



Financial Audit Presentation Year Ended June 30, 2022

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TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

OPINION

- The Town's responsibility:
 - Maintain effective internal controls
 - There are limitations on internal controls.
 - Regular risk assessment is important, including assessing the risk of fraud.
 - Financial Statements
 - Accuracy, completeness, and propriety of balances, amounts, and disclosures

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TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

- Greene Finney Cauley, LLP's ("GFC") responsibility:
 - Opinion – reasonable assurance that financial statements are materially correct
 - Does not address the financial condition of the Town
 - Purpose of the audit is not to detect fraud. GFC cannot take responsibility for finding fraud, if it existed
- Issued unmodified opinion

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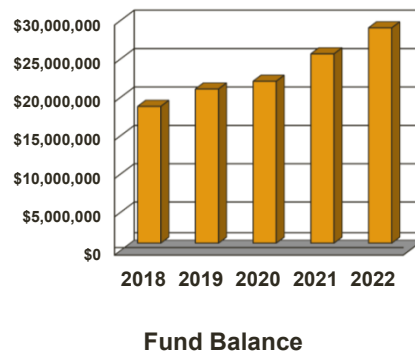


TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

General Fund

- Total fund balance increased \$3.4M to \$29.1M
- Committed fund balance of \$26.7M for disaster recovery (represents 55% FY23 budgeted expenditures)

GENERAL FUND



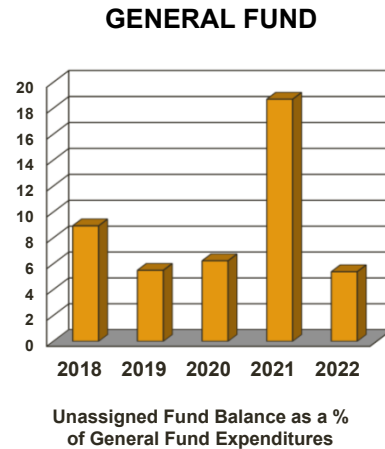
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TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

General Fund

- Unassigned fund balance is \$2.3M, which is 5.4% of 2022 actual expenditures
- GFOA recommends a minimum of 16.7% (two months) in unrestricted fund balance



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TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

Major Reasons To Maintain An Adequate Fund Balance:

- Cash flow through second half of calendar year; property taxes and business licenses are cyclical.
- Significant emergencies and unanticipated expenditures.
- Flexibility for discretionary funding needs.
- Potential for better interest rates on debt issues (can save the Town money).
- Unique requirements for a coastal municipality
- Important given the uncertain economic times.

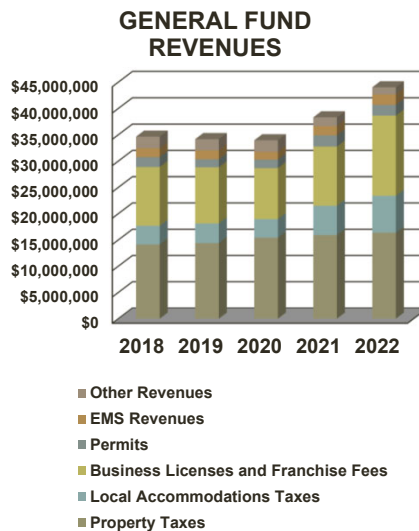
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TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

General Fund Revenues and Net Other Financing Sources:

- \$44.0 million for 2022:
 - \$16.4 million from property taxes
 - \$7.0 million from local accommodations taxes
 - \$15.2 million from business licenses and franchise fees
 - \$5.4 million from other revenues
 - \$2.4 million in net transfers in
- \$5.7 million (15%) increase from 2021
 - Increase of \$4.0M in business licenses and franchise fees primarily as a result of the adoption of the SC Business License Tax Standardization Act
- \$8.8 million (25%) better than budget
 - \$3.0 million and \$4.8 million better than budget in accommodations taxes and business licenses, respectively



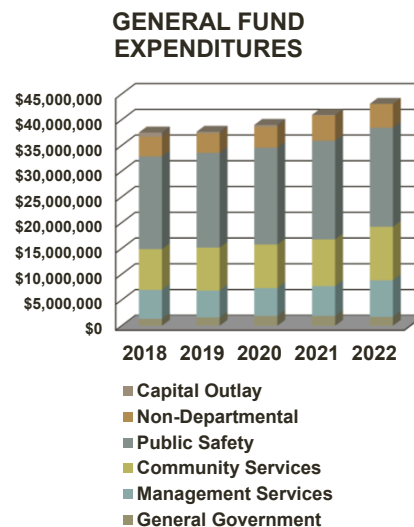
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TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

General Fund Expenditures:

- \$43.1 million for 2022:
 - \$1.7 million in general government
 - \$7.1 million in management services
 - \$10.4 million in community services
 - \$19.2 million in public safety
 - \$4.6 million in non-departmental
- \$2.1 million (5.2%) increase from 2021
- \$962 thousand (2.2%) under budget



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TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

Total for all Governmental Funds

- **Includes General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds**
 - Total Revenues and Net Other Financing Sources of \$113.9 million
 - Total Expenditures of \$80.5 million (including debt service payments of \$19.3 million and capital outlay of \$7.6 million)
 - Expenditures were lower than anticipated due to various capital projects being delayed

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TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

Enterprise Fund – Stormwater Fund

- The **Stormwater Fund** had an increase in net position of \$502 thousand to \$10.5 million as of June 30, 2022 (including \$7.0 million invested in capital assets):
 - Operating revenues increased \$38 thousand (< 1%) from the prior year.
 - Operating expenses decreased approximately \$2.1 million (48%) due to a reduction in repairs and maintenance.

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TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

Capital Assets

- Total capital assets were \$290.5 million at 6/30/2022, including \$278.1 million for governmental activities and \$12.4 million for business-type activities – decrease of \$3.6 million
 - Significant projects in 2022 included:
 - Shelter Cove Parking & Pathway Project

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TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

Long-term Obligations

- Total long-term obligations outstanding at 6/30/22 were \$110.0 million – a decrease of \$16.7 million from 6/30/21:
 - Principal payments of \$15.5 million made during 2022.
 - Compensated absences outstanding at 6/30/22 – \$5.4 million.
- Net pension liability of \$15.9M as of June 30, 2022 on the full accrual statements. This is the Town's proportionate share of the total net pension liability for the SC Police Officers Retirement System. The liability does not directly affect the Town's cash flows; however, employer contribution rates have increased annually (19.24% for FY22). Those increases have a direct impact on the Town's operating budgets.

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TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

AUDITING/ACCOUNTING UPDATE:

- **Significant Changes in Accounting Principles:**
 - GASB #87 “Leases” provides new guidance on reporting leases as generally all leases will report an intangible right-to-use lease asset and lease liability. The Town implemented for the year ended June 30, 2022. No significant impacts on the Town’s financial statements.
- **Future Significant Changes in Accounting Principles:**
 - GASB #96 “Subscription-Based IT Arrangements” provides new guidance on reporting multi-year software subscriptions. The Town will need to implement for the year ended June 30, 2023.

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TOWN OF HILTON HEAD ISLAND 2022 FINANCIAL AUDIT

Compliance

- Single Audit was required for 2022
 - Coronavirus State and Local Fiscal Recovery Fund – no findings noted.

Management Letter

- Required communications to management and those charged with governance – no matters to report.

Summary

- Unmodified opinion on the Financial Statements from GFC
- Strong financial condition as of June 30, 2022

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