44,054,613)	(43,092,266)	962,347
Revenues Over(Under)Expenditures	<u>(219,956)</u>	<u>3,386,847</u>	<u>3,606,803</u>

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 smaller subsequent events in Fiscal 2018, 2019 and 2020. Fiscal 2022 has so far spared the Island from weather-related disasters. Fiscal 2023 saw the Town prepare for Hurricane Ian, and subsequently avoid any major damages. 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 (ARPA) funds as the second 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 at this time.

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 annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2021. This was the thirty third 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 ACFR 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 annual comprehensive 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, 2021. It was the seventeenth 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 helping to forge a future with economic vitality.

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,

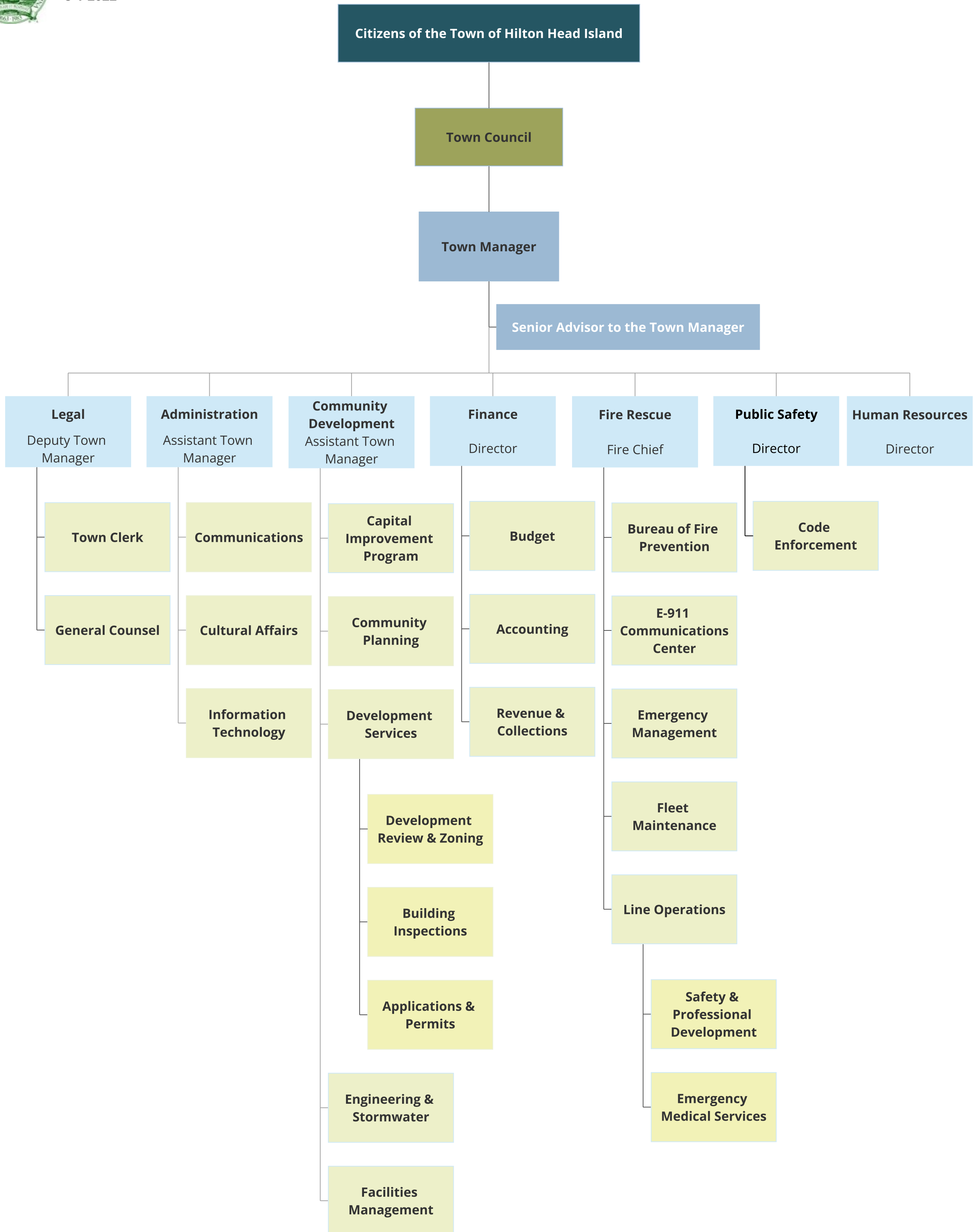
John M. Troyer

John M. Troyer
Director of Finance

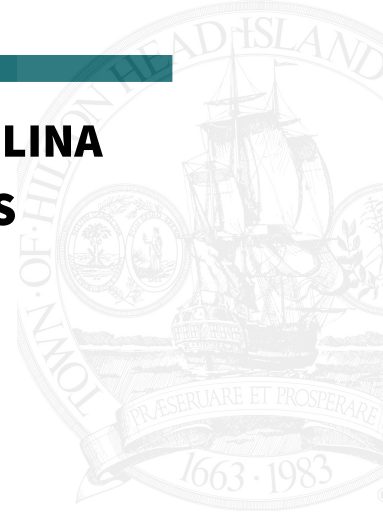
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**TOWN OF HILTON HEAD ISLAND
ORGANIZATIONAL CHART
8-1-2022**



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA
LIST OF ELECTED & APPOINTED OFFICIALS
AS OF JUNE 30, 2022**



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
Josh Gruber
Ben Brown
Shawn Colin
Angie Stone
Bradley Tadlock
John Troyer
Lisa Stauffer
Bob Bromage**

**Town Manager
Deputy Town Manager
Senior Advisor to the Town Manager
Assistant Town Manager- CD
Assistant Town Manager
Fire Chief
Director of Finance
Director of Human Resources
Public Safety Director**



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Hilton Head Island
South Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



Financial Section

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INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (“GAAS”) and the standards applicable to financial audits contained in *Government Auditing Standards* (“*Government Auditing Standards*”), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

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864.225.8713

ASHEVILLE, NC
828.771.0847

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APPOINTMENT ONLY

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 the pension plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 supplementary information, as listed in the table of contents, 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 and federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, 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 solely 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 the effectiveness of the Town's 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 Town's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
December 15, 2022

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2022

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, 2022 ("2022" or "FY 2022") as compared to fiscal year ended June 30, 2021 ("2021" or "FY 2021"). 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 \$338,124,000 (net position), including \$327,583,000 in net position for governmental activities and \$10,541,000 in net position for business-type activities. Unrestricted net position was approximately \$16,887,000, including unrestricted net position of approximately \$13,350,000 and \$3,537,000 for governmental and business-type activities, respectively.
- The Town's total net position increased by approximately \$46,555,000 and \$502,000 for its governmental and business-type activities, respectively, for a total increase in net position of approximately \$47,057,000 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 \$179,079,000, an increase of approximately \$33,416,000 over the prior year fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$2,321,000 or 5% of total General Fund expenditures for the year ended June 30, 2022. Total fund balance for the General Fund, which includes committed, assigned, and unassigned fund balance, was approximately \$29,063,000 or 67% of total General Fund expenditures for the year ended June 30, 2022.
- The overall decrease in the Town's capital assets for the period ending June 30, 2022, was approximately \$3,640,000 (1%), including a decrease of \$2,681,000 for its governmental activities and a decrease of \$959,000 and business-type activities, respectively. Capital asset additions for governmental activities of approximately \$3,965,000 were exceeded by depreciation expense of \$6,233,000 and net disposals of \$413,000. Capital asset additions for business-type activities of \$46,000 were exceeded by depreciation expense of \$1,005,000.
- The Town's total long-term obligations, not including the net pension liability, decreased by approximately \$17,339,000 during the current fiscal year, including decreases of \$16,134,000 and \$1,205,000 for governmental and business-type activities, respectively. The Town issued no new debt for governmental activities, and made principal and refunding payments of \$16,330,000. The Town issued no new debt for business-type activities, and made principal and refunding payments of \$1,205,000. The Town recognized approximately \$785,000 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, 2022

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, Natural Disasters Fund, and Federal Grants 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, 2022

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, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

	Fund Financial Statements		
	Town-Wide Statements	Governmental Funds	Proprietary Funds
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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
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, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table provides a summary of the Town's net position at June 30, 2022 compared to June 30, 2021:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Assets:						
Current and Other Assets	\$ 195,154,259	\$ 157,411,315	3,633,759	3,768,123	198,788,018	\$ 161,179,438
Capital Assets, Net	278,057,127	280,738,361	12,436,782	13,395,693	290,493,909	294,134,054
Total Assets	473,211,386	438,149,676	16,070,541	17,163,816	489,281,927	455,313,492
Deferred Outflows of Resources:						
Deferred Charges on Bond	1,711,155	1,904,953	267,182	356,242	1,978,337	2,261,195
Deferred Pension Charges	4,365,495	4,268,662	-	-	4,365,495	4,268,662
Total Deferred Outflows of Resources	6,076,650	6,173,615	267,182	356,242	6,343,832	6,529,857
Liabilities:						
Long-Term Liabilities	114,985,323	131,119,443	5,700,000	6,905,000	120,685,323	138,024,443
Net Pension Liability	15,896,250	19,044,080	-	-	15,896,250	19,044,080
Other Liabilities	16,873,462	12,305,819	96,983	576,235	16,970,445	12,882,054
Total Liabilities	147,755,035	162,469,342	5,796,983	7,481,235	153,552,018	169,950,577
Deferred Inflows of Resources:						
Deferred Gain on Bond Refunding	46,975	50,589	-	-	46,975	50,589
Deferred Pension Credits	3,902,990	775,782	-	-	3,902,990	775,782
Total Deferred Inflows of Resources	3,949,965	826,371	-	-	3,949,965	826,371
Net Position:						
Net Investment in Capital Assets	171,793,112	160,928,772	7,003,964	6,847,044	178,797,076	167,775,816
Restricted	142,439,709	110,004,264	-	-	142,439,709	110,004,264
Unrestricted	13,350,215	10,094,542	3,536,776	3,191,779	16,886,991	13,286,321
Total Net Position	\$ 327,583,036	281,027,578	10,540,740	10,038,823	338,123,776	\$ 291,066,401

The Town's current and other assets at June 30, 2022 increased by approximately \$37,609,000 (23%) from the prior year, consisting of an increase of \$37,743,000 (24%) in its governmental activities offsetting a decrease of \$134,000 (4%) in its business-type activities. The increase in governmental activities was primarily due to the Town receiving record revenues which 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, 2022 (net of accumulated depreciation), decreased by approximately \$3,640,000 (1%), including a decrease of approximately \$2,681,000 (1%) and a decrease of approximately \$959,000 (7%) for governmental and business-type activities, respectively. As noted previously, capital asset additions for governmental activities of approximately \$3,965,000 were exceeded by depreciation expense of approximately \$6,233,000 and net disposals of approximately \$413,000. Capital asset additions for business-type activities of approximately \$46,000 were exceeded by depreciation expense of approximately \$1,005,000. Capital asset additions for governmental activities consisted of approximately \$3,165,000 in construction in progress additions - including infrastructure and the recreation center expansion - \$77,000 in buildings, \$167,000 in furniture, fixtures and equipment additions, \$398,000 in vehicles, and \$158,000 in improvements other than buildings for park development. Capital asset additions for business-type activities included approximately \$46,000 related to infrastructure.

The Town completed approximately \$167,000 in on-going capital projects which were reclassified from construction in progress as follows: \$167,000 transferred to infrastructure.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Deferred outflows of resources (resources that will be used in a future period) decreased by approximately \$186,000 (3%), including a decrease of \$97,000 (2%) for governmental activities and a decrease of \$89,000 (25%) decrease in business-type activities. The decrease in governmental activities is primarily due to a decrease of \$194,000 in deferred charges on bonds offset by an increase of \$97,000 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 \$17,339,000 (13%), including decreases of \$16,134,000 (12%) and \$1,205,000 (17%) for governmental and business-type activities, respectively. As noted previously, the Town issued no new debt for governmental activities and made principal and refunding payments of \$16,330,000. The Town recognized \$785,000 in amortization of premiums. The Town issued no new debt for business-type activities and made \$1,205,000 in principal payments.

The net pension liability decreased by approximately \$3,148,000 (17%), which was all related to governmental activities, due to the PORS' total net pension liability decreasing. 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 \$4,088,000 (32%), including an increase of \$4,568,000 (37%) in governmental activities and a decrease of \$480,000 (83%) in business-type activities. The increase in governmental activities is primarily due to deferred revenue from funds received through the American Recovery Act and an increase in due to other governments.

Deferred inflows of resources increased by approximately \$3,124,000 (378%), which was all related to governmental activities, due to a \$3,127,000 increase 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 \$46,555,000 and \$502,000 for its governmental and business-type activities, respectively, for a total increase in net position of \$47,057,000 compared to the prior year net position.

Assets and deferred outflows exceeded liabilities and deferred inflows of resources (net position) by \$338,124,000, including \$327,583,000 in net position for governmental activities and \$10,541,000 in net position for business-type activities. The largest portion of the Town's net position, or \$178,796,000 (53%), which includes \$171,793,000 (52%) and \$7,004,000 (66%) 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 \$142,440,000 (43%), 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 \$16,887,000 (4%), including \$13,350,000 (3%) and \$3,537,000 (34%) 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, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town's net position for FY 2022 compared to FY 2021.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 43,610,527	\$37,629,156	5,081,075	5,043,167	48,691,602	\$ 42,672,323
Operating Grants and Contributions	2,568,077	2,985,776	-	-	2,568,077	2,985,776
Capital Grants and Contributions	193,187	151,926	-	-	193,187	151,926
General Revenues:						
Property Taxes	32,604,260	31,500,198	-	-	32,604,260	31,500,198
Other Taxes	30,502,844	23,796,636	-	-	30,502,844	23,796,636
Other	1,810,185	2,429,861	10,394	9,228	1,820,579	2,439,089
Total Revenues	<u>111,289,080</u>	<u>98,493,553</u>	<u>5,091,469</u>	<u>5,052,395</u>	<u>116,380,549</u>	<u>103,545,948</u>
Expenses:						
Governmental Activities:						
General Government	7,125,075	487,594	-	-	7,125,075	487,594
Management Services	7,227,923	6,087,358	-	-	7,227,923	6,087,358
Community Services	19,554,577	25,648,683	-	-	19,554,577	25,648,683
Public Safety	21,344,565	18,983,033	-	-	21,344,565	18,983,033
Culture and Recreation	4,451,959	2,144,683	-	-	4,451,959	2,144,683
Visitor and Convention Bureau	4,063,286	3,047,544	-	-	4,063,286	3,047,544
Administrative	69,575	71,279	-	-	69,575	71,279
Interest and Other Charges	3,056,276	3,321,054	-	-	3,056,276	3,321,054
Business-Type Activities:						
Stormwater	-	-	2,429,938	4,768,127	2,429,938	4,768,127
Total Expenses	<u>66,893,236</u>	<u>59,791,228</u>	<u>2,429,938</u>	<u>4,768,127</u>	<u>69,323,174</u>	<u>64,559,355</u>
Change in Net Position Before Transfers	44,395,844	38,702,325	2,661,531	284,268	47,057,375	38,986,593
Transfers	<u>2,159,614</u>	<u>125,000</u>	<u>(2,159,614)</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	46,555,458	38,827,325	501,917	159,268	47,057,375	38,986,593
Net Position- Beginning of Year	<u>281,027,578</u>	<u>242,200,253</u>	<u>10,038,823</u>	<u>9,879,555</u>	<u>291,066,401</u>	<u>252,079,808</u>
Net Position - End of Year	<u>\$327,583,036</u>	<u>281,027,578</u>	<u>10,540,740</u>	<u>10,038,823</u>	<u>338,123,776</u>	<u>\$291,066,401</u>

Revenues and other financing sources exceeded expenses and other financing uses by approximately \$47,057,000 for the year ended June 30, 2022, including \$46,555,000 and \$502,000 in governmental and business-type activities, respectively. Total revenues increased from the prior year by \$12,835,000 (12%), including increases of approximately \$12,796,000 (13%) in governmental activities and increases of approximately \$39,000 (1%) in business-type activities. The increase in governmental activities revenues is primarily due to an increase in property taxes and other taxes. 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, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Total expenses increased from the prior year by approximately \$4,764,000 (7%), composed of an increase of approximately \$7,102,000 (12%) in governmental activities offset by a decrease of \$2,338,000 (49%) in business-type activities. The increase in governmental activities is primarily due to an increase of \$6,637,000 in general government expenditures, an increase of \$1,141,000 in management services, \$2,362,000 in public safety, \$2,307,000 in culture and recreation, and \$1,016,000 in visitor and convention bureau, offset by decreases of \$6,094,000 in community services and \$265,000 in interest and other charges. The decrease in business-type activities is primarily due to a reduction in stormwater repairs and maintenance.

