



## Financial Audit Presentation Year Ended June 30, 2020

1



## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

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### **OPINION**

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

2



## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

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

3

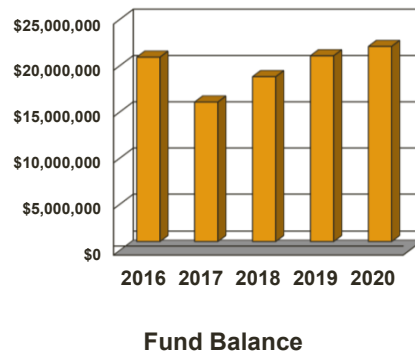


## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

### **General Fund**

- Total fund balance increased \$1M to \$22.1M
- Committed fund balance of \$18.8M for disaster recovery
- Assigned fund balance of \$931K for Town Council initiatives

GENERAL FUND



4

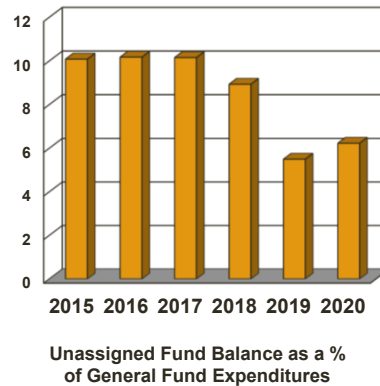


## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

### **General Fund**

- Unassigned fund balance is \$2.4M, which is 6.2% of 2020 actual expenditures and 5.7% of 2021 budgeted expenditures
- Unrestricted fund balance is \$22.1M, which is 57.0% of 2020 actual expenditures and 52% of 2021 budgeted expenditures
- GFOA recommends a minimum of 16.7% (two months)

### **GENERAL FUND**



5



## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

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

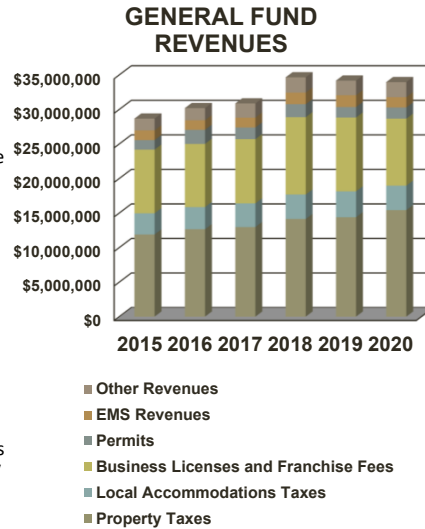
6



## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

### General Fund Revenues and Net Transfers:

- \$40 million for 2020:
  - \$15.4 million from property taxes
  - \$3.5 million from local accommodations taxes
  - \$9.7 million from business licenses and franchise fees
  - \$1.6 million from permits
  - \$1.5 million from EMS revenue
  - \$2.2 million in all other revenues
  - \$6.0 million in net transfers in
- \$123 thousand (<1%) decrease from 2019
  - Decreases in accommodations taxes and business licenses were largely offset by an increase in property tax revenues
- \$1.5 million (4%) less than budget
  - \$1.2 million less than budget in business licenses and franchise fees as a result of the 4<sup>th</sup> quarterly payment from MASC being delayed



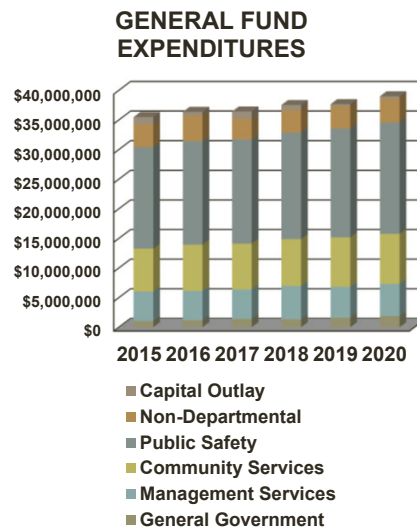
7



## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

### General Fund Expenditures:

- \$39.0 million for 2020:
  - \$1.9 million in general government
  - \$5.4 million in management services
  - \$8.5 million in community services
  - \$18.8 million in public safety
  - \$4.1 million in non-departmental
  - \$362 thousand in capital outlay
- \$1.3 million (3.5%) increase from 2019
- \$3.7 million (8.6%) under budget
  - Due to overall conservative spending across departments in response to the uncertainty related to the pandemic



8



## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

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### **Total for all Governmental Funds**

- **Includes General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds**
  - Total Revenues and Net Other Financing Sources of \$79.5 million
  - Total Expenditures of \$91.6 million (including debt service payments of \$20.3 million and capital outlay of \$23.7 million)

9



## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

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### **Enterprise Fund – Stormwater Fund**

- The **Stormwater Fund** had an increase in net position of \$479 thousand to \$9.9 million as of June 30, 2020 (including \$4.9 million invested in capital assets):
  - Operating revenues increased \$33 thousand (<1%) from the prior year.
  - Operating expenses increased approximately \$679 thousand (20.2%) due to increases in repairs and maintenance.
  - Non-operating expenses include \$7 thousand in administrative costs and \$360 thousand in interest expense.

10



## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

### Capital Assets

- Total capital assets were \$286.1 million at 6/30/20, including \$273.1 million for governmental activities and \$13 million for business-type activities – increase of \$15.8 million for governmental activities and a decrease of \$521 thousand for business-type activities.
  - Capital asset additions of \$20.4 million exceeded depreciation expense of \$4.4 million and net disposals of \$1.1 million for governmental activities.
  - Capital asset additions of \$3.1 million exceeded depreciation expense of \$1.2 million for business-type activities.

11



## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

### Long-term Obligations

- Total long-term obligations outstanding at 6/30/20 were \$156 million – a decrease of \$17.3 million from 6/30/19:
  - Issued debt of \$16.5 million for governmental activities during 2020.
  - Principal payments of \$16.4 million made during 2020.
  - Compensated absences outstanding at 6/30/20 – \$5.3 million.
- Net pension liability of \$16.7M as of June 30, 2020 on the full accrual statements. This is the Town's proportionate share of the total net pension liability for the SC Police Officers Retirement System. The liability does not directly affect the Town's cash flows; however, employer contribution rates have increased annually (18.24% for FY20). Those increases have a direct impact on the Town's operating budgets.

12



## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

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### **AUDITING/ACCOUNTING UPDATE:**

- **Future Significant Changes in Accounting Principles:**
  - GASB #84 “Fiduciary Activities” provides guidance on what activities should be recorded in fiduciary funds and which should be recorded in other funds. The Town will need to implement for the year ended June 30, 2021.
  - GASB #87 “Leases” provides new guidance on reporting leases as generally all leases will report an intangible right-to-use lease asset and lease liability (similar to capital lease accounting). The Town will need to implement for the year ended June 30, 2022.

13



## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

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### **Compliance**

- No findings, significant deficiencies, or material weaknesses were noted
- Single Audit was not required for 2020

### **Management Letter**

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

14



## TOWN OF HILTON HEAD ISLAND 2020 FINANCIAL AUDIT

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### **Summary**

- Unmodified opinion on the Financial Statements from GFLLP
- Good financial condition as of June 30, 2020