

**Town of Hilton Head Island, South Carolina**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**



FISCAL YEAR ENDED JUNE 30, 2015  
Prepared by the Finance Department



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# **Introductory Section**



## **Transmittal Letter**

For The Fiscal Year Ended June 30, 2015  
The Town of Hilton Head Island, South Carolina

January 13, 2015

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

The Comprehensive Annual Financial Report of the Town of Hilton Head Island, South Carolina, (the Town) for the fiscal year ended June 30, 2015, 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, Scott and Company, LLC, has issued an unmodified ("clean") opinion for the year ended June 30, 2015. 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 fiscal year budget document.

**Local Economy**

Tourism is the largest "industry" in the Island's economy. There are approximately 2.6 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.

Feeling the effects of the recession, after 5 straight years with sales tax declines from 2007 to 2011, the Town has started to emerge from the recession with three straight years of increases. 2013-2014 total gross taxable sales were \$1.349 billion compared to \$1.329 billion for the prior fiscal year for Hilton Head Island. Gross taxable sales for Hilton Head Island were 34.3% of all gross taxable sales within Beaufort County during the most recent reported fiscal year. As one measure of the regional economy, Beaufort County gross taxable sales increased \$85 million from \$3.845 billion to \$3.930 during the previous fiscal year. Hilton Head Island's taxable sales are 90.6% of the highest year totals from pre-recession 2006. Beaufort County's totals are 96.8% of 2007 levels.

Fiscal Year	Hilton Head Island	Beaufort County	HHI as a % of BC
2004-2005	\$ 1,405,620,342	\$ 3,555,090,040	39.5%
2005-2006	1,488,937,859	3,887,259,912	38.3%
2006-2007	1,482,619,035	4,058,389,971	36.5%
2007-2008	1,433,153,280	4,004,958,326	35.8%
2008-2009	1,302,796,767	3,506,948,982	37.1%
2009-2010	1,241,262,336	3,402,899,679	36.5%
2010-2011	1,197,965,824	3,400,903,379	35.2%
2011-2012	1,262,790,386	3,683,443,341	34.3%
2012-2013	1,329,472,728	3,844,604,186	34.6%
2013-2014	1,349,120,078	3,930,141,179	34.3%

Source SC Dept of Revenue Annual Reports <http://www.sctax.org/Publications>

**Long Term Financial Planning**

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

Adopted Financial Policies

Financial policies establish the framework for the Town's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for

future programs can be evaluated. These policies set the tone for all fiscal decisions made by staff and Town Council. The Town currently has financial policies governing operations, capital planning, debt management, reserves and financial reporting. Regular reviews and enhancement of these policies are done in conjunction with the financial plan development and are adopted annually by Town Council.

#### Financial Resource Planning

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

#### Multi-Year Operating Budget Planning

Multi-year budget planning encompasses long-range operating expenditure plans, which are linked to community expectations and broad goals of the Town Council. The multi-year approach provides a better opportunity for staff to change its financial paradigm from what do we need this year to how do we accomplish our level of service objectives over time, given our financial capacity. While the Town is required to adopt an annual budget to meet State statutory requirements, the Town builds a three-year financial plan to help anticipate future impacts and ensure achievement of Town objectives.

#### Capital Improvement Project Planning

The Town's Capital Improvement Program is planned for ten years and developed using specific prioritization criteria. The impact of projects on operating costs are planned and considered in developing future operating budget plans. Pay-as-you-go funding sources are conservatively estimated to avoid over-committing to capital construction using revenues that are not certain. To the extent debt financing is used, capital project plans are sized to conform to existing debt management policies.

#### Debt Management

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

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

#### **Major Initiatives**

In fiscal year 2009, the Town implemented an expenditure reduction plan (savings plan) in an effort to offset an anticipated decline in revenues. The savings plan was implemented and carried forward through fiscal year 2015. The results were quite successful; current year expenditures were approximately \$2.7 million less than the final budget. This is attributable to the Town's workforce reduction, expense reduction and a significant amount of optional maintenance projects being budgeted in fiscal year 2015, but work being performed and expended in fiscal year 2016.

	FY 2015 - General Fund		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue	\$ 28,031,907	\$ 28,670,765	\$ 638,858
Appropriated Fund Balance	1,664,314	-	(1,664,314)
Transfers In	8,537,215	8,128,638	(408,577)
Expenditures	<u>38,233,436</u>	<u>35,485,478</u>	<u>2,747,958</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 1,313,925</u>	<u>\$ 1,313,925</u>

**Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Hilton Head Island for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This was the twenty sixth consecutive year that the government has received the prestigious award. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Town also received the GFOA Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2014. It was the tenth 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 and service requests rise. I would also wish to thank the Town Council members for their continued fiscal responsibility through the fiscal downturn.

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 achieve and maintain this high degree of fiscal responsibility.

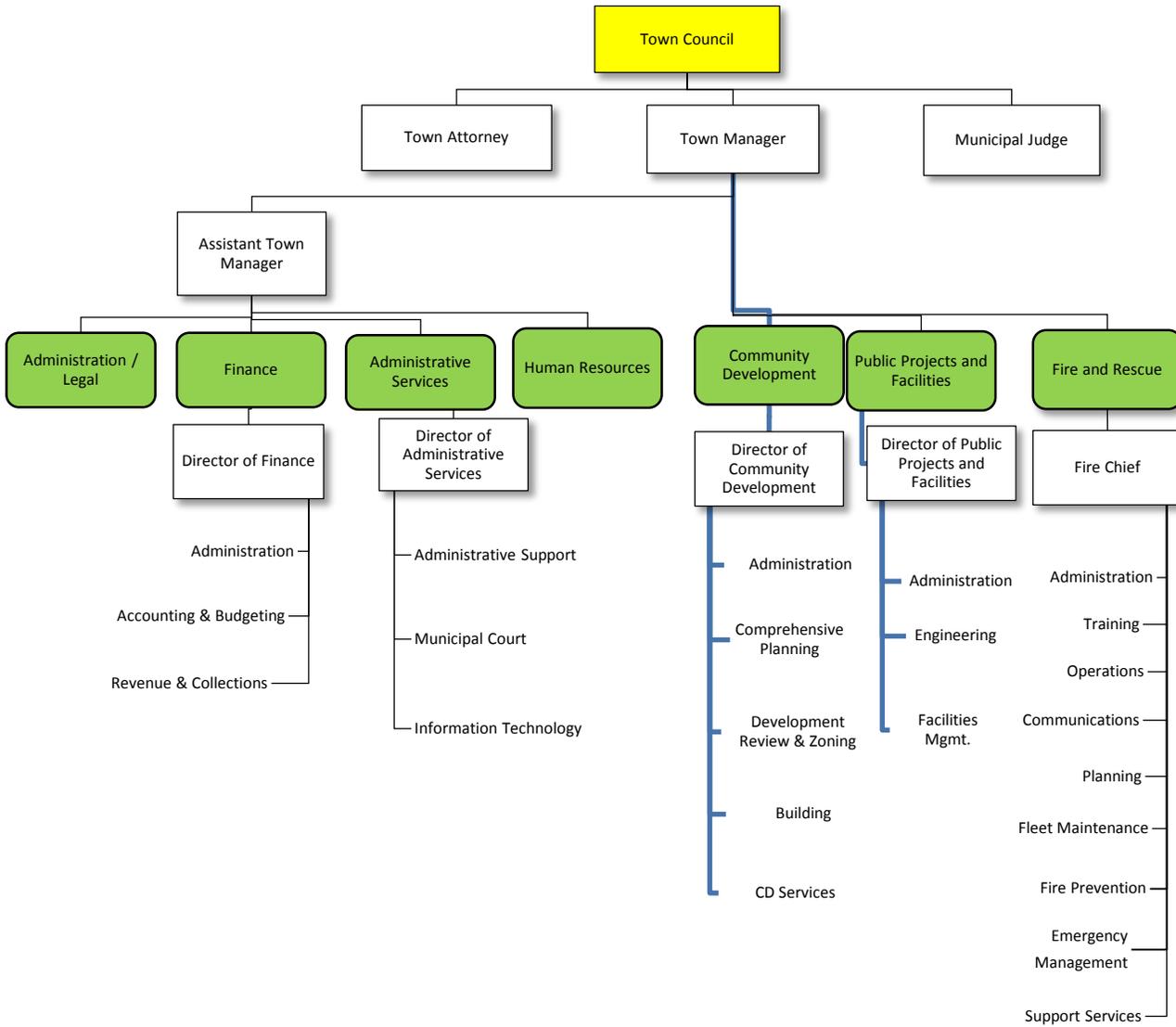
Respectfully submitted,



Susan Simmons  
 Director of Finance

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

ORGANIZATIONAL CHART





## **TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA LIST OF ELECTED AND APPOINTED OFFICIALS**

### **Mayor**

The Honorable David Bennett

### **Town Council**

William D. Harkins, Mayor Pro Tempore

Wm. Lee Edwards

Marc A. Grant

Thomas W. Lennox

Kimberly W. Likins

John J. McCann

### **Administrative Staff**

Stephen G. Riley, Town Manager

Gregory D. DeLoach, Assistant Town Manager Administration

Susan M. Simmons, Director of Finance

Charles F. Cousins, Director of Community Development

Scott Liggett, Director of Public Projects and Facilities

Brad Tadlock, Fire Chief



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Hilton Head Island  
South Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# **Financial Section**

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison schedule of the general fund of the Town of Hilton Head Island, South Carolina, (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hilton Head Island, South Carolina as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison schedule for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 2 to the financial statements, the Town has adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. These two GASB statements required that the Town record its share of the State of South Carolina’s net pension liability and related deferred inflows and outflows of resources. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4–15 and pension information on pages 71-72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hilton Head Island, South Carolina’s basic financial statements. The budgetary comparison schedules, the combining non-major governmental fund financial statements, the agency fund statement of changes in assets and liabilities, the introductory and statistical sections and schedule of municipal fines, assessments and surcharges are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules, the combining non-major governmental fund financial statements, the agency fund statement of changes in assets and liabilities, and the schedule of municipal fines, assessments and surcharges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, the combining non-major governmental fund financial statements, the agency fund statement of changes in assets and liabilities and the schedule of municipal fines, assessments and surcharges are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2016 on our consideration of the Town’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an intergral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town’s internal control over financial reporting and compliance.



Columbia, South Carolina  
January 13, 2016

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

This section of the Town of Hilton Head Island's annual financial report represents its discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2015. The information in this section should be considered in conjunction with information provided in the transmittal letter and detailed financial statements contained elsewhere in this document.

**Financial Highlights**

- The Town's single largest source of revenue is real and personal property taxes derived from the assessed value of properties within the Town, as summarized below:

<b>Fiscal Year</b>	<b>Taxable Assessed Value</b>	<b>% Increase/Decrease</b>	<b>Tax Revenue</b>
2006	815,578,269		\$14,976,068
2007	841,028,344	3.12%	\$15,305,712
2008	840,463,790	-0.07%	\$15,431,982
2009	832,732,387	-0.92%	\$16,159,800
2010	949,555,131	14.03%	\$17,145,943
2011	919,193,351	-3.20%	\$17,236,337
2012	927,151,628	0.87%	\$17,826,129
2013	840,326,016	-9.36%	\$17,679,567
2014	817,099,066	-2.76%	\$17,179,878
2015	907,022,430	11.01%	\$17,672,715

\* Property in Beaufort County is reassessed once every five years.  
\*\* Tax revenue includes the collection of delinquent taxes.

- The millage rate approved by the Town Council determines the overall property tax levy and is summarized below:

<b>Fiscal Year</b>	<b>Operating Millage</b>	<b>Debt Service Millage</b>	<b>Capital Projects Millage</b>	<b>Total Millage</b>
2006	12.33	0.85	5.82	19.00
2007	12.33	0.85	5.82	19.00
2008	12.33	0.85	5.82	19.00
2009	12.84	5.67	0.85	19.36
2010	11.78	6.01	0.75	18.54
2011	11.78	6.01	0.75	18.54
2012	12.57	6.01	0.75	19.33
2013	12.86	5.72	0.75	19.33
2014	13.88	6.14	0.81	20.83
2015	14.37	6.14	0.84	21.35

In 2006, the South Carolina legislature enacted a new code section which placed limitations on annual millage rate increases. A local governing body may increase the imposed millage rate for general operating purposes above the rate imposed for the previous year only to the extent of the increase in the average of twelve monthly consumer price indices for the most recent twelve month period (January through December of the previous calendar year) plus the percentage increase in previous year population of the entity as determined by the South Carolina Revenue and Fiscal Affairs Office.

As the Town approaches build-out the impact of the stated imposed cap will have a significant impact on the Town's ability to continue funding services at their current level.

- At the close of fiscal year 2015, the assets of the Town exceeded liabilities by \$211,534,453. Of this amount, \$11,960,300 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The Town's total net position increased by \$15,651,500 for fiscal year 2015. The balances for the governmental-type activities and business-type activities are shown in the "Statement of Activities".
- At June 30, 2015, the Town's governmental funds reported combined ending fund balances of \$64,399,738.
- The Town's General Fund reported an ending fund balance of \$19,349,325 for fiscal year 2015. Of this ending General Fund balance, \$3,579,208 or 18.5% is available for spending at the government's discretion (Unassigned Fund Balance).

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as the introduction to the Town's financial statements. The Town's financial statements are broken down into three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Required and supplementary information is included in addition to the basic financial statements.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide a broad overview of the Town's finances in a similar manner to a private business.

The **statement of net position** presents information on the Town's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in the Town's net positions are an indicator of whether its financial position is improving or deteriorating.

The **statement of activities** presents information illustrating how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include public safety, community development, and facilities management. The business-type activity of the Town is its stormwater system.

### **Fund Financial Statements**

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. Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, fiduciary fund, and proprietary fund.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Town's programs.

Because the focus of governmental funds is narrower than the government-wide statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing

decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains eleven governmental funds. Eight are classified as major funds: General Fund, Tax Increment Financing (TIF) District, Accommodations Tax (State), Real Estate Transfer Fee, Beach Preservation Fee, Hospitality Fee, Debt Service Fund, and the Capital Projects Fund. Three are classified as non-major funds: Palmetto Electric Franchise Fee, Operating Grants and Home Grant. For reporting purposes on the fund financial statements, the special revenue funds are consolidated under the heading Non-major Governmental Funds.

The Town of Hilton Head Island adopts an annual budget for its General Fund, Capital Projects Fund, and the Debt Service Fund. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Town Council about which services to provide and how to pay for them.

**Proprietary Funds**

The Town maintains one type of **Proprietary Fund**, an enterprise fund. This fund is used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide financial information related to the Town’s stormwater system operations.

The Town of Hilton Head Island adopts an annual budget for its Proprietary Fund. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Town Council about which services to provide and how to pay for them.

**Fiduciary Funds**

The Town maintains one **Fiduciary Fund**, the Firemen’s Fund. This fund is used to account for certain funds held on behalf of the Town’s firemen. The activity associated with this fund is excluded from the Town’s financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in this fund are used for their intended purposes.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, the report also contains certain required supplementary information and other supplementary information.

**Economic Factors**

The recovery of the economy continues to have a positive impact on revenues received by the Town; tourism, the Town’s major business driver, reports strong increases.

**Real Estate**

Real estate related revenues, especially construction permits and real estate transfer fees, are 1.8% greater than last fiscal year. This positive trend is reflected in the 2.6% increase in real estate transfer fees. Construction activity on the Island is robust. Due to strong increases in the last couple of years as many hotels and club houses underwent major renovations and the mall was almost completely rebuilt, this year’s annual construction permit increase is small but still an increase.

	<u>Real Estate Transfer Fee</u>			<u>Construction Permits</u>			<u>Total</u>		
	Received	\$ Change	%Change	Received	\$ Change	%Change	Received	\$ Change	%Change
FY 2013	2,255,107			1,368,166			3,623,273		
FY 2014	2,468,881	213,774	9%	1,377,939	9,773	1%	3,846,820	223,547	6%
FY 2015	2,534,932	66,051	3%	1,380,846	2,907	0%	3,915,778	68,958	2%

## Tourism

Tourism-driven revenues continue to report strong increases over the prior year; it is also important to note that the dollar level of these revenues have rebounded to surpass all historical fiscal year heights. Currently, revenues from these sources are 9% higher than final amounts for the previous fiscal year.

	<u>ATAX/ Beach Preservation Fees</u>			<u>Hospitality Tax</u>			<u>Total</u>		
	Received	\$ Change	%Change	Received	\$ Change	%Change	Received	\$ Change	%Change
FY 2013	11,993,892			5,250,995			17,244,887		
FY 2014	13,332,955	1,339,063	11%	5,633,430	382,435	7%	18,966,385	1,721,498	10%
FY 2015	14,498,473	1,165,518	9%	6,155,004	521,574	9%	20,653,477	1,687,092	9%

## **Government-Wide Financial Analysis**

The analysis of the government-wide financial statements of the Town follows. The statements provide insight into whether the Town's financial position is better or worse as a result of this year's activities. The Town's net position, which is the difference between assets and liabilities, is one way to measure the Town's financial health. Over time, increases or decreases in the Town's net positions are one indicator of whether its financial health is improving or deteriorating. Non-financial factors must also be considered, such as changes in economic conditions, and new or changed government legislation or regulations.

### **Condensed Statement of Net Position**

	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 69,184,912	\$ 72,348,011	\$ 2,218,883	\$ 2,318,496	\$ 71,403,795	\$ 74,666,507
Deferred outflows of resources	3,405,699	2,205,148	895,548	985,102	4,301,247	3,190,250
Capital assets	<u>243,865,033</u>	<u>239,374,538</u>	<u>14,433,537</u>	<u>13,920,198</u>	<u>258,298,570</u>	<u>253,294,736</u>
Total assets and deferred outflows of resources	<u>\$ 316,455,644</u>	<u>\$ 313,927,697</u>	<u>\$ 17,547,968</u>	<u>\$ 17,223,796</u>	<u>\$ 334,003,612</u>	<u>\$ 331,151,493</u>
Current liabilities	\$ 16,890,687	\$ 22,733,731	\$ 1,230,222	\$ 1,172,219	\$ 18,120,909	\$ 23,905,950
Long term liabilities & deferred outflows	<u>94,438,250</u>	<u>88,129,624</u>	<u>9,910,000</u>	<u>10,760,000</u>	<u>104,348,250</u>	<u>98,889,624</u>
Total liabilities and deferred inflows of resources	<u>\$ 111,328,937</u>	<u>\$ 110,863,355</u>	<u>\$ 11,140,222</u>	<u>\$ 11,932,219</u>	<u>\$ 122,469,159</u>	<u>\$ 122,795,574</u>
Net position:						
Net investment in capital assets	\$ 163,062,329	\$ 147,652,780	\$ 4,569,085	\$ 3,320,300	\$ 167,631,414	\$ 150,973,080
Restricted	31,942,739	35,442,375	-	-	31,942,739	35,442,375
Unrestricted	<u>10,121,639</u>	<u>19,969,187</u>	<u>1,838,661</u>	<u>1,971,277</u>	<u>11,960,300</u>	<u>21,940,464</u>
Total net position	<u>\$ 205,126,707</u>	<u>\$ 203,064,342</u>	<u>\$ 6,407,746</u>	<u>\$ 5,291,577</u>	<u>\$ 211,534,453</u>	<u>\$ 208,355,919</u>

Net position amounted to \$211.5 million in fiscal year 2015 compared to \$208.4 million in fiscal year 2014. A significant portion of the Town's net position (\$167.6 million or 79.2 % of the Total net assets) reflects its investment in capital assets (e.g. land, machinery, buildings, and equipment) net of any related debt that is still outstanding. The Town uses these capital assets to provide services to its 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 be used to liquidate these liabilities.

While the statement of net position shows the change in financial position of net position, the condensed statement of activities (below) provides answers as to the nature and the source of the changes.

The 2014 Governmental Activities balances have not been restated for the implementation of GASBS 68 because the information provided by the actuary is not detailed enough to retroactively restate balances and therefore do not agree to page 17. See Note 20 for more information on restatement due to GASBS 68.

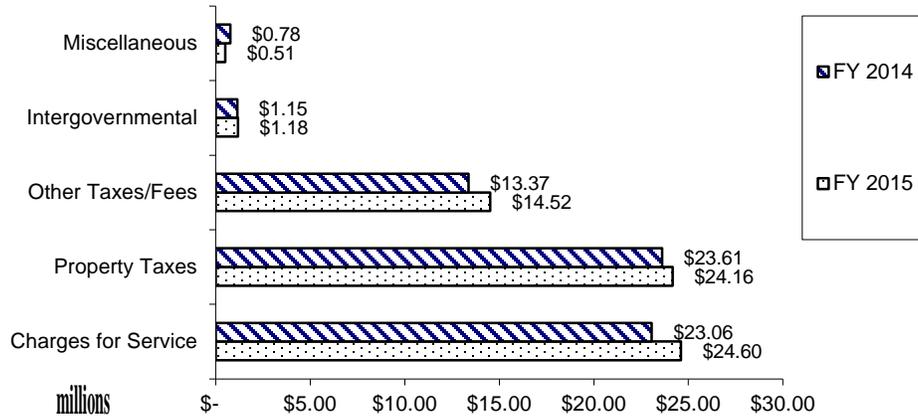
## **Condensed Statement of Activities**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 24,633,147	\$ 23,063,766	\$ 3,551,386	\$ 3,564,300	\$ 28,184,533	\$ 26,628,066
Operating grants and contributions	348,467	630,208	25,764	-	374,231	630,208
Capital grants and contributions	275,000	-	-	-	275,000	-
General Revenues:						
Property taxes	24,163,776	23,613,446	-	-	24,163,776	23,613,446
Other taxes	14,516,798	13,368,820	-	-	14,516,798	13,368,820
Other	<u>3,029,329</u>	<u>1,937,933</u>	<u>450</u>	<u>394</u>	<u>3,029,779</u>	<u>1,938,327</u>
Total Revenues	<u>66,966,517</u>	<u>62,614,173</u>	<u>3,577,600</u>	<u>3,564,694</u>	<u>70,544,117</u>	<u>66,178,867</u>
<b>Program Expenses:</b>						
Governmental Activities:						
General government	5,501,516	5,014,153	-	-	5,501,516	5,014,153
Management services	5,249,881	5,176,878	-	-	5,249,881	5,176,878
Community services	15,337,540	15,914,686	-	-	15,337,540	15,914,686
Public safety	16,529,019	14,130,095	-	-	16,529,019	14,130,095
Culture and recreation	2,429,893	1,962,094	-	-	2,429,893	1,962,094
Visitor and convention bureau	1,580,537	1,473,482	-	-	1,580,537	1,473,482
Administrative	2,500,842	1,779,235	-	-	2,500,842	1,779,235
Interest on long-term debt	3,396,216	4,114,335	-	-	3,396,216	4,114,335
Loss on sale of capital assets	-	1,085,607	-	-	-	1,085,607
Business-type Activities:						
Stormwater utility	-	-	<u>2,367,173</u>	<u>1,997,630</u>	<u>2,367,173</u>	<u>1,997,630</u>
Total Expenses	<u>52,525,444</u>	<u>50,650,565</u>	<u>2,367,173</u>	<u>1,997,630</u>	<u>54,892,617</u>	<u>52,648,195</u>
Excess before transfers	<u>14,441,073</u>	<u>11,963,608</u>	<u>1,210,427</u>	<u>1,567,064</u>	<u>15,651,500</u>	<u>13,530,672</u>
Transfers	<u>94,258</u>	<u>74,163</u>	<u>(94,258)</u>	<u>(74,163)</u>	<u>-</u>	<u>-</u>
Change in net position	14,535,331	12,037,771	1,116,169	1,492,901	15,651,500	13,530,672
Net position, beginning, restated	<u>190,591,376</u>	<u>191,026,571</u>	<u>5,291,577</u>	<u>3,798,676</u>	<u>195,882,953</u>	<u>194,825,247</u>
Net position, ending	<u>\$ 205,126,707</u>	<u>\$ 203,064,342</u>	<u>\$ 6,407,746</u>	<u>\$ 5,291,577</u>	<u>\$ 211,534,453</u>	<u>\$ 208,355,919</u>

Governmental activities increased the Town's net position by \$14.5 million. This increase was \$2.5 million more than the previous fiscal year's increase. The following highlight the significant changes from the previous year:

- Total revenues increased \$4.3 million or 7%, while expenses were held to a \$1.9 million or 3.7% increase.
- Charges for services increased \$1.6 million or 6.8%.
- Property tax revenue, traditionally the Town's largest revenue source, increased by \$0.6 million or approximately 2.3 %.
- Property taxes made up 36.1 % of the total revenue down from 37.7 % in the prior year.
- Total expenses increased by only \$1.9 million. The largest part of this increase is \$2.4 million in Public Safety. Budgetary spending was similar for Public Safety, but less was capitalized—primarily the Fire Station for \$3.3 million from 2014 not in 2015. This was offset by no loss on the sale of capital assets as was included last year. Without those two items, all other expenses increased \$561,562 or 1.6% in total.

## Revenues by Source – Governmental Activities



Business-type activities increased the Town's net position by \$1.1 million which is less than the \$1.5 million in 2014. Stormwater revenues decreased by \$0.01 million or -0.36% over the previous fiscal year.

### **Governmental Funds**

The **General Fund**, which is the primary operating fund of the Town, recognized \$28.6 million (excluding revenue transfers in from other funds) in total revenues and \$8.1 million in other financing sources offset with \$35.5 million in expenditures. The savings plan effort started in fiscal year 2009 was carried forward into fiscal year 2015. The results continue to be quite successful; expenditures were approximately \$2.7 million less than the final budget. In addition, revenues and transfers in were \$230,281 more than budget.