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 2022, the Town's governmental funds reported combined ending fund balance of approximately \$179,079,000, which represents an increase of \$33,416,000 in comparison with the prior year. Approximately 1% of this total amount \$2,321,000 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	\$ 4,217,187
Accommodations Tax	Tourism promotion	10,387,797
Real Estate Transfer Fee	Environmental conservation	16,722,324
Beach Preservation Fee	Beach renourishment	22,501,858
Hospitality Fee	Public health and safety	19,568,949
Debt Service	Debt service payments	11,239,657
Capital Projects	Construction of major capital facilities	8,796,482
Natural Disasters	Response to natural disasters	36,356,182
Palmetto Electric	Underground electrical service	10,890,321
HOME Grant	HOME grant program	9,008
Federal & Operating Grants	Federal and operating grants	542,558
Road Usage Fee	Road projects	3,608,181
Firemen's Fund	Firemen's fund	95,444
Committed:		
General	Disaster recovery	26,741,992
Beach Preservation Fee	Beach renourishment	5,080,403
Unassigned:		
General		2,320,873
Total Fund Balance		<u>\$ 179,079,216</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2022

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 2022, the total fund balance was approximately \$29,063,000, including committed fund balance of approximately \$26,742,000 for disaster recovery. 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 \$2,321,000 or 5% of total General Fund expenditures for the year ended June 30, 2022. Total fund balance, which includes committed, assigned, and unassigned fund balance was approximately \$29,063,000 or 67% of total General Fund expenditures for the year ended June 30, 2022. Some of the highlights for the increase in fund balance for the General Fund are as follows:

- General Fund revenues of \$44,023,000 increased by approximately \$5,713,000 (15%) over the prior year primarily due to the following:
 - \$3,981,000 increase in business license and franchise fee revenues, primarily due to the timing of the receipt of the fourth quarterly disbursements and due to an increase in activity as restrictions in place for a portion of the prior year were not in effect during the current year.
 - \$1,465,000 increase in accommodations taxes due to a full year without COVID restrictions in place allowing an increase in travel.
- General Fund expenditures of \$44,093,000 increased by approximately \$2,132,000 (5%) over the prior year primarily due to the following:
 - \$1,335,000 increase in community services primarily related to facilities management operating costs.
 - \$1,301,000 increase in management services for additional expenses related to salaries and operating costs.

Fund balance for the Tax Increment Financing District Fund ("TIF") increased by approximately \$250,000 as a result of revenues of approximately \$5,812,000 exceeding transfers out of approximately \$5,562,000. TIF fund revenues increased approximately \$441,000 (8%) partially due to an increase of approximately \$431,000 in real and personal property taxes and a \$10,000 increase in investment earnings. Transfers out decreased approximately \$1,966,000 due to a decrease in transfers to the Debt Service fund needed to meet debt service requirements.

Fund balance for the Accommodations Tax Fund increased approximately \$3,372,000 as a result of revenues of \$13,582,000 exceeding expenditures and other financing uses of approximately \$10,210,000. Accommodations Tax Fund revenues increased by approximately \$3,393,000 (33%) primarily due to increased tourism activity in the current year. Expenditures and other financing uses experienced an increase of \$3,604,000 (73%) and a decrease of \$11,000 (1%), respectively.

Fund balance for the Real Estate Transfer Fee Fund increased approximately \$5,746,000 as a result of revenues of approximately \$7,004,000 exceeding expenditures and other financing uses of approximately \$1,258,000. Real Estate Transfer Fees Fund revenues decreased approximately \$139,000 (2%) related to a slight decrease in property sales on the island from a record year in 2021. Expenditures remained relatively flat compared to the prior year and other financing uses decreased \$2,654,000 (69%) related to the Town using a smaller portion of the current year increase in revenues to fund capital projects than in the prior year.

Fund balance for the Beach Preservation Fee Fund increased approximately \$8,965,000 as a result of revenues of approximately \$14,053,000 exceeding expenditures and other financing uses of approximately \$5,089,000. Revenues increased approximately \$2,907,000 (26%) due to a \$2,929,000 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, 2022

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds (Continued)

Fund balance for the Hospitality Fee Fund increased \$7,580,000 due to revenues of \$9,907,000 exceeding expenditures and other financing uses of \$2,327,000. Hospitality Fee Fund revenues increased \$1,839,000 (23%) primarily due to increased tourism activity in the current year. Expenditures decreased \$281,000 (100%). Other financing uses decreased \$3,208,000 (58%) due to a decrease in transfers to the General Fund.

Fund balance for the Debt Service Fund increased \$144,000 due to revenues and other financing sources of \$19,475,000 exceeding expenditures of \$19,331,000. Debt Service Fund revenues increased by \$152,000 (3%) compared to the prior year. Other Financing Sources decreased \$917,000 (6%) based on changes in the debt service requirements resulting in no transfer out or payments to escrow agent in FY2022. Expenditures decreased \$871,000 (4%) due to scheduled changes in principal and interest payments.

Fund balance for the Capital Projects Fund increased \$1,022,000 due to revenues and other financing sources of \$8,576,000 exceeding expenditures of \$7,554,000. Capital Projects Fund revenues decreased \$289,000 (25%) primarily due to a decrease in impact fees of \$359,000 (53%). Net other financing sources decreased \$628,000 (8%) related to changes in current and future capital needs. Expenditures decreased \$6,508,000 (46%) due a decrease in community services capital outlay.

Fund balance for the Natural Disasters Fund increased \$2,379,000 due to revenues of \$5,915,000 exceeding expenditures and other financing uses of \$3,536,000. Natural Disasters Fund revenue increased \$155,000 (3%) primarily due to an increase of \$148,000 related to real and property taxes. The collection of real and personal property taxes is due to the Town implementing 5.0 mills for disaster recovery in 2018. FY 2022 completes the fifth of five years for the 5 mills for disaster recovery. Expenditures decreased \$653,000 (100%) due to a decrease in debris removal and other recovery expenditures in the current year. Other financing uses of \$3,536,000 were due to transfers to the Debt Service Fund to fund debt service requirements on the \$18 million disaster recovery bonds. These bonds will be fully paid in fiscal year 2023.

The Federal Grants Fund reported no fund balance due to revenues of \$804,000 offsetting expenditures and other financing uses of \$804,000. Federal Grants Fund revenue increased \$804,000 (100%) due to the Town using this fund to record ARPA funds received starting in FY 2022.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2022

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, 2022 and June 30, 2021:

Fund	Year Ended June 30, 2022			
	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	Fund Balance	Changes in Fund Balance
General	\$ 47,028,374	43,641,527	29,062,865	\$ 3,386,847
Tax Increment Financing	5,811,540	5,561,934	4,217,187	249,606
Accommodations Tax (State)	13,582,414	10,210,456	10,387,797	3,371,958
Real Estate Transfer Fee	7,004,356	1,257,969	16,722,324	5,746,387
Beach Preservation Fee	14,053,062	5,088,549	27,582,261	8,964,513
Hospitality Fee	9,907,025	2,326,712	19,568,949	7,580,313
Debt Service	19,474,692	19,330,666	11,239,657	144,026
Capital Projects	8,576,149	7,554,151	8,796,482	1,021,998
Natural Disasters	5,914,554	3,535,665	36,356,182	2,378,889
Federal Grants	804,159	804,159	-	-
Non-Major Governmental	4,058,308	3,487,088	15,145,512	571,220
Total Governmental Funds	\$ 136,214,633	102,798,876	179,079,216	\$ 33,415,757

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
Federal Grants	-	-	-	-
Non-Major Governmental	5,875,770	3,097,843	14,574,292	2,777,927
Total Governmental Funds	\$ 140,704,451	125,248,571	145,663,459	\$ 15,455,880

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, 2022

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

General Fund Budgetary Highlights

During the fiscal year, the Town prepared one General Fund budget amendment. 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 amendment to the General Fund budget in the current year were to provide funding for projects that were planned for the previous fiscal year but were delayed due to several factors such as difficulties in finding available materials, increased scope of projects, construction scheduling, and lack of bidders. The total increase from the original to the revised General Fund budget was \$219,956.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2022, amounted to approximately \$278,057,000 and \$12,437,000, 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, 2022, and 2021 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 170,466,187	\$ 170,497,481	-	-	170,466,187	\$ 170,497,481
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	3,969,383	1,354,155	-	-	3,969,383	1,354,155
Buildings	30,229,527	31,912,307	-	-	30,229,527	31,912,307
Furniture, Fixtures and Equipment	599,378	538,996	-	-	599,378	538,996
Vehicles	3,583,155	3,902,982	-	-	3,583,155	3,902,982
Improvements Other Than						
Buildings - Park Development	25,505,606	26,726,818	-	-	25,505,606	26,726,818
Infrastructure	29,420,541	31,522,271	12,436,782	13,395,693	41,857,323	44,917,964
Total	\$ 278,057,128	280,738,361	12,436,782	13,395,693	290,493,910	\$ 294,134,054

The overall decrease in the Town's capital assets for the period ending June 30, 2022, was approximately \$3,640,000 (1%), including a decrease of \$2,681,000 for its governmental activities and a decrease of \$959,000 in business-type activities, respectively. Capital asset additions for governmental activities of \$3,965,000 were exceeded by depreciation expense of \$6,233,000 and net disposals of \$413,000. Capital asset additions for business-type activities of \$46,000 were exceeded by depreciation expense of \$1,005,000.

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, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

As of June 30, 2022, the Town's governmental and business-type activities had total outstanding long-term debt of \$104,250,000 and \$5,700,000, respectively. Of the Town's total, \$59,290,000 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, 2022, and 2021 were as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
General Obligation Bonds	\$ 59,290,000	\$ 67,235,000	-	-	59,290,000	\$ 67,235,000
Tax Increment Financing Bonds	11,380,000	15,040,000	-	-	11,380,000	15,040,000
Revenue/Special Obligation Bonds:						
Beach Preservation Fees	20,450,000	23,315,000	-	-	20,450,000	23,315,000
Hospitality Tax	13,130,000	14,205,000	-	-	13,130,000	14,205,000
Stormwater	-	-	5,700,000	6,905,000	5,700,000	6,905,000
Total Long- Term Obligations	<u>\$ 104,250,000</u>	<u>119,795,000</u>	<u>5,700,000</u>	<u>6,905,000</u>	<u>109,950,000</u>	<u>\$ 126,700,000</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 \$16,750,000 (13%). Major events during the current fiscal year included the following:

- The Town made principal payments of \$16,750,000.

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 ending in fiscal year 2023. Fiscal 2022 finishes the last of the planned five years with 5 mills assessed for disaster recovery. For the fiscal year 2023 the millage rate reduced from 28.10 to 23.10. The Town has certainly benefitted from the foresight of its officials in building reserves and preparing for events like Matthew. Town Council has shown leadership in making the necessary and appropriate responses to keep the Town hurricane ready operationally and financially. The budget for fiscal year 2023 that was passed by Town Council totaled \$119,501,114. More information on the budget can be found on the Town's website at www.hiltonheadislandsc.gov.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2022

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 3% lower than last year’s amounts. FY 2021 was a strong year that exceeded expectations in both transfer fees and construction permits, and the activity remained consistently strong through FY 2022. 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
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%
2022	\$ 6,957,245	-2%	\$ 2,001,046	-6%	\$ 8,958,291	-3%

Tourism Revenues

Tourism related revenues, especially Accommodations Taxes, Beach Preservation Fees and Hospitality Taxes had a strong year resulting in an increase for FY22. 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
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%
2022	\$ 34,648,881	29%	\$ 9,907,025	23%	\$ 44,555,906	\$ 9,635,469	28%

Budgets and tax rates for Fiscal 2023

Town Council adopted a \$119,501,114 budget for FY 2023. This budget is more than the \$96,838,322 adopted for FY 2022 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 \$45 million CIP based on the new Comprehensive Plan and Strategic 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 2023 as FY 2022. Town Council increased its reserve policy to better prepare the Town for the next storm. The General Fund budget is balanced for FY 2023. The millage rate was assessed at 28.10 mills for FY2022 and 23.10 for FY2023. The budget for FY 2022 marked 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 post-hurricane expenses.

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 and FY2022 in spite of the pandemic. The high levels of revenue collections are indicators of a robust economy, and the Town has smartly raised its fund balance policies to prepare for the future.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2022

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.



Basic Financial Statements

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TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2022

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 177,778,472	3,647,130	\$ 181,425,602
Accounts Receivable	9,357,366	-	9,357,366
Due from Employees	14,817	-	14,817
Due from Other Governments	7,978,052	12,181	7,990,233
Internal Balances	25,552	(25,552)	-
Capital Assets:			
Non-Depreciable	188,718,921	-	188,718,921
Depreciable, Net	89,338,206	12,436,782	101,774,988
TOTAL ASSETS	473,211,386	16,070,541	489,281,927
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Bond Refunding	1,711,155	267,182	1,978,337
Deferred Pension Charges	4,365,495	-	4,365,495
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,076,650	267,182	6,343,832
LIABILITIES			
Accounts Payable	5,376,809	75,779	5,452,588
Accrued Payroll and Related Payables	1,854,833	-	1,854,833
Due to Other Governments	4,005,433	-	4,005,433
Unearned Revenue	4,506,344	-	4,506,344
Irrigation and Pool Surety Bonds Payable	63,200	-	63,200
Performance Bonds Payable	22,229	-	22,229
Accrued Interest Payable	1,044,614	21,204	1,065,818
Noncurrent Liabilities:			
Net Pension Liability - Due in More than One Year	15,896,250	-	15,896,250
Due Within One Year	18,770,192	1,225,000	19,995,192
Due In More Than One Year	96,215,131	4,475,000	100,690,131
TOTAL LIABILITIES	147,755,035	5,796,983	153,552,018
DEFERRED INFLOWS OF RESOURCES			
Deferred Gain on Bond Refunding	46,975	-	46,975
Deferred Pension Credits	3,902,990	-	3,902,990
TOTAL DEFERRED INFLOWS OF RESOURCES	3,949,965	-	3,949,965
NET POSITION			
Net Investment in Capital Assets	171,793,112	7,003,964	178,797,076
Restricted For:			
Response to Natural Disasters	36,356,182	-	36,356,182
Debt Service	10,219,424	-	10,219,424
Other	95,864,103	-	95,864,103
Unrestricted	13,350,215	3,536,776	16,886,991
TOTAL NET POSITION	\$ 327,583,036	10,540,740	\$ 338,123,776

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, 2022

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	\$ 7,125,075	2,001,045	-	-	(5,124,030)	-	\$ (5,124,030)
Management Services	7,227,923	15,246,918	-	-	8,018,995	-	8,018,995
Community Services	19,554,577	17,385,766	1,034,690	193,187	(940,934)	-	(940,934)
Public Safety	21,344,565	2,019,553	1,533,387	-	(17,791,625)	-	(17,791,625)
Culture and Recreation	4,451,959	-	-	-	(4,451,959)	-	(4,451,959)
Visitor and Convention Bureau	4,063,286	-	-	-	(4,063,286)	-	(4,063,286)
Administration	69,575	6,957,245	-	-	6,887,670	-	6,887,670
Interest and Other Charges	3,056,276	-	-	-	(3,056,276)	-	(3,056,276)
Total Governmental Activities	66,893,236	43,610,527	2,568,077	193,187	(20,521,445)	-	(20,521,445)
Business-Type Activities:							
Stormwater	2,429,938	5,081,075	-	-	-	2,651,137	2,651,137
Total Business-Type Activities	2,429,938	5,081,075	-	-	-	2,651,137	2,651,137
Total Primary Government	\$ 69,323,174	48,691,602	2,568,077	193,187	(20,521,445)	2,651,137	(17,870,308)
General Revenues:							
Taxes:							
					32,604,260	-	32,604,260
					20,595,819	-	20,595,819
					9,907,025	-	9,907,025
					939,654	-	939,654
					321,205	-	321,205
					335,802	-	335,802
					213,524	10,394	223,918
					2,159,614	(2,159,614)	-
					67,076,903	(2,149,220)	64,927,683
					46,555,458	501,917	47,057,375
					281,027,578	10,038,823	291,066,401
					\$ 327,583,036	10,540,740	\$ 338,123,776

