

***TOWN OF HILTON HEAD ISLAND,
South Carolina***



***COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended
June 30, 2014***

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



FISCAL YEAR ENDED JUNE 30, 2014
Prepared by the Finance Department

Town of Hilton Head Island, South Carolina Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal.....	i-iv
Organizational Chart.....	v
List of Elected and Appointed Officials.....	vi
GFOA Certificate of Achievement.....	vii
FINANCIAL SECTION	
Independent Auditor's Report.....	1-3
Management's Discussion and Analysis	4-15
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Exhibit A Statement of Net Position	16
Exhibit B Statement of Activities	17
Fund Financial Statements:	
Exhibit C Balance Sheet – Governmental Funds.....	18
Exhibit D Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	19
Exhibit E Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Exhibit F Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Exhibit G Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – General Fund.....	22
Exhibit H Statement of Net Position – Proprietary Fund	23
Exhibit I Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	24
Exhibit J Statement of Cash Flows – Proprietary Fund.....	25
Exhibit K Statement of Fiduciary Net Position – Agency Fund	26
Notes to the Financial Statements.....	27-70

OTHER SUPPLEMENTARY INFORMATION

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual:

Schedule 1	General Fund	71-79
Schedule 2	Debt Service Fund.....	80
Schedule 3	Capital Projects Fund	81-83
Schedule 4	Proprietary Fund	84-87

Nonmajor Governmental Funds:

Schedule 5	Combining Balance Sheet	88
Schedule 6	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance	89

Agency Fund:

Schedule 7	Statement of Changes in Assets and Liabilities	90
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STATISTICAL SECTION

Statistical Section Table of Contents	91
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Financial Trends

Schedule 1	Net Assets by Component, Last Ten Fiscal Years.....	92
Schedule 2	Changes in Net Position, Last Ten Fiscal Years.....	93
Schedule 3	Program Revenues by Function/Program, Last Ten Fiscal Years	94
Schedule 4	Fund Balances, Governmental Funds; Last Ten Fiscal Years.....	95
Schedule 5	Changes in Fund Balances Governmental Funds; Last Ten Fiscal Years	96

Revenue Capacity

Schedule 6	Tax Revenues by Source Governmental Funds; Last Ten Fiscal Years	97
Schedule 7	Assessed Value and Estimated Actual Value of Taxable Property; Last Ten Fiscal Years	98
Schedule 8	Direct and Overlapping Property Tax Rates; Last Ten Fiscal Years.....	99
Schedule 9	Principal Property Tax Payers; Current Year and Ten Years Ago	100
Schedule 10	Property Tax Levies and Collections; Last Ten Fiscal Years	101
Schedule 11	Direct and Overlapping Sale Tax Rates; Last Ten Fiscal Years	102

Debt Capacity

Schedule 12	Ratios of Outstanding Debt by Type; Last Ten Fiscal Years.....	103
Schedule 13	Ratios of Net General Bonded Debt Outstanding; Last Ten Fiscal Years	104
Schedule 14	Direct and Overlapping Governmental Activities Debt	105
Schedule 15	Legal Debt Margin Information; Last Ten Fiscal Years	106
Schedule 16	Pledge Revenue Coverage; Last Ten Fiscal Years	107

Demographic and Economic Information

Schedule 17	Demographic and Economic Statistics; Last Ten Calendar Years.....	108
Schedule 18	Principal Employers.....	109

Operating Information

Schedule 19	Full-Time-Equivalent (FTE) Town Government Employees by Function/Program	110
Schedule 20	Operating Indicators by Function/Program; Last Ten Fiscal Years.....	111
Schedule 21	Capital Asset Statistics by Function/Program; Last Ten Fiscal Years	112
Schedule 22	Principal Stormwater Customers	113

SUPPLEMENTAL FINANCIAL INFORMATION

Schedule 23	Municipal Fines, Assessments and Surcharges	114
	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	115-116

Introductory Section



Transmittal Letter

For The Fiscal Year Ended June 30, 2014
The Town of Hilton Head Island, South Carolina

December 2, 2014

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, 2014, 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, 2014. 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. On or before the second regular Council meeting in June, the Town Manager submits to the Town Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. At least two public hearings are 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 2.5 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 250,000.