Fund balance at the beginning of the year was \$18.0 million and, when combined with the current year, resulted in an end of year Fund Balance of \$19.3 million. Of this amount, \$3.6 million is unassigned fund balance, a growth of \$ 0.3 million this fiscal year.

The **Debt Service Fund** recognized \$5.3 million in total revenues and \$12.4 million in other financing sources offset with \$18.6 in expenditures and other uses. This resulted in expenditures more than revenues and other financing sources by \$0.9 million due to a transfer of \$1.9 million to beach fee fund to return the reserve fund when the related bonds were retired. The Fund Balance at the beginning of the year was \$8.4 million and, when combined with the current year, resulted in an end of year Fund Balance of \$7.5 million. These results were consistent with the Town's expectations.

The **Capital Projects Fund** recognized \$1.8 million in total revenues and \$5.9 million in other financing sources offset with \$11.4 million in expenditures and other uses. This resulted in expenditures exceeding revenues and other financing sources by \$3.5 million. The Fund Balance at the beginning of the year was \$12.1 million and, when combined with the current year spending, resulted in an end of year Fund Balance of \$8.6 million. This is in accordance with the Town's Capital Plan as the Town used prior year bond proceeds and other funding sources accumulated in the beginning fund balance.

The **Tax Increment Financing District Fund (TIF)** recognized \$6.5 million in total revenues offset with \$8.6 million in other financing uses related to debt service payments and capital expenditures. This resulted in revenues less than expenditures and other financing uses by \$2.1 million. Fund Balance at the beginning of the year was \$5.9 million and, when combined with the current year, resulted in an end of year Fund Balance of \$3.8 million. These results are consistent with the Town's expectations.

The **Accommodations Tax Fund** recognized \$5.3 million in total revenues offset with \$3.7 million in expenditures and \$1.3 million in other financing uses. This resulted in revenues exceeding

expenditures by \$0.2 million. Fund Balance at the beginning of the year was \$2.6 million and, when combined with the current year resulted in end of year Fund Balance of \$2.8 million.

The **Real Estate Transfer Fee Fund** recognized \$2.5 million in total revenues offset with \$25 thousand in expenditures and \$2.3 million in other financing uses. This resulted in revenues exceeding expenditures by \$240 thousand. Fund balance at the beginning of the year was \$1.5 million and, when combined with the current year, resulted in an end of year Fund Balance of \$1.7 million.

The **Beach Preservation Fee Fund** recognized \$6.1 million in total revenues combined with \$1.9 million in other financing sources, and offset with \$6.1 million in other financing uses. This resulted in additions to fund balance of \$1.9 million which was a transfer from the Debt Service Fund for a reserve account released when the associated bonds matured. Fund Balance at the beginning of the year was \$14.6 million and, when combined with the current year, resulted in an end of year Fund Balance of \$16.5 million.

The **Hospitality Fee Fund** recognized \$6.2 million in total revenues offset with \$300 thousand in expenditures and \$6.5 million in other financing uses. This resulted in expenditures exceeding revenues and other financing uses by \$642 thousand. This is in line with the Town's expectations – using the funds as intended. The Fund Balance at the beginning of the year was \$1.4 million and, when combined with the current year, resulted in an end of year Fund Balance of \$700 thousand.

## Revenues, Expenditures and Changes in Fund Balance – Governmental Funds

2015				
<u>Fund</u>	Revenue	Expenditures	Fund Balance	Changes in Fund Balance
General	\$ 36,799,403	\$ 35,485,477	\$ 19,349,325	\$ 1,313,926
Tax Increment Financing	6,487,077	8,621,747	3,781,514	(2,134,670)
Accommodations Tax (State)	5,294,083	5,048,618	2,834,620	245,465
Real Estate Transfer Fee	2,535,177	2,294,927	1,737,035	240,250
Beach Preservation Fee	8,042,664	6,105,039	16,515,766	1,937,625
Hospitality Fee	6,155,261	6,797,633	723,465	(642,372)
Debt Service	17,690,213	18,608,406	7,485,841	(918,193)
Capital Projects Fund	7,840,978	11,365,140	8,618,510	(3,524,162)
Non-Major Governmental Funds	2,967,278	2,358,576	3,353,662	608,702

2014				
<u>Fund</u>	Revenue	Expenditures	Fund Balance	Changes in Fund Balance
General	\$ 33,925,306	\$ 33,193,634	\$ 18,035,399	\$ 731,672
Tax Increment Financing	6,434,928	6,101,422	5,916,184	333,506
Accommodations Tax (State)	4,937,085	4,405,932	2,589,155	531,153
Real Estate Transfer Fee	2,469,093	2,194,486	1,496,785	274,607
Beach Preservation Fee	5,601,894	6,545,087	14,578,141	(943,193)
Hospitality Fee	5,633,821	7,807,501	1,365,837	(2,173,680)
Debt Service	16,345,080	17,047,598	8,404,034	(702,518)
Capital Projects Fund	8,576,638	13,353,381	12,142,672	(4,776,743)
Non-Major Governmental Funds	3,140,947	1,842,907	2,744,960	1,298,040

### GENERAL FUND BUDGETARY HIGHLIGHTS

Amendments to the budget occur throughout the year for a variety of reasons. These include reserves for encumbrances from prior year unexpended purchase orders which are added to the current year budget at the closing of the prior year, grants or other form of financial aid which were received during the year but not anticipated in the original budget, appropriations of fund balances needed to offset unanticipated and unavoidable expenditures, and transfers of appropriation among departments, divisions, or object classes to address particular requirements not anticipated in the original budget. The Town Council approves and authorizes the annual budget and the level of object class totals within each department.

#### Original to revised expenditure budget variances:

<u>General Fund by Function</u>	Original Budget	Revised Budget	Variance
General Government	\$ 1,142,951	\$ 1,151,508	\$ 8,557
Management Services	5,325,896	5,376,100	50,204
Community Services	7,945,300	8,219,844	274,544
Public Safety	17,427,225	17,597,437	170,212
Non-Departmental Townwide	4,465,064	4,396,221	(68,843)
Capital Outlay	1,269,932	1,492,326	222,394
	<u>\$ 37,576,368</u>	<u>\$ 38,233,436</u>	<u>\$ 657,068</u>

The General Fund revenues were more than the revised budget by \$638,858. Listed below is a summary of the major revenue sources comparing actual receipts to budget:

- Real and personal property taxes were above budget \$83,534
- Local accommodations tax revenue was above budget \$235,339
- Business license and franchise fee revenue were above budget \$365,788

- Building permit revenue was below budget \$67,334
- State shared revenue was above budget \$12,085
- EMS and public safety revenue was above budget \$89,782
- Fines and fees were below budget \$31,052
- Investment income was below budget \$353

The Town again demonstrated fiscal conservatism by operating at less than the allowed Budget for the General Fund operations. Actual General Fund expenditures were less than the revised budget by \$2.75 million.

The favorable variance can be primarily attributed to the continuation of the expenditure reduction plan that was implemented in mid-year fiscal year 2009 and successfully continued through fiscal year 2015.

### CAPITAL ASSETS

The Town's investment in capital assets for its governmental activities as of June 30, 2015 and 2014 amount to \$243.9 million and \$239.4 million respectively (net of accumulated depreciation). The Town's investment in capital assets for its business-type activities as of June 30, 2015 and 2014 amount to \$14.4 million and \$13.9 million respectively (net of accumulated depreciation). Capital assets include land, development rights, easements/right-of-ways, buildings, drainage systems, furniture, fixtures, equipment and vehicles.

Major capital asset transactions during the year include the following additions:

- Shelter Cove Park Improvements \$1,991,845
- Office Park Road/USCB Project \$1,838,540
- Rowing and Sailing Center \$952,300
- U.S. 278/Fresh Market Shoppes Pathways \$950,324
- Mathews Drive/ Chaplin Area Connectivity \$873,070

### **Town of Hilton Head Island's Capital Assets (Net)**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 161,632,796	\$ 162,679,882	\$ -	\$ -	\$ 161,632,796	\$ 162,679,882
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	3,006,890	9,610,583	1,288,894	1,408,999	4,295,784	11,019,582
Buildings	23,180,381	17,172,476	-	-	23,180,381	17,172,476
Furniture, fixtures and equipment	1,515,960	1,277,043	-	-	1,515,960	1,277,043
Vehicles	3,656,766	3,973,952	-	-	3,656,766	3,973,952
Imp. Other than buildings - park developm	14,191,487	9,051,392	-	-	14,191,487	9,051,392
Infrastructure	<u>22,397,402</u>	<u>21,325,859</u>	<u>13,144,643</u>	<u>12,511,199</u>	<u>35,542,045</u>	<u>33,837,058</u>
	<u>\$ 243,865,033</u>	<u>\$ 239,374,538</u>	<u>\$ 14,433,537</u>	<u>\$ 13,920,198</u>	<u>\$ 258,298,570</u>	<u>\$ 253,294,736</u>

Additional information on the Town's capital assets can be found in Note 11 of this report.

### Proprietary Fund

In fiscal year 2015, the Town received \$3,551,386 in stormwater fees and incurred \$2,367,173 in expenses associated with this program. Unrestricted net position at the end of the year were \$1.8 million.

## LONG TERM OBLIGATIONS

General statutes limit the amount of general obligation debt that a unit of government can issue at eight percent (8%) of the total assessed value of taxable property located within that government's boundaries. The Town may incur General Obligation Debt over the eight percent (8%) limit when approved by a majority vote in a referendum as authorized by law.

The Town has an Aaa bond rating from Moody's Investor Service, AA+ bond rating from Standard and Poor's Corporation, and a AA+ bond rating from Fitch Ratings. These bond ratings are a clear indication of the sound financial condition of the Town.

### **Outstanding Long-Term Obligations**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 55,945,000	\$ 60,080,000	\$ -	\$ -	\$ 55,945,000	\$ 60,080,000
Tax increment financing	-	4,010,000	-	-	-	4,010,000
Revenue/Special Obligation Bonds:						
Beach preservation fees	9,685,000	13,700,000	-	-	9,685,000	13,700,000
Hospitality tax	20,265,000	21,100,000	-	-	20,265,000	21,100,000
Stormwater	-	-	10,760,000	11,585,000	10,760,000	11,585,000
	\$ 85,895,000	\$ 98,890,000	\$ 10,760,000	\$ 11,585,000	\$ 96,655,000	\$ 110,475,000

Additional information on the Town's long-term debt can be found in Note 10 of this report.

## BUDGET HIGHLIGHTS FOR FISCAL YEAR 2016

The **General Fund's** revenues for fiscal year 2016 are budgeted at \$38.8 million, an increase of \$565,050 or 1.5% compared to the prior year's budgeted revenues. This includes the use of \$1,471,227 of fund balance in order to balance the budget. Collections from local accommodation taxes and business license revenue are expected to lead the increase in budgeted revenue. The Town will use these revenues to finance programs currently in place.

A balanced budget is required by South Carolina law. Accordingly, General Fund expenditures are budgeted to revenues at \$38.8 million. The largest components of the budget are personnel costs and contractual services.

The **Capital Projects Fund** appropriation is \$34.7 million. The majority of the expenditures are budgeted for Island-wide Beach maintenance of \$20.5 million, Park development for \$5.7 million and \$4.3 million in roadway improvements. The USCB Hospitality Management Program Building and Campus project continues.

The **Debt Service Fund** provides for the payment of principal and interest payments totaling \$11.2 million. There is a \$5,501,055 or 32.9% decrease in debt service costs in fiscal year 2016 – which is expected to be a temporary decrease. The Town plans to issue beach preservation fee special revenue bonds and general obligation bonds in fiscal year 2016.

### **Millage Rate**

The assessment rate for the fiscal year beginning July 1, 2015 on taxable property located within the Town of Hilton Head Island was adopted at 22.18 mills upon each one dollar of taxable property in the Town of Hilton Head Island. The assessment rate for the fiscal year beginning July 1, 2014 on taxable property located within the Town of Hilton Head Island was adopted at 21.35 mills upon each dollar of taxable property in the Town of Hilton Head Island.

## REQUESTS FOR INFORMATION

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Hilton Head Island, One Town Center Court, Hilton Island, South Carolina, 29928.

# **Basic Financial Statements**

TOWN OF HILTON HEAD ISLAND

STATEMENT OF NET POSITION  
JUNE 30, 2015

Exhibit A

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 58,871,206	\$ 2,312,879	\$ 61,184,085
Investments	775,651	-	775,651
Accounts Receivable	6,657,344	-	6,657,344
Due from Employees	28,807	-	28,807
Due from Other Governments	2,749,848	8,060	2,757,908
Internal Balances	102,056	(102,056)	-
Non Depreciable Capital Assets	178,923,036	1,288,894	180,211,930
Depreciable Capital Assets, net	64,941,997	13,144,643	78,086,640
Total assets	313,049,945	16,652,420	329,702,365
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Bond Refunding	2,032,664	895,548	2,928,212
Contributions to Retirement Plan after Measurement Date	1,040,900	-	1,040,900
Difference Between Expected and Actual Retirement Plan Experience	332,135	-	332,135
Total deferred outflows of resources	3,405,699	895,548	4,301,247
Total assets and deferred outflows of resources	316,455,644	17,547,968	334,003,612
<b>LIABILITIES</b>			
Accounts Payable	3,190,854	296,300	3,487,154
Accrued Payroll and Related Payables	1,064,936	-	1,064,936
Due to Other Governments	19,796	-	19,796
Unearned Revenue	405,711	-	405,711
Security Deposits	4,900	-	4,900
Irrigation and Pool Surety Bonds Payable	33,000	-	33,000
Court Bonds Payable	256	-	256
Performance Bonds Payable	65,721	-	65,721
Interest Payable	713,736	83,922	797,658
Debt Due Within Less than One Year	11,391,777	850,000	12,241,777
Debt Due Within More than One Year	80,551,901	9,910,000	90,461,901
Net Pension Liability	12,446,229	-	12,446,229
Total liabilities	109,888,817	11,140,222	121,029,039
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Inflows -- Pension Earnings Above Expectations	1,440,120	-	1,440,120
Total deferred inflows of resources	1,440,120	-	1,440,120
Total liabilities and deferred inflows of resources	111,328,937	11,140,222	122,469,159
<b>NET POSITION</b>			
Net investment in capital assets	163,062,329	4,569,085	167,631,414
Restricted:			
Deposits in Escrow	66,011	-	66,011
Economic Development	3,781,514	-	3,781,514
Tourism Promotion	2,834,620	-	2,834,620
Environmental Conservation	1,737,035	-	1,737,035
Beach Nourishment and Restoration	4,515,766	-	4,515,766
Public Health and Safety	723,465	-	723,465
Debt Service Payments	7,485,841	-	7,485,841
Construction of Major Capital Facilities	7,385,562	-	7,385,562
Underground Electrical Service	3,412,925	-	3,412,925
Unrestricted	10,121,639	1,838,661	11,960,300
Total net position	\$ 205,126,707	\$ 6,407,746	\$ 211,534,453

The notes to the financial statements are an integral part of this statement.

**TOWN OF HILTON HEAD ISLAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit B

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government</b>		
					<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>Primary government:</b>							
Governmental activities:							
General Government	\$ 5,501,516	\$ 2,455,854	\$ -	\$ -	\$ (3,045,662)	\$ -	\$ (3,045,662)
Management Services	5,249,881	8,334,478	-	-	3,084,597	-	3,084,597
Community Services	15,337,540	9,802,304	-	275,000	(5,260,236)	-	(5,260,236)
Public Safety	16,529,019	1,505,579	180,416	-	(14,843,024)	-	(14,843,024)
Culture and Recreation	2,429,893	-	-	-	(2,429,893)	-	(2,429,893)
Visitor and Convention Bureau	1,580,537	-	-	-	(1,580,537)	-	(1,580,537)
Administration	2,500,842	2,534,932	168,051	-	202,141	-	202,141
Interest on Debt	3,396,216	-	-	-	(3,396,216)	-	(3,396,216)
Total governmental activities	<u>52,525,444</u>	<u>24,633,147</u>	<u>348,467</u>	<u>275,000</u>	<u>(27,268,830)</u>	<u>-</u>	<u>(27,268,830)</u>
Business-type activities:							
Stormwater	2,367,173	3,551,386	25,764	-	-	1,209,977	1,209,977
Total business-type activities	<u>2,367,173</u>	<u>3,551,386</u>	<u>25,764</u>	<u>-</u>	<u>-</u>	<u>1,209,977</u>	<u>1,209,977</u>
Total primary government	<u>\$ 54,892,617</u>	<u>\$ 28,184,533</u>	<u>\$ 374,231</u>	<u>\$ 275,000</u>	<u>(27,268,830)</u>	<u>1,209,977</u>	<u>(26,058,853)</u>
General revenues:							
					24,163,776	-	24,163,776
					8,361,794	-	8,361,794
					6,155,004	-	6,155,004
					1,176,192	-	1,176,192
					226,400	-	226,400
					50,763	450	51,213
					1,575,974	-	1,575,974
					94,258	(94,258)	-
					<u>41,804,161</u>	<u>(93,808)</u>	<u>41,710,353</u>
					14,535,331	1,116,169	15,651,500
					190,591,376	5,291,577	195,882,953
					<u>\$ 205,126,707</u>	<u>\$ 6,407,746</u>	<u>\$ 211,534,453</u>

**TOWN OF HILTON HEAD ISLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

Exhibit C

	General	Tax Increment Financing District	Accommodations Tax	Real Estate Transfer Fee	Beach Preservation Fee	Hospitality Fee	Debt Service	Capital Projects	Non-Major Governmental	Total Governmental
<b>ASSETS</b>										
Cash and Cash Equivalents	\$ 13,664,480	\$ 4,025,331	\$ 1,928,440	\$ 1,467,921	\$ 14,453,700	\$ 579,820	\$ 6,522,766	\$ 12,875,657	\$ 3,353,091	\$ 58,871,206
Investments	-	-	-	-	-	-	775,651	-	-	775,651
Accounts Receivable	2,896,676	-	-	-	2,061,049	1,579,370	-	-	120,249	6,657,344
Due from Employees	28,807	-	-	-	-	-	-	-	-	28,807
Interfund Receivables	5,481,936	-	-	-	1,269	2,401	187,424	107,576	121,920	5,902,526
Due from Other Governments	598,203	-	1,806,288	269,114	-	-	-	76,243	-	2,749,848
Total assets	<u>\$ 22,670,102</u>	<u>\$ 4,025,331</u>	<u>\$ 3,734,728</u>	<u>\$ 1,737,035</u>	<u>\$ 16,516,018</u>	<u>\$ 2,161,591</u>	<u>\$ 7,485,841</u>	<u>\$ 13,059,476</u>	<u>\$ 3,595,260</u>	<u>\$ 74,985,382</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts Payable	1,653,642	-	638,607	-	-	-	-	877,493	21,112	3,190,854
Accrued Payroll and Employee Benefits	1,064,936	-	-	-	-	-	-	-	-	1,064,936
Due to Other Governments	19,796	-	-	-	-	-	-	-	-	19,796
Interfund Payables	386,178	243,817	261,501	-	252	1,438,126	-	3,320,516	150,080	5,800,470
Unearned Revenue	97,248	-	-	-	-	-	-	238,057	70,406	405,711
Security Deposits	-	-	-	-	-	-	-	4,900	-	4,900
Irrigation and Pool Bonds	33,000	-	-	-	-	-	-	-	-	33,000
Court Bonds	256	-	-	-	-	-	-	-	-	256
Performance Bonds	65,721	-	-	-	-	-	-	-	-	65,721
Total liabilities	<u>3,320,777</u>	<u>243,817</u>	<u>900,108</u>	<u>-</u>	<u>252</u>	<u>1,438,126</u>	<u>-</u>	<u>4,440,966</u>	<u>241,598</u>	<u>10,585,644</u>
Fund balances:										
Restricted	66,011	3,781,514	2,834,620	1,737,035	4,515,766	723,465	7,485,841	7,385,562	3,412,925	31,942,739
Committed	14,232,879	-	-	-	12,000,000	-	-	-	-	26,232,879
Assigned	1,471,227	-	-	-	-	-	-	1,232,948	-	2,704,175
Unassigned	3,579,208	-	-	-	-	-	-	-	(59,263)	3,519,945
Total fund balances	<u>19,349,325</u>	<u>3,781,514</u>	<u>2,834,620</u>	<u>1,737,035</u>	<u>16,515,766</u>	<u>723,465</u>	<u>7,485,841</u>	<u>8,618,510</u>	<u>3,353,662</u>	<u>64,399,738</u>
Total liabilities and fund balances	<u>\$ 22,670,102</u>	<u>\$ 4,025,331</u>	<u>\$ 3,734,728</u>	<u>\$ 1,737,035</u>	<u>\$ 16,516,018</u>	<u>\$ 2,161,591</u>	<u>\$ 7,485,841</u>	<u>\$ 13,059,476</u>	<u>\$ 3,595,260</u>	<u>\$ 74,985,382</u>

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The notes to the financial statements are an integral part of this statement.

TOWN OF HILTON HEAD ISLAND  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

Exhibit D

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

Ending fund balance - governmental funds	\$ 64,399,738
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	243,865,033
Deferred charges on refunding are not financial resources and, therefore, are not reported in the funds.	2,032,664
Differences between expected and actual retirement plan experience is not a current financial resource, therefore the changes are not reported in the governmental funds.	332,135
Contributions to the retirement plan after the measurement date are a deferred outflows on the statement of net position, however this represents a use of current financial resources in the funds.	1,040,900
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(713,736)
Long-term liabilities, including bonds payable, and net pension liability are not due and payable in the current period and, therefore, are not reported in the funds.	(104,389,907)
Deferred inflows of resources from the retirement plan are not a use of current financial resources.	<u>(1,440,120)</u>
Net position of governmental activities	<u>\$ 205,126,707</u>

The note to the financial statements are an integral part of this statement.

**TOWN OF HILTON HEAD ISLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit E

	General	Tax Increment Financing District	Accommodations Tax	Real Estate Transfer Fees	Beach Preservation Fees	Hospitality Fees	Debt Service	Capital Projects	Non-major Governmental	Total Governmental
<b>REVENUES</b>										
Real and Personal Property Tax	\$ 11,894,284	\$ 6,486,071	\$ -	\$ -	\$ -	\$ -	\$ 5,084,193	\$ 694,238	\$ -	\$ 24,158,786
Accommodations Tax	3,068,339	-	5,293,455	-	-	-	-	-	-	8,361,794
Hospitality Tax	-	-	-	-	-	6,155,004	-	-	-	6,155,004
Business License and Franchise Fees	9,210,538	-	-	-	-	-	-	-	-	9,210,538
Permits	1,380,846	-	-	-	-	-	-	-	-	1,380,846
Impact Fees	-	-	-	-	-	-	-	293,931	-	293,931
Lease	-	-	-	-	-	-	-	213,996	-	213,996
Real Estate Transfer Fees	-	-	-	2,534,932	-	-	-	-	-	2,534,932
Beach Preservation Fees	-	-	-	-	6,136,679	-	-	-	-	6,136,679
Electric Franchise Fees	-	-	-	-	-	-	-	-	2,918,340	2,918,340
State Shared Funds	812,085	-	-	-	-	-	-	364,107	-	1,176,192
Federal Reimbursement - BABS	-	-	-	-	-	-	168,051	-	-	168,051
Grants	143,718	-	-	-	-	-	-	275,000	48,375	467,093
EMS Revenue	1,403,782	-	-	-	-	-	-	-	-	1,403,782
Public Safety Revenue	55,721	-	-	-	-	-	-	-	-	55,721
Fines and Fees	198,948	-	-	-	-	-	-	-	-	198,948
Miscellaneous Revenue	500,157	-	-	-	-	-	-	4,990	-	505,147
Investment Income	2,347	1,006	628	245	5,875	257	37,374	2,468	563	50,763
<b>Total revenues</b>	<b>28,670,765</b>	<b>6,487,077</b>	<b>5,294,083</b>	<b>2,535,177</b>	<b>6,142,554</b>	<b>6,155,261</b>	<b>5,289,618</b>	<b>1,848,730</b>	<b>2,967,278</b>	<b>65,390,543</b>
<b>EXPENDITURES</b>										
Current:										
General Government	1,046,890	-	-	-	-	-	-	-	-	1,046,890
Management Services	4,986,727	-	-	-	-	-	-	-	-	4,986,727
Community Services	7,238,602	-	-	-	-	-	-	-	-	7,238,602
Public Safety	17,136,442	-	-	-	-	-	-	-	66,281	17,202,723
Non-Departmental	3,879,828	-	-	-	-	-	-	-	-	3,879,828
Culture and Recreation	-	-	2,129,893	-	-	300,000	-	-	-	2,429,893
Visitor and Convention Bureau	-	-	1,580,537	-	-	-	-	-	-	1,580,537
Administration	-	-	-	25,349	-	-	-	-	2,291,984	2,317,333
Debt service:										
Administrative charges	-	-	-	-	-	-	11,025	-	-	11,025
Interest	-	-	-	-	-	-	3,702,272	-	-	3,702,272
Principal Retirement	-	-	-	-	-	-	12,994,999	-	-	12,994,999
Capital outlay:										
Management Services	386,896	-	-	-	-	-	-	-	-	386,896
Community Services	-	-	-	-	-	-	-	10,330,101	-	10,330,101
Public Safety	768,458	-	-	-	-	-	-	-	-	768,458
Non-Departmental	41,634	-	-	-	-	-	-	-	-	41,634
<b>Total expenditures</b>	<b>35,485,477</b>	<b>-</b>	<b>3,710,430</b>	<b>25,349</b>	<b>-</b>	<b>300,000</b>	<b>16,708,296</b>	<b>10,330,101</b>	<b>2,358,265</b>	<b>68,917,918</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(6,814,712)</b>	<b>6,487,077</b>	<b>1,583,653</b>	<b>2,509,828</b>	<b>6,142,554</b>	<b>5,855,261</b>	<b>(11,418,678)</b>	<b>(8,481,371)</b>	<b>609,013</b>	<b>(3,527,375)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers Out	-	(8,621,747)	(1,338,188)	(2,269,578)	(6,105,039)	(6,497,633)	(1,900,110)	(1,035,039)	(311)	(27,767,645)
Proceeds from Sale of Land	-	-	-	-	-	-	-	559,688	-	559,688
Transfers In	8,128,638	-	-	-	1,900,110	-	12,400,595	5,432,560	-	27,861,903
<b>Total other financing sources and uses</b>	<b>8,128,638</b>	<b>(8,621,747)</b>	<b>(1,338,188)</b>	<b>(2,269,578)</b>	<b>(4,204,929)</b>	<b>(6,497,633)</b>	<b>10,500,485</b>	<b>4,957,209</b>	<b>(311)</b>	<b>653,946</b>
<b>Net change in fund balance</b>	<b>1,313,926</b>	<b>(2,134,670)</b>	<b>245,465</b>	<b>240,250</b>	<b>1,937,625</b>	<b>(642,372)</b>	<b>(918,193)</b>	<b>(3,524,162)</b>	<b>608,702</b>	<b>(2,873,429)</b>
Fund balance -- beginning	18,035,399	5,916,184	2,589,155	1,496,785	14,578,141	1,365,837	8,404,034	12,142,672	2,744,960	67,273,167
Fund balances -- ending	\$ 19,349,325	\$ 3,781,514	\$ 2,834,620	\$ 1,737,035	\$ 16,515,766	\$ 723,465	\$ 7,485,841	\$ 8,618,510	\$ 3,353,662	\$ 64,399,738

The notes to the financial statements are an integral part of this statement.