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, 2022

	GENERAL FUND	TAX INCREMENT FINANCING FUND	ACCOMMODATIONS TAX FUND	REAL ESTATE TRANSFER FEES FUND	BEACH PRESERVATION FEE FUND
ASSETS					
Cash and Cash Equivalents	\$ 43,971,893	4,202,344	7,354,259	16,063,299	22,474,147
Accounts Receivable	3,047,887	-	-	-	4,059,814
Due from Employees	14,817	-	-	-	-
Interfund Receivables	614,388	2,886	-	-	1,056,060
Due from Other Governments	1,694,218	11,957	5,314,051	659,025	-
TOTAL ASSETS	\$ 49,343,203	4,217,187	12,668,310	16,722,324	27,590,021
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 1,490,509	-	2,075,940	-	7,760
Accrued Payroll, Benefits, and Other Liabilities	1,854,833	-	-	-	-
Due to Other Governments	4,005,433	-	-	-	-
Interfund Payables	12,760,140	-	204,573	-	-
Unearned Revenue	12,918	-	-	-	-
Irrigation and Pool Bonds	63,200	-	-	-	-
Performance Bonds	22,229	-	-	-	-
TOTAL LIABILITIES	20,209,262	-	2,280,513	-	7,760
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	71,076	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	71,076	-	-	-	-
FUND BALANCES					
Restricted	-	4,217,187	10,387,797	16,722,324	22,501,858
Committed	26,741,992	-	-	-	5,080,403
Unassigned	2,320,873	-	-	-	-
TOTAL FUND BALANCES	29,062,865	4,217,187	10,387,797	16,722,324	27,582,261
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 49,343,203	4,217,187	12,668,310	16,722,324	27,590,021

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

HOSPITALITY FEES FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	NATURAL DISASTERS FUND	FEDERAL GRANTS FUND	OTHER NON- MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
15,276,321	11,223,231	10,124,767	36,327,575	-	10,760,636	\$ 177,778,472
2,249,665	-	-	-	-	-	9,357,366
-	-	-	-	-	-	14,817
2,042,963	16,426	742,338	28,607	4,434,289	4,436,570	13,374,527
-	24,381	85,100	150,738	-	38,582	7,978,052
19,568,949	11,264,038	10,952,205	36,506,920	4,434,289	15,235,788	\$ 208,503,234
-	-	1,774,882	-	11,270	16,448	\$ 5,376,809
-	-	-	-	-	-	1,854,833
-	-	-	-	-	-	4,005,433
-	-	380,841	-	-	3,421	13,348,975
-	-	-	-	4,423,019	70,407	4,506,344
-	-	-	-	-	-	63,200
-	-	-	-	-	-	22,229
-	-	2,155,723	-	4,434,289	90,276	29,177,823
-	24,381	-	150,738	-	-	246,195
-	24,381	-	150,738	-	-	246,195
19,568,949	11,239,657	8,796,482	36,356,182	-	15,145,512	144,935,948
-	-	-	-	-	-	31,822,395
-	-	-	-	-	-	2,320,873
19,568,949	11,239,657	8,796,482	36,356,182	-	15,145,512	179,079,216
19,568,949	11,264,038	10,952,205	36,506,920	4,434,289	15,235,788	\$ 208,503,234

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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, 2022

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 179,079,216
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.	246,195
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 \$341,167,409 and the accumulated depreciation was \$63,110,282.	278,057,127
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.	(15,433,745)
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.	(1,044,614)
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.	1,711,155
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.	(46,975)
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	(109,554,939)
Compensated Absences	(5,430,384)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 327,583,036</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

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

YEAR ENDED JUNE 30, 2022

	GENERAL FUND	TAX INCREMENT FINANCING FUND	ACCOMMODATION TAX FUND	REAL ESTATE TRANSFER FEES FUND	BEACH PRESERVATION FEE FUND
REVENUES					
Real and Personal Property Tax	\$ 16,372,284	5,792,527	-	-	-
Accommodations Tax	7,026,531	-	13,569,288	-	-
Hospitality Tax	-	-	-	-	-
Business License and Franchise Fees	15,246,918	-	-	-	-
Permits	2,001,046	-	-	-	-
Impact Fees	-	-	-	-	-
Real Estate Transfer Fees	-	-	-	6,957,245	-
Beach Preservation Fees	-	-	-	-	14,053,062
Electric Franchise Fees	-	-	-	-	-
State Shared Funds	633,244	-	-	-	-
Grants	129,860	-	-	-	-
Road Usage Fees	-	-	-	-	-
EMS Revenue	2,016,643	-	-	-	-
Public Safety Revenue	2,910	-	-	-	-
One Percent Revenue	-	-	-	-	-
Miscellaneous Revenue	553,995	-	-	-	-
Investment Income	39,184	19,013	13,126	47,111	-
TOTAL REVENUES	44,022,615	5,811,540	13,582,414	7,004,356	14,053,062
EXPENDITURES					
Current:					
General Government	1,726,570	-	-	-	-
Management Services	7,080,011	-	-	-	-
Community Services	10,399,647	-	-	-	-
Public Safety	19,251,340	-	-	-	-
Non-Departmental	4,634,698	-	-	-	30,789
Culture and Recreation	-	-	4,451,959	-	-
Visitor and Convention Bureau	-	-	4,063,286	-	-
Administration	-	-	-	69,575	-
Capital Outlay:					
Community Services	-	-	-	-	-
Debt Service:					
Administrative Charges	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	43,092,266	-	8,515,245	69,575	30,789
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	930,349	5,811,540	5,067,169	6,934,781	14,022,273
OTHER FINANCING SOURCES (USES)					
Transfers In	2,959,332	-	-	-	-
Transfers Out	(549,261)	(5,561,934)	(1,695,211)	(1,188,394)	(5,057,760)
Sale of Capital Assets	46,427	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,456,498	(5,561,934)	(1,695,211)	(1,188,394)	(5,057,760)
NET CHANGE IN FUND BALANCES	3,386,847	249,606	3,371,958	5,746,387	8,964,513
FUND BALANCES, Beginning of Year	25,676,018	3,967,581	7,015,839	10,975,937	18,617,748
FUND BALANCES - End of Year	\$ 29,062,865	4,217,187	10,387,797	16,722,324	27,582,261

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

HOSPITALITY FEES FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	NATURAL DISASTERS FUND	FEDERAL GRANTS FUND	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	5,600,014	-	4,925,232	-	-	\$ 32,690,057
-	-	-	-	-	-	20,595,819
9,907,025	-	-	-	-	-	9,907,025
-	-	-	-	-	-	15,246,918
-	-	-	-	-	-	2,001,046
-	-	321,205	-	-	-	321,205
-	-	-	-	-	-	6,957,245
-	-	-	-	-	-	14,053,062
-	-	-	-	-	2,707,124	2,707,124
-	-	306,410	-	-	-	939,654
-	-	193,187	959,236	804,159	229,186	2,315,628
-	-	-	-	-	357,960	357,960
-	-	-	-	-	-	2,016,643
-	-	-	-	-	-	2,910
-	-	-	-	-	734,637	734,637
-	-	49,425	-	-	-	603,420
-	19,270	16,333	30,086	-	29,401	213,524
9,907,025	5,619,284	886,560	5,914,554	804,159	4,058,308	111,663,877
-	-	-	-	-	-	1,726,570
-	-	-	-	-	-	7,080,011
-	-	-	-	804,159	205,183	11,408,989
-	-	-	-	-	895,871	20,147,211
-	-	-	-	-	-	4,665,487
-	-	-	-	-	-	4,451,959
-	-	-	-	-	-	4,063,286
-	-	-	-	-	-	69,575
-	-	7,554,151	-	-	-	7,554,151
-	16,100	-	-	-	-	16,100
-	15,545,000	-	-	-	-	15,545,000
-	3,769,566	-	-	-	-	3,769,566
-	19,330,666	7,554,151	-	804,159	1,101,054	80,497,905
9,907,025	(13,711,382)	(6,667,591)	5,914,554	-	2,957,254	31,165,972
-	13,855,408	7,645,845	-	-	-	24,460,585
(2,326,712)	-	-	(3,535,665)	-	(2,386,034)	(22,300,971)
-	-	43,744	-	-	-	90,171
(2,326,712)	13,855,408	7,689,589	(3,535,665)	-	(2,386,034)	2,249,785
7,580,313	144,026	1,021,998	2,378,889	-	571,220	33,415,757
11,988,636	11,095,631	7,774,484	33,977,293	-	14,574,292	145,663,459
19,568,949	11,239,657	8,796,482	36,356,182	-	15,145,512	\$ 179,079,216

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, 2022

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 33,415,757

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. (374,796)

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. 117,455

Repayment of principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 15,545,000

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. (190,184)

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. 785,233

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. 134,340

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. (196,113)

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. (413,333)

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 \$3,965,048 were exceeded by depreciation expense of \$6,232,949 in the current period. (2,267,901)

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 46,555,458

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, 2022

	STORMWATER FUND
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,647,130
Due from Other Governments	12,181
Total Current Assets	<u>3,659,311</u>
Non-Current Assets:	
Capital Assets:	
Depreciable, Net	12,436,782
Total Non-Current Assets	<u>12,436,782</u>
TOTAL ASSETS	<u>16,096,093</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charges on Bond Refunding	267,182
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>267,182</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	75,779
Interfund Payables	25,552
Accrued Interest Payable	21,204
Current Portion of Bonds Payable	1,225,000
Total Current Liabilities	<u>1,347,535</u>
Non-Current Liabilities:	
Bonds Payable	4,475,000
Total Non-Current Liabilities	<u>4,475,000</u>
TOTAL LIABILITIES	<u>5,822,535</u>
NET POSITION	
Net Investment in Capital Assets	7,003,964
Unrestricted	3,536,776
TOTAL NET POSITION	<u>\$ 10,540,740</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

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

YEAR ENDED JUNE 30, 2022

	STORMWATER FUND
OPERATING REVENUES	
Stormwater Fees	\$ 5,081,075
TOTAL OPERATING REVENUES	5,081,075
OPERATING EXPENSES	
Maintenance and Repair	528,304
Administrative - Salary and Benefits	516,183
Administrative - Operating	188,296
Depreciation	1,004,547
TOTAL OPERATING EXPENSES	2,237,330
OPERATING INCOME	2,843,745
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	10,394
Administrative	(7,000)
Amortization of Loss on Refunding	(89,061)
Interest Expense	(96,547)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(182,214)
INCOME (LOSS) BEFORE TRANSFERS	2,661,531
Transfers Out - Capital Projects Fund	(2,043,364)
Transfers Out - General Fund	(116,250)
TOTAL TRANSFERS	(2,159,614)
CHANGE IN NET POSITION	501,917
NET POSITION, Beginning of Year	10,038,823
NET POSITION, End of Year	\$ 10,540,740

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, 2022

	STORMWATER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Charges for Fees and Services	\$ 5,081,112
Payments to Suppliers	(1,191,942)
Payments to Employees	(516,183)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,372,987</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to Other Funds for Non-Capital Purposes	(2,159,614)
Change in Interfund Receivable	3,003,591
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>843,977</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(45,636)
Bond and Note Payments	(1,205,000)
Nonoperating Administrative Expenses	(7,000)
Interest and Fiscal Charges Paid on Bonds	(100,458)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,358,094)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Income Received on Investments	10,394
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>10,394</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,869,264
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	<u>777,866</u>
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year	\$ <u>3,647,130</u>
Reconciliation of Operating Income to Net Cash From Operating Activities:	
Operating Income	\$ 2,843,745
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:	
Depreciation Expense	1,004,547
(Increase) Decrease in Assets:	
Accounts Receivable	37
Increase (Decrease) in Liabilities:	
Accounts Payable	(475,342)
Net Cash Provided By Operating Activities	<u>\$ 3,372,987</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, 2022

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, 2022

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 \$1,483,000 to the Association for the year ended June 30, 2022. 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 \$846,000 to the Museum for the year ended June 30, 2022. 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, 2022

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, 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 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, 2022

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 Federal Grants Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds related to the American Rescue Plan Act federal funds received by the Town.
- viii. 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, 2022

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.

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, 2022

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, 2022

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 1st. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16th – 3%, February 1st – an additional 7%, and March 16th – an additional 5%. On March 16th, 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, 2022

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, 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, 2022

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 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 represent the consumption of net assets by the government that are applicable to a future reporting period and an acquisition of net assets 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 assets 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 assets 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, 2022

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, 2022

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, 2022

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, 2022

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, 2022, none of the Town’s bank balances of approximately \$3,055,000 (with a carrying value of approximately \$2,596,000) were exposed to custodial credit risk.

Investments

As of June 30, 2022, the Town had the following investments and maturities:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating [^]	Fair Value	Investment Maturity in Years
SC Local Government Investment Pool	N/A ⁽²⁾	NR, NR	\$ 120,719,096	< 1 year
Open-Ended Mutual Fund Investing in Governmental Securities	Level 1	AAAm, Aaa-mf	1,626,744	< 1 year
Open-Ended Mutual Fund Investing in Governmental Securities	Level 1	NA, NA	13,501	< 1 year
United States Treasury	Level 1	*	45,724,929	< 1 year
United States Treasury	Level 1	*	10,745,781	1-3 years
Total			\$ 178,830,051	

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

⁽²⁾ 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.

[^] If available, credit ratings are for Standard & Poor's and Moody's Investors Services.

NA - Not Available

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, 2022, 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, 2022

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

A. Deposits and Investments (Continued)

Investments (Continued)

Certain cash, cash equivalents and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2022 were (a) those imposed by the revenue source (i.e. hospitality tax, accommodation taxes, impact assessment fees, etc.) and (b) unspent 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 reported in the financial statements:

	Financial Statements	
<hr/>		
<u>Statement of Net Position</u>		
Cash and Cash Equivalents		\$ 181,425,602
Total		<u>\$ 181,425,602</u>
<hr/>		
	Notes	
Deposits and Cash on Hand		\$ 2,595,551
Investments		178,830,051
Total		<u>\$ 181,425,602</u>

B. Receivables and Unavailable and Unearned Revenues

Property Taxes

The Town's fiscal year 2022 real and business personal property taxes (which were for tax year 2021) were levied on September 30, 2021 and were due beginning on this date based on the assessed valuation as of January 1, 2021. Property taxes are considered late on January 16, 2022. 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. Town property taxes 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, 2022

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, 2022 consisted of the following:

	Government-wide Financial Statements - Governmental Activities				
	Governmental Fund Financial Statements				
	Beach				Total
	General	Preservation	Hospitality	Non-Major	Total
	Fund	Fee	Fee	Governmental	Governmental
Receivables:					
EMS fees	\$ 965,714	-	-	-	\$ 965,714
Local accommodations taxes	2,023,843	-	-	-	2,023,843
Other receivables	431,330	-	-	-	431,330
Franchise fees	-	-	-	-	-
Beach preservation fees	-	4,059,814	-	-	4,059,814
Hospitality fees	-	-	2,249,665	-	2,249,665
Less: EMS allowance	(373,000)	-	-	-	(373,000)
Total Receivables	<u>\$ 3,047,887</u>	<u>4,059,814</u>	<u>2,249,665</u>	<u>-</u>	<u>\$ 9,357,366</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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, 2022 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	\$ 271,321	-	-	-	36,678	406	29,343	-	\$ 337,748
Other	1,457,368	-	-	-	-	-	-	-	1,457,368
Road Usage Fees	-	-	-	-	-	-	-	2,202	2,202
Real Estate Transfer Fees	-	-	-	659,025	-	-	-	-	659,025
Tax Increment Financing	-	11,957	-	-	-	-	-	-	11,957
Grants	-	-	-	-	-	-	-	36,380	36,380
Less: Property Tax Allowance	(34,471)	-	-	-	(12,297)	(406)	(8,681)	-	(55,855)
State of South Carolina:									
Sunday Liquor Fees	-	-	-	-	-	85,100	-	-	85,100
Accommodations Taxes	-	-	5,314,051	-	-	-	-	-	5,314,051
Federal Government:									
FEMA	-	-	-	-	-	-	130,076	-	130,076
Total	\$ 1,694,218	11,957	5,314,051	659,025	24,381	85,100	150,738	38,582	\$ 7,978,052

	Government-Wide Financial Statements - Business-Type Activities								
	Enterprise Fund Financial Statements								
	Stormwater Fund								
Beaufort County:									
Stormwater Fees	\$ 12,181								
Total	\$ 12,181								

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, 2022

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, 2022, the various components of unavailable and unearned revenues were as follows:

	Fund	Deferred Inflows	Liabilities	Total
		of Resources Unavailable	Unearned	
Advance - Miscellaneous	General	\$ -	12,918	\$ 12,918
Advance - Grants	Federal Grants	-	4,423,019	4,423,019
Advance - Revolving Fund Loans	Non-Major Governmental	-	70,407	70,407
Delinquent Taxes Receivable	General Fund	71,076	-	71,076
Delinquent Taxes Receivable	Debt Service	24,381	-	24,381
Delinquent Taxes Receivable	Natural Disasters	20,662	-	20,662
Grants Receivable - FEMA	Natural Disasters	130,076	-	130,076
Total		<u>\$ 246,195</u>	<u>4,506,344</u>	<u>\$ 4,752,539</u>

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2022, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
Major Governmental Funds:		
General Fund	\$ 614,388	\$ 12,760,140
Tax Increment Financing Fund	2,886	-
Accommodations Tax Fund	-	204,573
Real Estate Transfer Fees Fund	-	-
Beach Preservation Fees Fund	1,056,060	-
Hospitality Fees Fund	2,042,963	-
Debt Service Fund	16,426	-
Capital Projects Fund	742,338	380,841
Natural Disasters Fund	28,607	-
Federal Grants	4,434,289	-
Other Non-Major Governmental Funds:		
Palmetto Electric Franchise Fees Fund	233,810	-
Operating Grants Fund	517,366	-
Home Grant	79,415	-
Road Usage Fee Fund	3,605,979	-
Firemen's Fund	-	3,421
Proprietary Funds:		
Stormwater Fund	-	25,552
Totals	<u>\$ 13,374,527</u>	<u>\$ 13,374,527</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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, 2022. All balances are expected to be repaid within one year.