With 2013-2014 data not available, data for fiscal year 2011-2012 total gross taxable sales were \$1.26 billion compared to \$1.20 billion for the prior fiscal year for Hilton Head Island. Between fiscal years 2011, 2010, 2009 and 2008 gross taxable sales for Hilton Head Island declined by \$43 million, \$61 million and \$130.4 million, respectively. Between fiscal year 2011 and 2012 gross taxable sales increased for Hilton Head Island by \$65 million. For Beaufort County gross taxable sales declined by \$2 million, \$104 million and \$498 million and increased by \$283 million for the same time periods, respectively. Gross taxable sales for Hilton Head Island were 34.3% of all gross taxable sales within the County during fiscal year 2011-2012.

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%

Source SC Depart of Revenue Annual Reports http://www.sctax.org/Publications/default.htm#annual_report

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 is 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 Program 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+, 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 carried forward into FY 2010, 2011, 2012, 2013 and 2014. The results were quite successful; FY 2014 expenditures were approximately \$2.1 million less than the final budget. This is attributable to the Town’s workforce reduction and a significant amount of ongoing maintenance projects being budgeted in FY 2014, but work being performed and, therefore, expended in FY 2015.

	FY 2014 - General Fund		
	Final Budget	Actual	Variance
Revenue	\$ 27,314,516	\$ 27,254,848	\$ (59,668)
Appropriated Fund Balance	861,019	-	(861,019)
Transfers In	6,453,876	6,670,458	216,582
Expenditures	<u>35,304,135</u>	<u>33,193,634</u>	<u>2,110,501</u>
Revenues Over (Under) Expenditures	<u>\$ (674,724)</u>	<u>\$ 731,672</u>	<u>\$ 1,406,396</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, 2013. This was the twenty fifth 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, 2013. It was the ninth 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 like to express my sincere appreciation to Victoria Shanahan, Accounting Manager, who assisted and contributed to its preparation.

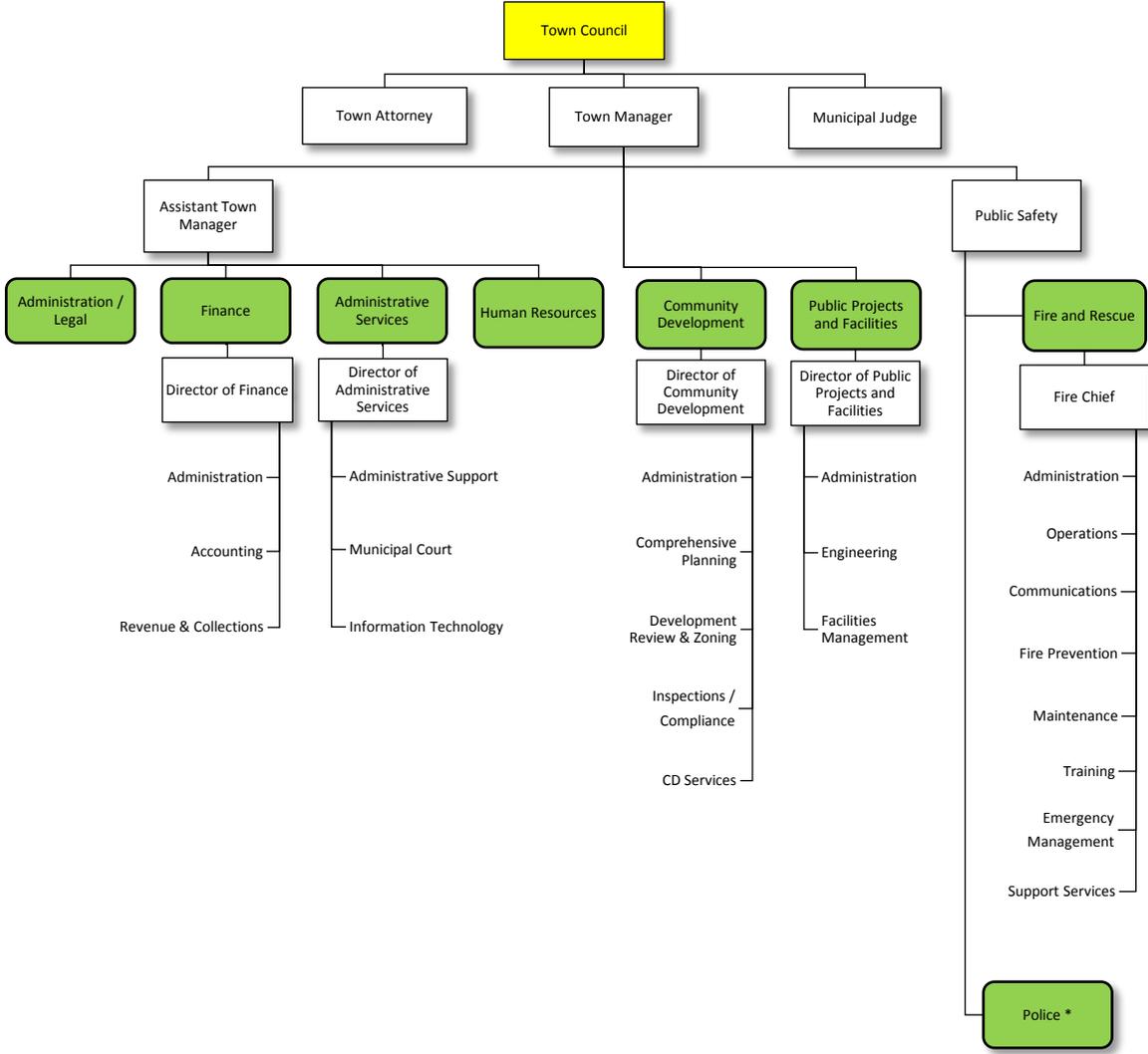
We believe that this report clearly illustrates the strong financial posture of the Town of Hilton Head Island and we wish to take this opportunity to thank you and the citizens of Hilton Head Island for the vital role you have historically played in enabling the Town to achieve and maintain this high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