TOWN OF HILTON HEAD ISLAND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit F

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

Net change in fund balances - total governmental funds		\$ (2,873,429)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for capital assets	9,462,961	
Less current year depreciation	<u>(3,837,584)</u>	5,625,377
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
		13,169,726
<p>Adjustment to compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(169,959)
<p>The disposal of capital assets provides current financial resources to governmental funds. However, in the statement of activities, the proceeds are netted against the original cost less accumulated depreciation.</p>		
		(1,134,881)
<p>Amortization of the deferred charge on bond refunding does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.</p>		
		(172,484)
<p>Amortization of the pension plan actuarial deferred inflows of resources does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.</p>		
		360,031
<p>Amortization of the pension plan actuarial deferred outflows of resources does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.</p>		
		(86,135)
<p>Pension plan contributions after the measurement date is a use of current resources for the governmental fund. However this is classified as a deferred outflow of resources and therefore is not included in the statement of activities.</p>		
		1,040,900
<p>The difference between actuarial deferred outflow of resources and inflows of resources is not a use of current resources, however it is presented as an expense in the statement of</p>		
		(1,355,144)
Changes in long-term debt interest payable		<u>131,329</u>
Change in net position of governmental activities		<u>\$ 14,535,331</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HILTON HEAD ISLAND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP Basis) AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit G

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenues:</b>				
Real and Personal Property Taxes	\$ 11,810,750	\$ 11,810,750	\$ 11,894,284	\$ 83,534
Accommodations Tax	2,833,000	2,833,000	3,068,339	235,339
Business License and Franchise Fees	8,844,750	8,844,750	9,210,538	365,788
Permits	1,448,180	1,448,180	1,380,846	(67,334)
State Shared Funds	800,000	800,000	812,085	12,085
Donations	300	300	2,429	2,129
Grants	161,777	161,777	143,718	(18,059)
EMS Revenue	1,314,000	1,314,000	1,403,782	89,782
Public Safety Revenue	56,500	56,500	55,721	(779)
Fines and Fees	230,000	230,000	198,948	(31,052)
Miscellaneous Revenue	529,950	529,950	497,728	(32,222)
Investment Income	2,700	2,700	2,347	(353)
Total Revenues	<u>28,031,907</u>	<u>28,031,907</u>	<u>28,670,765</u>	<u>638,858</u>
<b>Expenditures:</b>				
Current:				
General Government	1,142,951	1,151,508	1,046,890	104,618
Management Services	5,325,896	5,376,100	4,986,727	389,373
Public Safety	17,427,225	17,597,437	17,136,442	460,995
Community Services	7,945,300	8,219,844	7,238,602	981,242
Non-Departmental	4,465,064	4,396,221	3,879,828	516,393
Capital Outlay	1,269,932	1,492,326	1,196,988	295,338
Total Expenditures	<u>37,576,368</u>	<u>38,233,436</u>	<u>35,485,477</u>	<u>2,747,959</u>
<b>(Deficiency) Excess of revenues over (under) expenditures</b>	<u>(9,544,461)</u>	<u>(10,201,529)</u>	<u>(6,814,712)</u>	<u>3,386,817</u>
<b>Other financing sources</b>				
Transfers In	8,537,215	8,537,215	8,128,638	(408,577)
Appropriated Fund Balance	1,007,246	1,664,314	-	(1,664,314)
Total other financing sources	<u>9,544,461</u>	<u>10,201,529</u>	<u>8,128,638</u>	<u>(2,072,891)</u>
<b>Net change in fund balance</b>	-	-	1,313,926	<u>\$ 1,313,926</u>
<b>Fund balance - beginning</b>	<u>18,035,399</u>	<u>18,035,399</u>	<u>18,035,399</u>	
<b>Fund balance - ending</b>	<u>\$ 17,028,153</u>	<u>\$ 16,371,085</u>	<u>\$ 19,349,325</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF HILTON HEAD ISLAND  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

Exhibit H

	Stormwater Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,312,879
Due from other governments	8,060
Interfund receivables	1,030
Total current assets	2,321,969
Noncurrent assets:	
Capital assets depreciable	13,144,643
Capital assets non depreciable	1,288,894
Total noncurrent assets	14,433,537
Total assets	16,755,506
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on bond refunding	895,548
Total assets and deferred outflows of resources	\$ 17,651,054
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities:	
Accounts payable	\$ 296,300
Interfund payables	103,086
Interest payable	83,922
Current portion of long-term liabilities	850,000
Total current liabilities	1,333,308
Noncurrent liabilities:	
Long-term liabilities	9,910,000
Total noncurrent liabilities	9,910,000
Total liabilities	11,243,308
<b>NET POSITION</b>	
Net investment in capital assets	4,569,085
Unrestricted	1,838,661
Total net position	\$ 6,407,746

The notes to the financial statements are an integral part of this statement.

TOWN OF HILTON HEAD ISLAND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit I

	Stormwater Fund
<b>Operating revenues:</b>	
Stormwater Fees	\$ 3,551,386
Federal Grant	25,764
Total operating revenues	3,577,150
<b>Operating expenses:</b>	
Maintenance and Repair	680,328
Administrative - Salary/Benefits	317,573
Administrative - Operating	226,660
Depreciation	726,031
Total operating expenses	1,950,592
<b>Operating Income</b>	1,626,558
<b>Nonoperating revenues (expenses):</b>	
Investment Income	450
Administrative	(2,500)
Interest Expense	(414,081)
Total non operating (expenses)	(416,131)
<b>Income before transfers</b>	1,210,427
Transfers Out	(94,258)
<b>Change in net position</b>	1,116,169
Total net position - beginning	5,291,577
Total net position - ending	\$ 6,407,746

The notes to the financial statements are an integral part of this statement.

TOWN OF HILTON HEAD ISLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit J

	Stormwater Fund
<b><u>OPERATING ACTIVITIES</u></b>	
Receipts from other governments	\$ 3,633,270
Payments to suppliers	(877,391)
Payments to employees	(446,092)
<b>Net cash provided by operating activities</b>	<b>2,309,787</b>
<b><u>CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>	
Acquisition and construction of capital assets	(1,239,373)
Payment of interest expense	(321,118)
Nonoperating administrative expenses	(2,500)
Principal payment on bonds payable	(825,000)
<b>Net cash used for capital and related financing activities</b>	<b>(2,387,991)</b>
<b><u>INVESTING ACTIVITIES</u></b>	
Proceeds from income on investments	450
<b>Net cash provided by investing activities</b>	<b>450</b>
<b>Net (decrease) in cash and cash equivalents</b>	(77,754)
Cash and cash equivalents, beginning of year	2,390,633
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,312,879</b>
 <b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>	
Operating income (loss)	\$ 1,626,558
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	726,031
Transfers Out to cover payroll provided by the Primary Government	(94,258)
(Increase) decrease in operating assets:	
Due from other governments	56,120
Due from other funds	(937)
Increase(Decrease) in operating liabilities:	
Accounts payable	29,597
Due to other funds	(33,324)
<b>Net cash provided by operating activities</b>	<b>\$ 2,309,787</b>

The notes to the financial statements are an integral part of this statement.

TOWN OF HILTON HEAD ISLAND  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUND  
FIREMEN'S FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit K

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ASSETS

Cash and Temporary Investments

\$ 35,637

LIABILITIES

Due to Firemen's Fund Association

\$ 35,637

The notes to the financial statements are an integral part of this statement.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Hilton Head Island, South Carolina, (*Town*) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies affecting their presentation.

Reporting Entity

This report includes all of the funds of the Town of Hilton Head Island, South Carolina, (the primary government) which was incorporated May 18, 1983, the Hilton Head Island Economic Development Corporation, and the Town of Hilton Head Island Public Facilities Corporation which are blended-component units of the Town. The Town's Charter provides for a Council-Manager form of government in accordance with Home Rule Act Number 283.

Component Units

In conformity with accounting principles generally accepted in the United States of America (GAAP), the financial statements of the Town of Hilton Head Island Public Facilities Corporation are shown as a blended component unit as the administration and governing bodies are primarily the same. The component unit provides services entirely to the Town and was created to facilitate the issuance of debt for acquisition of the Town's administration facilities. Separate financial statements are not prepared for the Town of Hilton Head Island Public Facilities Corporation. All debt transactions are recorded in the Debt Service Fund and capital projects transactions associated with the issuance of the debt are recorded in the Capital Projects Fund.

In conformity with accounting principles generally accepted in the United States of America (GAAP), the financial statements of the Hilton Head Island Economic Development Corporation are shown as a blended component unit as its principal objective is to benefit the Town economically. Separate financial statements are not prepared for the Hilton Head Island Economic Development Corporation. All transactions are recorded in the General Fund.

Basis of Presentation

**Government-wide Financial Statements.** The statement of net position and the statement of activities display information on all of the non-fiduciary activities of the government as a whole. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities, generally, are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties. These activities are usually reported in enterprise funds.

The statement of net position reports all financial and capital resources of the Town and reports the difference between assets and deferred outflows -- and liabilities and deferred inflows as net position not fund balance or equity. The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function; and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation – Government-wide Financial Statements (continued)

The Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* (“GASB No. 68”) and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* in the year ended June 30, 2015.

The primary objective of GASB No. 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

The objective of GASB No. 71 is to address an issue regarding application of the transition provisions of GASB No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

See Notes 17 and 20 for further detail of the implementation of GASB No. 68 and GASB No. 71.

**Fund Financial Statements.** Separate financial statements are provided for the governmental funds, proprietary fund, and fiduciary fund, even though the latter is excluded from the government-wide financial statements. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund and the enterprise fund are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

1. The Town reports the following major governmental funds:

**General.** The General Fund is used to account for all financial sources except those required to be accounted for in another fund.

**Tax Increment Financing District (Special Revenue Fund).** This fund is used to account for incremental taxes charged to individuals. These revenues are used for expenditures related to economic development within the TIF districts.

**Beach Preservation Fee (Special Revenue Fund).** This fund is used to account for beach preservation fees. These revenues are used for expenditures related to nourishment and restoration of the Town’s beaches.

**Real Estate Transfer Fee (Special Revenue Fund).** The fund accounts for a fee equal to one quarter of one percent (.0025%) of the purchase price upon the transfer of any real property situated within the corporate limits of the Town. These revenues are used for expenditures related to environmental conservation.

**Accommodations Tax {State} (Special Revenue Fund).** This fund is used to account for the Town’s receipts from the two percent (2%) tax levied on rentals of transient accommodations within the corporate limit. These revenues are used for expenditures related to tourism promotion.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation -- Fund Financial Statements (continued)

**Hospitality Fees (Special Revenue Fund).** This fund is used to account for the Town's receipts from the 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-premises consumption of alcoholic beverages, beer or wine. These financial resources are used for expenditures that enhance the health, safety and general welfare of the Town.

**Debt Service.** This fund is used for accumulating resources for the payment of interest and principal on general long-term obligation debt.

**Capital Projects.** This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. The Town reports the Operating Grants, Palmetto Electric Franchise Fees and the Home Grant Special Revenue Funds as non-major governmental funds.
3. The Town's agency fund is presented in the fiduciary fund financial statement. Since these assets cannot be used to address activities or obligations of the Town, the agency fund is not incorporated into the government-wide financial statements. The Town's agency fund is as follows:

The *Firemen's Fund* is used to account for resources held by the Town for its firemen in an agency capacity.

4. The Town's proprietary fund is presented in the enterprise fund financial statement. The Town's 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. Costs are recovered through user charges in a manner similar to private business enterprises. This fund is a major fund.

Measurement Focus and Basis of Accounting

All funds of the Town are maintained during the year using the modified accrual basis of accounting.

**Government-wide Financial Statements.** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

**Net Position.** Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. 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 improvements of those assets. Net positions are reported as restricted when constraints placed on net position are either: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by laws of the State of South Carolina through constitutional provisions or enabling legislation.

**Deferred Outflows/Inflows of Resources.** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town only has only a few items that qualifies for reporting in this category. A deferred charge on bond refunding is reported in the government-wide statement of net position. A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Also, the Town reports a deferred outflows for pension contributions after the measurement date and for the difference between expected and actual plan experience. The Town reports deferred inflows for pension earnings above expectations. These are more fully discussed in Notes 17 and 20.

**Net Position Flow Assumption.** Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund statements, a low assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Additionally, the effect of interfund activity has been eliminated from the government-wide financial statements, except for the amounts due between the Town's governmental activities and business-type activities.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

**Governmental Fund Financial Statements.** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Taxpayer-assessed income and gross receipts are recognized as revenue when in the hands of intermediary collecting governments (state shared revenues, sales and accommodation tax revenue). Business license revenues are recognized when measurable and available. Property tax revenues are recognized when received or available for payment of liabilities of the current period. The Town considers property taxes as available if collected within 60 days after year-end.

Property taxes, local accommodation taxes, beach preservation fees and hospitality taxes for the year ended June 30, 2015, include accruals for monies collected 60 days after June 30. Property taxes are levied based on assessed values and the property tax calendar as follows:

Property Tax Calendar

Assessment date	December 31, 2014
Property tax due	January 15, 2015
Delinquent date	January 16, 2015
Levy date	October 2015
Tax sale	First Monday in October

The County has no specific lien date.

**Proprietary Fund Financial Statements.** 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 for the Town's Stormwater Fund are charges to the customers for sales and service. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Budgets and Budgetary Accounting

Annual appropriated budgets are adopted for the General Fund, Debt Service Fund, Capital Projects Fund and the Stormwater Fund. Budgets for the aforementioned funds are prepared in accordance with GAAP. 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 lapse at year-end.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 1. Summary of Significant Accounting Policies (continued)

Cash Equivalents

For purposes of this report, the Town considers both unrestricted and restricted demand deposits, money market accounts and certificates of deposits with a maturity date of three months or less when purchased to be cash equivalents.

For purposes of the statement of cash flows for the proprietary fund, cash equivalents are deposit accounts (including restricted assets) with a maturity date of three months or less, and other short-term highly liquid investments that are readily convertible to known amounts of cash.

Investments

Investments are stated at fair value which is equivalent to market value for all investments held in the general fund, special revenue funds, capital projects fund, debt service fund and proprietary fund. All changes in fair value are recorded as investment income.

Due to and from Other Funds/ Internal Balances

Interfund receivables and payables in the fund financial statements and internal balances in the government-wide financial statements arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, except for the amounts due between the Town's governmental activities and business-type activities.

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 or fiduciary 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 is capitalized.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 1. Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Any donations of capital assets are recorded at fair value at date of donation. Purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized. Capital assets of the Town are depreciated over their useful lives on a straight-line basis as follows:

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

Long-Term Obligations

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

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.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 1. Summary of Significant Accounting Policies (continued)

Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Town Council through approval of resolutions. Assigned fund balances is a limitation imposed by a designation of the Town Council. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

Restricted Net Position

For the government-wide financial statements, net positions are reported as restricted when constraints placed on net position are either: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or 2) imposed by laws of the State of South Carolina through constitutional provisions or enabling legislation.

Program Revenues

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

Subsequent Events

In preparing the comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015, the Town evaluated events and transactions for potential recognition or disclosure through January 13, 2016.

Note 2. Cash, Cash Equivalents, and Investments

The following schedule reconciles deposits and investments within the footnotes to the statement of net position amount:

	Cash and Cash		
	Equivalents	Investments	Total
Governmental Activities:			
General Fund	\$ 13,664,480	\$ -	\$ 13,664,480
Tax Increment Financing	4,025,331	-	4,025,331
Accommodations Tax	1,928,440	-	1,928,440
Real Estate Transfer Fees	1,467,921	-	1,467,921
Beach Preservation Fees	14,453,700	-	14,453,700
Debt Service	6,522,766	775,651	7,298,417
Hospitality Tax	579,820	-	579,820
Capital Projects	12,875,657	-	12,875,657
Town Franchise Fees	3,302,578	-	3,302,578
Home Grant	50,513	-	50,513
Total Governmental Activities	<u>\$ 58,871,206</u>	<u>\$ 775,651</u>	<u>\$ 59,646,857</u>
Business-Type Activities:			
Stormwater Utility Fees	<u>\$ 2,312,879</u>	<u>\$ -</u>	<u>\$ 2,312,879</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 2. Cash, Cash Equivalents, and Investments (continued)

Deposits:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure, the Town's deposits may not be returned to the Town. The Town maintains cash bank accounts with several banks. At June 30, 2015, the \$ 61,182,530 carrying balance and \$ 61,533,366 bank balance were held in various banks of which \$ 540,089 was covered by Federal depository insurance. The remainder of the bank's collected balance is secured by government securities held by the Town's Agent, the bank, in the Town's name. A sum of \$ 1,555 is held in petty cash funds of the Town.

Unrated investments (overnight funds) are invested in a money market "account" vs. a true "fund." That is, the funds are held by various banks in an interest-bearing depository account. As such, they are collateralized per Section 6-5-15 of the SC Code which outlines securing bank deposits.

Investments

At June 30, 2015, the Town had investments and maturities as shown below:

	Fair Value	1 Year
Federal National Mortgage Discount Note	\$ 775,651	\$ 775,651
Total	\$ 775,651	\$ 775,651

In accordance with the provisions of two South Carolina Statutes, S.C. Code Ann. § 6-5-10 and S.C. Code Ann. § 11-1-60, the Town is authorized to invest in the following instruments:

- Government National Mortgage Association (GNMA)
- Federal Home Loan Banks (FHLB)
- Small Business Administration (SBA)
- U.S. Maritime Administration (MA)
- Tennessee Valley Authority (TVA)
- U.S. Export-Import Bank (Eximbank)
- Farmers Home Administration (FHA)
- Federal Financing Bank (FFB)
- General Services Administration (GSA)
- Department of Housing and Urban Development (HUD)
- Repurchase agreements whose underlying purchased securities consist of the aforementioned instruments;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 2. Cash, Cash Equivalents, and Investments (continued)

Investments (continued)

The Town's primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. **Risk** – Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
  - a. **Credit Risk** – The Town will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:
    - Limiting investments to the types of securities in compliance with the provisions of South Carolina statutes as bulleted in the aforementioned section.
  - b. **Interest Rate Risk** – The Town will minimize interest rate risk, which is the risk that the fair value of securities in the portfolio will fall due to changes in market interest rates, by:
    - 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.
    - Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.
2. **Liquidity** – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.
3. **Yield** – The Town's cash management portfolio shall be designed with the objective of regularly meeting or exceeding the state investment pool, a money market mutual fund provided through Town's current banking institution or the average rate on Fed funds, whichever is higher. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein, and prudent investment principles.

At June 30, 2015, the Town had debt securities and quality ratings as shown below:

	<u>Fair Value</u>	<u>Quality Rating</u>
Federal National Mortgage Discount Note	\$ 755,651	Aaa (Moody's)
	<u>\$ 755,651</u>	<u>\$ 755,651</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 3. Receivables

At June 30, 2015, the Town's receivable balances were as follows:

	Government-wide Financial Statements				
	Fund Financial Statements				
	General Fund	Beach Preservation Fee	Hospitality Fee	Non-Major Governmental	Total
Receivables:					
EMS Fees	\$ 369,709	\$ -	\$ -	\$ -	\$ 369,709
Local accommodations taxes	1,030,524	-	-	-	1,030,524
Business licenses	1,123,757	-	-	-	1,123,757
Other receivables	372,686	-	-	120,249	492,935
Beach preservation fees	-	2,061,049	-	-	2,061,049
Hospitality taxes	-	-	1,579,370	-	1,579,370
<b>Total Receivables</b>	<b>\$ 2,896,676</b>	<b>\$ 2,061,049</b>	<b>\$ 1,579,370</b>	<b>\$ 120,249</b>	<b>\$ 6,657,344</b>
Receivables from Employees:					
Cobra Insurance	\$ (11,019)	\$ -	\$ -	\$ -	\$ (11,019)
Computer Purchases*	39,826	-	-	-	39,826
<b>Total Receivables from Employees</b>	<b>\$ 28,807</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,807</b>

\*The computer loans are repaid over three (3) years with no interest due.

Note 4. Interfund Balances and Activities

Amounts due from/to funds resulted from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30, 2015 for which payment was received/made after June 30, 2015.

Governmental activities and Proprietary Fund interfund receivables and payable balances at June 30, 2015 are as follows:

	Due From								Total
	General Fund	Tax Increment Financing District	Accom. Tax Fund	Hospitality Fees	Beach Preservation Fees	Capital Projects Fund	Non-Major Governmental	Proprietary Fund	
<u>Due To:</u>									
General	\$ -	\$ 243,817	\$ 261,501	\$ 1,438,126	\$ 252	\$ 3,320,516	\$ 114,638	\$ 103,086	\$ 5,481,936
Capital Project Fund	72,134	-	-	-	-	-	35,442	-	107,576
Hospitality Fee	2,401	-	-	-	-	-	-	-	2,401
Beach Preservation Fees	1,269	-	-	-	-	-	-	-	1,269
Non-Major Governmental	121,920	-	-	-	-	-	-	-	121,920
Proprietary Fund	1,030	-	-	-	-	-	-	-	1,030
Debt Service Fund	187,424	-	-	-	-	-	-	-	187,424
<b>Total</b>	<b>\$ 386,178</b>	<b>\$ 243,817</b>	<b>\$ 261,501</b>	<b>\$ 1,438,126</b>	<b>\$ 252</b>	<b>\$ 3,320,516</b>	<b>\$ 150,080</b>	<b>\$ 103,086</b>	<b>\$ 5,903,556</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 4. Interfund Balances and Activities (continued)

Transfers to/from Other Funds

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.

Transfers in/out for the year ended June 30, 2015 are summarized below:

Transferring Fund	Recipient Fund				
	General	Capital Projects	Beach Preservation	Debt Service	Total
Tax Increment Financing	\$ 169,398	\$ 4,329,873	\$ -	\$ 4,122,476	\$ 8,621,747
Accomodations Tax	1,338,188	-	-	-	1,338,188
Hospitality Fee	4,391,195	490,011	-	1,616,427	6,497,633
Beach Preservation Fee	1,111,138	612,676	-	4,381,225	6,105,039
Capital Projects	1,024,150	-	-	10,889	1,035,039
Non-Major Governmental	311	-	-	-	311
Real Estate Transfer Fee	-	-	-	2,269,578	2,269,578
Debt Service Fund	-	-	1,900,110	-	1,900,110
<b>Total Governmental Funds</b>	8,034,380	5,432,560	1,900,110	12,400,595	27,767,645
Proprietary Fund	94,258	-	-	-	94,258
<b>Total All Funds</b>	\$ 8,128,638	\$ 5,432,560	\$ 1,900,110	\$ 12,400,595	\$ 27,861,903

Note 5. Due To or From Other Governments

The amounts due to the Town from other governments are as follows:

General Fund

Property Taxes - Beaufort County	\$ 142,617
Beaufort County - Oceanwoods Landscaping	4,725
E 911 - Beaufort County	46,291
Dispatch/ EMS 911 - Beaufort County	12,500
State of South Carolina - Aid to Sub-Division	188,318
State of South Carolina - Homestead Exemption	200,854
State of South Carolina - Merchant Inventory	2,898
	\$ 598,203

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS**

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Note 5. Due To or From Other Governments (continued)

<u>Capital Projects Fund</u>	
State Sunday Liquor Fees	\$ 76,243
	76,243
 <u>Accommodations Taxes</u>	
State of South Carolina	1,806,288
	1,806,288
 <u>Real Estate Transfer Fees</u>	
Beaufort County	269,114
	269,114
<b>Total Due from Other Governments</b>	<b>\$ 2,749,848</b>
 <u>Proprietary Fund</u>	
Beaufort County	\$ 8,060
	8,060

The amounts due from the Town to other governments are as follows:

<u>General Fund</u>	
Municipal Court State Fees - SC State Treasurer	\$ 14,493
State of South Carolina - Sales & Use Tax	5,303
	19,796
<b>Total Due to Other Governments</b>	<b>\$ 19,796</b>

Note 6. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. As of June 30, 2015, fund balances for governmental funds are made up of the following:

- **Nonspendable Fund Balance** includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term receivables.
- **Restricted Fund Balance** includes amounts that can be spent only for the specific purpose stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with consent of the resource providers.
- **Committed Fund Balance** includes amounts that can only be used for the specific purposes determined by a formal action of the Town’s highest level of decision-making authority, Town Council. Commitments may be changed or lifted only by the Town Council taking the same formal action that imposes the original constraint.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 6. Fund Balances (continued)

- **Assigned Fund Balance** includes amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Town Council or (b) a body or official to which Town Council has delegated the authority to assign amounts to be used for specific purposes.
- **Unassigned Fund Balance** is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned. Hilton Head Island Town Council is the Town's highest level of decision-making that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

The Town considers restricted amounts to have been spent when an expenditure is incurred for the purpose for which both restricted and unrestricted amounts are available. When an expenditure is incurred for which committed, assigned or unassigned amounts could be used, the Town considers expenditures to be used in their respective order.