Interfund Transfers

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Governmental Funds:</u>		
General Fund	\$ 2,959,332	\$ 549,261
Tax Increment Financing Fund	-	5,561,934
Accommodations Tax Fund	-	1,695,211
Real Estate Transfer Fee Fund	-	1,188,394
Beach Preservation Fees Fund	-	5,057,760
Hospitality Fees Fund	-	2,326,712
Debt Service Fund	13,855,408	-
Capital Projects Fund	7,645,845	-
Natural Disasters Fund	-	3,535,665
<u>Other Non-Major Governmental Funds:</u>		
Road Usage Fee Fund	-	372,810
Palmetto Electric Franchise Fees Fund	-	2,013,224
<u>Proprietary Fund:</u>		
Stormwater Fund	-	2,159,614
Totals	<u>\$ 24,460,585</u>	<u>\$ 24,460,585</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, 2022

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, 2022 were distributed as follows:

Classification/Fund	Purpose	Amount
Restricted:		
Tax Increment Financing District	Economic development	\$ 4,217,187
Accommodations Tax	Tourism promotion	10,387,797
Real Estate Transfer Fee	Environmental conservation	16,722,324
Beach Preservation Fee	Beach renourishment	22,501,858
Hospitality Fee	Public health and safety	19,568,949
Debt Service	Debt service payments	11,239,657
Capital Projects	Construction of major capital facilities	8,796,482
Natural Disasters	Response to natural disasters	36,356,182
Palmetto Electric	Underground electrical service	10,890,321
HOME Grant	HOME grant program	9,008
Operating Grants	Operating grants	542,558
Road Usage Fee	Road projects	3,608,181
One Percent	Firemen's fund	95,444
Committed:		
General	Disaster recovery	26,741,992
Beach Preservation Fee	Beach renourishment	5,080,403
Unassigned:		
General		2,320,873
Total Fund Balance		<u>\$ 179,079,216</u>

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 40% up to a maximum of 55% 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 maximum 55% committed in fund balance of approximately \$26,742,000 at June 30, 2022.
- 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, 2022

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

D. Fund Balances (Continued)

Committed for Beach Renourishment – The Town will hold in an interest bearing account a portion of the amounts on deposit in the Town of Hilton Head Island Beach Preservation Fee Account. The amount to be held in this account shall not exceed \$12 million. At June 30, 2022 the balance was approximately \$5,080,000.

E. Net Position

The Town has reported unrestricted net position of approximately \$16,887,000, which includes approximately \$15,896,000 related to the Town's its proportionate share of the net pension liability. The Town does not anticipate funding this liability and will continue to contribute to the pension plan at State required contribution rates.

	Governmental Activities	Business-Type Activities
Net investment in capital assets		
Net capital assets	\$ 278,057,127	\$ 12,436,782
Less:		
Outstanding long-term debt	(109,554,939)	(5,700,000)
Add:		
Deferred charges on refunding	1,664,180	267,182
Unspent bond proceeds	1,626,744	-
Subtotal Net investment in capital assets	171,793,112	7,003,964
Restricted for:		
Economic development	4,217,187	-
Tourism promotion	10,387,797	-
Environmental conservation	16,722,324	-
Beach renourishment	22,501,858	-
Public health and safety	19,568,949	-
Debt service payments	10,219,424	-
Construction of major capital facilities	7,320,476	-
Natural disasters	36,356,182	-
Underground electrical service	10,890,321	-
Operating grants	542,558	-
HOME grant	9,008	-
Road projects	3,608,181	-
One Percent	95,444	-
Subtotal Restricted	142,439,709	-
Unrestricted	13,350,215	3,536,776
Total net position	\$ 327,583,036	\$ 10,540,740

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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 \$4,061,000) and five percent (approximately \$677,000) 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 2022 as follows:

Grantee	Appropriations
Art League of Hilton Head	\$ 95,000
Arts Center of Coastal Carolina	405,000
David M. Carmines Memorial Foundation	19,600
Gullah Museum of Hilton Head Island	125,000
Harbour Town Merchants Assoc.	23,000
Hilton Head Choral Society	50,000
Hilton Head Concours d'Elegance	307,000
Hilton Head Dance Theater	19,000
HHI Airport	160,000
HHI Land Trust	41,000
HHI Recreation Association	35,000
HHI St. Patrick's Day Parade	41,235
HHI Wine and Food, Inc.	130,000
HHI-Bluffton Chamber of Commerce VCB	530,000
Hilton Head Symphony Orchestra	270,000
Lean Ensemble Theatre	40,000
Lowcountry Golf Course Owners Association	50,000
Long Cove Club	30,000
Lowcountry Gullah	75,000
Mitchelville Preservation Project	185,000
Native Island Business & Community	205,000
Sea Pines Forest Preserve	35,000
Sea Turtle Patrol HHI	47,900
Shelter Cove Harbour Company	150,000
TEDxHilton Head	16,000
The Boys & Girls Club of Hilton Head	30,000
The Coastal Discovery Museum-Operations	325,000
The First Tee of the Lowcountry	40,000
The Heritage Library	120,000
The Outside Foundation	34,400
The Sandbox	44,400
World Affairs Council of HH	5,000
Total	<u>\$ 3,683,535</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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, 2022, was as follows:

<u>Primary Government</u>	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 170,497,481	-	31,294	-	\$ 170,466,187
Development Rights	10,734,391	-	-	-	10,734,391
Easements/Right-of-Ways	3,548,960	-	-	-	3,548,960
Construction In Progress	1,354,155	2,997,266	382,038	-	3,969,383
Total Capital Assets, Non-Depreciable	<u>186,134,987</u>	<u>2,997,266</u>	<u>413,332</u>	<u>-</u>	<u>188,718,921</u>
Capital Assets, Depreciable:					
Buildings	48,730,955	77,474	-	-	48,808,429
Furniture, Fixtures and Equipment	5,041,591	334,028	544,243	-	4,831,376
Vehicles	9,432,892	398,386	183,631	-	9,647,647
Improvements Other Than Buildings:					
Park Development	34,464,491	157,893	-	-	34,622,384
Infrastructure	54,538,652	-	-	-	54,538,652
Total Capital Assets, Depreciable	<u>152,208,581</u>	<u>967,781</u>	<u>727,874</u>	<u>-</u>	<u>152,448,488</u>
Less: Accumulated Depreciation for:					
Buildings	16,818,648	1,760,254	-	-	18,578,902
Furniture, Fixtures and Equipment	4,502,595	273,646	544,243	-	4,231,998
Vehicles	5,529,910	718,213	183,631	-	6,064,492
Improvements Other Than Buildings:					
Park Development	7,737,673	1,379,106	-	-	9,116,779
Infrastructure	23,016,381	2,101,730	-	-	25,118,111
Total Accumulated Depreciation	<u>57,605,207</u>	<u>6,232,949</u>	<u>727,874</u>	<u>-</u>	<u>63,110,282</u>
Total Capital Assets, Depreciable, Net	<u>94,603,374</u>	<u>(5,265,168)</u>	<u>-</u>	<u>-</u>	<u>89,338,206</u>
Total Capital Assets, Net	<u>\$ 280,738,361</u>	<u>(2,267,902)</u>	<u>413,332</u>	<u>-</u>	<u>\$ 278,057,127</u>

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

<u>Functions/Programs</u>	<u>Depreciation</u>
General Government	\$ 811,399
Management Services	119,927
Community Services	3,554,112
Public Safety	1,747,511
Total	<u>\$ 6,232,949</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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, 2022, was as follows:

<u>Primary Government (continued)</u> <u>Business-Type Activities</u>	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Depreciable:					
Infrastructure	\$ 26,155,081	45,636	-	-	\$ 26,200,717
Total Capital Assets, Depreciable	<u>26,155,081</u>	<u>45,636</u>	<u>-</u>	<u>-</u>	<u>26,200,717</u>
Less: Accumulated Depreciation for:					
Infrastructure	12,759,388	1,004,547	-	-	13,763,935
Total Accumulated Depreciation	<u>12,759,388</u>	<u>1,004,547</u>	<u>-</u>	<u>-</u>	<u>13,763,935</u>
Total Capital Assets, Depreciable, Net	<u>13,395,693</u>	<u>(958,911)</u>	<u>-</u>	<u>-</u>	<u>12,436,782</u>
Total Capital Assets, Net	<u>\$ 13,395,693</u>	<u>(958,911)</u>	<u>-</u>	<u>-</u>	<u>\$ 12,436,782</u>

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

Functions/Programs	Depreciation
Stormwater	\$ 1,004,547
Total	<u>\$ 1,004,547</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, 2022

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, 2022 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
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>\$ 73,659</u>	<u>1,385,000</u>	<u>\$ 1,458,659</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
2023	5.000	\$ 9,861	197,222	\$ 207,083
		<u>\$ 9,861</u>	<u>197,222</u>	<u>\$ 207,083</u>

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

\$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
2023	5.000	\$ 7,889	157,778	\$ 165,667
		<u>\$ 7,889</u>	<u>157,778</u>	<u>\$ 165,667</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, 2022

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

H. Long-Term Obligations (Continued)

General Obligation Bonds (Continued)

\$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
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>\$ 56,138</u>	<u>2,475,000</u>	<u>\$ 2,531,138</u>

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

\$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
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	2.000	97,638	465,000	562,638
2028-2032	various	345,090	2,475,000	2,820,090
2033-2035	various	78,451	1,635,000	1,713,451
		<u>\$ 1,140,931</u>	<u>6,945,000</u>	<u>\$ 8,085,931</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, 2022

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

H. Long-Term Obligations (Continued)

General Obligation Bonds (Continued)

\$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
2023	2.000	\$ 32,350	1,065,000	\$ 1,097,350
2024	2.000	10,850	1,085,000	1,095,850
		<u>\$ 43,200</u>	<u>2,150,000</u>	<u>\$ 2,193,200</u>

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

\$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
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	4.000	749,319	815,000	1,564,319
2028-2032	various	3,308,977	4,525,000	7,833,977
2033-2037	3.000	2,596,565	5,230,000	7,826,565
2038-2042	various	1,752,445	6,080,000	7,832,445
2043-2047	3.250	709,314	7,125,000	7,834,314
		<u>\$ 12,499,896</u>	<u>26,670,000</u>	<u>\$ 39,169,896</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, 2022

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

H. Long-Term Obligations (Continued)

General Obligation Bonds (Continued)

\$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
2023	2.100	\$ 72,765	3,465,000	\$ 3,537,765
		\$ 72,765	3,465,000	\$ 3,537,765

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

\$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
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	5.000	125,900	225,000	350,900
2028-2032	various	464,050	1,300,000	1,764,050
2033-2037	3.000	240,750	1,525,000	1,765,750
2038-2039	3.000	30,300	670,000	700,300
		\$ 1,467,100	4,520,000	\$ 5,987,100

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, 2022

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

H. Long-Term Obligations (Continued)

General Obligation Bonds (Continued)

\$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
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	5.000	105,600	780,000	885,600
2028-2029	4.000	100,600	1,665,000	1,765,600
		<u>\$ 981,350</u>	<u>5,200,000</u>	<u>\$ 6,181,350</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, 2022

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 \$6,327,890 (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
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	1.100	41,522	269,418	310,940
2028-2032	various	155,056	1,399,860	1,554,916
2033-2035	various	35,884	897,130	933,014
		<u>\$ 431,451</u>	<u>3,402,436</u>	<u>\$ 3,833,887</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
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	1.100	33,225	215,583	248,808
2028-2032	various	124,072	1,120,140	1,244,212
2033-2035	various	28,714	717,868	746,582
		<u>\$ 345,239</u>	<u>2,722,564</u>	<u>\$ 3,067,803</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, 2022

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
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	5.000	283,375	3,655,000	3,938,375
2028	5.000	96,000	3,840,000	3,936,000
		<u>\$ 3,213,500</u>	<u>20,450,000</u>	<u>\$ 23,663,500</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
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>\$ 407,531</u>	<u>11,380,000</u>	<u>\$ 11,787,531</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, 2022

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
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	2.550	247,825	1,195,000	1,442,825
2028-2032	various	840,885	4,145,000	4,985,885
2033-2036	various	262,256	3,280,000	3,542,256
		<u>\$ 2,607,317</u>	<u>13,130,000</u>	<u>\$ 15,737,317</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
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	2.710	18,970	345,000	363,970
2028	2.710	9,621	355,000	364,621
		<u>\$ 193,361</u>	<u>1,995,000</u>	<u>\$ 2,188,361</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 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, 2022

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
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>\$ 77,232</u>	<u>3,705,000</u>	<u>\$ 3,782,232</u>

Payments on these special revenue 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, 2022:

Assessed Value	<u>\$ 1,024,464,810</u>
Debt Limit - Eight Percent (8%) of Assessed Value, without voter's approval	<u>81,957,185</u>
Council Imposed 80% Cap or Minimum of \$20,000,000	61,957,185
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonds 2009A (Refunding of Series 1999A)	(1,385,000)
General Obligation Bonds 2013A (Partial)	(157,778)
General Obligation Bonds 2017A	(26,670,000)
General Obligation Bonds 2017B	(3,465,000)
General Obligation Bonds 2019	(4,520,000)
General Obligation Bonds 2020B (Refunding)	<u>(3,402,439)</u>
Total Amount Applicable to Debt Limit	(39,600,217)
Legal Debt Margin without a Referendum	<u><u>\$ 22,356,968</u></u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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, 2022:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt:					
General Obligation Bonds:					
GOB - September 2009 (\$5.005M)	\$ 1,815,000	-	430,000	1,385,000	\$ 445,000
GOB - June 2013 (\$5.0M)	383,333	-	186,111	197,222	197,222
GOB - June 2013 (\$4.0M)	306,667	-	148,889	157,778	157,778
GOB - September 2016 (\$13.08M)	3,240,000	-	765,000	2,475,000	810,000
GOB - September 2016 (\$9.035M)	7,530,000	-	585,000	6,945,000	605,000
GOB - September 2016 (\$5.77M)	3,075,000	-	925,000	2,150,000	1,065,000
GOB - September 2017 (\$27.31M)	27,310,000	-	640,000	26,670,000	570,000
GOB - September 2017 (\$18.0M)	6,860,000	-	3,395,000	3,465,000	3,465,000
GOB - May 2019 (\$5.0M)	4,700,000	-	180,000	4,520,000	185,000
GOB - December 2020 (\$5.83M)	5,805,000	-	605,000	5,200,000	640,000
GOB - December 2020 (\$6.285M)	6,210,000	-	85,000	6,125,000	90,000
Total General Obligation Bonds	67,235,000	-	7,945,000	59,290,000	8,230,000
Special Obligation Bonds:					
SOB - September 2017 (\$30.075M)	23,315,000	-	2,865,000	20,450,000	3,005,000
SOB - October 2019 (\$16.520M)	14,205,000	-	1,075,000	13,130,000	1,095,000
Total Special Obligation Bonds	37,520,000	-	3,940,000	33,580,000	4,100,000
Tax Increment Financing Bonds:					
TIFB - July 2017 (\$28.53M)	15,040,000	-	3,660,000	11,380,000	3,725,000
Total Tax Increment Financing Bonds	15,040,000	-	3,660,000	11,380,000	3,725,000
Subtotal	119,795,000	-	15,545,000	104,250,000	16,055,000
Premiums on Bonds	6,090,172	-	785,233	5,304,939	-
Total Debt	125,885,172	-	16,330,233	109,554,939	16,055,000
Compensated Absences	5,234,271	2,872,314	2,676,201	5,430,384	2,715,192
Total Long-Term Obligations	\$ 131,119,443	2,872,314	19,006,434	114,985,323	\$ 18,770,192

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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, 2022:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt:					
Revenue Bonds:					
January 2018 (\$3.2M)	\$ 2,295,000	-	300,000	1,995,000	\$ 310,000
January 2021 (\$5.63M)	4,610,000	-	905,000	3,705,000	915,000
Total Revenue Bonds	<u>6,905,000</u>	<u>-</u>	<u>1,205,000</u>	<u>5,700,000</u>	<u>1,225,000</u>
Total Long-Term Obligations	<u>\$ 6,905,000</u>	<u>-</u>	<u>1,205,000</u>	<u>5,700,000</u>	<u>\$ 1,225,000</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, 2022:

For the Year Ended	Governmental Activities			Business-type Activities		
	June 30	Interest	Principal	Total	Interest	Principal
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	1,684,405	7,620,000	9,304,405	18,970	345,000	363,970
2028-2032	5,434,732	20,470,000	25,904,732	9,621	355,000	364,621
2033-2037	3,242,620	13,285,000	16,527,620	-	-	-
2038-2042	1,782,745	6,750,000	8,532,745	-	-	-
2043-2047	709,314	7,125,000	7,834,314	-	-	-
Total	<u>\$ 23,357,831</u>	<u>104,250,000</u>	<u>127,607,831</u>	<u>270,593</u>	<u>5,700,000</u>	<u>\$ 5,970,593</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, 2022, 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, 2022

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, 2022.