Respectfully submitted,

A handwritten signature in cursive script that reads "Susan M. Simmons".

Susan Simmons
Director of Finance

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA ORGANIZATIONAL CHART



*Contract service provided by the Sheriff's Office



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 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, 2013

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, 2014, 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, 2014, 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.

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 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 and the introductory and statistical sections 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 and the agency fund statement of changes in assets and liabilities 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 and the agency fund statement of changes in assets and liabilities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014 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.

Scott and Company LLC

Columbia, South Carolina
December 2, 2014

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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, 2014. 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:

Fiscal Year	Taxable Assessed Value	% Increase/(Decrease)	Tax Revenue **
2005*	\$ 841,749,808		\$ 17,824,996
2006	\$ 815,578,269	-3.11%	\$ 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	-3.30%	\$ 17,236,337
2012	\$ 927,151,628	0.87%	\$ 17,826,129
2013	\$ 840,326,016	-9.37%	\$ 17,679,567
2014*	\$ 817,099,066	-7.85%	\$ 17,179,878

* Property in Beaufort County is reassessed once every five years on average.

** 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:

Fiscal Year	Operating Millage	Debt Service Millage	Capital Projects Millage	Total Millage
2005	14.80	2.00	5.50	22.30
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	12.57	6.01	0.75	19.33
2014	13.88	6.14	0.81	20.83

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 indexes 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 Office of Research and Statistics of the State Budget and Control Board.

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 2014 the assets of the Town exceeded liabilities by \$208,355,919. Of this amount \$21,940,464 (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 \$13,530,672 for fiscal year 2014. The balances for the governmental-type activities and business-type activities are shown in the "Statement of Activities".
- At June 30, 2014, the Town's governmental funds reported combined ending fund balances of \$67,273,167. Of the combined ending fund balance, \$3,317,899 or 4.9% 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. Other 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 liabilities, 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 funds.

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, 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.

Economic Factors

The recovery of the economy continues to have a positive impact on revenues received by the Town but varies depending on the revenue stream.

Real Estate

Real estate related revenues, especially construction permits and real estate transfer fees, are 6.2% greater than last fiscal year (according to RealEstate.com, even though the median sales price has decreased by .08% over the last three months, the Hilton Head Island area still maintains the second highest median sales price in the State of South Carolina at \$1,024,012). This positive trend is reflected in the 9.5% increase in real estate transfer fees. Construction permits are up 1% from the prior year.