Fund balances for all the major and non-major funds as of June 30, 2015, were distributed as follows:

Classification/Fund	Purpose	Amount
Restricted		
General	Deposits in escrow	\$ 66,011
Tax Increment Financing District	Economic development	3,781,514
Accommodations Tax	Tourism promotion	2,834,620
Real Estate Transfer Fee	Environmental conservation	1,737,035
Beach Preservation Fee	Beach nourishment and restoration	4,515,766
Hospitality Fee	Public health and safety	723,465
Debt Service	Debt service payments	7,485,841
Capital Projects	Construction of major capital facilities	7,385,562
Palmetto Electric	Underground electrical service	3,412,925
Committed		
General	Disaster reserve	14,232,879
Beach Preservation Fee	Beach renourishment	12,000,000
Assigned		
General	FY16 Budget	1,471,227
Capital Projects	FY16 Budget	1,232,948
Unassigned		
HOME grant	HOME grant program	(9,991)
Operating Grants	Operating grants	(49,272)
General		3,579,208
	<b>Total Fund Balances</b>	<b>\$ 64,399,738</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS**

Note 6. Fund Balances (continued)

**Committed For Disaster Recovery**

- **Committed for Operating Expenditures** – The Town will establish and maintain an **operating balance based on a range with a minimum of 25% up to a maximum of 30%** 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 30% 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.
- **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 million. Annual interest earned on funds will also be deposited into the account.
- **Committed for General Expenditures** – Once the Advertising account reaches \$1 million, the Town will set aside 2% of the 2% local hospitality tax and 5% of the 1% local accommodations tax revenues collected annually into a disaster general account. These funds may be used for pre-disaster planning and post disaster recovery efforts (non-communication related activities or debt service payments). The total amount of funds will not exceed 15% of the General Fund’s annual operating revenue.

**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.

Note 7. Accounts Payable

Accounts payable consists of payments due, but unpaid at year-end.

	Government-Wide Financial Statements					
	Fund Financial Statements					
	General Fund	Accommodations Tax Fund	Capital Project Fund	Non- Major Funds	Proprietary Fund	Total
Payables:						
Accounts payable	\$ 1,653,642	\$ 638,607	\$ 877,493	\$ 21,112	\$ 296,300	\$ 3,487,154
Accrued payroll	1,064,936	-	-	-	-	1,064,936
<b>Total payables</b>	<b>\$ 2,718,578</b>	<b>\$ 638,607</b>	<b>\$ 877,493</b>	<b>\$ 21,112</b>	<b>\$ 296,300</b>	<b>\$ 4,552,090</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 8. Unearned Revenue and Net Position

**Unearned Revenue**

The balance of unearned revenues in the fund financial statements and in the government-wide financial statements at year-end are composed of the following elements:

	Unearned Revenue
Revenues received in advance of being earned:	
General Fund	\$ 97,248
Capital Projects Fund	238,057
Nonmajor Governmental Fund - Home Grant	70,406
	\$ 405,711

The following is an explanation of each unearned revenue source:

1. General Fund  
The unearned revenues in the General Fund are miscellaneous funds associated with the Town's Open Space Fund.
2. Capital Projects Fund  
The unearned revenues in the Capital Projects Fund are primarily funds associated with a future parking solution in the Shelter Cove area.
3. Nonmajor Governmental Fund – Home Grant  
The unearned revenue in the Home Grant Fund is revolving loan funds being held in reserve.

**Net Position**

Net position represents the difference between assets and liabilities and were as follows:

	Governmental Activities	Business-Type Activities
Net investment in capital assets		
Net capital assets	\$ 243,865,033	\$ 14,433,537
Less: General obligation bonds	(55,945,000)	-
Special obligation bonds	(29,950,000)	(10,760,000)
Bond premiums	(1,829,735)	-
Add: Deferred charges on refunding	2,032,664	895,548
Unspent bond proceeds	4,889,367	-
	<b>163,062,329</b>	<b>4,569,085</b>
Restricted for:		
Deposits in escrow	66,011	-
Economic development	3,781,514	-
Tourism promotion	2,834,620	-
Environmental conservation	1,737,035	-
Beach nourishment and restoration	4,515,766	-
Public health and safety	723,465	-
Debt service payments	7,485,841	-
Construction of major capital facilities	7,385,562	-
Underground electrical service	3,412,925	-
Unrestricted:	10,121,639	1,838,661
<b>Total net position</b>	<b>\$ 205,126,707</b>	<b>\$ 6,407,746</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 9. Accommodations Tax Fund

Accommodations Tax Fund is a Special Revenue Fund to record Accommodations Tax receipts and grants approved by Town Council payable out of appropriations. Thirty percent (30%, FY 2015: \$ 1,580,537) and five percent (5%, \$263,423) of Accommodations Taxes after deducting a \$25,000 transfer to the General Fund is 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. No appropriations were lapsed during the fiscal year ended June 30, 2015.

Recapped below are the grant appropriations and expenditures for the year ended June 30, 2015:

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 9. Accommodations Tax Fund (continued)

	<u>Appropriations</u>	<u>Expenditures</u>
<b><u>Grants</u></b>		
Art League of Hilton Head Island	\$ 45,000	\$ 45,000
Arts Center of Coastal Carolina	383,250	358,659
Arts Center of Coastal Carolina	260,850	260,850
Coastal Discovery Museum	185,000	94,087
Coastal Discovery Museum	194,250	83,304
Coastal Discovery Museum	102,613	4,420
Coastal Discovery Museum & Heritage Library	8,000	8,000
David M. Carmines Memorial Foundation	4,400	4,400
Gullah Museum of Hilton Head Island	20,000	2,560
Harbour Town Merchants Association - 4th of July Fireworks	9,000	9,000
Heritage Library Foundation	17,150	17,133
Heritage Library Foundation	18,865	5,570
Heritage Library Foundation	7,242	4,816
Hilton Head Audobon Society	45,000	38,055
Hilton Head Choral Society	18,000	18,000
Hilton Head Choral Society	24,800	7,689
Hilton Head Choral Society	4,790	4,790
Hilton Head Dance Theatre	12,000	7,623
Hilton Head Dance Theatre	13,200	7,655
Hilton Head Island Concourse D'Elegance	147,400	47,777
Hilton Head Island Concourse D'Elegance	85,000	7,405
Hilton Head Island Recreation Association	7,500	7,500
Hilton Head Island St. Patrick's Day Parade	12,000	6,751
Hilton Head Island St. Patrick's Day Parade	13,200	10,963
Hilton Head Island-Bluffton Chamber of Commerce Marketing	330,000	206,284
Hilton Head Island-Bluffton Chamber of Commerce Marketing	366,500	124,361
Hilton Head Symphony Orchestra	215,000	215,000
Hilton Head Wine and Food	100,350	35,099
Hilton Head Wine and Food	130,000	114,209
Italian American Club of Hilton Head Island	5,000	5,000
Lowcountry Golf Course Owners Association	50,000	25,000
Lowcountry Golf Course Owners Association	42,510	42,422
Main Street Youth Theatre	12,000	6,396
Main Street Youth Theatre	13,200	12,331
Mitchelville Preservation Project	28,000	23,457
Mitchelville Preservation Project	30,800	9,465
Native Island Business and Community Affairs Association	95,000	50,763
Native Island Business and Community Affairs Association	104,500	92,023
Shelter Cove Harbour Company - 4th of July Fireworks	9,000	9,000
Skull Creek July 4th Celebration	9,000	9,000
The Sandbox: An Interactive Children's Museum	50,000	27,847
The Sandbox: An Interactive Children's Museum	55,000	30,717
The Sandbox: An Interactive Children's Museum	82,123	29,512
<b>Total Grants</b>	<b>\$ 3,366,493</b>	<b>\$ 2,129,893</b>
 <b><u>Other Financing Uses</u></b>		
Transfer to General Fund - Grant Approved	\$ 1,049,765	\$ 1,338,188
<b>Total Other Financing Uses</b>	<b>\$ 1,049,765</b>	<b>\$ 1,338,188</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 9. Accommodations Tax Fund (continued)

The grant amounts exclusive of the amounts paid to the Chamber of Commerce have been reflected on the financial statements as follows:

<u>For the year ended June 30,</u>	<u>Accommodations Tax Grants</u>			
	<u>Approved</u>	<u>Paid</u>	<u>Lapsed</u>	<u>Unpaid</u>
2006	2,389,750	(1,804,388)	(30,000)	555,362
2007	2,724,393	(2,290,222)	(5,000)	429,171
2008	2,101,886	(1,718,815)	(11,079)	371,992
2009	2,014,074	(1,697,468)	(6,936)	309,670
2010	1,710,032	(1,355,384)	(12,426)	342,222
2011	1,760,009	(1,295,954)	(5)	464,050
2012	2,279,166	(1,210,594)	(2,795)	1,065,777
2013	2,734,933	(1,611,719)	(25,201)	1,098,013
2014	2,537,173	(1,662,094)	-	875,079
2015	3,366,493	(2,129,893)	-	1,236,600

Town council has approved amounts for calendar year 2016 grants as follows:

HHI Wine and Food, Inc.	130,000
HHI Chamber and VCB	385,000
Hilton Head Symphony Orchestra	230,000
Lowcountry Golf Course Owners Association	50,000
Shelter Cove Harbour Company	54,900
The Coastal Discovery Museum	239,340
The Heritage Library -- History Day	9,100
The Sandbox	49,600
Town of Hilton Head Island	1,286,058
D.M. Carmines Mem. Foundation Seafood Festival	10,000
Gullah Museum of HHI	30,000
Harbour Town Merchants Association	12,000
Hilton Head Dance Theatre	15,000
Main Street Youth Theater	15,000
Michelville Preservation Project	40,000
Native Island Business & Community	110,000
Skull Creek July 4th Celebration	12,000
Art League of HHI	55,000
HHI St. Patrick's Day Parade	14,740
Memory Matters	12,000
MLK Jr. Celebration	1,660
The Heritage Library	49,606
	<u>\$ 3,422,504</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 10. Long-Term Obligations

The Town issues three types of bonds: general obligation, tax increment financing (TIF), and special revenue obligation. The bonds are used for the acquisition and construction of major capital facilities, as well as the purchase of land. The Town presently has \$85.9 million in outstanding bonds associated with governmental type activities and \$10.8 million in outstanding bonds associated with business-type activities.

**General obligation bonds** are secured by the full faith, credit and taxing power of the Town.

**Tax increment financing bonds** are secured by incremental property tax revenues being derived from the economic development of the Town's TIF District.

**Special obligation bonds** are secured by the revenue flow from a specified source of revenue (e.g. hospitality tax, beach preservation fees, stormwater fees).

The aggregate amounts of maturities of long-term bonds due are as follows:

For the Year Ended June 30	Governmental Activities			Business-type Activities		
	Interest	Principal	Total	Interest	Principal	Total
2016	\$ 3,278,426	\$ 7,420,000	\$ 10,698,426	\$ 299,128	\$ 850,000	\$ 1,149,128
2017	3,006,210	7,680,000	10,686,210	275,498	875,000	1,150,498
2018	2,724,598	7,965,000	10,689,598	251,173	900,000	1,151,173
2019	2,443,231	8,230,000	10,673,231	226,153	920,000	1,146,153
2020	2,134,299	5,920,000	8,054,299	200,577	950,000	1,150,577
2021-2025	7,846,130	25,145,000	32,991,130	592,418	5,145,000	5,737,418
2026-2030	3,829,826	13,100,000	16,929,826	31,136	1,120,000	1,151,136
2031-2035	1,512,605	9,475,000	10,987,605	-	-	-
2036-2040	39,600	960,000	999,600	-	-	-
Total	<u>\$ 26,814,925</u>	<u>\$ 85,895,000</u>	<u>\$ 112,709,925</u>	<u>\$ 1,876,083</u>	<u>\$ 10,760,000</u>	<u>\$ 12,636,083</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS**

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Note 10. Long-Term Obligations (continued)

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.

<b>Assessed Value as of August 31, 2015</b>		<b>\$ 907,022,430</b>
<b>Debt Limit - Eight Percent (8%) of Assessed Value, without voter's approval</b>		<b>72,561,794</b>
<b>Council Imposed 80% Cap</b>		<b>58,049,436</b>
<b>Amount of Debt Applicable to Debt Limit:</b>		
General Obligation Bonds 2009A (Refunding of Series 1999A)	4,160,000	
General Obligation Bonds 2013A (Partial)	3,588,889	
<b>Total Amount Applicable to Debt Limit</b>		<b>7,748,889</b>
 <b>Legal Debt Margin without a Referendum</b>		 <b>\$ 50,300,547</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS**

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Note 10. Long-Term Obligations (continued)

<b>GOVERNMENTAL ACTIVITIES</b>
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**\$24,265,000 General Obligation Bonds Dated March 15, 2005**

On March 15, 2005, the Town issued \$24,265,000 in general obligation bonds with an average interest rate of 4.38% to advance refund \$9,155,000 general obligation bonds dated November 1, 1999, and \$14,075,000 general obligation bonds dated March 1, 2001, at an aggregate average interest rate of 5.27%. The net proceeds of \$24,654,307 including \$822,369 in premiums (after payment of \$433,062 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 \$1,583,835 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$1,053,675. 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
2016	5.000	\$ 642,765	\$ 1,785,000	\$ 2,427,765
2017	5.000	551,265	1,875,000	2,426,265
2018	5.000	455,390	1,960,000	2,415,390
2019	5.000	355,015	2,055,000	2,410,015
2020	4.000	260,640	2,150,000	2,410,640
2021-2025	various	447,575	5,170,000	5,617,575
		\$ 2,712,650	\$ 14,995,000	\$ 17,707,650

Ad Valorem tax revenues of the Debt Service Fund are used to repay the first \$1,260,000 annually. The remaining annual debt service requirement is funded by transfers of real estate transfer fees to the Debt Service Fund.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 10. Long-Term Obligations (continued)

**\$12,215,000 General Obligation Bonds Dated March 4, 2008**

On March 4, 2008, the Town issued \$12,215,000 in general obligation bonds refunding the remaining amount of the \$15,000,000 general obligation bonds dated April 1, 1988. The net proceeds of \$12,140,056 including a premium of \$154,397 (after payment of \$229,341 in issuance costs) 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 by \$615,940 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$599,356. 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
2016	5.000	\$ 347,837	\$ 745,000	\$ 1,092,837
2017	5.000	313,562	775,000	1,088,562
2018	4.000	273,813	815,000	1,088,813
2019	4.250	236,338	855,000	1,091,338
2020	4.000	200,325	890,000	1,090,325
2021-2024	various	379,294	3,970,000	4,349,294
		\$ 1,751,169	\$ 8,050,000	\$ 9,801,169

Transfers from the Real Estate Transfer Fee Fund to the Debt Service Fund are used to repay these 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 by \$ 902,336 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$ 845,592. 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
2016	2.500	\$ 123,476	\$ 360,000	\$ 483,476
2017	2.750	113,820	375,000	488,820
2018	2.750	103,370	385,000	488,370
2019	2.750	92,645	395,000	487,645
2020	3.000	81,064	410,000	491,064
2021-2025	various	196,969	2,235,000	2,431,969
		\$ 711,344	\$ 4,160,000	\$ 4,871,344

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

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 10. Long-Term Obligations (continued)

**\$12,000,000 General Obligation Bonds Dated February 3, 2010**

On February 3, 2010, the Town issued \$12,000,000 in general obligation bonds to finance capital 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
2016	3.850	\$ 503,053	\$ 460,000	\$ 963,053
2017	4.000	485,343	470,000	955,343
2018	4.350	466,543	485,000	951,543
2019	4.450	445,445	500,000	945,445
2020	4.600	423,195	515,000	938,195
2021-2025	various	1,734,065	2,840,000	4,574,065
2026-2030	various	1,080,595	2,125,000	3,205,595
2031-2035	various	449,175	2,580,000	3,029,175
		<u>\$ 5,587,414</u>	<u>\$ 9,975,000</u>	<u>\$ 15,562,414</u>

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

**\$12,385,000 General Obligation Bonds Dated August 3, 2011**

On August 3, 2011, the Town issued \$12,385,000 in general obligation bonds with an average interest rate of 4.76% to advance refund \$11,210,000 general obligation bonds dated May 12, 2004, with an average interest rate of 3.28%. The net proceeds of \$12,281,450 including a premium of \$194,479 (after payment of \$298,029 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 by \$740,894 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$579,041. 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
2016	2.000	\$ 340,844	\$ 640,000	\$ 980,844
2017	3.000	328,044	645,000	973,044
2018	3.000	308,694	660,000	968,694
2019	2.250	288,894	680,000	968,894
2020	2.750	214,225	690,000	904,225
2021-2025	various	1,088,231	3,820,000	4,908,231
2026-2029	various	321,407	3,555,000	3,876,407
		<u>\$ 2,890,339</u>	<u>\$ 10,690,000</u>	<u>\$ 13,580,339</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 FINANCIAL STATEMENTS**

Note 10. Long-Term Obligations (continued)

**\$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
2016	3.000	\$ 176,889	\$ 152,778	\$ 329,667
2017	5.000	172,306	155,556	327,862
2018	5.000	164,528	163,889	328,417
2019	2.000	156,333	172,222	328,555
2020	2.000	152,889	176,400	329,289
2021-2025	various	660,141	986,119	1,646,260
2026-2030	various	429,917	1,216,677	1,646,594
2031-2035	various	180,443	1,461,292	1,641,735
		<u>\$ 2,093,446</u>	<u>\$ 4,484,933</u>	<u>\$ 6,578,379</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
2016	3.000	\$ 141,511	\$ 122,222	\$ 263,733
2017	5.000	137,844	124,444	262,288
2018	5.000	131,622	131,111	262,733
2019	2.000	125,067	137,778	262,845
2020	2.000	122,311	138,600	260,911
2021-2025	various	528,109	788,881	1,316,990
2026-2030	various	343,933	973,323	1,317,256
2031-2035	various	144,356	1,173,708	1,318,064
		<u>\$ 1,674,753</u>	<u>\$ 3,590,067</u>	<u>\$ 5,264,820</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 FINANCIAL STATEMENTS**

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Note 10. Long-Term Obligations (continued)

**\$8,250,000 Special Obligation Bonds (Hospitality Fees) Dated October 26, 2011**

On October 26, 2011, the Town issued \$8,250,000 in special obligation bonds (hospitality fee) with an average interest rate of 3.32% to advance refund \$8,625,000 in revenue bonds (hospitality fee) dated June 1, 2004 with an average interest rate of 4.86%. The net proceeds of \$8,129,802 including a premium of \$33,584 (after payment of \$150,484 in issuance costs) and funds on hand were used to purchase United States government securities. These revenue bonds were refunded to reduce total debt service payments over the life of the bonds by \$2,091,227 and to obtain an economic gain (difference between present values of old and new debt service payments) of approximately \$291,878. 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
2016	various	\$ 210,194	\$ 420,000	\$ 630,194
2017	2.250	202,794	425,000	627,794
2018	various	193,231	440,000	633,231
2019	various	182,731	450,000	632,731
2020	various	165,981	465,000	630,981
2021-2025	various	587,350	2,555,000	3,142,350
2026-2028	various	133,005	1,750,000	1,883,005
		<u>\$ 1,675,286</u>	<u>\$ 6,505,000</u>	<u>\$ 8,180,286</u>

The Town is required to maintain a reserve which shall be the lesser of (a) 10% of stated amount of certificates; (b) maximum annual debt service on certificates for any fiscal year or; (c) 125% of the average annual debt on the certificates. The Town has allowed the investment income to remain in the reserve. At June 30, 2015, \$601,611 was the fair value amount held in the reserve which is reported in the Debt Service Fund. Hospitality fees are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 10. Long-Term Obligations (continued)

**\$15,250,000 Special Obligation Bonds (Hospitality Fees) Dated October 26, 2011**

On October 26, 2011, the Town issued \$15,250,000 in special obligation bonds (hospitality fee) to finance capital 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
2016	2.000	\$ 567,919	\$ 430,000	\$ 997,919
2017	3.000	559,319	440,000	999,319
2018	3.000	546,119	455,000	1,001,119
2019	4.000	532,469	470,000	1,002,469
2020	4.290	513,669	485,000	998,669
2021-2025	various	2,224,396	2,780,000	5,004,396
2026-2030	various	1,520,969	3,480,000	5,000,969
2031-2035	various	738,631	4,260,000	4,998,631
2036	4.125	39,600	960,000	999,600
		<u>\$ 7,243,091</u>	<u>\$ 13,760,000</u>	<u>\$ 21,003,091</u>

The Town is required to maintain a reserve which shall be the lesser of (a) 10% of stated amount of certificates; (b) maximum annual debt service on certificates for any fiscal year or; (c) 125% of the average annual debt on the certificates. The Town has allowed the investment income to remain in the reserve. At June 30, 2015, \$1,070,011 was the fair value amount held in the reserve which is reported in the Debt Service Fund. Hospitality fees are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 10. Long-Term Obligations (continued)

**\$11,000,000 Special Obligation Bonds (Beach Preservation Fees) Dated November 18, 2011**

On November 18, 2011, the Town issued \$11,000,000 in 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
2016	4.000	\$ 223,938	\$ 2,305,000	\$ 2,528,938
2017	3.000	141,913	2,395,000	2,536,913
2018	2.000	81,288	2,470,000	2,551,288
2019	2.250	28,294	2,515,000	2,543,294
		<u>\$ 475,433</u>	<u>\$ 9,685,000</u>	<u>\$ 10,160,433</u>

The Town is required to maintain a reserve which shall be the lesser of (a) 10% of stated amount of certificates; (b) maximum annual debt service on certificates for any fiscal year or; (c) 125% of the average annual debt on the certificates. The Town has allowed the investment income to remain in the reserve. At June 30, 2015, \$1,100,000 was the fair value amount held in the reserve which is reported in the Debt Service Fund. Beach Preservation fees are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.