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 per year for sheriff's services provided by Beaufort County for the fiscal year ended June 30, 2022. 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 \$4,000,000 is the appropriate liability for sheriff's services provided by Beaufort County for the fiscal year ended June 30, 2022 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, 2022

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, 2022, 2021, and 2020, employer contributions were based on a total payroll of approximately \$9,673,000, \$9,762,000, and \$9,548,000, respectively. The amount contributed by the employer for the year ended June 30, 2022 was approximately \$994,000 or 10.3% of covered payroll. During the years ended June 30, 2021 and 2020, approximately \$1,006,000 and \$974,000 were contributed to the plan by the employer, respectively. Employee contributions to the plan were approximately \$857,000 or 8.9% of covered payroll for year ended June 30, 2022.

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 an Annual Comprehensive Financial Report containing financial statements and required supplementary information for the System’ Pension Trust Funds. The Annual Comprehensive Financial Report is publicly available through the PEBA’s website at 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 Annual Comprehensive Financial Report of the state.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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, 2022

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 are as follows:

	PORS Rates 2022
Employer Contribution Rate: [^]	
Retirement	18.84%
Incidental Death Benefit	0.20%
Accidental Death Contributions	0.20%
	19.24%
Employee Contribution Rate [^]	9.75%

[^] 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, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Plan Contributions (Continued)

The actual and required contributions to the PORS were approximately \$1,825,000 for the year ended June 30, 2022 and include the nonemployer contributions noted below.

Nonemployer Contributions

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 increases for the year ended June 30, 2022. 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, 2022 were approximately \$81,000 for the PORS. These contributions (on-behalf benefits) from the State were recognized as intergovernmental revenues and pension expenditures in the Town’s governmental fund financial statements.

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 Systems was most recently issued for the period ending June 30, 2019.

The June 30, 2021 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, 2020. The TPL was rolled-forward from the valuation date to the Plans’ fiscal year end, June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021, the PEBA Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2021 (measurement date) for the PORS.

	PORS
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return*	7.00%
Projected Salary Increases*	3.5% to 10.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually

* Includes inflation at 2.25%.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Actuarial Assumptions and Methods (Continued)

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table ("2020 PRSC"), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

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 2021 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 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.87%	3.16%
Bonds	26.0%	0.27%	0.07%
Private Equity	9.0%	9.68%	0.87%
Private Debt	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate	9.0%	6.01%	0.54%
Infrastructure	3.0%	5.08%	0.15%
Total Expected Real Rate of Return	<u>100.0%</u>		<u>5.18%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u><u>7.43%</u></u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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

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 the June 30, 2021 measurement date, for the PORS, are presented in the following table:

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	\$ 8,684,586,488	6,111,672,064	\$ 2,572,914,424	70.4%

The TPL is calculated by the Systems’ actuary, and each Plans’ fiduciary net position is reported in the Systems’ financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems’ notes to the financial statements and required supplementary information. Liability calculations performed by the Systems’ 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, 2022, the Town reported a liability of approximately \$15,896,000 for its proportionate share of the NPL for the PORS. The NPL were measured as of June 30, 2021, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2020 that was projected forward to the measurement date. The Town’s proportion of the NPL were based on a projection of the Town’s long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2021 measurement date, the Town’s PORS proportion was 0.61783 percent, which was an increase of 0.04356 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of approximately \$1,714,000 PORS. At June 30, 2022, 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
PORS		
Differences Between Expected and Actual Experience	\$ 540,777	\$ 49,507
Change in Assumptions	1,133,796	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	3,563,868
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	947,208	289,615
Employer Contributions Subsequent to the Measurement Date	1,743,714	-
Total PORS	<u>\$ 4,365,495</u>	<u>\$ 3,902,990</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

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 \$1,744,000 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, 2023. 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
2023	\$ (99,722)
2024	58,735
2025	(18,789)
2026	(1,221,433)
Total	<u>\$ (1,281,209)</u>

Discount Rate

The discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the 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 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability of the PORS	\$ 23,063,426	15,896,250	\$ 10,025,237

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 Comprehensive Financial Report containing financial statements and required supplementary information for the PORS. The Annual Comprehensive Financial Report is publicly available through the PEBA’s website at 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, 2022

IV. OTHER INFORMATION (CONTINUED)

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 \$355,000 at June 30, 2022, and is included as a liability in the General Fund in accrued payroll, benefits, and other liabilities. During the fiscal year ended June 30, 2022, the Town reimbursed approximately \$182,000 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, 2022 the limit was \$150 per covered individual, and the Town's liability under this plan totaled approximately \$74,000 at June 30, 2022, and is included in the General Fund in accounts payable. During the fiscal year ended June 30, 2022, the Town reimbursed \$9,300 in claims under this plan.

D. Contract Commitments

Commitments

At June 30, 2022, the Town had remaining construction commitments of approximately \$11,042,000 related to ongoing capital activities, including infrastructure improvements, software upgrades, park construction and improvements, and roadway and pathway construction and improvements.

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.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

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.

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 \$400,000, including both the retirement and annual contributions, to the trust during the year ended June 30, 2022. The Town does not have a liability related to the defined contribution plan as of June 30, 2022. No contributions other than employer contributions are required nor accepted.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

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, 2022.

H. Road Usage Fee

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” is 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.

I. Subsequent Events

There were no material subsequent events for the year ended June 30, 2022 as of the date of the report.

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, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Real and Personal Property Taxes	\$ 15,759,897	15,759,897	16,372,284	\$ 612,387
Accommodations Tax	3,988,163	3,988,163	7,026,531	3,038,368
Business License and Franchise Fees	10,477,403	10,477,403	15,246,918	4,769,515
Permits	1,659,323	1,659,323	2,001,046	341,723
State Shared Funds	888,392	888,392	633,244	(255,148)
Grants	128,219	128,219	129,860	1,641
EMS Revenue	1,707,823	1,707,823	2,016,643	308,820
Public Safety Revenue	-	-	2,910	2,910
Miscellaneous Revenue	557,929	557,929	553,995	(3,934)
Investment Income	30,000	30,000	39,184	9,184
TOTAL REVENUES	35,197,149	35,197,149	44,022,615	8,825,466
EXPENDITURES				
Current:				
General Government	1,757,547	1,736,587	1,726,570	10,017
Management Services	7,568,938	7,638,938	7,080,011	558,927
Community Services	10,710,140	10,601,056	10,399,647	201,409
Public Safety	19,023,146	19,353,146	19,251,340	101,806
Non-Departmental	4,674,886	4,724,886	4,634,698	90,188
TOTAL EXPENDITURES	43,734,657	44,054,613	43,092,266	962,347
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,537,508)	(8,857,464)	930,349	9,787,813
OTHER FINANCING SOURCES (USES)				
Transfers In	8,787,508	8,787,508	2,959,332	(5,828,176)
Transfers Out	(250,000)	(150,000)	(549,261)	(399,261)
Sale of Capital Assets	-	-	46,427	46,427
TOTAL OTHER FINANCING SOURCES (USES)	8,537,508	8,637,508	2,456,498	(6,181,010)
NET CHANGE IN FUND BALANCES	-	(219,956)	3,386,847	3,606,803
FUND BALANCES - Beginning of Year	25,676,018	25,676,018	25,676,018	-
FUND BALANCES - End of Year	\$ 25,676,018	25,456,062	29,062,865	\$ 3,606,803

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 \$219,956. 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, 2022

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.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

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

LAST NINE FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Town's Proportion of the Net Pension Liability	0.61783%	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	\$ 15,896,250	\$ 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	\$ 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
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	171.81%	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	70.37%	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 and from 7.25% to 7.00% for the year ended June 30, 2022.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE C

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 1,824,712	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
Contributions in Relation to the Contractually Required Contribution										
Contributions from the Town	1,743,714	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
Contributions from the State	80,998	80,998	80,998	80,998	80,998	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	\$ -
Town's Covered Payroll	\$ 9,483,951	\$ 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
Contributions as a Percentage of Covered Payroll	19.24%	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%	12.84%	11.90%

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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.

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BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

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

YEAR ENDED JUNE 30, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Real and Personal Property Taxes	\$ 15,759,897	15,759,897	16,372,284	\$ 612,387
Accommodations Tax - Local 1%	3,988,163	3,988,163	7,026,531	3,038,368
Business License and Franchise Fees:				
Business License - Town	4,963,085	4,963,085	7,168,807	2,205,722
Business License - MASC	4,518,966	4,518,966	6,941,504	2,422,538
Cable Television Franchise Fee	952,932	952,932	1,074,991	122,059
Beach Franchise Fee	42,420	42,420	61,616	19,196
Total Business License and Franchise Fees	10,477,403	10,477,403	15,246,918	4,769,515
Permits:				
Construction	654,764	654,764	860,364	205,600
Development	15,670	15,670	15,020	(650)
Other	988,889	988,889	1,125,662	136,773
Total Permits	1,659,323	1,659,323	2,001,046	341,723
State Shared Funds	888,392	888,392	633,244	(255,148)
Grants:				
Beaufort County E911	128,219	128,219	128,515	296
CDBG	-	-	1,345	1,345
Total Grants	128,219	128,219	129,860	1,641
Public Safety - EMS Revenue	1,707,823	1,707,823	2,016,643	308,820
Public Safety - County D/T Revenue	-	-	2,910	2,910
Miscellaneous Revenue:				
Beach Services	278,658	278,658	218,193	(60,465)
Other	279,271	279,271	335,802	56,531
Total Miscellaneous Revenue	557,929	557,929	553,995	(3,934)
Investment Income	30,000	30,000	39,184	9,184
TOTAL REVENUES	35,197,149	35,197,149	44,022,615	8,825,466
EXPENDITURES				
Current:				
General Government:				
Town Council:				
Salaries and Benefits	167,742	160,742	153,783	6,959
Operating	303,500	278,500	276,134	2,366
Total Town Council	\$ 471,242	439,242	429,917	\$ 9,325

(Continued)

BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

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

YEAR ENDED JUNE 30, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
Town Manager:				
Salaries and Benefits	\$ 1,239,805	1,246,806	1,246,250	\$ 556
Operating	46,500	50,539	50,403	136
Total Town Manager	1,286,305	1,297,345	1,296,653	692
Total General Government	1,757,547	1,736,587	1,726,570	10,017
Management Services:				
Finance - Administration:				
Salaries and Benefits	1,759,046	1,784,046	1,780,108	3,938
Operating	157,130	252,130	236,557	15,573
Total Finance - Administration	1,916,176	2,036,176	2,016,665	19,511
Administration - Legal:				
Salaries and Benefits	583,645	533,645	508,045	25,600
Operating	31,645	31,645	31,390	255
Total Administration - Legal	615,290	565,290	539,435	25,855
Human Resources:				
Salaries and Benefits	456,338	458,838	459,305	(467)
Operating	209,603	209,603	208,121	1,482
Total Human Resources	665,941	668,441	667,426	1,015
Administrative Services - Office of Cultural Affairs:				
Salaries and Benefits	151,716	154,216	152,497	1,719
Operating	128,433	128,433	105,901	22,532
Total Administrative Services - Office of Cultural Affairs	280,149	282,649	258,398	24,251
Administrative Services - Administrative Support:				
Salaries and Benefits	210,019	155,019	47,187	107,832
Operating	24,240	24,240	23,996	244
Total Administrative Services - Administrative Support	234,259	179,259	71,183	108,076
Administrative Services - Information Technology:				
Salaries and Benefits	1,436,759	1,486,759	1,486,029	730
Operating	2,034,355	2,034,355	1,783,324	251,031
Total Administrative Services - Information Technology	3,471,114	3,521,114	3,269,353	251,761
Communications:				
Salaries and Benefits	308,004	308,004	230,084	77,920
Operating	78,005	78,005	27,467	50,538
Total Communications	386,009	386,009	257,551	128,458
Total Management Services	7,568,938	7,638,938	7,080,011	558,927
Community Services:				
Community Development - Administration:				
Salaries and Benefits	561,669	351,669	332,895	18,774
Operating	25,650	18,350	15,221	3,129
Total Community Development - Administration	\$ 587,319	370,019	348,116	\$ 21,903

(Continued)

BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

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

YEAR ENDED JUNE 30, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
Community Development - CD Services:				
Salaries and Benefits	\$ 455,614	495,614	494,565	\$ 1,049
Operating	8,420	8,420	3,116	5,304
Total Community Development - CD Services	464,034	504,034	497,681	6,353
Community Development - Inspection/Compliance:				
Salaries and Benefits	992,543	992,543	985,420	7,123
Operating	102,875	102,875	81,466	21,409
Total Community Development - Inspection/Compliance	1,095,418	1,095,418	1,066,886	28,532
Community Development - Development, Review, Zoning:				
Salaries and Benefits	751,094	596,094	563,622	32,472
Operating	31,925	31,925	60,822	(28,897)
Total Community Development - Development, Review, Zoning	783,019	628,019	624,444	3,575
Community Development - Comprehensive Planning:				
Salaries and Benefits	532,154	532,154	456,873	75,281
Operating	140,721	136,357	118,847	17,510
Total Community Development - Comprehensive Planning	672,875	668,511	575,720	92,791
Public Facilities - Administration:				
Salaries and Benefits	271,840	171,840	147,322	24,518
Operating	5,835	5,835	3,082	2,753
Total Public Facilities - Administration	277,675	177,675	150,404	27,271
Public Facilities - Engineering:				
Salaries and Benefits	555,648	355,647	355,924	(277)
Operating	399,545	399,545	327,988	71,557
Total Public Facilities - Engineering	955,193	755,192	683,912	71,280
Public Facilities - Facilities Management:				
Salaries and Benefits	1,204,938	1,104,938	1,161,426	(56,488)
Operating	4,669,669	4,889,625	4,896,276	(6,651)
Total Public Facilities - Facilities Management	5,874,607	5,994,563	6,057,702	(63,139)
Public Facilities - Capital Projects:				
Salaries and Benefits	-	400,000	385,580	14,420
Operating	-	7,625	9,202	(1,577)
Total Public Facilities - Capital Projects	-	407,625	394,782	12,843
Total Community Services	10,710,140	10,601,056	10,399,647	201,409
Public Safety:				
Fire Rescue - Executive:				
Salaries and Benefits	767,612	767,612	762,134	5,478
Operating	437,600	437,600	378,360	59,240
Total Fire Rescue - Executive	1,205,212	1,205,212	1,140,494	64,718
Fire Rescue - Operations:				
Salaries and Benefits	12,522,791	12,822,791	12,883,566	(60,775)
Operating	290,935	290,935	271,279	19,656
Total Fire Rescue - Operations	\$ 12,813,726	13,113,726	13,154,845	\$ (41,119)