	<u>RETF</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%

Tourism

While tourism-driven revenues continue to report moderate increases over the prior year, it is 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 10% 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%

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)
Current and other assets	\$ 72,348,011	\$ 76,930,893	\$ 2,318,496	\$ 2,224,679	\$ 74,666,507	\$ 79,155,572
Deferred outflows	2,205,148	-	985,102	-	3,190,250	-
Capital assets	<u>239,374,538</u>	<u>234,558,011</u>	<u>13,920,198</u>	<u>13,301,099</u>	<u>253,294,736</u>	<u>247,859,110</u>
Total assets and deferred outflow	\$ <u>313,927,697</u>	\$ <u>311,488,904</u>	\$ <u>17,223,796</u>	\$ <u>15,525,778</u>	\$ <u>331,151,493</u>	\$ <u>327,014,682</u>
Current liabilities	\$ 22,733,731	\$ 21,377,653	\$ 1,172,219	\$ 1,127,204	\$ 23,905,950	\$ 22,504,857
Long term liabilities	<u>88,129,624</u>	<u>99,084,680</u>	<u>10,760,000</u>	<u>10,599,898</u>	<u>98,889,624</u>	<u>109,684,578</u>
Total liabilities	\$ <u>110,863,355</u>	\$ <u>120,462,333</u>	\$ <u>11,932,219</u>	\$ <u>11,727,102</u>	\$ <u>122,795,574</u>	\$ <u>132,189,435</u>
Net position:						
Net investment in capital assets	\$ 147,652,780	\$ 134,730,092	\$ 3,320,300	\$ 1,985,756	\$ 150,973,080	\$ 136,715,848
Restricted	35,442,375	42,860,346	-	-	35,442,375	42,860,346
Unrestricted	<u>19,969,187</u>	<u>13,436,133</u>	<u>1,971,277</u>	<u>1,812,920</u>	<u>21,940,464</u>	<u>15,249,053</u>
Total net position	\$ <u>203,064,342</u>	\$ <u>191,026,571</u>	\$ <u>5,291,577</u>	\$ <u>3,798,676</u>	\$ <u>208,355,919</u>	\$ <u>194,825,247</u>

Net position amounted to \$208.4 million in fiscal year 2014 compared to \$194.8 million in fiscal year 2013. A significant portion of the Town's net position (\$151 million or 72.4% 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 Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year ended June 30, 2014. GASB Statement No. 65 establishes accounting and financial reporting standards that require reclassification of certain items that, in prior years, were properly reported as assets and liabilities. The Statement supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was previously adopted by the Town. Additional information on the Town's implementation of GASB Statement No. 65 can be found in Note 20 of this report.