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, 2015, \$26,115,000 of bonds are considered defeased debt.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS**

Note 10. Long-Term Obligations (continued)

**BUSINESS-TYPE ACTIVITIES**

**\$13,810,000 Stormwater Bonds Dated December 1, 2010**

On December 1, 2010, the Town issued \$ 13,810,000 in revenue bonds with an average interest rate of 2.78% to advance refund \$ 13,740,000 revenue bonds dated December 1, 2002 with an average interest rate of 4.85%. The net proceeds of \$ 14,894,433 (after payment of \$ 202,091 in issuance costs) and funds on hand were used to purchase United States government securities which were placed in an irrevocable trust for in substance defeasance. These revenue bonds were refunded to reduce total debt service payments over the life of the bonds by \$ 2,837,355 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$ 943,642, and an accounting loss of \$ 1,343,322. 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
2016	2.780	\$ 299,128	\$ 850,000	\$ 1,149,128
2017	2.780	275,498	875,000	1,150,498
2018	2.780	251,173	900,000	1,151,173
2019	2.780	226,153	920,000	1,146,153
2020	2.780	200,577	950,000	1,150,577
2021-2025	2.780	592,418	5,145,000	5,737,418
2026	2.780	31,136	1,120,000	1,151,136
		\$ 1,876,083	\$ 10,760,000	\$ 12,636,083

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 10. Long-Term Obligations (continued)

The changes in long-term liabilities are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds and notes payable:					
General obligation bonds	\$ 60,080,000	\$ -	\$ 4,135,000	\$ 55,945,000	\$ 4,265,000
Tax increment financing	4,010,000	-	4,010,000	-	-
Special Obligation Bonds:					
Beach preservation fees	13,700,000	-	4,015,000	9,685,000	2,305,000
Hospitality tax	21,100,000	-	835,000	20,265,000	850,000
Premium on bonds	2,004,461	-	174,726	1,829,735	174,726
Total bonds and notes payable	<u>100,894,461</u>	<u>-</u>	<u>13,169,726</u>	<u>87,724,735</u>	<u>7,594,726</u>
Other liabilities:					
Compensated absences	4,048,984	1,155,514	985,555	4,218,943	3,797,051
Total other liabilities	<u>4,048,984</u>	<u>1,155,514</u>	<u>985,555</u>	<u>4,218,943</u>	<u>3,797,051</u>
Governmental activities long-term liabilities	<u>\$ 104,943,445</u>	<u>\$ 1,155,514</u>	<u>\$ 14,155,281</u>	<u>\$ 91,943,678</u>	<u>\$ 11,391,777</u>
<b>Business-type Activities:</b>					
Bonds and notes payable:					
Stormwater fees	\$ 11,585,000	\$ -	\$ 825,000	\$ 10,760,000	\$ 850,000
Total bonds and notes payable	<u>11,585,000</u>	<u>-</u>	<u>825,000</u>	<u>10,760,000</u>	<u>850,000</u>
Business-type activities long-term liabilities	<u>\$ 11,585,000</u>	<u>\$ -</u>	<u>\$ 825,000</u>	<u>\$ 10,760,000</u>	<u>\$ 850,000</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 11. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

<b>Primary Government</b>	Beginning Balances	Increases	Decreases	Ending Balance
<b>Government activities:</b>				
Capital assets not being depreciated:				
Land	\$ 162,679,882	\$ 7,332,718	\$ (8,379,804)	\$ 161,632,796
Development Rights	10,734,391	-	-	10,734,391
Easements/Right-of-Ways	3,548,960	-	-	3,548,960
Construction in progress	9,610,583	6,539,377	(13,143,070)	3,006,890
Total capital assets not being depreciated	<u>186,573,816</u>	<u>13,872,095</u>	<u>(21,522,874)</u>	<u>178,923,037</u>
Capital assets being depreciated:				
Buildings	27,145,405	6,948,696	(591,006)	33,503,095
Furniture, fixtures and equipment	5,742,869	778,700	(223,870)	6,297,699
Vehicles	7,120,755	184,174	(121,874)	7,183,055
Imp. other than buildings - park development	12,133,292	5,635,139	-	17,768,431
Infrastructure	33,827,734	2,432,149	-	36,259,883
Total capital assets being depreciated	<u>85,970,055</u>	<u>15,978,858</u>	<u>(936,750)</u>	<u>101,012,163</u>
Less accumulated depreciation for:				
Buildings	9,972,929	944,757	(594,972)	10,322,714
Furniture, fixtures and equipment	4,465,826	535,816	(219,903)	4,781,739
Vehicles	3,146,803	501,361	(121,875)	3,526,289
Imp. other than buildings - park development	3,081,900	495,044	-	3,576,944
Infrastructure	12,501,875	1,360,606	-	13,862,481
Total accumulated depreciation	<u>33,169,333</u>	<u>3,837,584</u>	<u>(936,750)</u>	<u>36,070,167</u>
Total capital assets being depreciated, net	<u>52,800,722</u>	<u>12,141,274</u>	<u>-</u>	<u>64,941,996</u>
Government activity capital assets, net	<u>\$ 239,374,538</u>	<u>\$ 26,013,369</u>	<u>\$ (21,522,874)</u>	<u>\$ 243,865,033</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 1,408,999	\$ 1,304,551	\$ (1,424,656)	\$ 1,288,894
Total capital assets not being depreciated	<u>1,408,999</u>	<u>1,304,551</u>	<u>(1,424,656)</u>	<u>1,288,894</u>
Capital assets being depreciated:				
Infrastructure	18,037,476	1,359,475	-	19,396,951
Total capital assets being depreciated	<u>18,037,476</u>	<u>1,359,475</u>	<u>-</u>	<u>19,396,951</u>
Less accumulated depreciation for:				
Infrastructure	5,526,277	726,031	-	6,252,308
Total accumulated depreciation	<u>5,526,277</u>	<u>726,031</u>	<u>-</u>	<u>6,252,308</u>
Total capital assets being depreciated, net	<u>12,511,199</u>	<u>633,444</u>	<u>-</u>	<u>13,144,643</u>
Business-type activity capital assets, net	<u>\$ 13,920,198</u>	<u>\$ 1,937,995</u>	<u>\$ (1,424,656)</u>	<u>\$ 14,433,537</u>

Capital improvements by the Town for infrastructure owned and maintained by Beaufort County or the State of South Carolina are not capitalized but are expensed as incurred. See Note 22 regarding land swap transaction.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 11. Capital Assets (continued)

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

<b>Governmental activities:</b>	
General Government	\$ 336,210
Management Services	182,622
Community Services	1,921,564
Public Safety	<u>1,397,187</u>
Total depreciation expense - governmental activities	<u>\$ 3,837,583</u>
<b>Business-type activities:</b>	
Stormwater	<u>\$ 726,031</u>
Total depreciation expense - business-type activities	<u>\$ 726,031</u>

Note 12. Capital Projects Fund

The Town opened a Capital Projects Fund for the purpose of providing funds for future capital outlays.

Public facilities, capital improvements, and land acquisition projects are underway. The projects are being financed by contributions, grants, municipal improvement district assessments, Sunday permit fees, hospitality tax, and a property tax levy. For the year ended June 30, 2015, the following categories of projects were budgeted and expenditures were made as shown:

Public Facilities	\$ 2,227,088
Park Development	1,115,701
Land and Related Acquisitions and Improvements	2,012,510
Beach Maintenance	794,774
Facilities Improvements	522,052
Roadway Improvements	2,650,081
Pathways Improvements	1,007,895
Total	<u>\$ 10,330,101</u>

Note 13. Contracted Commitments and Operating Leases

Commitments

At June 30, 2015, the Town had contractual commitments of approximately \$5,269,081 in progress. Through June 30, 2015, approximately \$3,772,789 in costs had been incurred on these commitments. At June 30, 2015, the Town had outstanding contractual commitments totaling approximately \$1,496,292 for projects in progress.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 13. Contracted Commitments and Operating Leases (continued)

Operating Leases

The Town leases various Town-owned properties to entities for office space, recreational facilities and cellular towers. The leases range from thirty days to five years under noncancelable operating leases. The minimum lease payments the Town will receive are as follows for the years ending June 30:

2016	\$ 102,467
2017	89,336
2018	38,113
2019	1
2020	<u>1</u>
	<u>\$ 229,918</u>

At June 30, 2015, future minimum payment under noncancelable operating leases with remaining terms in excess of one year were as follows:

2016	\$ 88,758
2017	69,675
2018	44,638
2019	35,526
2020	<u>614</u>
	<u>\$ 239,211</u>

During the year, the Town incurred \$129,564 in lease expenses.

Note 14. Retirement Plans

ICMA Retirement Corporation 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 International City/County Management Association – Retirement Corporation (ICMA-RC), a retirement plan administrator. All full-time and part-time employees are covered by the plan except those covered by the 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 3% contribution and 50% match of the next 3% contributed. All plan amendments must be approved by the Town Manager or his designee.

For the year ended June 30, 2015, 2014 and 2013, employer contributions were based on a total payroll of \$8,154,046, \$7,907,699 and \$7,635,178 respectively. The amount contributed by the employer for the year ended June 30, 2015 was \$714,502 or 8.8% of covered payroll. During the years ended June 30, 2014 and 2013, \$688,480 and \$653,453 were contributed to the plan by the employer, respectively. Employee contributions to the plan were \$600,323 or 7.4% of covered payroll for year ended June 30, 2015. Employees who participate in the PORS plan made contributions of \$52,949 to the 401(k). No match was made for these contributions.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 14. Retirement Plans (continued)

PORS Plan

The Town is a member of the South Carolina Police Officers Retirement System (PORS). All full-time public safety employees whose principal duty is the prevention and control of property destruction by fire, excluding administrative staff, are eligible and must belong to the System, a cost sharing multiple-employer defined benefit pension plan administered by the South Carolina Public Employee Benefit Authority.

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (reorganized into the Department of Administration on July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

**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 firemen of the state and its political subdivisions.

*Membership*

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws.

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; or to serve as 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 PORS. Magistrates are required to participate in 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.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 14. Retirement Plans (continued)

PORS 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.

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.

*Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 5 percent of earnable compensation for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates for fiscal year 2014-2015 are as follows:

**PORS**

Employee Class One	\$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

Required employer contribution rates for fiscal year 2014-2015 are as follows:

**PORS**

Employer Class One	7.80% of earnable compensation
Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS**

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Note 14. Retirement Plans (continued)

PORS Plan

**Actuarial Assumptions and Methods**

Actuarial valuations 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 during the valuation process 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. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for PORS.

	<b>PORS</b>
Actuarial cost method	Entry age
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	levels off at 4.0%
Includes inflation at	2.75%
Benefit adjustments	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 14. Retirement Plans (continued)

PORS Plan

**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. As of June 30, 2015, the Town's proportional share of the NPL amounts for PORS are presented below:

<b>System</b>	<b>Proportional Share of Net Pension Liability</b>
PORS	\$ 12,446,229

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The Town's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ending June 30, 2015, the Town's percentage of the PORS net pension liability was 0.6501300%.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State 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 total pension liability.

*Long-term Expected Rate of Return*

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS**

Note 14. Retirement Plans (continued)

PORS Plan

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
<b>Short Term</b>	<b>5.0%</b>		
Cash	2.0	0.3%	0.01%
Short Duration	3.0	0.6	0.02
<b>Domestic Fixed Income</b>	<b>13.0</b>		
Core Fixed Income	7.0	1.1	0.08
High Yield	2.0	3.5	0.07
Bank Loans	4.0	2.8	0.11
<b>Global Fixed Income</b>	<b>9.0</b>		
Global Fixed Income	3.0	0.8	0.02
Emerging Markets Debt	6.0	4.1	0.25
<b>Global Public Equity</b>	<b>31.0</b>	<b>7.8</b>	<b>2.42</b>
<b>Global Tactical Asset Allocation</b>	<b>10.0</b>	<b>5.1</b>	<b>0.51</b>
<b>Alternatives</b>	<b>32.0</b>		
Hedge Funds (Low Beta)	8.0	4	0.32
Private Debt	7.0	10.2	0.71
Private Equity	9.0	10.2	0.92
Real Estate (Broad Market)	5.0	5.9	0.29
Commodities	3.0	5.1	0.15
 Total Expected Real Return	 100.0%		 5.88
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			8.63%

*Sensitivity Analysis*

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

<b>Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate</b>			
<b>System</b>	<b>1.00% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1.00% Increase (8.50%)</b>
PORS	\$ 17,393,335	\$ 12,446,229	\$ 8,352,979

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 14. Retirement Plans (continued)

PORS Plan

**Deferred Outflows (Inflows) of Resources**

For the year ended June 30, 2015, the Town recognized pension expense of \$1,081,248. At June 30, 2015, the Town reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,040,900	\$ -
Differences in actual and expected experience	332,135	-
Net differences between projected and actual earnings on plan investments	-	1,440,120
	\$ 1,373,035	\$ 1,440,120

The Town reported \$1,040,900 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Town's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2015. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2015 was 4.856 years for PORS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	PORS
2015	2016	\$ (273,896)
2016	2017	(273,896)
2017	2018	(273,896)
2018	2019	(286,297)
Net Balance of Deferred Outflows / (Inflows) of Resources		\$ (1,107,985)

Retirement Plan Summary - ICMA and PORS Combined

For the year ended June 30, 2015, employer contributions were based on a total payroll of \$16,341,924 of which \$15,916,163 or 97.39% of the total payroll was covered under the plan. Employer contributions were \$1,755,402 or 11.03% of covered payroll. Employee contributions were \$1,304,784 or 8.20% of covered payroll.

Note 15. 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 ICMA-RC, 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 FINANCIAL STATEMENTS**

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Note 16. Health Plans

In January 2001, the Town instituted medical spending accounts whereby the Town contributes a set amount each year per employee. The employees submit reimbursement requests for medical 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 \$213,171 at June 30, 2015, and is included as a liability in the General Fund in the accrued payroll and employee payables. During the period ended June 30, 2015, the Town contributed \$144,884 to this plan.

In January 2005, the Town instituted a preventive healthcare plan whereby employees are eligible for reimbursement of expenses associated with preventive care examinations and/or tests up to an established limit each year. The reimbursement is available for use by the employee or a dependent of the employee. There is only one benefit per family per year. Unused funds will be forfeited at the end of the year. For the period ended June 30, 2015, the limit was \$350, and the Town's liability under this plan totaled \$79,547. During the period ended June 30, 2015, the Town contributed \$23,432 to this plan.

In January 2005, the Town also instituted a preventive dental care 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 will be forfeited at the end of the year. For the period ended June 30, 2015 the limit was \$150 per covered individual, and the Town's liability under this plan totaled \$77,863. During the period ended June 30, 2015, the Town contributed \$21,644 to this plan.

Note 17. Other Post-Employment Benefits

In January 2002, the Town instituted a plan for reimbursement of future retiree medical expenses. Annually, the Town contributes one hundred percent of the value of the forfeited sick leave into individual ICMA investment accounts to pay retiree medical expenses. Upon retirement, the value of an employee's remaining sick leave is also contributed to this account. Employees who meet their retirement plan eligibility criteria are eligible for the benefit. The plan carries to survivor or dependent at death, but is used for future contributions credit if an employee leaves for a reason other than retirement. Six (6) employees were eligible for the benefits for the period ended June 30, 2015.

The Town contributed \$65,880 during the year ended June 30, 2015.

In June of 2004, the Government Accounting Standards Board issued GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions." Under this pronouncement, starting in fiscal year 2009, the Town is required to disclose the cost of this benefit for all its employees.

The Town has determined that the Town only has an implicit subsidy which is immaterial at fiscal year-end. It will take several years before the liability becomes material. The Town will continue to study its options and will wait for further guidance as health reform takes shape at the federal level.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 18. 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, 2015.

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 should be covered. Management does not believe that any of these will have a material effect on the financial statements.

Note 19. Deferred Outflows of Resources

The advance refunding of governmental activity bonds can result in a difference between the reacquisition price and the net carrying amounts of the old debt. This difference is reported in the accompanying financial statements as a deferred outflow and is being amortized on a straight line basis over the shorter of either 1) the original life of the refunded bond or 2) the life of the refunding debt. The Town completed the following advance refundings:

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

Note 19. Deferred Outflows of Resources (continued)

<u>Long Term Obligation</u>	<u>Original Face Amount of Deferred Charge</u>	<u>Final Maturity Date</u>	<u>Deferred Charge on Bond Refunding</u>
General Obligation Bonds - March 1, 2005	\$ 1,105,601	03/01/2025	\$ 534,559
General Obligation Bonds - August 3, 2011	\$ 1,071,450	08/03/2029	833,350
General Obligation Bonds - September 9, 2009	\$ 143,484	09/09/2024	87,684
Special Obligation Bonds - October 26, 2011	\$ 769,428	10/26/2027	<u>577,071</u>
		Total Governmental Funds	<u>\$ 2,032,664</u>
Business-type Activity Bonds - December 1, 2010	1,343,322	12/01/2025	<u>\$ 895,548</u>
		Total Business-type Activity Fund	<u>\$ 895,548</u>

Amortization of the deferred charge on governmental and business-type activity refundings of bond payable for the year ended June 30, 2015 was \$172,484 and \$89,554, respectively.

See Note 14 for discussion of deferred outflows and inflows relating to the implementation of the new pension standard.

Note 20. Restatement of Beginning Balance of Net Position

The Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* (“GASB No. 68”) and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* in the year ended June 30, 2015.

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, it identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB No. 71 requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of GASB No. 71 are required to be applied simultaneously with the provisions of GASB No. 68.

See Note 14 for discussion deferred outflows and inflows related to the implementation of the new pension standard. The implementation of these two GASB standards resulted in the restatement of net position as reported at June 30, 2014 as presented below:

	<u>Governmental Activities</u>
Net position, as previously reported	\$ 203,064,342
Adjustment to net position to record the Town's share of net pension liability	<u>(12,472,966)</u>
Net position as of June 30, 2014, as restated	<u>\$ 190,591,376</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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Note 21. Related Organizations

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 \$864,708 to the Association for the year ended June 30, 2015. 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 Lowcountry. 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 \$295,069 to the Museum for the year ended June 30, 2015. The Museum issues separate audited financial statements.

Note 22. Land Swap Transaction

The Town entered into a development agreement with Shelter Cove Towne Centre, LLC (the Developer) on October 16, 2012. As part of that development agreement, the Developer would make a number of park improvements at the development site, and the Town would split the cost. These improvements totaled \$3,983,690, with the Town contributing its portion at \$1,991,845. The agreement further stated, in order to facilitate both the development and the park improvements, the Town and the Developer would exchange properties at the site. The exchange took place in June 2015. The Town conveyed 31.26 acres in two parcels to the Developer and the Developer conveyed 31.26 acres of property in two parcels to the Town. The Town recorded its contribution of \$1,991,845 and reduced the land asset values by the historical cost of the acreage by \$8,091,861 and recorded the new acreage and improvements at fair market value at the time of the exchange in the amount of \$11,300,545 resulting in a one-time gain on disposal of the former Town properties of \$1,216,839.

Note 23. 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 economic substance of the transactions is as follows: The Town is granted easements to the stormwater infrastructure in certain areas of the Town, and the Town takes responsibility for future maintenance of the stormwater infrastructure. The PUDs and HOAs benefit in that future maintenance of the stormwater infrastructure is performed by the Town through its Proprietary Fund. The Town benefits by increasing the overall effectiveness of the systems together by coordinating efforts between and among the varied systems. There are also economies of scale by centralizing the maintenance efforts. The Town is currently undergoing an independent system-wide cataloging and mapping project to identify all the stormwater 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 until the cataloging project is completed. Through Fiscal Year-end 2015, the Town has chosen the most conservative reporting position and not recorded any assets when originally acquired from PUDs and HOAs for stormwater features within these easements. As the project continues to specifically identify features and conditions, the Town will consider a Fair Market Valuation of these potential assets. The Town is recording assets when it incurs costs on projects that meet the capitalization criteria.

# Required Supplementary Information

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

**Schedule of Contributions – South Carolina Retirement System** – Schedule A.

**Schedule of Proportionate Share of Net Pension Liability** – Schedule B.

TOWN OF HILTON HEAD ISLAND  
 Required Supplemental Information -  
 Schedule of Contributions -  
 South Carolina Police Officers Retirement System  
 As of June 30, 2015, Last Ten Fiscal Years

Schedule A

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	<u>\$ 1,040,900</u>	<u>\$ 1,004,009</u>	<u>\$ 889,180</u>	<u>\$ 860,238</u>	<u>\$ 881,261</u>
Contributions in relation to the contractually required contribution	<u>1,040,900</u>	<u>1,004,009</u>	<u>889,180</u>	<u>860,238</u>	<u>881,261</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The Town's covered - employee payroll	<u>7,762,118</u>	<u>7,819,385</u>	<u>7,472,105</u>	<u>7,570,521</u>	<u>7,755,527</u>
Contributions as a percentage of covered - employee payroll	<u>13.41%</u>	<u>12.84%</u>	<u>11.90%</u>	<u>11.36%</u>	<u>11.36%</u>
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	<u>\$ 798,806</u>	<u>\$ 815,787</u>	<u>\$ 796,220</u>	<u>\$ 691,685</u>	<u>\$ 686,571</u>
Contributions in relation to the contractually required contribution	<u>798,806</u>	<u>815,787</u>	<u>796,220</u>	<u>691,685</u>	<u>686,571</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The Town's covered - employee payroll	<u>7,500,522</u>	<u>7,659,969</u>	<u>7,730,290</u>	<u>6,715,389</u>	<u>6,665,735</u>
Contributions as a percentage of covered - employee payroll	<u>10.65%</u>	<u>10.65%</u>	<u>10.30%</u>	<u>10.30%</u>	<u>10.30%</u>

TOWN OF HILTON HEAD ISLAND  
 Required Supplemental Information -  
 Proportionate Share of the Net Pension Liability-  
 South Carolina Police Officers Retirement System  
 As of June 30, 2015, Last Two Fiscal Years

Schedule B

	<u>2015</u>	<u>2014</u>
The Town's proportion of the net pension liability	<u>0.650130%</u>	<u>0.650130%</u>
The Town's proportionate share of the net pension liability	<u>12,446,267</u>	<u>13,477,016</u>
The Town's covered - employee payroll	<u>7,762,118</u>	<u>7,819,385</u>
The Town's proportionate share of the net pension liability as percentage of covered - employee payroll	<u>160.35%</u>	<u>172.35%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>67.55%</u>	<u>62.98%</u>

Note: The amounts above were determined as of June 30th of the preceding year.

# Supplementary Information

## **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 on general long-term obligation debt.

### **Capital Projects Fund**

The Capital Projects Funds account for all resources used for the acquisition or construction of general fixed 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.

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP Basis) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Revenues:</u>				
Real and Personal Property Taxes	\$ 11,810,750	\$ 11,810,750	\$ 11,894,284	\$ 83,534
Accommodations Tax:				
Local 1%	2,833,000	2,833,000	3,068,339	235,339
Business License and Franchise Fees:				
Business License - Town	3,500,000	3,500,000	3,941,652	441,652
Business License - MASC	4,532,000	4,532,000	4,392,826	(139,174)
Cable Television Franchise	787,000	787,000	848,708	61,708
Beach Franchise	25,750	25,750	27,352	1,602
Total	<u>8,844,750</u>	<u>8,844,750</u>	<u>9,210,538</u>	<u>365,788</u>
Permits:				
Construction	547,000	547,000	552,722	5,722
Development	6,180	6,180	15,101	8,921
Other	895,000	895,000	813,023	(81,977)
Total	<u>1,448,180</u>	<u>1,448,180</u>	<u>1,380,846</u>	<u>(67,334)</u>
State Shared Funds	800,000	800,000	812,085	12,085
Grants:				
Beaufort County Hazmat	11,677	11,677	11,677	-
Beaufort County E911	144,200	144,200	132,041	(12,159)
DHEC	4,000	4,000	-	(4,000)
Red to Green Grant	1,900	1,900	-	(1,900)
Total	<u>161,777</u>	<u>161,777</u>	<u>143,718</u>	<u>(18,059)</u>
Miscellaneous Revenue:				
Beach Services	225,500	225,500	239,358	13,858
Donations	300	300	2,429	2,129
Municipal Court Fines and Fees	230,000	230,000	198,948	(31,052)
Other	259,200	259,200	223,925	(35,275)
Public Safety- EMS	1,314,000	1,314,000	1,403,782	89,782
Public Safety- County D/T	56,500	56,500	55,721	(779)
Town Codes	250	250	46	(204)
Victims Assistance	45,000	45,000	34,399	(10,601)
Total	<u>2,130,750</u>	<u>2,130,750</u>	<u>2,158,608</u>	<u>27,858</u>
Investment Income	2,700	2,700	2,347	(353)
Total Revenues	<u>\$ 28,031,907</u>	<u>\$ 28,031,907</u>	<u>\$ 28,670,765</u>	<u>\$ 638,858</u>

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP Basis) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures:</u>				
General Government:				
Town Council:				
Salaries and Benefits	\$ 143,776	\$ 143,776	\$ 131,073	\$ 12,703
Operating	356,500	363,069	277,787	85,282
Total Town Council	<u>500,276</u>	<u>506,845</u>	<u>408,860</u>	<u>97,985</u>
Town Manager:				
Salaries and Benefits	615,675	622,163	622,073	90
Operating	27,000	22,500	15,957	6,543
Total Town Manager	<u>642,675</u>	<u>644,663</u>	<u>638,030</u>	<u>6,633</u>
Total General Government	<u>1,142,951</u>	<u>1,151,508</u>	<u>1,046,890</u>	<u>104,618</u>
Management Services:				
Finance - Administration:				
Salaries and Benefits	288,498	288,498	277,475	11,023
Operating	21,900	21,900	14,431	7,469
Total Finance - Administration	<u>310,398</u>	<u>310,398</u>	<u>291,906</u>	<u>18,492</u>
Finance - Accounting:				
Salaries and Benefits	523,268	523,268	516,396	6,872
Operating	103,220	103,220	90,171	13,049
Total Finance - Accounting	<u>626,488</u>	<u>626,488</u>	<u>606,567</u>	<u>19,921</u>
Finance - Revenue and Collections:				
Salaries and Benefits	741,441	723,136	549,863	173,273
Operating	89,516	89,516	56,343	33,173
Total Finance - Revenue and Collections	<u>830,957</u>	<u>812,652</u>	<u>606,206</u>	<u>206,446</u>
Administration - Legal :				
Salaries and Benefits	454,149	454,149	451,823	2,326
Operating	38,825	38,825	21,297	17,528
Total Administration - Legal	<u>492,974</u>	<u>492,974</u>	<u>473,120</u>	<u>19,854</u>
Administrative Services - Municipal Court:				
Salaries and Benefits	340,071	341,294	329,421	11,873
Operating	85,320	85,320	75,490	9,830
Total Administration - Municipal Court	<u>425,391</u>	<u>426,614</u>	<u>404,911</u>	<u>21,703</u>

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP Basis) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Management Services (continued):				
Administrative Services - Administrative Support :				
Salaries and Benefits	193,322	198,715	193,236	5,479
Operating	41,430	77,730	71,649	6,081
Total Administration - Administrative Support	<u>234,752</u>	<u>276,445</u>	<u>264,885</u>	<u>11,560</u>
Administrative Services - Information Technology:				
Salaries and Benefits	985,234	992,577	990,722	1,855
Operating	845,475	850,475	811,122	39,353
Total Administration - Information Technology	<u>1,830,709</u>	<u>1,843,052</u>	<u>1,801,844</u>	<u>41,208</u>
Human Resources:				
Salaries and Benefits	435,857	435,857	428,968	6,889
Operating	138,370	151,620	108,320	43,300
Total Human Resources	<u>574,227</u>	<u>587,477</u>	<u>537,288</u>	<u>50,189</u>
Total Management Services	<u>5,325,896</u>	<u>5,376,100</u>	<u>4,986,727</u>	<u>389,373</u>
Community Services:				
Community Development - Administration:				
Salaries and Benefits	476,724	474,762	451,754	23,008
Operating	71,562	71,562	17,998	53,564
Total CD - Administration	<u>548,286</u>	<u>546,324</u>	<u>469,752</u>	<u>76,572</u>
Community Development - CD Services:				
Salaries and Benefits	296,525	299,425	299,342	83
Operating	7,975	7,075	4,066	3,009
Total CD - CD Services	<u>304,500</u>	<u>306,500</u>	<u>303,408</u>	<u>3,092</u>
Community Development - Inspection/Compliance:				
Salaries and Benefits	678,608	678,608	636,504	42,104
Operating	23,069	23,069	16,540	6,529
Total CD - Inspection/Compliance	<u>701,677</u>	<u>701,677</u>	<u>653,044</u>	<u>48,633</u>