(Continued)

BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

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

YEAR ENDED JUNE 30, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
Fire Rescue - Support Services:				
Salaries and Benefits	\$ 1,969,953	1,969,953	1,981,368	\$ (11,415)
Operating	535,825	535,825	453,923	81,902
Total Fire Rescue - Support Services	<u>2,505,778</u>	<u>2,505,778</u>	<u>2,435,291</u>	<u>70,487</u>
Total Fire and Rescue	<u>16,524,716</u>	<u>16,824,716</u>	<u>16,730,630</u>	<u>94,086</u>
Sheriff/Other Public Safety:				
Police Services/Contract	2,050,000	2,050,000	2,021,647	28,353
Stipend	100,000	100,000	87,450	12,550
Beach Services	348,430	378,430	411,613	(33,183)
Total Sheriff/Other Public Safety	<u>2,498,430</u>	<u>2,528,430</u>	<u>2,520,710</u>	<u>7,720</u>
Total Public Safety	<u>19,023,146</u>	<u>19,353,146</u>	<u>19,251,340</u>	<u>101,806</u>
Non-Departmental - Townwide:				
Non-Grant Expenditures:				
Personnel	408,587	408,587	384,620	23,967
Operating	2,041,872	2,091,872	2,087,654	4,218
Total Non-Grant Expenditures	<u>2,450,459</u>	<u>2,500,459</u>	<u>2,472,274</u>	<u>28,185</u>
Operating Grants:				
Grant Match	62,000	62,000	-	62,000
Recreation Center - Operating Grant	1,087,578	1,087,578	1,087,578	-
Coastal Discovery Grant - Operating Grant	75,000	75,000	75,000	-
Coastal Discovery Grant - Mitchellville Grant	105,000	105,000	105,000	-
Event Management and Hospitality Training	186,367	186,367	186,367	-
LTRA Grant	225,165	225,165	225,164	1
Multidisciplinary Court	50,000	50,000	50,000	-
Solicitor Career Criminal Program	118,500	118,500	118,500	-
Heritage Classic Foundation	289,817	289,817	289,815	2
Beaufort County EDC	25,000	25,000	25,000	-
Total Operating Grants	<u>2,224,427</u>	<u>2,224,427</u>	<u>2,162,424</u>	<u>62,003</u>
Total Non-Departmental - Townwide	<u>4,674,886</u>	<u>4,724,886</u>	<u>4,634,698</u>	<u>90,188</u>
TOTAL EXPENDITURES	<u>43,734,657</u>	<u>44,054,613</u>	<u>43,092,266</u>	<u>962,347</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (8,537,508)</u>	<u>(8,857,464)</u>	<u>930,349</u>	<u>\$ 9,787,813</u>

(Continued)

BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

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

YEAR ENDED JUNE 30, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
OTHER FINANCING SOURCES (USES)				
Transfers In:				
Beach Preservation Fee Fund	\$ 1,983,508	1,983,508	487,631	\$ (1,495,877)
Hospitality Tax Fund	4,220,406	4,220,406	110,203	(4,110,203)
Tax Increment Financing Fund	192,780	192,780	144,585	(48,195)
State Accommodations Tax Fund	1,695,211	1,695,211	1,695,211	-
Electricity Franchise Fee Fund	540,603	540,603	405,452	(135,151)
Stormwater Utility Fund	155,000	155,000	116,250	(38,750)
Transfers Out:				
General Fund	(125,000)			-
Economic Development Corp	-	(25,000)		25,000
Capital Projects Fund	(125,000)	(125,000)	(549,261)	(424,261)
Sale of Capital Assets	-	-	46,427	46,427
TOTAL OTHER FINANCING SOURCES (USES)	8,537,508	8,637,508	2,456,498	(6,181,010)
NET CHANGE IN FUND BALANCES	-	(219,956)	3,386,847	3,606,803
FUND BALANCES - Beginning of Year	25,676,018	25,676,018	25,676,018	-
FUND BALANCES - End of Year	\$ 25,676,018	25,456,062	29,062,865	\$ 3,606,803

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 \$219,956. 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, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Real and Personal Property Taxes	\$ 5,477,158	5,477,158	5,600,014	\$ 122,856
Investment Income	12,000	12,000	19,270	7,270
TOTAL REVENUES	5,489,158	5,489,158	5,619,284	130,126
EXPENDITURES				
Administrative	30,000	30,000	16,100	13,900
Debt Service:				
Principal	15,545,000	15,545,000	15,545,000	-
Interest	3,769,566	3,769,566	3,769,566	-
TOTAL EXPENDITURES	19,344,566	19,344,566	19,330,666	13,900
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(13,855,408)	(13,855,408)	(13,711,382)	144,026
OTHER FINANCING SOURCES (USES)				
Transfers In:				
Beach Preservation Fees	3,959,125	3,959,125	3,959,125	-
Hospitality Tax	1,446,406	1,446,406	1,446,406	-
Real Estate Transfer Fees	986,500	986,500	986,500	-
TIF Taxes	3,927,712	3,927,712	3,927,712	-
Natural Disasters Fund	3,535,665	3,535,665	3,535,665	-
TOTAL OTHER FINANCING SOURCES (USES)	13,855,408	13,855,408	13,855,408	-
NET CHANGE IN FUND BALANCES	-	-	144,026	144,026
FUND BALANCES - Beginning of Year	11,095,631	11,095,631	11,095,631	-
FUND BALANCES - End of Year	\$ 11,095,631	11,095,631	11,239,657	\$ 144,026

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.

BUDGET (GAAP BASIS) AND ACTUAL - CAPITAL PROJECTS FUND

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

YEAR ENDED JUNE 30, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Grants	\$ 300,000	300,000	193,187	\$ (106,813)
Sunday Permit Fees	-	-	306,410	306,410
Other Revenue	-	-	49,425	49,425
Impact Fees	793,300	793,300	321,205	(472,095)
Investment Income	-	-	16,333	16,333
TOTAL REVENUES	1,093,300	1,093,300	886,560	(206,740)
EXPENDITURES				
Community Services and Capital Outlay:				
Park Development:				
Public Art Program	25,000	25,000	25,000	-
Chaplin Linear Park and Boardwalk	500,000	500,000	83,688	416,312
Crossing Park	1,996,238	1,996,238	132,813	1,863,425
Chaplin Community Park	1,996,238	1,996,238	54,423	1,941,815
Mid-Island Track	1,700,000	1,700,000	439,220	1,260,780
Shelter Cove Pathway and Parking	-	2,337,459	2,238,514	98,945
Patterson Family Property Park	700,000	700,000	25,863	674,137
Coligny Beach Parking Area	100,000	100,000	98,797	1,203
Island Recreation CIP	399,000	399,000	345,985	53,015
Shelter Cove Parking Expansion	500,000	500,000	35,978	464,022
Park Upgrades	800,000	1,046,130	610,831	435,299
Total Park Development	8,716,476	11,300,065	4,091,112	7,208,953
Land Acquisition:				
Miscellaneous	324,068	324,068	39,142	284,926
Total Land Acquisition	324,068	324,068	39,142	284,926
Beach Maintenance:				
Beach Management & Monitoring	802,609	802,609	250,629	551,980
Islandwide Beach Renourishment	1,570,914	1,570,914	297,345	1,273,569
Total Beach Maintenance	2,373,523	2,373,523	547,974	1,825,549
Facilities Improvements:				
Fire Station #2 Replacement	-	99,161	77,474	21,687
Town Hall Renovations	280,000	280,000	163,646	116,354
Honey Horn Improvements	49,300	49,300	49,300	-
Fire Apparatus, Vehicle Replacement and Shed	6,487,868	7,742,473	259,053	7,483,420
Computer Software Equipment	695,900	695,900	675,230	20,670
Demo -- Kingfisher/Fairfield Square	-	84,951	76,811	8,140
Fire/Medical Systems & Equipment	70,000	78,000	76,810	1,190
Security Cameras - Shelter Cove	150,000	150,000	72,593	77,407
Modern Classic Motors	300,000	300,000	-	300,000
Fire Hydrant Expansion	50,000	43,870	43,870	-
Arts Campus Feasibility Study	200,000	200,000	-	200,000
BCSO Renovations	-	150,000	-	150,000
Town Vehicle Replacements	155,000	141,068	112,475	28,593
Total Facilities Improvements	\$ 8,438,068	10,014,723	1,607,262	\$ 8,407,461

(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, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
Roadway Improvements:				
Road Usage Fee / Road Improvements/Acquisitions	\$ 1,129,491	1,129,491	-	\$ 1,129,491
Stoney Land Planning	-	68,420	68,420	-
Mitchelville Lane	750,000	750,000	63,122	686,878
Crosswalk Uniformity-WHP	200,000	200,000	-	200,000
Crosswalk Lighting-Northridge	304,918	304,918	9,574	295,344
Turn Lane Extensions-WHP	150,000	150,000	14,546	135,454
Pine Field Rd - Acquisition/Paving	400,000	400,000	4,215	395,785
Pope Avenue Enhancements	500,000	500,000	53,457	446,543
Main Street Enhancements	100,000	100,000	63,599	36,401
Other Roadway Enhancements	333,555	333,555	-	333,555
WHP Corridor Enhancements	1,300,000	1,300,000	157,948	1,142,052
Total Roadway Improvements	5,167,964	5,236,384	434,881	4,801,503
Pathway Improvements:				
Pathway Improvements	900,000	900,000	143,596	756,404
Total Pathway Improvements	900,000	900,000	143,596	756,404
Stormwater Projects				
SWU Contingency Non-PUD	682,000	682,000	-	682,000
SWU Contingency PUD	807,000	807,000	-	807,000
Hilton Head Plantation	-	-	131,306	(131,306)
Indigo Run Plantation	-	-	88,617	(88,617)
Leamington	-	-	37,257	(37,257)
Palmetto Hall	-	-	35,022	(35,022)
Port Royal	-	-	138,781	(138,781)
Shipyards	-	-	5,778	(5,778)
Sea Pines	-	-	88,770	(88,770)
Wexford	600,000	600,000	57,464	542,536
Non-PUD	-	-	107,189	(107,189)
Total Stormwater Projects	2,089,000	2,089,000	690,184	1,398,816
Total Community Services and Capital Outlay	28,009,099	32,237,763	7,554,151	24,683,612
TOTAL EXPENDITURES	28,009,099	32,237,763	7,554,151	24,683,612
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (26,915,799)	(31,144,463)	(6,667,591)	\$ 24,476,872

(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, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	\$ -	-	43,744	\$ 43,744
Transfers In:				
Beach Preservation Fees	2,473,523	2,473,523	611,004	(1,862,519)
Hospitality Tax	6,505,414	6,505,414	770,104	(5,735,310)
Tax Increment Financing	1,805,000	3,390,447	1,489,637	(1,900,810)
Road Usage Fees	2,713,046	2,713,046	372,811	(2,340,235)
Electric Franchise Fee	1,607,772	1,607,772	1,607,772	-
Real Estate Transfer Fees	-	155,180	201,894	46,714
General Fund	547,228	547,228	549,260	2,032
Stormwater Fees	2,089,000	2,089,000	2,043,363	(45,637)
TOTAL OTHER FINANCING SOURCES (USES)	17,740,983	19,481,610	7,689,589	(11,792,021)
NET CHANGE IN FUND BALANCES	(9,174,816)	(11,662,853)	1,021,998	12,684,851
FUND BALANCES - Beginning of Year	7,774,484	7,774,484	7,774,484	-
FUND BALANCES - End of Year	\$ (1,400,332)	(3,888,369)	8,796,482	\$ 12,684,851

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 \$9,174,816 and \$11,662,853, 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, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
OPERATING REVENUES				
Stormwater Utility Fees	\$ 4,934,000	4,934,000	5,081,075	\$ 147,075
TOTAL OPERATING REVENUES	4,934,000	4,934,000	5,081,075	147,075
OPERATING EXPENSES				
Long Cove Club	-	-	11,765	(11,765)
Leamington Plantation	-	-	2,250	(2,250)
Shipyard Plantation	20,000	20,000	117,805	(97,805)
Sea Pines Plantation	250,000	250,000	88,603	161,397
Wexford Plantation	25,000	25,000	101,157	(76,157)
Total Planned Unit Developments	295,000	295,000	321,580	(26,580)
Non-Planned Unit Developments:				
Stormwater Maintenance	408,000	408,000	95,358	312,642
Inventory and Modeling	125,000	125,000	62,539	62,461
Pump Station	25,000	25,000	44,857	(19,857)
Total Non-Planned Unit Developments	558,000	558,000	202,754	355,246
Other Non-classified Expenses:				
Contingency - Non-PUD	-	-	3,970	(3,970)
Contingency - Pump Stations	135,000	135,000	-	135,000
Total Other Non-classified Expenses	135,000	135,000	3,970	131,030
Other Operating Expenses:				
Administrative Salaries/Benefits	601,138	601,138	516,183	84,955
Administrative Operating	376,800	376,800	188,296	188,504
Administrative Capital Outlay	35,000	35,000	-	35,000
Depreciation	1,100,000	1,100,000	1,004,547	95,453
Total Other Operating Expenses	2,112,938	2,112,938	1,709,026	403,912
TOTAL OPERATING EXPENSES	3,100,938	3,100,938	2,237,330	863,608
OPERATING INCOME (EXPENSE)	1,833,062	1,833,062	2,843,745	1,010,683
NON-OPERATING INCOME (EXPENSES):				
Investment Income	6,000	6,000	10,394	4,394
Administrative Expense	(54,704)	(54,704)	(7,000)	47,704
Loss on refunding	-	-	(89,061)	(89,061)
Interest Expense	(100,358)	(100,358)	(96,547)	3,811
TOTAL NON-OPERATING INCOME (EXPENSES)	(149,062)	(149,062)	(182,214)	(33,152)
INCOME BEFORE TRANSFERS/BOND PROCEEDS	1,684,000	1,684,000	2,661,531	977,531
Transfers Out - General Fund	(155,000)	(155,000)	(116,250)	38,750
Transfers Out - Capital Projects Fund	(2,089,000)	(2,089,000)	(2,043,364)	45,636
Transfers Out - Total	(2,244,000)	(2,244,000)	(2,159,614)	84,386
NET CHANGE IN FUND NET POSITION	(560,000)	(560,000)	501,917	1,061,917
FUND BALANCES - Beginning of Year	10,038,823	10,038,823	10,038,823	-
NET POSITION - End of Year	\$ 9,478,823	9,478,823	10,540,740	\$ 1,061,917

The Town's original and final budget reflected the use of appropriated net position of \$560,000. Actual performance was better than budget and no net position was used.