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP Basis) AND ACTUAL  
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FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Community Services (continued):				
Community Development - Development, Review, Zoning:				
Salaries and Benefits	581,583	584,383	584,339	44
Operating	98,995	148,370	28,775	119,595
Total CD - DRZ	<u>680,578</u>	<u>732,753</u>	<u>613,114</u>	<u>119,639</u>
Community Development - Comprehensive Planning:				
Salaries and Benefits	507,614	507,879	506,024	1,855
Operating	17,315	17,315	12,430	4,885
Total CD - Comprehensive	<u>524,929</u>	<u>525,194</u>	<u>518,454</u>	<u>6,740</u>
Public Facilities - Administration:				
Salaries and Benefits	255,517	255,517	251,968	3,549
Operating	4,900	4,900	2,926	1,974
Total Public Facilities - Administration	<u>260,417</u>	<u>260,417</u>	<u>254,894</u>	<u>5,523</u>
Public Facilities - Engineering:				
Salaries and Benefits	438,939	438,939	422,024	16,915
Operating	852,650	1,038,758	502,913	535,845
Total Public Facilities - Engineering	<u>1,291,589</u>	<u>1,477,697</u>	<u>924,937</u>	<u>552,760</u>
Public Facilities - Facilities Management:				
Salaries and Benefits	1,018,411	1,024,369	1,018,160	6,209
Operating	2,614,913	2,644,913	2,482,839	162,074
Total Public Facilities - Facilities Management	<u>3,633,324</u>	<u>3,669,282</u>	<u>3,500,999</u>	<u>168,283</u>
Total Community Services	<u>7,945,300</u>	<u>8,219,844</u>	<u>7,238,602</u>	<u>981,242</u>
Public Safety:				
Fire Rescue - Administration:				
Salaries and Benefits	233,701	233,701	228,424	5,277
Operating	135,015	135,015	93,159	41,856
Total Fire Rescue - Administration	<u>368,716</u>	<u>368,716</u>	<u>321,583</u>	<u>47,133</u>
Fire Rescue - Logistics/Maintenance:				
Salaries and Benefits	303,573	303,573	299,226	4,347
Operating	269,250	276,641	239,090	37,551
Total Fire Rescue - Logistics/Maintenance	<u>572,823</u>	<u>580,214</u>	<u>538,316</u>	<u>41,898</u>

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP Basis) AND ACTUAL  
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FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Public Safety (continued):				
Fire Rescue - Operations:				
Salaries and Benefits	9,400,717	9,542,572	9,406,849	135,723
Operating	95,100	95,100	94,180	920
Total Fire Rescue - Operations	9,495,817	9,637,672	9,501,029	136,643
Fire Rescue - Communications:				
Salaries and Benefits	901,866	905,227	887,696	17,531
Operating	246,850	246,850	221,198	25,652
Total Fire Rescue - Communications	1,148,716	1,152,077	1,108,894	43,183
Fire Rescue - Training:				
Salaries and Benefits	583,175	592,102	592,090	12
Operating	135,306	130,606	121,335	9,271
Total Fire Rescue - Training	718,481	722,708	713,425	9,283
Fire Rescue - Planning:				
Salaries and Benefits	-	208,047	197,349	10,698
Total Fire Rescue - Planning	-	208,047	197,349	10,698
Fire Rescue - Emergency Management:				
Salaries and Benefits	93,604	94,204	94,168	36
Operating	47,600	47,000	38,970	8,030
Total Fire Rescue - Emergency Management	141,204	141,204	133,138	8,066
Fire Rescue - Bureau of Fire Prevention:				
Salaries and Benefits	569,611	570,080	538,611	31,469
Operating	40,800	40,800	33,637	7,163
Total Fire Rescue - Bureau of Fire Prevention	610,411	610,880	572,248	38,632
Fire Rescue - Support Services:				
Salaries and Benefits	434,931	227,384	227,338	46
Operating	394,700	400,439	345,068	55,371
Total Fire Rescue - Support Services	829,631	627,823	572,406	55,417
Fire Rescue - E911 Communications:				
Salaries and Benefits	254,669	257,729	257,641	88
Operating	28,644	27,244	-	27,244
Total Fire Rescue - E911 Communications	283,313	284,973	257,641	27,332

TOWN OF HILTON HEAD ISLAND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP Basis) AND ACTUAL  
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 FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Public Safety (continued):				
Sheriff/Other Public Safety				
Police Services/Contract	2,847,320	2,852,330	2,844,295	8,035
Stipend	118,000	118,000	100,100	17,900
Victims' Rights	60,728	60,728	60,728	-
Beach Services	232,065	232,065	215,290	16,775
Total Sheriff/Other Public Safety	<u>3,258,113</u>	<u>3,263,123</u>	<u>3,220,413</u>	<u>42,710</u>
Total Public Safety	<u>17,427,225</u>	<u>17,597,437</u>	<u>17,136,442</u>	<u>460,995</u>

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP Basis) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Non-Departmental - Townwide:				
Personnel	355,960	214,485	214,044	441
Operating:				
Travel	500	500	-	500
Professional Dues	26,000	25,630	13,990	11,640
Abandoned Property	-	80	80	-
Temporary Agency	5,000	5,000	82	4,918
Professional Services	-	12,500	-	12,500
Photocopying	10,000	10,000	8,706	1,294
Courier	18,000	18,290	18,288	2
Palmetto Pass - Town Vehicles	6,500	6,500	6,140	360
Insurance	376,100	376,100	342,136	33,964
Telephone	225,000	225,000	218,319	6,681
Cell Phones	67,000	67,000	65,694	1,306
Electricity	330,000	330,000	296,668	33,332
Utilities	155,000	88,000	53,480	34,520
Taxes & Assessments	5,000	72,000	71,534	466
Office Supplies	5,000	1,050	1,022	28
Postage	33,000	33,000	23,893	9,107
Breakroom Supplies	-	3,950	3,949	1
Vehicle Fuel	225,000	225,000	168,238	56,762
Accident Insurance Fund	35,000	35,000	9,381	25,619
Equipment Maintenance	2,000	2,000	215	1,785
Lease Payments	67,900	78,431	63,333	15,098
Printers, Fax Supplies	20,000	20,000	12,208	7,792
General Contingency/Operating Budget Adjustment	50,000	20,900	2,675	18,225
Operating Grants:				
Turtle Watch	37,300	37,300	37,300	-
Economic Development Corporation	441,012	456,972	345,063	A 111,909
EDC Other Revenue Fund Expenditures	-	-	335	(335)
Recreation Center-Operating Grant	629,278	629,278	629,278	-
Recreation Center-Capital Grant	240,650	292,158	216,545	75,613
Coastal Discovery Grant-Operating Grant	75,000	75,000	75,000	-
Coastal Discovery Grant-Capital Grant	67,700	67,700	3,064	64,636
Event Management & Hospitality Training	134,000	145,233	145,233	-
LTRA Grant	200,000	200,000	200,000	-
First Tee	150,000	150,000	150,000	-
Multidisciplinary Court	50,000	50,000	50,000	-
Solicitor Career Criminal Program	33,500	33,500	33,500	-
Community Foundation Grant - Public Art	37,500	37,500	37,500	-
Heritage Classic Foundation	351,164	351,164	351,164	-
LEPC Grant	-	-	11,771	(11,771)
Total Non-Departmental Townwide	<u>4,465,064</u>	<u>4,396,221</u>	<u>3,879,828</u>	<u>516,393</u>

A - The Town budgets its blended component unit, the Hilton Head Island Economic Development Corporation (EDC), as an operating grant for budgetary purposes. The EDC expenditures are also reported in the fund statements as non-departmental expenditures.

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP Basis) AND ACTUAL  
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Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Capital Outlay:				
Management Services :				
Administration - Legal				
Vehicles	26,000	26,000	22,736	3,264
Total Administration - Legal	<u>26,000</u>	<u>26,000</u>	<u>22,736</u>	<u>3,264</u>
Administrative Services - Information Technology				
Specialized Equipment	244,500	279,664	276,202	3,462
Computer Software	-	115,160	61,954	53,206
Vehicles	-	26,000	26,004	(4)
Total Administrative Services - Information Technology	<u>244,500</u>	<u>420,824</u>	<u>364,160</u>	<u>56,664</u>
Total Management Services	<u>270,500</u>	<u>446,824</u>	<u>386,896</u>	<u>59,928</u>
Public Safety:				
Police Patrol/Communications				
Specialized Equipment	6,000	990	-	990
Total Police Patrol/Communications	<u>6,000</u>	<u>990</u>	<u>-</u>	<u>990</u>
Fire Rescue - Operations				
Specialized Equipment	432	432	-	432
Total Fire Rescue - Operations	<u>432</u>	<u>432</u>	<u>-</u>	<u>432</u>
Fire Rescue - Support Services:				
Specialized Equipment	958,000	1,002,429	768,458	233,971
Total Fire Rescue - Support Services	<u>958,000</u>	<u>1,002,429</u>	<u>768,458</u>	<u>233,971</u>
Total Public Safety	<u>964,432</u>	<u>1,003,851</u>	<u>768,458</u>	<u>235,393</u>
Townwide:				
Security Cameras	35,000	41,651	41,634	17
Total Townwide	<u>35,000</u>	<u>41,651</u>	<u>41,634</u>	<u>17</u>
Total Capital Outlay	<u>1,269,932</u>	<u>1,492,326</u>	<u>1,196,988</u>	<u>295,338</u>
Total Expenditures	<u>37,576,368</u>	<u>38,233,436</u>	<u>35,485,477</u>	<u>2,747,959</u>

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP Basis) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Excess (deficiency) of Revenues Over (Under)</b>				
<b>Expenditures</b>	(9,544,461)	(10,201,529)	(6,814,712)	3,386,817
<b>Other Financing Sources:</b>				
Transfers In:				
Beach Preservation Fee Fund	1,111,138	1,111,138	1,111,138	-
Captial Projects Fund:				
Ad Valorem Taxes	654,000	654,000	594,000	(60,000)
Lease	12,000	12,000	12,000	-
Sunday Liquor Fees	418,150	418,150	418,150	-
Hospitality Tax Fund	4,726,069	4,726,069	4,391,195	(334,874)
Tax Increment Financing Fund	169,398	169,398	169,398	-
State Accommodations Tax Fund	1,264,324	1,264,324	1,338,188	73,864
Electricity Franchise Fee Fund	87,878	87,878	311	(87,567)
Stormwater Utility Fund	94,258	94,258	94,258	-
Appropriated Fund Balance	1,007,246	1,664,314	-	(1,664,314)
Total Other Financing Sources	9,544,461	10,201,529	8,128,638	(2,072,891)
<b>Net change in fund balance</b>	-	-	1,313,926	<u>\$ 1,313,926</u>
<b>Fund Balance - beginning</b>	18,035,399	18,035,399	18,035,399	
<b>Fund Balance - ending</b>	<u>\$ 17,028,153</u>	<u>\$ 16,371,085</u>	<u>\$ 19,349,325</u>	

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP Basis) AND ACTUAL  
DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 2

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Revenues:</u>				
Real and Personal Property Taxes	\$ 5,047,962	\$ 5,047,962	\$ 5,084,193	\$ 36,231
Federal Reimbursement - BABS	164,880	164,880	168,051	3,171
Investment Income	36,905	36,905	37,374	469
Total Revenues	<u>5,249,747</u>	<u>5,249,747</u>	<u>5,289,618</u>	<u>39,871</u>
<u>Expenditures:</u>				
Administrative	19,000	19,000	11,024	7,976
Debt Service:				
Principal	12,995,000	12,995,000	12,995,000	-
Interest	3,702,756	3,702,756	3,702,272	484
Total Expenditures	<u>16,716,756</u>	<u>16,716,756</u>	<u>16,708,296</u>	<u>8,460</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,467,009)</u>	<u>(11,467,009)</u>	<u>(11,418,678)</u>	<u>48,331</u>
<u>Other Financing Sources</u>				
Transfers In:				
Beach Preservation Fees	4,378,838	4,378,838	4,381,225	2,387
Hospitality Tax	1,629,813	1,629,813	1,616,427	(13,386)
Tax Increment Financing	4,122,960	4,122,960	4,122,476	(484)
Real Estate Transfer Fees	2,268,727	2,268,727	2,269,578	851
Lease Revenue	65,336	65,336	10,889	(54,447)
Transfers Out to Beach Preservation Fees	-	-	(1,900,110)	(1,900,110)
Total Other Financing Sources	<u>12,465,674</u>	<u>12,465,674</u>	<u>10,500,485</u>	<u>(1,965,189)</u>
Net Change in Fund Balance	998,665	998,665	(918,193)	<u>\$ (1,916,858)</u>
Fund Balance - beginning	<u>8,404,034</u>	<u>8,404,034</u>	<u>8,404,034</u>	
Fund Balance - ending	<u>\$ 9,402,699</u>	<u>\$ 9,402,699</u>	<u>\$ 7,485,841</u>	

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP Basis) AND ACTUAL  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 3

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Revenues:</u>				
Real and Personal Property Taxes	\$ 689,244	\$ 689,244	\$ 694,238	\$ 4,994
Grants	-	-	275,000	275,000
Other Revenue	-	200,000	-	(200,000)
Sunday Permit Fees	478,150	478,150	364,107	(114,043)
Lease Revenue	89,336	245,336	213,996	(31,340)
Impact Fees	-	36,019	293,931	257,912
Refund of Prior Year Expenditures	-	-	4,990	4,990
Investment Income	-	-	2,468	2,468
<b>Total Revenues</b>	<b>1,256,730</b>	<b>1,648,749</b>	<b>1,848,730</b>	<b>199,981</b>
<u>Expenditures:</u>				
<u>Public Facilities:</u>				
Coligny/Pope Avenue Area Initiative	-	129,091	116,941	12,150
Northwest Quadrant - Coligny	-	250,000	23,200	226,800
Office Park Road/USCB	2,600,000	2,693,866	1,838,540	855,326
Sewer Service - Barker Field	-	80,277	68,966	11,311
Sewer Service - Gum Tree Road	500,000	500,000	2,633	497,367
58 Shelter Cove Lane Building - BCSO	-	178,924	175,113	3,811
58 Shelter Cove Lane Building - Town Upfit	-	58,546	1,695	56,851
<b>Total Public Facilities</b>	<b>3,100,000</b>	<b>3,890,704</b>	<b>2,227,088</b>	<b>1,663,616</b>
<u>Park Development:</u>				
Chaplin Linear Park w/ Boardwalk	2,000,000	23,103	5,000	18,103
Island Recreation Center Expansion	750,000	504,511	34,841	469,670
Rowing and Sailing Center	-	961,361	952,300	9,061
Park Upgrades	60,000	200,000	123,560	76,440
Shelter Cove Park Parking	-	200,000	-	200,000
<b>Total Park Development</b>	<b>2,810,000</b>	<b>1,888,975</b>	<b>1,115,701</b>	<b>773,274</b>
<u>Land Acquisition:</u>				
Shelter Cove Park	-	2,500,000	1,991,845	508,155
Pineland Tract	-	2,437	2,437	-
T. Wright Parcel	-	6,900	6,769	131
Cordillo Tennis Courts	-	1,517	1,517	-
T. Segars Parcel	-	1,354	1,354	-
Adventure Cove/Folly Field Parcels	-	2,844	2,844	-
Palmetto Bay Road Parcels	-	3,250	3,250	-
D. Berry Sale	-	2,494	2,494	-
<b>Total Land Acquisition</b>	<b>-</b>	<b>2,520,796</b>	<b>2,012,510</b>	<b>508,286</b>

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP Basis) AND ACTUAL  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 3

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Beach Maintenance:				
Beach Management & Monitoring	500,000	674,340	195,025	479,315
Islandwide Beach Renourishment	750,000	1,001,457	575,358	426,099
Port Royal Plantation - Ocean Point	-	24,391	24,391	-
Total Beach Maintenance	<u>1,250,000</u>	<u>1,700,188</u>	<u>794,774</u>	<u>905,414</u>
Facilities Improvements:				
Fire Station #2 Replacement	150,000	150,000	39,056	110,944
Fire Station #6 Replacement	-	325,198	325,198	0
Town Hall Renovations	-	15,234	8,943	6,291
Town Hall Office Space Configuration	150,000	150,000	33,544	116,456
Coligny Parking Lot Enhancements	-	150,000	115,311	34,689
Total Facilities Improvements	<u>300,000</u>	<u>790,432</u>	<u>522,052</u>	<u>268,380</u>
Roadway Improvements:				
Heritage Road Extension	350,000	10,882	2,806	8,076
Mathews Dr/Chaplin Area Connectivity	-	902,846	873,070	29,776
Bluffton Parkway Phase 5A Beautification	250,000	250,000	-	250,000
Honey Horn Apron Improvements	200,000	233,294	214,577	18,717
Private Dirt Roads Acquisition	50,000	154,940	154,939	1
US 278/Leamington/Fresh Market Shoppes	-	108,661	106,412	2,249
Office Park Road Intersection Improvements	150,000	150,000	-	150,000
Marshland Road Roundabout	1,000,000	843,166	757,893	85,273
Intersection Improvements	30,000	30,000	5,780	24,220
Traffic Signal System Pre-Emp	-	368,194	368,194	-
Traffic Signal Mast Arms	150,000	155,556	146,887	8,669
Emergency Access Gates	-	95,588	19,523	76,065
Total Roadway Improvements	<u>2,180,000</u>	<u>3,303,127</u>	<u>2,650,081</u>	<u>653,046</u>
Pathway Improvements:				
US 278 Fresh Market Shoppes to Shelter Cove	1,320,000	955,686	950,324	5,362
Pembroke Drive	-	4,172	2,131	2,041
Gardner Drive	-	1,413	1,413	-
U.S. 278 Gumtree to Squire Pope Road	-	16,740	16,740	-
Pathway Safety Improvements	400,000	483,621	28,033	455,588
Mathews Dr./Marshland South	-	60,000	3,908	56,092
Pope Avenue (Off Road)	-	100,000	5,346	94,654
Total Pathway Improvements	<u>1,720,000</u>	<u>1,621,632</u>	<u>1,007,895</u>	<u>613,737</u>
Total Capital Outlay/Community Services	<u>11,360,000</u>	<u>15,715,854</u>	<u>10,330,101</u>	<u>5,385,753</u>

TOWN OF HILTON HEAD ISLAND  
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BUDGET (GAAP Basis) AND ACTUAL  
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Schedule 3

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Debt Issue Costs:				
Debt Issue Costs	250,000	125,000	-	125,000
Total Debt Issue Costs	<u>250,000</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total Expenditures	11,610,000	15,840,854	10,330,101	5,510,753
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(10,353,270)</u>	<u>(14,192,105)</u>	<u>(8,481,371)</u>	<u>5,710,734</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Property	-	20,796	498,798	478,002
Proceeds from Sale of Other Assets	-	-	60,890	60,890
Issuance of New Bonds:				
Tax Increment Financing	3,075,000	-	-	-
GO Bond	1,375,000	4,379,511	-	(4,379,511)
Transfers In:				
Beach Preservation Fees	1,250,000	1,700,188	612,676	(1,087,512)
Hospitality Tax	600,000	168,454	490,011	321,557
Tax Increment Financing	3,300,000	6,424,315	4,329,873	(2,094,442)
Transfers Out:				
General Fund	(1,084,150)	(944,150)	(1,024,150)	(80,000)
Debt Service	(65,336)	(65,336)	(10,889)	54,447
Total Other Financing Sources (Uses)	<u>8,450,514</u>	<u>11,683,778</u>	<u>4,957,209</u>	<u>(6,726,569)</u>
<b>Net change in fund balance</b>	(1,902,756)	(2,508,327)	(3,524,162)	<u>\$ (1,015,835)</u>
<b>Fund Balance - beginning</b>	<u>12,142,672</u>	<u>12,142,672</u>	<u>12,142,672</u>	
<b>Fund Balance - ending</b>	<u>\$ 10,239,916</u>	<u>\$ 9,634,345</u>	<u>\$ 8,618,510</u>	
<b>Beginning Fund Balance Sources Budgeted for Use:</b>				
Bond Proceeds:				
2011 Hospitality Tax Bond	\$ (1,870,000)	(2,208,884)		
2013 GO Bond	-	(103,201)		
Property Taxes	(32,756)	(196,242)		
<b>Total Beginning Balance Sources Budgeted</b>	<u>(1,902,756)</u>	<u>(2,508,327)</u>		

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
BUDGET (GAAP Basis) AND ACTUAL  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 4

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Operating Revenues:</u>				
Stormwater Utility Fees	\$ 3,564,900	\$ 3,564,900	\$ 3,551,386	\$ (13,514)
Federal Grant	-	-	25,764	25,764
<b>Total Operating Revenues</b>	<b>3,564,900</b>	<b>3,564,900</b>	<b>3,577,150</b>	<b>12,250</b>
<u>Operating Expenses:</u>				
<u>Planned Unit Developments:</u>				
Hilton Head Plantation:				
Stormwater Maintenance	50,000	43,357	43,357	-
Inventory and Modeling	-	25,101	25,101	-
Golden Hind	-	380	380	-
Golden Hind Cap	250,000	205,614	203,630	1,984
Cypress Golf Course - Sinkhole	-	33,639	33,639	-
Cypress Golf Course Maintenance	-	5,487	5,487	-
Edgewood Dr/Ct Fld Cap	-	32,648	32,108	540
Edgewood Dr/Ct Fld Flooding	25,000	-	-	-
Santa Maria Dr - Sinkhole	-	13,873	13,873	-
Sweetwater Capital	-	18,327	18,326	1
Sweetwater Maintenance	-	3,364	1,033	2,331
<b>Total Hilton Head Plantation</b>	<b>325,000</b>	<b>381,790</b>	<b>376,934</b>	<b>4,856</b>
Indigo Run Plantation:				
Stormwater Maintenance	20,000	2,970	2,504	466
Inventory and Modeling	100,000	160,534	90,941	69,593
Colonial Drive Flooding	-	40,000	34,763	5,237
Sunningdale to Sussex Channel Maintenance	-	18,250	18,250	-
<b>Total Indigo Run Plantation</b>	<b>120,000</b>	<b>221,754</b>	<b>146,458</b>	<b>75,296</b>
Long Cove Club:				
Stormwater Maintenance	15,000	15,000	13,512	1,488
Friendfield Court Weir Rehab	-	75,980	5,102	70,878
<b>Total Long Cove Club</b>	<b>15,000</b>	<b>90,980</b>	<b>18,614</b>	<b>72,366</b>
Leamington Plantation:				
Stormwater Maintenance	15,000	15,000	1,677	13,323
Inventory and Modeling	-	31,481	28,311	3,170
<b>Total Leamington Plantation</b>	<b>15,000</b>	<b>46,481</b>	<b>29,988</b>	<b>16,493</b>

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
BUDGET (GAAP Basis) AND ACTUAL  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 4

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Operating Expenses (continued):</u>				
<u>Planned Unit Developments (continued):</u>				
Palmetto Dunes Plantation:				
Stormwater Maintenance	20,000	3,889	3,888	1
Mooring Buoy Culvert Replacement	50,000	-	-	-
Queens Folly Flooding	-	2,084	2,084	-
Inventory and Modeling	-	122,280	109,798	12,482
Longboat Row to Man O'War Drive Pipe Cleaning	-	16,111	15,863	248
Total Palmetto Dunes Plantation	<u>70,000</u>	<u>144,364</u>	<u>131,633</u>	<u>12,731</u>
Palmetto Hall Plantation:				
Stormwater Maintenance	15,000	4,280	4,280	-
Sedge Fern Drive	-	41,861	-	41,861
Clyde Lane	-	10,000	5,409	4,591
Total Palmetto Hall Plantation	<u>15,000</u>	<u>56,141</u>	<u>9,689</u>	<u>46,452</u>
Port Royal Plantation:				
Stormwater Maintenance	30,000	30,000	12,169	17,831
Inventory and Modeling	-	28,417	26,828	1,589
Total Port Royal Plantation	<u>30,000</u>	<u>58,417</u>	<u>38,997</u>	<u>19,420</u>
Shipyards Plantation:				
Stormwater Maintenance	25,000	25,000	8,406	16,594
Shipyards Pump Station	10,000	10,000	7,607	2,393
Total Shipyards Plantation	<u>35,000</u>	<u>35,000</u>	<u>16,013</u>	<u>18,987</u>
Sea Pines Plantation:				
Stormwater Maintenance	50,000	40,000	6,522	33,478
Lawton Station Culvert Lining	-	160,000	143,828	16,172
Governor's Road	-	26,887	26,887	-
Harbour Town Hole 14 Weir	25,000	30,449	20,055	10,394
Port and Lagoon Villas/Wren Dr. Outfall	20,000	20,000	-	20,000
Sea Pines Pump Station	30,000	220,000	193,116	26,884
Windjammer Drainage Cleaning	15,000	15,000	-	15,000
Inventory and Modeling	95,000	137,476	73,936	63,540
Total Sea Pines Plantation	<u>235,000</u>	<u>649,812</u>	<u>464,344</u>	<u>185,468</u>

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
BUDGET (GAAP Basis) AND ACTUAL  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 4

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Operating Expenses (continued):</u>				
<u>Planned Unit Developments (continued):</u>				
Wexford Plantation:				
Stormwater Maintenance	20,000	20,000	4,038	15,962
Ditch Work Along Powerline Easement	40,000	40,000	15,310	24,690
Outfall Cleaning Clubhouse Maintenance	25,000	25,000	6,561	18,439
Wexford Pump Station	11,000	16,000	14,055	1,945
Total Wexford Plantation	<u>96,000</u>	<u>101,000</u>	<u>39,964</u>	<u>61,036</u>
Total Planned Unit Developments	<u>956,000</u>	<u>1,785,739</u>	<u>1,272,634</u>	<u>513,105</u>
<u>Non-Planned Unit Developments:</u>				
Stormwater Maintenance	225,000	106,154	25,743	80,411
County Maintenance	-	11,264	11,264	-
Ashmore Channel Maintenance	-	8,563	8,563	-
Driessen Beach Channel Maintenance	-	3,781	3,780	1
Jarvis Pump Station	150,000	150,000	42,417	107,583
Jarvis Creek Channel Maintenance	-	12,268	12,268	-
Palmetto Headlands Ditch Cleaning	-	24,595	24,595	-
Mathews & Matilda Drive Bank Erosion	25,000	-	-	-
Old Woodlands Pond Wier/Channel	-	16,398	16,398	-
Inventory and Modeling - Shelter Cove	42,000	22,000	5,272	16,728
Unaffiliated Watersheds Inventory & Modeling	27,000	58,968	39,711	19,257
Myrtle & Hickory Lane	135,000	352,517	323,341	29,176
Gardner Drive Channel Maintenance	-	9,250	9,250	-
Gum Tree Road South Outfall	-	148	148	-
Gum Tree Channel Maintenance	-	13,325	13,325	-
Gum Tree Channel @ Katie Miller Road	-	102,254	112	102,142
Oakview Channel Maintenance	-	16,000	9,300	6,700
Squire Pope Outfall Maintenance	-	3,815	3,815	-
Woodward Ave	-	31,174	31,173	1
Woodward Ave Sinkhole Repair	-	9,091	9,091	-
Sea Cloisters, Folly Field	-	50	46	4
Arrow Road Rear Channel Maintenance	-	10,236	10,236	-
Arrow Road	-	6,160	6,160	-
Arrow/Target Culvert	5,000	13,807	12,523	1,284
87 Main Street Pipe Rehab	-	13,779	13,778	1
Folly Field Beach Park Flooding	8,000	8,000	540	7,460
State Misc.	-	11,358	11,358	-
Cordillo Pkwy - Channel/Pipe Cleaning	50,000	10,000	-	10,000
Folly Field (Island Club to Fiddler)	35,000	30,908	2,860	28,048
Total Non-Planned Unit Development	<u>702,000</u>	<u>1,055,863</u>	<u>647,067</u>	<u>408,796</u>

TOWN OF HILTON HEAD ISLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
BUDGET (GAAP Basis) AND ACTUAL  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 4

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Operating Expenses (continued):</b>				
Other Operating Expenses:				
Administrative Salaries/Benefits	357,399	357,399	317,573	39,826
Administrative Operating	290,092	268,753	226,660	42,093
Infrastructure Capitalized	-	-	(1,239,373)	1,239,373
Depreciation	-	-	726,031	(726,031)
Total Other Operating Expenses	<u>647,491</u>	<u>626,152</u>	<u>30,891</u>	<u>595,261</u>
 Total Operating Expenses	 2,305,491	 3,467,754	 1,950,592	 1,517,162
 Operating Income	 1,259,409	 97,146	 1,626,558	 1,529,412
<b>Nonoperating Income (Expenses):</b>				
Investment Income	-	-	450	450
Administrative	(3,000)	(3,000)	(2,500)	500
Loss on Refunding	-	-	(89,554)	(89,554)
Principal	(825,000)	(825,000)	(825,000)	-
Interest Expense	(322,000)	(322,000)	(324,527)	(2,527)
Total Nonoperating Income (Expenses)	<u>(1,150,000)</u>	<u>(1,150,000)</u>	<u>(1,241,131)</u>	<u>(91,131)</u>
 Income (Loss) Before Transfers/Bond Proceeds	 109,409	 (1,052,854)	 385,427	 1,438,281
 Transfers Out	 <u>(94,258)</u>	 <u>(94,258)</u>	 <u>(94,258)</u>	 <u>-</u>
 <b>Net Change in Fund Net Position</b>	 15,151	 (1,147,112)	 291,169	 <u>\$ 1,438,281</u>
 <b>Net Position - Beginning, as restated</b>	 <u>5,291,577</u>	 <u>5,291,577</u>	 <u>5,291,577</u>	
 <b>Net Position - Ending</b>	 <u>\$ 5,306,728</u>	 <u>\$ 4,144,465</u>	 <u>\$ 5,582,746</u>	
 Reconciliation to GAAP Budget:				
	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Operating Expenses per Budget	<u>2,305,491</u>	<u>3,467,754</u>	<u>1,950,592</u>	<u>1,517,162</u>
Nonoperating Expenses	1,150,000	1,150,000	1,241,131	(91,131)
Transfers Out	94,258	94,258	94,258	-
Proprietary Fund Budget per Town	<u>3,549,749</u>	<u>4,712,012</u>	<u>3,285,981</u>	<u>1,426,031</u>
Adjustments to GAAP Budgeting				
Add: Depreciation	726,031	726,031	-	726,031
Deduct: Principal on Debt	(825,000)	(825,000)	(825,000)	-
Adjusted to GAAP Expenses Budget	<u>3,450,780</u>	<u>4,613,043</u>	<u>2,460,981</u>	<u>2,152,062</u>

# Supplementary Information

## Nonmajor 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.

TOWN OF HILTON HEAD ISLAND  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

Schedule 5

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Palmetto Electric Franchise Fees	Operating Grants	Home Grant	
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 3,302,576	\$ -	\$ 50,515	\$ 3,353,091
Accounts Receivable	110,349	-	9,900	120,249
Interfund Receivables	-	121,920	-	121,920
Total assets	<u>\$ 3,412,925</u>	<u>\$ 121,920</u>	<u>\$ 60,415</u>	<u>\$ 3,595,260</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable	\$ -	\$ 21,112	\$ -	\$ 21,112
Interfund Payables	-	150,080	-	150,080
Unearned Revenue	-	-	70,406	70,406
Total liabilities	<u>-</u>	<u>171,192</u>	<u>70,406</u>	<u>241,598</u>
Fund balances (deficit):				
Restricted	3,412,925	-	-	3,412,925
Unassigned	-	(49,272)	(9,991)	(59,263)
Total fund balances (deficit)	<u>3,412,925</u>	<u>(49,272)</u>	<u>(9,991)</u>	<u>3,353,662</u>
Total liabilities and fund balances	<u>\$ 3,412,925</u>	<u>\$ 121,920</u>	<u>\$ 60,415</u>	<u>\$ 3,595,260</u>

TOWN OF HILTON HEAD ISLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

Schedule 6

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Palmetto Electric Franchise Fees	Operating Grants	Home Grant	
<u>Revenues:</u>				
Electric Franchise Fees	\$ 2,918,340	\$ -	\$ -	\$ 2,918,340
Grant Revenue	-	48,375	-	48,375
Investment Income	555	-	8	563
Total revenues	<u>2,918,895</u>	<u>48,375</u>	<u>8</u>	<u>2,967,278</u>
<u>Expenditures:</u>				
Current:				
Administrative	2,291,984	-	-	2,291,984
Public Safety	-	64,850	1,431	66,281
Total expenditures	<u>2,291,984</u>	<u>64,850</u>	<u>1,431</u>	<u>2,358,265</u>
Excess expenditures over revenues	626,911	(16,475)	(1,423)	609,013
<u>Other Financing Uses:</u>				
Transfers Out	(311)	-	-	(311)
Total other financing uses	<u>(311)</u>	<u>-</u>	<u>-</u>	<u>(311)</u>
<b>Net change in fund balance</b>	626,600	(16,475)	(1,423)	608,702
Fund balance - beginning	<u>2,786,325</u>	<u>(32,797)</u>	<u>(8,568)</u>	<u>2,744,960</u>
Fund balance (deficit) - ending	<u>\$ 3,412,925</u>	<u>\$ (49,272)</u>	<u>\$ (9,991)</u>	<u>\$ 3,353,662</u>

## Supplementary Information

**Agency Fund** – This fund is used to account for assets which are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Firemen's Fund** – This fund is used 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  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUND  
 FIREMEN'S FUND  
 FOR THE YEAR ENDED JUNE 30, 2015

Schedule 7

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>ASSETS:</u>				
Cash and Temporary Investments	<u>\$ 40,027</u>	<u>\$ 619,899</u>	<u>\$ 624,289</u>	<u>\$ 35,637</u>
 <u>LIABILITIES:</u>				
Due to Firemen's Fund Association	<u>\$ 40,027</u>	<u>\$ 666,560</u>	<u>\$ 670,950</u>	<u>\$ 35,637</u>

**Statistical Section  
(Unaudited)**

## Statistical Section

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

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends</b> <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>	94-98
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.</i>	99-104
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's abilities to issue additional debt in the future.</i>	105-109
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.</i>	110-111
<b>Operating Information</b> <i>These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and the activities it performs.</i>	112-115

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

**Schedule 1**  
**Town of Hilton Head Island, SC**  
**Net Position by Component, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$ 93,060,926	\$ 93,895,834	\$ 98,661,331	\$ 114,310,240	\$ 126,379,257	\$ 137,940,358	\$ 127,695,520	\$ 134,730,092	\$ 147,652,780	\$ 163,062,329
Restricted	23,111,481	23,682,142	25,168,338	23,590,106	20,750,147	29,367,859	39,307,871	42,860,346	35,442,375	31,942,739
Unrestricted	35,349,883	35,803,517	34,433,182	27,448,750	27,806,762	19,070,840	12,610,400	15,130,825	19,969,187	10,121,639
Total governmental activities net position	<u>\$ 151,522,290</u>	<u>\$ 153,381,493</u>	<u>\$ 158,262,851</u>	<u>\$ 165,349,096</u>	174,936,166	186,379,057	179,613,791	192,721,263	203,064,342	205,126,707
Business-type activities										
Net investment in capital assets					(263,488)	1,969,503	587,800	1,985,756	3,320,300	4,569,085
Unrestricted					2,441,371	1,588,215	1,776,610	1,965,359	1,971,277	1,838,661
Total business-type activities net position					<u>2,177,883</u>	<u>3,557,718</u>	<u>2,364,410</u>	<u>3,951,115</u>	<u>5,291,577</u>	<u>6,407,746</u>
Total					<u>\$ 177,114,049</u>	<u>\$ 189,936,775</u>	<u>\$ 181,978,201</u>	<u>\$ 196,672,378</u>	<u>\$ 208,355,919</u>	<u>\$ 211,534,453</u>

**Schedule 2**  
**Town of Hilton Head Island, SC**  
**Changes in Net Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities:										
General Government	\$ 3,059,753	\$ 3,376,831	\$ 3,777,076	\$ 3,823,670	\$ 5,821,050	\$ 5,590,651	\$ 4,353,125	\$ 4,457,904	\$ 5,014,153	\$ 5,501,516
Management Services	3,765,726	3,875,696	4,099,915	4,747,193	4,589,627	4,617,092	4,387,130	4,781,208	5,176,878	5,249,881
Community Services	10,095,045	24,378,607	18,498,051	14,003,774	8,502,048	8,592,108	30,544,682	13,292,741	15,914,686	15,337,540
Public Safety	15,605,366	16,207,323	17,528,471	17,717,708	17,068,317	17,332,968	16,535,835	16,425,512	14,130,095	16,529,019
Culture and Recreation	1,305,306	2,071,003	1,718,815	1,697,468	1,355,384	1,295,954	1,210,594	1,907,032	1,962,094	2,429,893
Visitor & Convention Bureau	1,142,899	1,180,675	1,218,032	1,150,446	1,029,578	1,052,226	1,096,019	1,341,508	1,473,482	1,580,537
Administration	2,149,451	1,813,259	2,884,106	2,204,684	2,695,438	3,280,258	3,611,539	1,797,946	1,779,235	2,500,842
Interest on Debt	5,585,734	5,727,606	5,669,171	5,566,777	4,329,058	4,414,431	3,658,811	4,051,860	4,114,335	3,396,216
Other Charges	-	295,486	235,742	-	-	-	-	-	-	-
Total governmental activities expenses	<u>\$ 42,709,280</u>	<u>\$ 58,926,486</u>	<u>\$ 55,629,379</u>	<u>\$ 50,911,720</u>	45,390,500	46,175,688	65,397,735	48,055,711	49,564,958	52,525,444
Business-type activities:										
Stormwater					1,397,226	1,616,827	4,449,857	1,757,863	1,997,630	2,367,173
<b>Total Expenses</b>					<u>\$ 46,787,726</u>	<u>\$ 47,792,515</u>	<u>\$ 69,847,592</u>	<u>\$ 49,813,574</u>	<u>\$ 51,562,588</u>	<u>\$ 54,892,617</u>
<b>Program Revenues</b> (see Schedule 3)										
Governmental activities:										
Charges for services:										
General Government	\$ 590,577	\$ 592,441	\$ 588,996	\$ 608,137	\$ 3,886,767	\$ 3,950,975	\$ 3,799,757	\$ 2,565,756	\$ 2,579,305	\$ 2,455,854
Management Services	7,723,373	7,668,657	8,133,032	7,459,058	7,103,499	6,900,425	7,254,622	7,774,138	7,795,909	8,334,478
Community Services	8,419,282	7,497,902	7,651,429	6,867,736	6,345,242	6,008,094	6,189,471	8,262,464	9,055,993	9,802,304
Public Safety	1,282,602	1,413,826	1,493,422	1,416,505	274,007	1,623,810	1,457,047	1,306,780	1,163,678	1,505,579
Administration	6,020,689	3,676,835	2,940,426	1,848,993	2,008,012	1,839,244	1,905,459	2,255,107	2,468,881	2,534,932
Operating grants and contributions	347,325	134,793	152,140	130,796	206,897	140,555	305,329	338,378	630,208	348,467
Capital grants and contributions	180,900	48,246	61,843	52,525	17,697	-	1,044,854	142,116	-	275,000
Total governmental activities program revenues	<u>\$ 24,564,748</u>	<u>\$ 21,032,700</u>	<u>\$ 21,021,288</u>	<u>\$ 18,383,750</u>	19,842,121	20,463,103	21,956,539	22,644,739	23,693,974	25,256,614
Business-type activities:										
Charges for services:										
Stormwater					2,553,971	3,377,779	3,491,879	3,580,445	3,564,300	3,551,386
Operating grants and contributions					-	-	-	-	-	25,764
<b>Total Program Revenues</b>					<u>\$ 22,396,092</u>	<u>\$ 23,840,882</u>	<u>\$ 25,448,418</u>	<u>\$ 26,225,184</u>	<u>\$ 27,258,274</u>	<u>\$ 28,833,764</u>
<b>Net (Expense)Revenue</b>										
Total governmental activities net expense	<u>\$ (18,144,532)</u>	<u>\$ (37,893,786)</u>	<u>\$ (34,608,091)</u>	<u>\$ (32,527,970)</u>	(25,548,379)	(25,712,585)	(43,441,196)	(25,410,972)	(25,870,984)	(27,268,830)
Total business-type activities net expense					1,156,745	1,760,952	(957,978)	1,822,582	1,566,670	1,209,977
<b>Total Net (Expense) Revenue</b>					<u>\$ (24,391,634)</u>	<u>\$ (23,951,633)</u>	<u>\$ (44,399,174)</u>	<u>\$ (23,588,390)</u>	<u>\$ (24,304,314)</u>	<u>\$ (26,058,853)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property Taxes	\$ 19,041,631	\$ 19,290,776	\$ 19,859,691	\$ 21,993,646	\$ 23,454,455	\$ 23,605,422	\$ 23,974,619	\$ 24,242,142	\$ 23,613,446	\$ 24,163,776
Other Taxes	11,144,997	11,277,083	11,637,286	10,836,674	10,178,254	10,866,276	11,259,227	12,246,755	13,368,820	14,516,798
Intergovernmental	1,155,021	1,268,534	2,198,691	2,012,649	1,531,261	1,317,756	1,010,600	1,181,674	1,154,196	1,176,192
Investment earnings	2,951,972	4,236,702	2,521,431	876,095	356,176	260,608	124,415	87,660	69,810	50,763
Miscellaneous	3,286,231	3,679,894	3,921,488	3,895,151	584,455	1,105,414	307,069	760,213	(297,517)	1,896,632
Total governmental activities	<u>\$ 37,579,852</u>	<u>\$ 39,752,989</u>	<u>\$ 40,138,587</u>	<u>\$ 39,614,215</u>	<u>\$ 36,104,601</u>	<u>\$ 37,155,476</u>	<u>\$ 36,675,930</u>	<u>\$ 38,518,444</u>	<u>\$ 37,908,755</u>	<u>\$ 41,804,161</u>
Business-type activities:										
Investment earnings					83,128	8,612	-	253	394	450
Transfers					(302,763)	(389,729)	(235,330)	(236,130)	(74,163)	(94,258)
Total business-type activities					<u>\$ (219,635)</u>	<u>\$ (381,117)</u>	<u>\$ (235,330)</u>	<u>\$ (235,877)</u>	<u>\$ (73,769)</u>	<u>\$ (93,808)</u>
<b>Change in Net Position</b>										
Governmental activities	<u>\$ 19,435,320</u>	<u>\$ 1,859,203</u>	<u>\$ 5,530,496</u>	<u>\$ 7,086,245</u>	10,556,222	11,442,891	(6,765,266)	13,107,472	12,037,771	14,535,331
Business-type activities					937,110	1,379,835	(1,193,308)	1,588,705	1,492,901	1,116,169
<b>Total Change in Net Position</b>	<u>\$ 11,493,332</u>	<u>\$ 12,822,726</u>	<u>\$ (7,958,574)</u>	<u>\$ 14,694,177</u>	<u>\$ 13,530,672</u>	<u>\$ 15,651,500</u>				

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Function/Program</b>										
Governmental activities:										
Charges for services:										
General Government	\$ 590,577	\$ 591,441	\$ 588,996	\$ 608,137	\$ 3,886,767	\$ 3,950,975	\$ 3,799,757	\$ 2,565,756	\$ 2,579,305	\$ 2,455,854
Management Services	7,723,373	7,668,657	8,133,032	7,459,058	7,103,499	6,900,425	7,254,622	7,774,138	7,795,909	8,334,478
Community Services	8,419,282	7,497,902	7,651,429	6,867,736	6,345,242	6,008,094	6,189,471	8,262,464	9,055,993	9,802,304
Public Safety	1,282,602	1,413,826	1,493,422	1,416,505	274,007	1,623,810	1,457,047	1,306,780	1,163,678	1,505,579
Administration	6,020,689	3,676,835	2,940,426	1,848,993	2,008,012	1,839,244	1,905,459	2,255,107	2,468,881	2,534,932
Operating grants and contributions	347,325	134,793	152,140	130,796	206,897	140,555	305,329	338,378	630,208	348,467
Capital grants and contributions	180,900	48,246	61,843	52,525	17,697	-	1,044,854	142,116	-	275,000
Total governmental activities	<u>\$ 24,564,748</u>	<u>\$ 21,031,700</u>	<u>\$ 21,021,288</u>	<u>\$ 18,383,750</u>	19,842,121	20,463,103	21,956,539	22,644,739	23,693,974	25,256,614
Business-type activities:										
Stormwater					2,553,971	3,377,779	3,491,879	3,580,445	3,564,300	3,551,386
Operating grants and contributions					-	-	-	-	-	25,764
<b>Total Program Revenues</b>					<u>\$ 22,396,092</u>	<u>\$ 23,840,882</u>	<u>\$ 25,448,418</u>	<u>\$ 26,225,184</u>	<u>\$ 27,258,274</u>	<u>\$ 28,833,764</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Reserved	\$ 328,984	\$ 157,080	\$ 283,748	\$ 164,731	\$ 145,008					
Unreserved	14,366,799	16,269,658	15,990,383	15,697,038	15,618,977					
Total General Fund	<u>\$ 14,695,783</u>	<u>\$ 16,426,738</u>	<u>\$ 16,274,131</u>	<u>\$ 15,861,769</u>	<u>\$ 15,763,985</u>					
All Other Governmental Funds										
Reserved	\$ 17,402,001	\$ 18,556,583	\$ 24,013,184	\$ 18,634,944	\$ 24,398,924					
Unreserved, reported in:										
Special revenue funds	30,798,191	27,088,384	26,375,485	21,814,650	22,479,639					
Capital projects funds	16,841,628	14,520,788	16,735,177	4,924,286	5,796,855					
Debt service funds	524,408	2,237,167	269,253	-	-					
Total All Other Governmental Funds	<u>\$ 65,566,228</u>	<u>\$ 62,402,922</u>	<u>\$ 67,393,099</u>	<u>\$ 45,373,880</u>	<u>\$ 52,675,418</u>					
General Fund										
Nonspendable						\$ 21,304	\$ 15,308	\$ 8,896	\$ 9,796	\$ -
Restricted						98,163	98,182	65,985	65,998	66,011
Committed						11,366,314	11,865,342	12,366,509	13,593,096	14,232,879
Assigned						-	817,455	674,725	1,007,245	1,471,227
Unassigned						3,400,504	3,017,270	4,187,612	3,359,264	3,579,208
Total General Fund						<u>\$ 14,886,285</u>	<u>\$ 15,813,557</u>	<u>\$ 17,303,727</u>	<u>\$ 18,035,399</u>	<u>\$ 19,349,325</u>
All Other Governmental Funds										
Restricted						\$ 33,894,568	\$ 39,209,689	\$ 42,850,943	\$ 35,376,377	\$ 31,876,728
Committed						12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Assigned						-	3,293	554,229	1,902,756	1,232,948
Unassigned						-	(8,581)	(8,576)	(41,365)	(59,263)
Total All Other Governmental Funds						<u>\$ 45,894,568</u>	<u>\$ 51,204,401</u>	<u>\$ 55,396,596</u>	<u>\$ 49,237,768</u>	<u>\$ 45,050,413</u>

\*In 2011, the Town implemented GASBS Statement 54, and changed its presentation of the equity section of the Governmental Fund Balance Sheets.

**Schedule 5**  
**Town of Hilton Head Island, SC**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues</b>										
Taxes (see Schedule 6) <sup>a</sup>	\$ 30,186,628	\$ 30,567,859	\$ 31,496,978	\$ 32,830,320	\$ 33,632,709	\$ 34,471,698	\$ 35,233,846	\$ 36,488,897	\$ 36,982,266	\$ 38,675,584
Licenses, fees, and permits <sup>b</sup>	24,528,805	21,488,134	21,387,485	19,202,835	14,843,258	18,131,546	18,633,421	20,163,249	21,316,864	22,475,266
Fines and penalties	362,466	419,313	465,065	407,422	423,042	361,152	308,708	262,022	224,447	198,948
Charges for services	1,613,063	1,606,874	1,661,201	1,604,565	1,598,482	1,761,128	1,602,410	1,461,624	1,242,959	1,673,499
Intergovernmental	1,155,021	1,268,534	1,312,571	1,309,391	1,199,622	1,317,756	1,202,313	1,371,308	1,325,351	1,344,243
Investment earnings	2,951,973	4,236,702	2,521,430	876,095	356,179	260,606	124,417	87,660	69,810	50,763
Other revenues	1,346,643	1,198,272	2,615,149	1,702,252	5,404,922	602,262	1,420,411	797,171	1,000,494	972,240
Total revenues	<u>\$ 62,144,599</u>	<u>\$ 60,785,688</u>	<u>\$ 61,459,879</u>	<u>\$ 57,932,880</u>	<u>\$ 57,458,214</u>	<u>\$ 56,906,148</u>	<u>\$ 58,525,526</u>	<u>\$ 60,631,931</u>	<u>\$ 62,162,191</u>	<u>\$ 65,390,543</u>
<b>Expenditures</b>										
General Government	\$ 1,395,347	\$ 1,360,932	\$ 1,551,674	\$ 1,100,621	\$ 1,044,477	\$ 1,119,831	\$ 882,111	\$ 968,506	\$ 1,060,140	\$ 1,046,890
Management Services	3,642,659	3,651,665	3,921,014	4,563,007	4,497,250	4,528,244	4,303,518	4,512,873	4,818,850	4,986,727
Community Services	6,073,095	6,549,522	6,964,349	6,530,162	6,478,745	6,210,506	5,771,788	5,996,416	6,392,687	7,238,602
Public Safety	14,760,157	15,428,220	16,921,361	16,836,081	16,161,922	16,174,377	16,415,919	16,448,769	17,019,825	17,202,723
Non-Departmental	1,664,406	1,745,509	2,018,190	2,397,182	2,662,132	4,072,932	3,154,901	2,947,442	3,497,973	3,879,828
Accommodations Tax Grants	1,305,306	2,071,003	1,718,815	1,697,468	1,355,384	1,295,954	1,210,594	1,907,032	1,962,094	2,429,893
Visitor & Convention Bureau	1,142,899	1,180,675	1,218,032	1,150,446	1,029,578	1,052,226	1,096,019	1,341,508	1,473,482	1,580,537
Administration	2,149,451	1,948,281	2,884,106	2,088,285	2,361,361	2,944,586	3,208,001	1,335,906	1,481,219	2,317,333
Capital Outlay	13,999,379	35,090,202	23,255,954	27,050,704	10,505,379	8,479,627	26,380,099	13,597,119	13,428,124	11,527,089
Debt Service										
Principal	5,615,555	6,591,134	11,837,139	11,220,000	11,415,000	12,305,000	12,105,000	11,645,000	12,950,000	12,994,999
Interest	6,179,615	5,496,034	5,645,093	5,680,505	4,335,765	4,524,266	3,914,974	4,265,011	4,080,573	3,702,272
Fiscal charges	-	-	-	-	-	-	-	-	-	-
Debt issue costs	-	-	451,841	-	391,417	-	525,364	150,792	132,022	11,025
Total expenditures	<u>\$ 57,927,869</u>	<u>\$ 81,113,177</u>	<u>\$ 78,387,568</u>	<u>\$ 80,314,461</u>	<u>\$ 62,238,410</u>	<u>\$ 62,707,549</u>	<u>\$ 78,968,288</u>	<u>\$ 65,116,374</u>	<u>\$ 68,296,989</u>	<u>\$ 68,917,918</u>
Excess of revenues over (under) expenditures	4,216,730	(20,327,489)	(16,927,689)	(22,381,581)	(4,780,196)	(5,801,401)	(20,442,762)	(4,484,443)	(6,134,798)	(3,527,375)
<b>Other Financing Sources (Uses)</b>										
Bonds issued	\$ -	\$ 19,000,000	\$ 34,215,000	\$ -	\$ 12,000,000	\$ -	\$ 26,250,000	\$ 9,000,000	\$ -	\$ -
Other uses/sources	-	-	-	(50,000)	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	5,005,000	-	20,635,000	-	-	-
Debt Issue costs	-	(408,813)	-	-	-	-	-	-	-	-
Payments to escrow agent	-	-	(11,955,000)	-	(5,248,484)	-	(21,675,878)	-	-	-
Premium on bond issuance	-	303,951	154,397	-	155,632	-	970,485	664,056	-	-
Proceeds from sale of land and equipment	-	-	-	-	-	324,774	264,930	266,622	175,000	559,688
Reimbursement of prior year expenditures	-	-	-	-	-	-	-	-	458,479	-
Transfers in	15,762,506	24,612,718	13,676,941	22,593,584	19,037,120	20,268,594	22,476,082	23,329,394	24,269,122	27,861,903
Transfers out	(15,762,506)	(24,612,718)	(13,676,941)	(22,593,584)	(18,734,358)	(19,878,865)	(22,240,752)	(23,093,264)	(24,194,959)	(27,767,645)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 18,895,138</u>	<u>\$ 22,414,397</u>	<u>\$ (50,000)</u>	<u>\$ 12,214,910</u>	<u>\$ 714,503</u>	<u>\$ 26,679,867</u>	<u>\$ 10,166,808</u>	<u>\$ 707,642</u>	<u>\$ 653,946</u>
Net change in fund balances	<u>\$ 4,216,730</u>	<u>\$ (1,432,351)</u>	<u>\$ 5,486,708</u>	<u>\$ (22,431,581)</u>	<u>\$ 7,434,714</u>	<u>\$ (5,086,898)</u>	<u>\$ 6,237,105</u>	<u>\$ 5,682,365</u>	<u>\$ (5,427,156)</u>	<u>\$ (2,873,429)</u>
Debt Service as a Percentage of Noncapital Expenditures	24.2%	19.3%	27.5%	29.1%	30.9%	30.6%	22.3%	28.8%	29.1%	28.1%