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, 2022

	PALMETTO ELECTRIC FRANCHISE FEES	OPERATING GRANTS
ASSETS		
Cash and Cash Equivalents	\$ 10,656,511	-
Due from Other Governments	-	36,380
Interfund Receivables	233,810	517,366
TOTAL ASSETS	\$ 10,890,321	553,746
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ -	11,188
Interfund Payables	-	-
Unearned Revenue	-	-
TOTAL LIABILITIES	-	11,188
FUND BALANCES		
Restricted:		
Underground Electrical Service	10,890,321	-
Federal and Operating Grants	-	542,558
HOME Grant Program	-	-
Road Improvements	-	-
One Percent	-	-
TOTAL FUND BALANCES	10,890,321	542,558
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,890,321	553,746

SPECIAL REVENUE FUNDS					TOTAL NONMAJOR GOVERNMENTAL FUNDS
HOME GRANT	ROAD USAGE FEE	FIREMEN'S FUND			
-	-	104,125	\$		10,760,636
-	2,202	-			38,582
79,415	3,605,979	-			4,436,570
79,415	3,608,181	104,125	\$		15,235,788
-	-	5,260	\$		16,448
-	-	3,421			3,421
70,407	-	-			70,407
70,407	-	8,681			90,276
-	-	-			10,890,321
-	-	-			542,558
9,008	-	-			9,008
-	3,608,181	-			3,608,181
-	-	95,444			95,444
9,008	3,608,181	95,444			15,145,512
79,415	3,608,181	104,125	\$		15,235,788

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2022

	PALMETTO ELECTRIC FRANCHISE FEES	OPERATING GRANTS
REVENUES		
Electric Franchise Fees	\$ 2,707,124	-
Grant Revenue	-	229,186
Road Usage Fees	-	-
One Percent	-	-
Investment Income	17,727	-
TOTAL REVENUES	2,724,851	229,186
EXPENDITURES		
Current:		
Public Safety	-	199,580
Community Services	133,139	72,044
TOTAL EXPENDITURES	133,139	271,624
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,591,712	(42,438)
OTHER FINANCING SOURCES (USES)		
Transfers Out	(2,013,224)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,013,224)	-
NET CHANGE IN FUND BALANCES	578,488	(42,438)
FUND BALANCES, Beginning of Year	10,311,833	584,996
FUND BALANCE - End of Year	\$ 10,890,321	542,558

SPECIAL REVENUE FUNDS					TOTAL NONMAJOR GOVERNMENTAL FUNDS
HOME GRANT	ROAD USAGE FEE	FIREMEN'S FUND			
-	-	-	\$		2,707,124
-	-	-			229,186
-	357,960	-			357,960
-	-	734,637			734,637
248	11,392	34			29,401
248	369,352	734,671			4,058,308
-	-	696,291			895,871
-	-	-			205,183
-	-	696,291			1,101,054
248	369,352	38,380			2,957,254
-	(372,810)	-			(2,386,034)
-	(372,810)	-			(2,386,034)
248	(3,458)	38,380			571,220
8,760	3,611,639	57,064			14,574,292
9,008	3,608,181	95,444	\$		15,145,512

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Statistical Section

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STATISTICAL SECTION

This part of the Town of Hilton Head Island’s (“Town”) annual comprehensive 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.

Contents	Page
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>	120
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>	126
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>	132
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>	137
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>	139

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive 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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental Activities										
Net Investment in Capital Assets	\$ 171,793,112	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
Restricted	142,438,709	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
Unrestricted	13,350,215	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
Total Governmental Activities Net Position	327,582,036	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
Business-Type Activities										
Net Investment in Capital Assets	7,003,964	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
Unrestricted	3,536,776	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
Total Business-Type Activities Net Position	10,540,740	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
Total	\$ 338,122,776	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

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Expenses										
Governmental Activities:										
General Government	\$ 7,125,075	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
Management Services	7,227,923	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
Community Services	19,554,577	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
Public Safety	21,344,565	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
Culture and Recreation	4,451,959	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
Visitor & Convention Bureau	4,063,286	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
Administration	69,575	71,279	35,540	33,801	34,635	517,130	212,356	2,500,842	1,779,235	1,797,946
Interest on Debt	3,056,276	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
Total Governmental Activities Expenses	66,893,236	59,791,228	60,931,334	67,585,160	86,597,256	113,851,853	57,438,930	52,525,444	49,564,928	48,055,711
Business-Type Activities:										
Stormwater	2,429,938	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
Total Business-Type Activities Expenses	2,429,938	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
Total Primary Governmental Expenses	\$ 69,323,174	64,559,355	65,342,180	71,344,626	89,740,720	116,708,776	60,194,069	54,892,617	51,562,558	\$ 49,813,574
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,001,045	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
Management Services	15,246,918	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
Community Services	17,385,766	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
Public Safety	2,019,553	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
Administration	6,957,245	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
Operating Grants and Contributions	2,568,077	2,985,776	820,896	73,867	32,450,642	12,923,774	838,915	348,467	630,208	338,378
Capital Grants and Contributions	193,187	151,926	890,000	111,000	194,510	1,330,261	19,956	275,000	-	142,116
Total Governmental Activities Program Revenues	46,371,791	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
Business-Type Activities:										
Charges for Services:										
Stormwater	5,081,075	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
Operating Grants and Contributions	-	-	-	-	-	-	44,272	25,764	-	-
Total Business-Type Activities Program Revenues	5,081,075	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
Total Primary Governmental Program Revenues	51,452,866	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
Total Governmental Activities (Expense)	(20,521,445)	(19,024,370)	(31,745,984)	(38,276,183)	(24,130,063)	(73,296,752)	(30,796,899)	(27,268,830)	(25,870,984)	(25,410,972)
Total Business-Type Activities (Expense)	2,651,137	2,750,040	517,777	1,136,335	1,632,173	726,082	840,533	1,209,977	1,566,670	1,822,582
Total Primary Government Net (Expense)	\$ (17,870,308)	(18,749,330)	(31,228,207)	(37,139,848)	(22,497,890)	(72,570,670)	(29,956,366)	(26,058,853)	(24,304,314)	(23,588,390)

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Revenues and Other Changes In Net Position										
Governmental Activities										
Taxes:										
Property Taxes	\$ 32,604,260	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
Other Taxes	30,502,844	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
Intergovernmental	939,654	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
Investment Earnings	213,524	206,983	2,038,353	2,090,240	763,029	57,785	48,922	50,763	69,810	87,660
Miscellaneous Revenue	657,007	1,037,378	853,057	696,852	1,191,352	875,192	1,206,601	1,896,632	(297,517)	760,213
Transfers	2,159,614	125,000	125,000	125,000	125,000	1,095,000	-	-	-	-
Total Governmental Activities General Revenues	67,076,903	57,851,694	51,023,130	52,031,862	49,252,109	42,548,351	40,411,382	41,804,161	37,908,755	38,518,444
Business-Type Activities										
Investment Earnings	10,394	9,228	86,566	75,260	19,696	1,202	443	450	394	253
Transfers	(2,159,614)	(125,000)	(125,000)	(125,000)	(125,000)	(1,095,000)	(94,258)	(94,258)	(74,163)	(236,130)
Total Business-Type Activities General Revenues	(2,149,220)	(115,772)	(38,434)	(49,740)	(105,304)	(1,093,798)	(93,815)	(93,808)	(73,769)	(235,877)
Total Primary Government General Revenues	64,927,683	57,735,922	50,984,696	51,982,122	49,146,805	41,454,553	40,317,567	41,710,353	37,834,986	38,282,567
Change In Net Position										
Governmental Activities	46,555,458	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
Business-Type Activities	501,917	159,268	479,343	1,086,595	1,526,869	(367,716)	746,718	1,116,169	1,492,901	1,586,705
Cumulative Change in Accounting Principle	-	52,594	-	-	-	-	-	-	-	-
Total Primary Government	\$ 47,057,375	\$ 39,039,186	\$ 19,756,489	\$ 14,842,274	\$ 26,648,915	\$ (31,116,117)	\$ 10,361,201	\$ 15,651,500	\$ 13,530,672	\$ 14,694,177

PROGRAM REVENUES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS
(accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,001,045	\$ 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
Management Services	15,246,918	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
Community Services	17,385,766	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
Public Safety	2,019,553	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
Administration	6,957,245	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
Operating Grants and Contributions	2,568,077	2,985,776	820,896	73,867	32,450,642	12,923,774	838,915	348,467	630,208	338,378
Capital Grants and Contributions	193,187	151,926	890,000	111,000	194,510	1,330,261	19,956	275,000	-	142,116
Total Governmental Activities Program Revenues	46,371,791	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
Business-Type Activities:										
Charges for Services:										
Stormwater	5,081,075	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
Operating Grants and Contributions	-	-	-	-	-	-	44,272	25,764	-	-
Total Business-Type Activities Program Revenues	5,081,075	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
Total Program Revenues	\$ 51,452,866	\$ 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

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund										
Nonspendable	\$ -	-	-	-	-	-	-	-	9,796	\$ 8,896
Restricted	-	-	-	66,593	66,129	66,025	66,025	66,011	65,998	65,985
Committed	26,741,992	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
Assigned	-	424,261	930,589	1,023,117	2,144,266	821,728	2,013,643	1,471,227	1,007,245	674,725
Unassigned	2,320,873	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
Total General Fund	\$ 29,062,865	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
All Other Governmental Funds										
Restricted	\$ 144,935,948	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
Committed	5,080,403	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
Assigned	-	-	-	-	-	-	2,273,000	1,232,948	1,902,756	554,229
Unassigned	-	-	-	-	-	-	6,677	(59,263)	(41,365)	(8,576)
Total All Other Governmental Funds	\$ 150,016,351	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

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

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

Schedule 5

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues										
Taxes (see Schedule 6) ^a	\$ 63,192,901	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
Licenses, Fees, and Permits ^b	41,286,600	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
Fines and Penalties	-	-	-	73,665	184,849	245,826	210,243	198,948	224,447	262,022
Charges for Services	2,374,603	1,819,579	1,531,033	1,790,359	1,786,657	1,665,927	1,536,125	1,673,499	1,242,959	1,461,624
Intergovernmental	3,992,829	4,325,031	3,034,774	5,485,031	29,157,777	15,492,218	1,295,538	1,344,243	1,325,351	1,371,308
Investment Earnings	213,524	206,984	2,038,356	2,090,240	763,029	57,783	48,922	50,763	69,810	87,660
Other Revenues	603,420	655,395	735,477	720,238	993,434	858,358	1,242,066	972,240	1,000,494	797,171
Total Revenues	111,663,877	98,505,472	80,153,979	85,331,144	106,707,417	81,991,616	66,115,209	65,390,543	62,162,191	60,631,931
Expenditures										
General Government	1,726,570	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
Management Services	7,080,011	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
Community Services	11,408,989	9,942,318	10,754,044	10,323,707	9,533,266	8,730,949	7,804,951	7,238,602	6,392,687	5,996,416
Public Safety	20,147,211	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
Non-Departmental	4,665,487	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
Accommodations Tax Grants	4,451,959	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
Visitor & Convention Bureau	4,063,286	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
Administration	69,575	71,279	35,540	33,801	34,635	27,817	28,871	2,317,333	1,481,219	1,335,906
Capital Outlay	7,554,151	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
Debt Service										
Principal	15,545,000	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
Interest	3,769,566	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
Fiscal Charges	16,100	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
Total Expenditures	80,497,905	83,602,353	91,623,330	88,646,294	146,935,425	125,308,076	65,174,156	68,917,918	68,296,989	65,116,374
Excess of Revenues Over (Under) Expenditures	31,165,972	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)
Other Financing Sources (Uses)										
Transfers In	24,460,585	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
Transfers Out	(22,300,971)	(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)
Sale of Capital Assets	90,171	19,160	326,182	3,691	11,001	-	1,078,410	559,688	175,000	266,622
Bonds Issued	-	-	-	5,000,000	103,915,000	45,000,000	-	-	-	9,000,000
Refunding Bonds Issued	-	-	16,520,000	-	-	27,885,000	-	-	-	-
Premium on Bonds Issued	-	-	-	470,006	5,640,446	2,337,101	-	-	-	-
Payments to Escrow Agent	-	-	-	(17,641,779)	-	(28,966,152)	-	-	-	-
Reimbursement of Prior Year Expenditures	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	2,249,785	552,761	(670,597)	5,598,697	109,691,447	47,350,949	1,172,668	653,946	707,642	10,166,808
Net Change in Fund Balance	\$ 33,415,757	\$ 15,455,880	(12,139,948)	2,283,547	69,463,439	4,034,489	2,113,721	(2,873,429)	(5,427,156)	\$ 5,682,365
Capital Expenditures	\$ 3,965,048	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
Debt Service as a Percentage Of Noncapital Expenditures	25.24%	27.97%	27.76%	26.80%	45.87%	8.92%	17.66%	42.74%	30.31%	28.54%

Notes:

^aProperty Tax Reassessments performed in 2013 and 2018.

^bStarting 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
2022	\$ 32,690,057	20,595,819	9,907,025	\$ 63,192,901
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
Change 2013-2022	31.73%	194.40%	88.67%	71.11%

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		
2022	2021	\$ 985,104,810	18,717,476,468	39,360,000	608,265,444	1,024,464,810	\$ 19,325,741,912	28.10	5.30%
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%

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 ^a			Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Capital Improvements Millage	Natural Disasters Millage	Total Town Millage	Total County Millage	Total School Millage	Public Service Districts Millage ¹	
2022	17.20	5.90	-	5.00	28.10	64.80	157.90	8.60	259.40
2021	17.20	5.90	-	5.00	28.10	64.20	150.30	8.60	251.20
2020	17.13	5.97	-	5.00	28.10	65.30	145.70	8.55	247.65
2019	15.93	5.97	0.82	5.00	27.72	62.78	136.31	8.53	235.34
2018	16.38	6.14	0.84	5.00	28.36	63.39	145.21	8.70	245.66
2017	15.20	6.14	0.84	-	22.18	61.27	143.21	8.66	235.32
2016	15.20	6.14	0.84	-	22.18	59.15	135.21	8.75	225.29
2015	14.37	6.14	0.84	-	21.35	56.86	135.21	8.81	222.23
2014	13.88	6.14	0.81	-	20.83	56.30	129.16	8.45	214.74
2013	12.86	5.72	0.75	-	19.33	56.30	129.16	8.45	213.24

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 2022 Town direct rates are the approved millage rates by Town Council.

^aOverlapping 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.

¹Water 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

Schedule 9

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Taxpayer	Tax Year 2021 (FY2022)				Tax Year 2012 (FY2013)			
	Taxable Assessed Value	Rank	Total Town Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Total Town Taxable Assessed Value	Percentage of Total Town Taxable Assessed Value
Marriott Ownership Resorts, Inc	\$ 16,887,220	1	1.65%		\$ 23,163,160	1	2.76%	
Palmetto Electric Co-op, Inc	5,898,370	2	0.58%					
Sea Pines Resort, LLC	5,082,220	3	0.50%		2,954,530	5	0.35%	
Columbia Properties Hilton Head, LLC	4,880,580	4	0.48%		4,540,030	3	0.54%	
Hargray Telephone Company Inc	4,791,570	5	0.47%					
SCG Hilton Head Property, LLC	4,335,720	6	0.42%		4,260,000	4	0.51%	
Shelter Cove II, LLC	2,995,230	7	0.29%					
Shelter Cove III, LLC	2,697,310	8	0.26%					
Barnwell Family Associates, LLC	2,095,470	9	0.20%					
Palmetto Dunes Resort, LLC	2,174,630	10	0.21%					
Summit Title Agency Trustee - Southwind								
Greenwood Development					5,506,480	2	0.66%	
Heritage Golf					2,811,500	6	0.33%	
Hilton Head Health System LP					2,256,000	7	0.27%	
Disney Vacation Dev Inc					1,883,720	8	0.22%	
Andrick Deve Corp et al					1,715,650	9	0.20%	
					1,714,340	10	0.20%	
Totals	\$ 51,838,320		5.06%		\$ 50,805,410		6.05%	

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
2022	\$ 32,751,483	\$ 31,804,965	97.11%	\$ 885,091	\$ 32,690,056	99.81%
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%

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

Fiscal Year Ended June 30	Town Direct Rate	Beaufort County	South Carolina
2022	0%	0%	6%
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%

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 and ending December 31, 2021.

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Governmental Activities					Business-Type Activities				
	General Obligation Bonds	Special Obligation / TIF Bonds	Bond Anticipation Notes	Certificates of Participation	Bond Premium	Total	Revenue Bonds	Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
2022	\$ 59,290,000	44,960,000	-	-	5,304,939	109,554,939	5,700,000	\$ 115,254,939	4.96%	\$ 3,027
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

¹ See the Schedule of Demographic and Economic Statistics for personal income and population data.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
2022	\$ 61,971,559	0.32%	1,628
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

Notes:

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

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

² 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

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes:			
Beaufort County School District	\$ 487,466,700	45.50%	\$ 221,773,396
Beaufort County	186,534,853	45.50%	84,864,192
Broad Creek Public Service District	10,510,000	100.00%	10,510,000
Hilton Head No. 1 Public Service District	7,295,000	96.00%	7,003,200
Subtotal, Overlapping Debt	691,806,553		324,150,788
Town of Hilton Head Island Direct Debt	109,554,939	100.00%	109,554,939
Total Direct and Overlapping Debt	\$ 801,361,492		\$ 433,705,727

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.

1

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt Limit	\$ 67,226	65,368	72,562	73,499	74,132	75,074	77,684	78,527	80,140	\$ 81,957
Total Net Debt Applicable to Limit	8,870	8,227	7,749	7,268	51,767	50,216	51,483	47,538	44,442	39,601
Legal Debt Margin	\$ 58,356	57,141	64,813	66,231	22,365	24,858	26,201	30,989	35,698	\$ 42,356
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	13.19%	12.59%	10.68%	9.89%	69.83%	66.89%	66.27%	60.54%	55.46%	48.32%
Legal Debt Margin Calculation										
Assessed Value	\$ 1,024,465									
Total Assessed Value	\$ 1,024,465									
Debt Limit (8% of Total Assessed Value)	\$ 81,957									
Council-imposed limit for Disasters (20%) - minimum \$20 million	(20,000)									
Total Debt Limit	61,957									
Debt Applicable to Limit:										
General Obligation Bonds:										
2009A	1,385									
2013A	158									
2017A	26,670									
2017B	3,465									
2019	4,520									
2020B	3,403									
Total Net Debt Applicable to Limit	39,601									
Legal Debt Margin	\$ 22,356									

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

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

PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Hospitality Tax Bonds				Tax Increment Financing (TIF) Bonds				
	Debt Service		Total	Coverage	Debt Service		Total	Coverage	
	Collections	Principal			Interest	Principal			Interest
2022	\$ 9,907,025	1,075,000	\$ 1,446,406	6.85	\$ 5,792,527	3,660,000	267,712	\$ 3,927,712	1.47
2021	8,051,256	1,050,000	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	1,508,637	4.17	5,031,311	3,535,000	394,626	3,929,626	1.28
2019	7,545,767	920,000	1,635,200	4.61	4,687,575	3,470,000	456,392	3,926,392	1.19
2018	6,867,787	895,000	1,634,350	4.20	4,624,900	2,890,000	428,838	3,318,838	1.39
2017	6,661,873	865,000	1,627,113	4.09	4,194,830	-	-	-	-
2016	6,506,306	850,000	1,628,113	4.00	4,090,780	-	-	-	-
2015	6,155,004	835,000	1,611,427	3.82	6,486,071	4,009,999	112,477	4,122,476	1.57
2014	5,633,430	820,000	1,631,213	3.45	6,433,568	3,850,000	243,289	4,093,289	1.57
2013	\$ 5,250,995	805,000	\$ 1,632,312	3.22	\$ 6,562,575	3,695,000	369,432	\$ 4,064,432	1.61

Fiscal Year	Stormwater Revenue Bonds				Beach Preservation Fee Revenue Bonds				
	Debt Service		Total	Coverage	Debt Service		Total	Coverage	
	Collections	Principal			Interest	Principal			Interest
2022	\$ 5,081,075	1,205,000	\$ 1,305,458	3.89	\$ 14,053,062	2,865,000	1,094,125	\$ 3,959,125	3.55
2021	5,043,167	1,315,000	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	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	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	1,210,867	3.94	7,087,820	2,470,000	567,325	3,037,325	2.33
2017	3,583,005	875,000	1,150,498	3.11	6,860,758	2,395,000	141,913	2,536,913	2.70
2016	3,551,400	850,000	1,149,128	3.09	6,431,700	2,305,000	223,938	2,528,938	2.54
2015	3,551,386	825,000	1,146,877	3.10	6,136,679	4,015,000	363,838	4,378,838	1.40
2014	3,564,300	805,000	1,138,245	3.13	5,597,565	2,595,000	508,968	3,103,968	1.80
2013	\$ 3,580,445	780,000	\$ 1,146,077	3.12	\$ 4,998,132	2,500,000	608,854	\$ 3,108,854	1.61

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Calendar Year	Population¹	Personal Income (expressed in thousands)	Per Capita Personal Income²	Annual Unemployment Rate³
2022	38,076	\$ 2,322,179	\$ 60,988	3.1%
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%

Source:

¹ Provided by the U.S. Census Bureau, Quick Facts.

² Provided by the U.S. Census Bureau.

³ Provided by the U.S. Census Bureau of Labor Statistics.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

	2022		2013	
Employer	Employees	Rank	Employees	Rank
SERG Group Restaurants	1,110	1	N/A	N/A
Sea Pines Resort	679	2	650	1
Marriott Vacation Club Intl	549	3	491	3
Coastal Restaurants and Bars	500	4	N/A	N/A
Beaufort County School District	490	5	411	4
Hilton Head Medical Ctr and Clinics	453	6	520	2
Greenwood Communities & Resorts (Palmetto Dunes)	379	7	N/A	N/A
Publix Super Markets	313	8	263	8
Salty Dog	219	9	N/A	N/A
Omni Hilton Head Oceanfront Resort	192	10	N/A	N/A
TOTAL	4,884		2,335	

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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	8.0	7.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0	4.0
Management Services										
Finance	19.2	19.2	19.7	20.7	20.3	17.6	15.6	16.6	17.0	18.0
Administration	23.2	24.2	20.7	20.7	23.3	22.1	21.0	22.0	22.0	22.0
Human Resources	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Community Services										
Community Development	29.1	29.1	33.0	30.5	30.1	27.7	25.0	25.0	25.0	27.0
Public Projects & Facilities	29.0	29.0	26.0	25.0	23.0	23.0	22.0	21.0	22.0	22.0
Public Safety										
Fire & Rescue	142.5	142.5	142.5	141.3	144.3	140.9	143.7	143.7	143.0	145.1
Police Services ^a	-	-	-	-	-	-	-	-	-	-
Total	262.0	262.0	257.9	254.2	256.0	246.3	242.3	243.3	244.0	249.1

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).

^aThe 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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Management Services										
Business license accounts issued	12,574	7,177	6,529	6,689	6,944	6,507	5,908	6,291	6,434	5,997
Business license inspections	370	194	199	503	521	391	293	529	283	2,324
Business license audits	733	411	359	349	82	28	66	46	124	123
Hospitality tax accounts	396	368	377	379	374	380	461	440	437	419
Bed tax accounts	1,126	1,262	1,519	1,504	1,461	1,472	1,399	1,308	1,312	1,232
Beach passes issued	4,288	4,417	4,304	3,170	3,110	3,287	2,850	2,845	2,428	2,688
Number of court cases docketed	-	-	-	-	3,858	4,886	3,862	3,459	5,111	6,156
Number of court cases disposed	-	-	-	-	3,858	5,004	3,860	3,525	5,271	6,271
Number of search warrants issued	-	-	-	-	7	5	6	9	8	28
Number of arrest warrants issued	-	-	-	-	199	284	307	363	307	502
Number of bench warrants issued	-	-	-	-	117	390	312	353	389	363
Community Services										
Community Development										
Building inspections conducted	21,410	18,942	20,470	21,063	21,124	16,957	15,647	13,907	19,024	12,133
Building permits issued	23	307	220	200	257	206	144	156	212	130
Miscellaneous permits issued	5,089	5,337	4,625	5,091	5,316	5,641	5,015	5,390	5,070	4,619
Public Projects and Facilities										
# of capital improvement projects to manage	87	35	31	35	41	34	22	20	20	38
# of beach access/parks to maintain	7	7	7	7	7	7	8	8	8	8
Miles of pathways to maintain	65	65	65	64	64	64	64	64	62	60
Maintenance work orders	5,952	6,404	5,502	5,000	5,000	5,000	5,100	5,025	5,150	5,212
Public Safety										
Fire and Rescue service calls	9,282	8,213	7,551	7,520	7,498	7,576	7,119	6,809	6,518	6,291
Actual fires extinguished	43	37	17	97	119	146	105	93	81	166
Inspections	2,031	3,874	3,042	2,636	2,594	1,960	3,196	2,121	1,855	1,937
Telephone requests	70,307	75,520	58,375	55,496	48,064	52,981	49,842	50,789	55,841	66,710
Public training programs	113	196	304	420	500	352	418	514	415	493

(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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Government										
Town-owned parcels	147	147	146	146	145	221	224	223	168	142
Town-owned property acreage	1,294	1,295	1,293	1,303	1,307	1,307	1,307	1,312	1,321	1,319
Town-owned development rights	8	8	8	8	8	8	8	8	8	8
Town-owned easements	60	60	60	53	65	51	51	52	91	50
Management Services										
Town vehicles	42	42	42	43	40	38	38	36	38	38
Public Safety										
Emergency Apparatus Vehicles	30	28	30	30	29	29	28	28	28	25
Police Vehicles ^a	-	-	-	-	-	-	-	-	-	-
General Vehicles	23	22	21	21	20	20	19	19	19	25
Fire Stations	7	7	7	7	7	7	7	7	7	7
Public Projects and Facilities*										
Traffic signals	26	29	29	23	23	23	23	23	23	22
Pathways (miles)	65	65	65	64	64	64	64	64	62	60
Beach access/parks	7	7	7	7	7	7	8	8	8	8

*All Town roads are deduced to Beaufort County.

Sources: Various town departments and asset database.

Notes:

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

^aPolice 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	\$ 134,090	2.61%
Beaufort County	county government	82,253	1.60%
Sea Pines Resort LLC	various	60,428	1.17%
Marriott Ownership Resorts	timeshare condominium	52,237	1.02%
Palmetto Dunes Resort LLC	various	42,204	0.82%
Heritage Golf-Port Royal LLC	golf course & club	23,221	0.45%
Topper Golf World LLC-Palmetto Hall	golf course & club	22,433	0.44%
Indigo Run Land Owner LLC	golf course & club	22,374	0.44%
Shelter Cove III LLC	shopping center	21,087	0.41%
Hilton Head Plantation POA	various	19,586	0.38%
Wexford Plant HOA	various	16,372	0.32%
Community Services Assoc Inc-Sea Pines	various	14,261	0.28%
Hilton Head Island Holdings, LLC	various	12,388	0.24%
Sea Pines Country Club Inc	golf course & club	12,222	0.24%
FM Shoppes LLC	various	12,150	0.24%
Total		547,306	10.66%

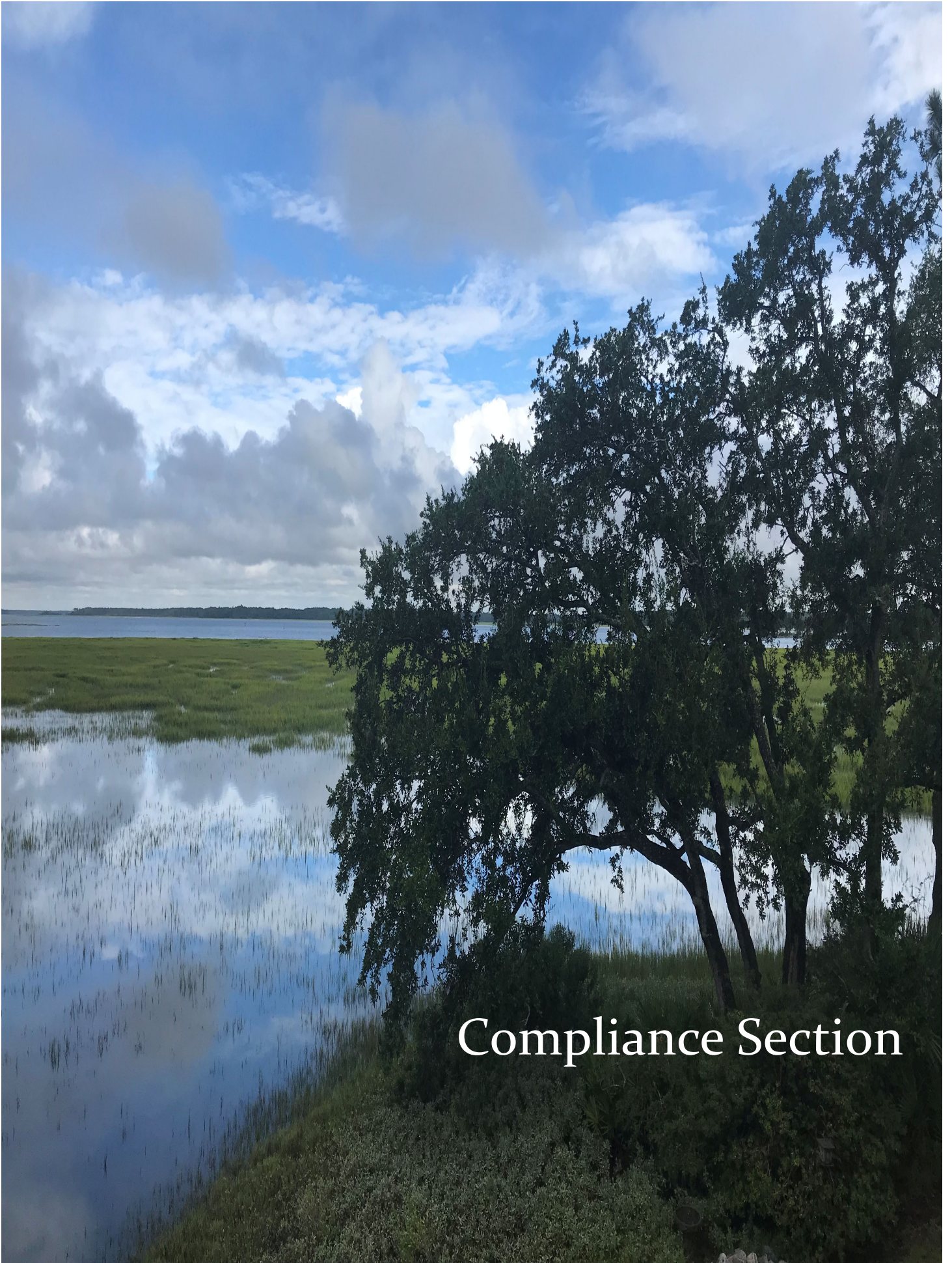
Total Stormwater Fees Billed

\$ 5,142,980

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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TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Program	Assistance Listing Number	Grant / Contract Number	Expenditures
US DEPARTMENT OF HOUSING / URBAN DEVELOPMENT			
Direct Programs:			
Community Development/Block Grant - Boys & Girls Club Pavilion	14.218	B-20-MC-45-0014	\$ 70,699
Community Development/Block Grant - Patterson Family Park	14.218	B-20-MW-45-0014	25,863
		Total CDBG	<u>96,562</u>
TOTAL US DEPARTMENT OF HOUSING / URBAN DEVELOPMENT			<u>96,562</u>
US DEPARTMENT OF HOMELAND SECURITY			
Direct Programs:			
Assistance to Firefighters Grant - FD1014	97.025	21SHSP32	50,838
Assistance to Firefighters Grant - FD1014	97.025	20SHSP34	13,816
		Total Homeland Security	<u>64,654</u>
Pass Through - SC Emergency Management Division			
Disaster Grants - Public Assistance: Hurricane Matthew	97.036	4286	721,780
Disaster Grants - Public Assistance: Hurricane Dorian	97.036	4464	6,065
		Total Disaster Grants	<u>727,845</u>
TOTAL US DEPARTMENT OF HOMELAND SECURITY			<u>792,499</u>
US DEPARTMENT OF TREASURY			
Direct Program:			
COVID-19: Coronavirus State and Local Fiscal Relief Fund - CV2021	21.027	20-1982-0-1-806	804,159
		Total Coronavirus Relief Fund	<u>804,159</u>
TOTAL US DEPARTMENT OF TREASURY			<u>804,159</u>
US DEPARTMENT OF TRANSPORTATION			
Pass Through - South Carolina Department of Transportation			
Emergency Planning	20.703	N/A	24,544
Hazardous Materials Training and Planning	20.703	20SHSP23	28,681
Hazardous Materials Training and Planning	20.703	21SHSP13	20,331
		Total DOT	<u>73,556</u>
TOTAL US DEPARTMENT OF TRANSPORTATION			<u>73,556</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Direct Program:			
NAE - 2021 Lantern Parade	45.024	N/A	10,000
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			Total Arts <u>10,000</u>
GRAND TOTALS			<u>\$ 1,776,776</u>

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, 2022

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, 2022. 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.

F. SUBRECIPIENTS

There were no federal awards disbursed to subrecipients during the year.



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

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, 2022, 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 15, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
December 15, 2022



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

Opinion on Each Major Federal Program

We have audited the Town of Hilton Head Island, South Carolina's (the "Town") compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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*"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

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The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
December 15, 2022

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

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? _____ Yes X 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>
21.027	COVID-19 Coronavirus Relief Fund

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, 2022

Section II – Current Year Financial Statement Findings

No matters to report.

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

No matters to report.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SUMMARY OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

Finding: 2021-001 Collateralization of Deposits

Condition: 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.

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.

Status: This finding has been corrected by the Town.