**Notes:** <sup>a</sup>Property Tax Reassessments performed in 2013.

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

**Schedule 6**  
**Town of Hilton Head Island, SC**  
**Tax Revenues by Source, Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

<b>Fiscal Year</b>	<b>Property</b>	<b>Accommodations</b>	<b>Hospitality</b>	<b>Total</b>
2006	19,041,631	6,058,319	5,086,678	30,186,628
2007	19,290,776	6,168,555	5,108,528	30,567,859
2008	19,859,691	6,404,449	5,232,837	31,496,977
2009	21,993,646	6,010,356	4,826,318	32,830,320
2010	23,454,455	5,469,447	4,708,807	33,632,709
2011	23,605,422	5,948,685	4,917,591	34,471,698
2012	23,974,619	6,099,093	5,160,134	35,233,846
2013	24,242,142	6,995,760	5,250,995	36,488,897
2014	23,613,446	7,735,390	5,633,430	36,982,266
2015	24,158,786	8,361,794	6,155,004	38,675,584
Change 2006-2015	26.9%	38.0%	21.0%	28.1%

**Schedule 7**

**Town of Hilton Head Island, SC**

**Assessed Value and Estimated Actual Value of Taxable Property**

**Last Ten Fiscal Years**

Fiscal Year	Tax Year	Real & Personal Property		Motor Vehicles		Total Taxable		Total Direct Tax Rate	Taxable Assessed Value as a Percentage of Estimated Actual Taxable Value
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2006	2005	779,621,893	14,112,440,708	35,956,376	479,418,347	815,578,269	14,591,859,055	19.00	5.59%
2007	2006	805,913,661	15,508,728,060	35,114,683	468,195,773	841,028,344	15,976,923,833	19.00	5.26%
2008	2007	806,862,365	16,944,198,458	33,601,425	621,120,250	840,463,790	17,565,318,708	19.00	4.78%
2009	2008	802,241,286	16,847,155,290	30,491,101	563,626,104	832,732,387	17,410,781,394	19.36	4.78%
2010	2009	919,940,422	21,597,802,014	29,614,709	426,787,952	949,555,131	22,024,589,966	18.54	4.31%
2011	2010	888,578,642	20,861,509,207	29,614,709	412,914,300	918,193,351	21,274,423,507	18.54	4.32%
2012	2011	900,498,390	21,431,112,174	26,653,238	432,725,467	927,151,628	21,863,837,641	19.33	4.24%
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%
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%
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%

**Source:** Beaufort County Assessor's Office.

**Notes:** Property in Beaufort County is reassessed once every five years on average. The county assesses at 6% and 4% percent of actual value for real property; 10.5% for personal property and 7.5% percent for motor vehicles. Tax rates are per \$1,000 of assessed value.

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

Fiscal Year	Tax Year	Town Direct Rates				Overlapping Rates <sup>a</sup>			
		General Fund	Debt Service	Capital Improvements Program	Total Direct Rate	County Public Schools	County Operations	Public Service Districts <sup>1</sup>	Total Rate
2006	2005	12.33	0.85	5.82	19.00	96.50	49.60	7.00	172.10
2007	2006	12.33	0.85	5.82	19.00	108.70	49.10	6.75	183.55
2008	2007	12.33	0.85	5.82	19.00	122.80	51.90	7.20	200.90
2009	2008	12.84	5.67	0.85	19.36	130.60	51.90	7.85	209.71
2010	2009	11.78	6.01	0.75	18.54	114.69	45.96	7.67	186.86
2011	2010	11.78	6.01	0.75	18.54	116.59	47.54	8.16	190.83
2012	2011	12.57	6.01	0.75	19.33	118.26	47.54	8.31	193.44
2013	2012	12.86	5.72	0.75	19.33	129.16	56.30	8.45	213.24
2014	2013	13.88	6.14	0.81	20.83	129.16	56.30	8.45	214.74
2015	2014	14.37	6.14	0.84	21.35	135.21	56.86	8.81	222.23

**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.

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

<sup>1</sup>Water and sewage services are provided to the Town by Public Service Districts. The rates reported represent an average of the millage charges from the 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.

**Schedule 9  
Town of Hilton Head Island, SC  
Principal Property Taxpayers  
Current Year and Ten Years Ago**

<u>Taxpayer</u>	<u>Tax Year 2014</u>			<u>Tax Year 2005</u>		
	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Town Taxable Assessed Value</u>	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Town Taxable Assessed Value</u>
Marriott Ownership Resorts Inc	\$ 19,917,510	1	2.20%	\$ 18,002,251	1	2.21%
Palmetto Electric Co-op Inc	5,406,580	2	0.60%	6,764,874	2	0.83%
Columbia Properties Hilton Head LLC	4,764,090	3	0.53%	3,885,920	4	0.48%
SCG Hilton Head Property LLC	4,260,000	4	0.47%	3,678,552	5	0.45%
Sea Pines Resort LLC	3,240,360	5	0.36%	3,147,746	6	0.39%
Hargray Telephone Company Inc	3,029,210	6	0.33%	-	-	-
Shelter Cove Towne Center LLC	1,711,420	7	0.19%	-	-	-
HPT IHG-2 Properties Trust	1,440,000	8	0.16%	1,730,960	7	0.21%
Hilton Head Health System LP	1,423,500	9	0.16%	1,139,891	9	0.14%
Festival Center (E&A) LLC	1,031,340	10	0.11%	-	-	-
Heritage Golf Port Royal LLC	-	-	-	1,086,000	10	0.13%
Greenwood Development	-	-	-	3,971,048	3	0.49%
PVI Shelter Cove Limited	-	-	-	1,500,000	8	0.18%
<b>Total</b>	<b>\$ 46,224,010</b>		<b>5.10%</b>	<b>\$ 44,907,242</b>		<b>5.51%</b>

**Source:** Beaufort County

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage
2006	19,543,737	18,774,952	96.07%	266,679	19,041,631	97.43%
2007	19,790,118	19,014,954	96.08%	275,822	19,290,776	97.48%
2008	20,341,876	19,461,546	95.67%	398,145	19,859,691	97.63%
2009	22,753,654	21,085,178	92.67%	908,468	21,993,646	96.66%
2010	23,771,093	22,773,856	95.80%	680,599	23,454,455	98.67%
2011	24,569,917	22,860,455	93.04%	744,967	23,605,422	96.07%
2012	24,492,571	23,252,166	94.94%	722,453	23,974,619	97.89%
2013	24,492,438	23,619,196	96.43%	622,946	24,242,142	98.98%
2014	24,323,606	23,207,435	95.41%	406,011	23,613,446	97.08%
2015	24,844,827	23,885,817	96.14%	277,959	24,163,776	97.26%

**Source:** Town of Hilton Head Island Finance Department

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

<b>Fiscal Year</b>	<b>Town Direct Rate</b>	<b>Beaufort County</b>	<b>South Carolina</b>
2006	0%	0%	5%
2007	0%	1%	6%
2008	0%	1%	6%
2009	0%	1%	6%
2010	0%	1%	6%
2011	0%	1%	6%
2012	0%	1%	6%
2013	0%	0%	6%
2014	0%	0%	6%
2015	0%	0%	6%

**Note:** All sales tax goes to the State for distribution.

Schedule 12  
Town of Hilton Head Island, SC  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Revenue Bonds	Business Type Activity Bonds	Bond Anticipation Notes	Certificates of Participation	Capital Leases	Bond Premium	Charge on Refunding	Total	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
2006	71,240,000	34,060,000	-	-	8,995,000	343,075	874,106	(1,311,369)	114,200,812	8.99%	3,344
2007	67,460,000	51,565,000	-	-	7,955,000	67,140	1,091,582	(1,202,912)	126,935,810	9.04%	3,746
2008	63,680,000	66,885,000	-	-	6,905,000	-	1,149,855	(1,094,455)	137,525,400	9.52%	4,055
2009	59,705,000	60,720,000	-	-	5,825,000	-	1,053,730	(985,999)	126,317,731	8.79%	3,688
2010	67,120,000	39,995,000	14,325,000	-	4,730,000	-	1,098,868	(1,013,055)	126,255,813	8.34%	3,403
2011	62,010,000	33,930,000	13,810,000	-	3,600,000	-	929,177	(2,148,800)	112,130,377	7.13%	2,983
2012	58,965,000	53,075,000	13,170,000	-	2,445,000	-	1,710,331	(3,714,344)	125,650,987	8.25%	3,275
2013	64,505,000	46,075,000	12,390,000	-	1,260,000	-	2,186,424	(3,452,296)	122,964,128	7.85%	3,205
2014	60,080,000	38,810,000	11,585,000	-	-	-	2,004,461	(3,190,250)	109,289,211	5.89%	2,773
2015	55,945,000	29,950,000	10,760,000	-	-	-	1,829,735	(2,928,212)	95,556,523	5.18%	2,387

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

<sup>a</sup>See Schedule 17 for personal income and population data. These ratios are calculated using data from the prior calendar year.

**Schedule 13**  
**Town of Hilton Head Island, SC**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value<sup>a</sup> of Property</b>	<b>Per Capita<sup>b</sup></b>
2006	70,725,513	0.48%	2,071
2007	67,007,347	0.42%	1,977
2008	63,441,166	0.36%	1,871
2009	59,518,350	0.34%	1,738
2010	66,998,519	0.30%	1,806
2011	61,943,135	0.29%	1,648
2012	58,088,744	0.27%	1,514
2013	64,348,465	0.37%	1,677
2014	60,080,000	0.35%	1,524
2015	55,945,000	0.33%	1,397

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

<sup>a</sup>See Schedule 7 for property value data.

<sup>b</sup>See Schedule 17 for personal income and population data. These ratios are calculated using data from the prior calendar year.

**Schedule 14**  
**Town of Hilton Head Island, SC**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2015**

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>a</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Beaufort County School District	\$ 357,440,621	49%	\$ 175,860,786
Beaufort County	233,933,174	49%	115,095,122
Broad Creek Public Service District	4,875,000	100%	4,875,000
Hilton Head No. 1 Public Service District	14,543,569	96%	13,961,826
<b>Subtotal, overlapping debt</b>			<b>309,792,734</b>
<b>Town direct debt</b>			<b>87,724,735</b>
<b>Total direct and overlapping debt</b>			<b>\$ 397,517,469</b>

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

**Notes:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Hilton Head Island. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident---and, therefore, responsible for repaying the debt---of each overlapping government.

<sup>a</sup>For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the Town's boundaries dividing it by each unit's total taxable assessed value.

**Schedule 15**  
**Town of Hilton Head Island, SC**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
*(dollars in thousands)*

<b>Legal Debt Margin Calculation for Fiscal Year 2015</b>		
Assessed value (as of December 31, 2014)		\$ 907,022
Debt Limit (8% of assessed value)		72,562
Debt applicable to limit:		
General Obligation Bonds:		
2009A	\$ 4,160	
2013B	<u>3,589</u>	
Total net debt applicable to limit		<u>7,749</u>
Legal Debt Margin (without a referendum)		<u><u>\$ 64,813</u></u>

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 65,867	\$ 65,196	\$ 66,174	\$ 66,619	\$ 75,964	\$ 73,455	\$ 74,172	\$ 67,226	\$ 65,368	\$ 72,562
Total net debt applicable to limit	15,855	14,180	12,325	10,295	8,160	5,930	5,005	8,870	8,227	7,749
Legal debt margin	50,012	51,016	53,849	56,324	67,804	67,525	69,167	58,356	57,141	64,813
Total net debt applicable to the limit as a percentage of debt limit	24.07%	21.75%	18.63%	15.45%	10.74%	8.07%	6.75%	13.19%	12.59%	10.68%

**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.

<sup>a</sup> Town Council imposed an eighty percent (80%) cap on the debt limit in 2009. With this cap, the debt limit for 2015 cannot exceed: \$ 58,049

Schedule 16  
Town of Hilton Head Island, SC  
Pledged Revenue Coverage  
Last Ten Fiscal Years

**Hospitality Tax Bonds**

Fiscal Year	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2006	5,086,678	290,000	464,385	754,385	6.74
2007	5,108,528	300,000	457,970	757,970	6.74
2008	5,232,837	305,000	448,970	753,970	6.94
2009	4,826,318	315,000	439,820	754,820	6.39
2010	4,708,807	325,000	428,007	753,007	6.25
2011	4,917,591	340,000	416,632	756,632	6.50
2012	5,160,134	775,000	503,346	1,278,346	4.04
2013	5,250,995	805,000	827,312	1,632,312	3.22
2014	5,633,430	820,000	811,213	1,631,213	3.45
2015	6,155,004	835,000	776,427	1,611,427	3.82

**Tax Increment Bonds**

Fiscal Year	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2006	4,065,563	645,000	357,004	1,002,004	4.06
2007	3,985,064	675,000	326,314	1,001,314	3.98
2008	4,427,710	3,760,000	374,015	4,134,015	1.07
2009	5,833,846	3,140,000	824,163	3,964,163	1.47
2010	6,308,512	3,270,000	717,538	3,987,538	1.58
2011	6,369,085	3,405,000	606,461	4,011,461	1.59
2012	6,148,490	3,550,000	490,446	4,040,446	1.52
2013	6,562,575	3,695,000	369,432	4,064,432	1.61
2014	6,433,568	3,850,000	243,289	4,093,289	1.57
2015	6,486,071	4,009,999	112,477	4,122,476	1.57

**Stormwater Revenue Bonds**

Fiscal Year	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2006	1,324,277	505,000	742,971	1,247,971	1.06
2007	1,351,871	520,000	727,596	1,247,596	1.08
2008	1,501,389	535,000	712,708	1,247,708	1.20
2009	1,572,183	550,000	697,369	1,247,369	1.26
2010	2,553,971	565,000	679,938	1,244,938	2.05
2011	3,377,779	515,000	660,665	1,175,665	2.87
2012	3,491,879	640,000	379,470	1,019,470	3.43
2013	3,580,445	780,000	366,077	1,146,077	3.12
2014	3,564,300	805,000	333,245	1,138,245	3.13
2015	3,551,386	825,000	321,877	1,146,877	3.10

**Beach Preservation Fee Revenue Bonds**

Fiscal Year	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2006	-	-	-	-	-
2007	4,426,889	-	-	-	-
2008	4,634,690	2,080,000	780,610	2,860,610	1.62
2009	4,210,460	2,160,000	679,810	2,839,810	1.48
2010	4,008,272	2,240,000	569,810	2,809,810	1.43
2011	4,768,381	2,320,000	570,073	2,890,073	1.65
2012	4,841,395	2,405,000	445,977	2,850,977	1.70
2013	4,998,132	2,500,000	608,854	3,108,854	1.61
2014	5,597,565	2,595,000	508,968	3,103,968	1.80
2015	6,136,679	4,015,000	363,838	4,378,838	1.40

**Schedule 17**  
**Town of Hilton Head Island, SC**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Annual Unemployment Rate</b>
2006	34,156	1,271,013	37,212	4.3%
2007	33,890	1,403,419	41,411	3.7%
2008	33,913	1,445,067	42,611	4.3%
2009	34,249	1,436,780	41,951	7.4%
2010	37,099	1,513,565	40,798	6.5%
2011	37,585	1,572,782	41,846	6.0%
2012	38,366	1,523,245	39,703	6.1%
2013	38,366	1,567,366	40,853	5.2%
2014	39,412	1,854,295	47,049	4.5%
2015	40,039	1,845,438	46,091	4.9%

**Sources:** Population provided by U.S. Census Bureau, Quick Facts;  
Per Capital Personal Income provided by U.S. Census Bureau;  
Unemployment Rate provided by U.S. Bureau of Labor Statistics

**Schedule 18  
Town of Hilton Head Island, SC  
Principal Employers  
Current Year and Ten Years Ago**

<u>Employer</u>	<u>2015 Employees</u>	<u>2005 Employees</u>
SERG Group Restaurants	764	N/A
Sea Pines Resort	622	N/A
Hilton Head Medical Ctr and Clinics	547	600
Marriott Vacation Club Intl	500	N/A
Beaufort County School District	445	N/A
Cypress of Hilton Head	360	310
Salty Dog	350	N/A
Westin Hotel and Resorts	266	450
Hilton Head Marriott Golf and Beach Resort	245	520
Town of Hilton Head Island	243	N/A

**Sources:** Beaufort County Sched 18 (Principal Employers), Beaufort County website (Major Employers) and our historical reports. In many cases employment head counts were verified via telephone calls to the above companies.

**Schedule 19**  
**Town of Hilton Head Island, SC**  
**Full-Time-Equivalent (FTE) Town Government Employees by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Full-time-Equivalent Employees as of June 30,</b>									
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
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	3.0	4.0	4.0	5.0	5.0	4.0	5.0	4.0	4.0	4.0
Human Resources	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Management Services										
Finance	17.0	17.0	19.0	19.0	17.0	17.0	18.0	18.0	17.0	16.6
Administration	23.5	23.5	23.5	22.5	23.5	21.0	22.0	22.0	22.0	22.0
Community Services										
Community Development	36.0	36.0	36.0	36.0	30.0	27.0	27.0	27.0	25.0	25.0
Public Projects & Facilities	19.0	20.0	21.0	21.0	22.0	22.0	22.0	22.0	22.0	21.0
Public Safety										
Fire & Rescue	144.8	147.3	147.3	147.6	146.0	145.0	147.1	145.1	143.0	143.7
Police Services <sup>a</sup>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>254.3</b>	<b>258.8</b>	<b>261.8</b>	<b>262.1</b>	<b>254.5</b>	<b>247.0</b>	<b>252.1</b>	<b>249.1</b>	<b>244.0</b>	<b>243.3</b>

**Source:** Town of Hilton Head Island HR Dept.

**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 2,880 hours per year (including vacation and sick leave).

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

**Schedule 20**  
**Town of Hilton Head Island, SC**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
General Government										
Management Services										
Business license permits issued	5,312	5,409	5,638	5,644	5,549	5,718	5,802	5,997	6,434	6,291
Business license inspections	360	546	150	396	127	1,460	605	2,324	283	529
Business license audits	101	55	-	-	-	117	49	123	124	46
Hospitality tax accounts	411	357	343	356	325	359	373	419	437	440
Bed tax accounts	701	675	732	775	752	863	891	1,232	1,312	1,308
Beach passes issued	2,116	2,729	2,009	2,434	1,885	2,602	2,224	2,688	2,428	2,845
Number of court cases docketed	9,033	9,366	10,687	8,380	9,159	8,016	7,152	6,156	5,111	3,459
Number of court cases disposed	8,952	9,123	10,881	8,607	8,854	8,363	7,221	6,271	5,271	3,525
Number of search warrants issued	15	16	41	19	22	33	27	28	8	9
Number of arrest warrants issued	477	437	410	460	415	349	216	502	307	363
Number of bench warrants issued	801	531	894	693	777	576	610	363	389	353
Community Services										
<b>Community Development</b>										
Building inspections conducted	22,167	18,146	15,297	13,053	11,604	10,773	11,813	12,133	19,024	13,907
Building permits issued	440	168	104	63	51	68	89	130	212	156
Miscellaneous permits issued	3,146	4,233	5,121	4,470	4,913	4,805	4,345	4,619	5,070	5,390
<b>Public Projects and Facilities</b>										
# of capital improvement projects to manage	84	76	51	64	62	53	45	38	20	20
# of beach access/parks to maintain	8	8	8	8	8	8	8	8	8	8
Miles of pathways to maintain	51	51	53	55	56	57	58	60	62	64
Maintenance work orders	2,373	2,517	2,150	2,800	4,187	4,406	4,500	5,212	5,150	5,025
Public Safety										
Fire and Rescue service calls	6,167	6,030	6,246	6,088	5,957	6,034	5,796	6,291	6,518	6,809
Actual fires extinguished	147	139	153	151	127	80	130	166	81	93
Inspections	2,271	2,357	2,649	2,626	2,390	2,902	2,281	1,937	1,855	2,121
Telephone requests	55,584	73,475	75,099	77,352	72,361	61,435	65,522	66,710	55,841	50,789
Public training programs	366	687	614	791	520	609	518	493	415	514

**Sources:** Various Town departments.

**Schedule 21**  
**Town of Hilton Head Island, SC**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government										
Town-owned parcels	113	113	116	183	185	182	175	142	168	223
Town-owned property acreage	1,142	1,142	n/a	n/a	n/a	n/a	1,202	1,319	1,321	1,312
Town-owned development rights	n/a	n/a	n/a	7	8	8	8	8	8	8
Town-owned easements	n/a	n/a	n/a	73	75	80	80	50	91	52
Management Services										
Town vehicles	39	38	38	39	40	39	38	38	38	36
Public Safety										
Emergency Apparatus Vehicles	24	24	24	24	24	24	24	25	28	28
Police Vehicles	-	-	-	-	-	-	-	-	-	-
General Vehicles	19	22	22	23	30	30	30	25	19	19
Fire Stations	7	7	7	7	7	7	7	7	7	7
Public Projects and Facilities*										
Traffic signals	22	22	22	22	23	22	22	22	23	23
Pathways (miles)	50	51	53	55	56	57	58	60	62	64
Beach access/parks	7	8	8	8	8	8	8	8	8	8

**Sources:** Various Town departments.

\* All Town roads are deeded to Beaufort County

**Notes:** No capital asset indicators are available for the Planning/Building & Fire Codes function.  
Police services currently contracted with Beaufort County Sheriff's Office.

Schedule 22  
Town of Hilton Head Island, SC  
Principal Stormwater Customers  
Year Ended June 30, 2015

Customer	Type of Business	Equivalent Single Family Residential Units	Stormwater Fees Billed	Percentage of Total Billed
Town of Hilton Head Island	town government	691.44	\$ 75,160	2.12%
Beaufort County Schools	education	468.93	50,973	1.44%
Beaufort County	aircraft transportation	431.17	46,868	1.32%
Sea Pines Resort LLC	resort and golf	377.00	40,980	1.15%
Marriott Ownership Resorts	timeshare condominium	266.86	29,008	0.82%
Palmetto Hall Golf	golf course & club	219.83	23,896	0.67%
Shelter Cove Towne Centre	shopping center	207.01	22,502	0.63%
Festival Center	shopping center	183.09	19,902	0.56%
Heritage Golf-Port Royal LLC	golf course & club	162.47	17,661	0.50%
Heritage Golf-Shipyard LLC	golf course & club	98.10	10,664	0.30%
Publix Super Markets Inc	grocery store	94.94	10,320	0.29%
Total			<u>\$ 347,934</u>	<u>9.80%</u>
Total Stormwater Fees Billed			<u>\$ 3,551,386</u>	

## **Supplementary Financial Information**

**Schedule 23**  
**Town of Hilton Head Island, SC**  
**Municipal Fines, Assessments and Surcharges**  
**For the Year Ended June 30, 2015**

**Court Fines**

Court fines collected	\$ 198,948
Court fines retained by the Town	<u>198,948</u>
Court fines remitted to the State Treasurer	<u><u>-</u></u>

**Court Assessments**

Court assessments collected	\$ 193,125
Court assessments retained by the Town	<u>21,330</u>
Court assessments remitted to the State Treasurer	<u><u>171,795</u></u>

**Court Surcharges**

Court surcharges collected	\$ 94,887
Court surcharges retained by the Town	<u>13,069</u>
Court surcharges remitted to the State Treasurer	<u><u>81,818</u></u>

**Victims Services**

Court assessments allocated to victim services	\$ 34,399
Victim Services expenditures	<u>60,728</u>
Funds available for carryforward	<u><u>(26,329)</u></u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison schedule of the general fund of the Town of Hilton Head Island, South Carolina (the "Town"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Hilton Head Island, South Carolina's basic financial statements, and have issued our report thereon dated January 13, 2016.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Scott and Company LLC*

Columbia, South Carolina  
January 13, 2016