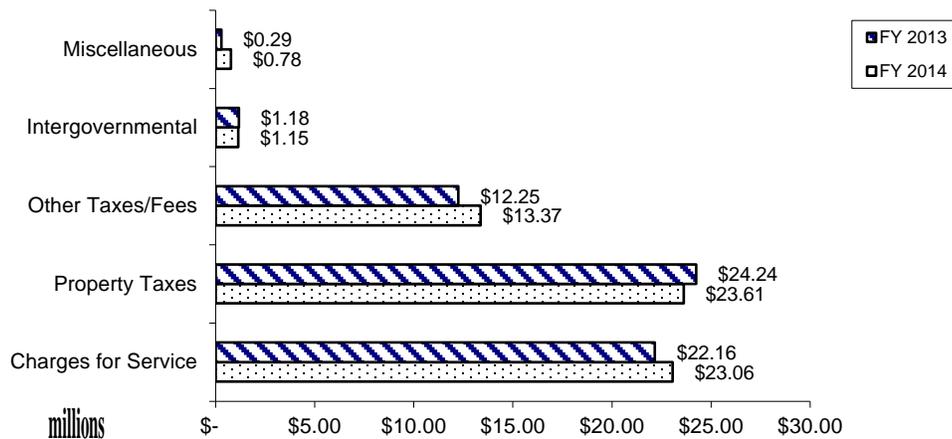
Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 23,063,766	\$ 22,164,245	\$ 3,564,300	\$ 3,580,445	\$ 26,628,066	\$ 25,744,690
Operating grants and contributions	630,208	338,378	-	-	630,208	338,378
Capital grants and contributions	-	142,116	-	-	-	142,116
General Revenues:						
Property taxes	23,613,446	24,242,142	-	-	23,613,446	24,242,142
Other taxes	13,368,820	12,246,755	-	-	13,368,820	12,246,755
Other	<u>1,937,933</u>	<u>1,793,417</u>	<u>394</u>	<u>253</u>	<u>1,938,327</u>	<u>1,793,670</u>
Total Revenues	<u>62,614,173</u>	<u>60,927,053</u>	<u>3,564,694</u>	<u>3,580,698</u>	<u>66,178,867</u>	<u>64,507,751</u>
Program Expenses:						
Governmental Activities:						
General government	5,014,153	4,457,904	-	-	5,014,153	4,457,904
Management services	5,176,878	4,781,208	-	-	5,176,878	4,781,208
Community services	15,914,686	13,292,741	-	-	15,914,686	13,292,741
Public safety	14,130,095	16,425,512	-	-	14,130,095	16,425,512
Culture and recreation	1,962,094	1,907,032	-	-	1,962,094	1,907,032
Visitor and convention bureau	1,473,482	1,341,508	-	-	1,473,482	1,341,508
Administrative	1,779,235	1,797,946	-	-	1,779,235	1,797,946
Interest on long-term debt	4,114,335	4,051,860	-	-	4,114,335	4,051,860
Loss on sale of capital assets	1,085,607	-	-	-	1,085,607	-
Business-type Activities:						
Stormwater utility	-	-	<u>1,997,630</u>	<u>1,757,863</u>	<u>1,997,630</u>	<u>1,757,863</u>
Total Expenses	<u>50,650,565</u>	<u>48,055,711</u>	<u>1,997,630</u>	<u>1,757,863</u>	<u>52,648,195</u>	<u>49,813,574</u>
Excess before transfers	<u>11,963,608</u>	<u>12,871,342</u>	<u>1,567,064</u>	<u>1,822,835</u>	<u>13,530,672</u>	<u>14,694,177</u>
Transfers	<u>74,163</u>	<u>236,130</u>	<u>(74,163)</u>	<u>(236,130)</u>	<u>-</u>	<u>-</u>
Change in net position	12,037,771	13,107,472	1,492,901	1,586,705	13,530,672	14,694,177
Net position, beginning, restated	<u>191,026,571</u>	<u>177,919,099</u>	<u>3,798,676</u>	<u>2,211,971</u>	<u>194,825,247</u>	<u>180,131,070</u>
Net position, ending	<u>\$ 203,064,342</u>	<u>\$ 191,026,571</u>	<u>\$ 5,291,577</u>	<u>\$ 3,798,676</u>	<u>\$ 208,355,919</u>	<u>\$ 194,825,247</u>

Governmental activities increased the Town's net position by \$12,037,771. This increase was \$1,069,701 less than the previous fiscal years increase. The following highlight the significant changes from the previous year:

- Property tax revenue, the Town's largest revenue source, decreased by \$628,696 or approximately 2.6%.
- Property taxes made up 38.01% of the total revenue down from 39.64% of the total in the previous fiscal year.
- Total expenses increased by \$2,594,854. The largest part of this increase is the (\$1,085,607) loss on sale of capital assets and in the community services function where the Town recognized approximately \$350 thousand more in beach maintenance expenditures.
- Investment income revenues decreased by \$17,850 from the previous fiscal year due to the continued drop in interest rates.

Revenues by Source – Governmental Activities



Business-type activities increased the Town’s net position by \$1,492,901. Stormwater revenues decreased by \$16,145 or -0.45% over the previous fiscal year.

Governmental Funds

The **General Fund**, which is the primary operating fund of the Town, recognized \$27.3 million (excluding revenue transfers in from other funds) in total revenues and \$6.7 million in other financing sources offset with \$33.2 million in expenditures. The savings plan effort started in FY 2009 was carried forward into FY 2010, FY 2011, FY 2012, FY 2013 and FY 2014. The results were quite successful; expenditures were approximately \$2.1 million less than the final budget. In addition, revenues and transfers in were \$156,914 more than budget.

Fund Balance at the beginning of the year was \$17.3 million and, when combined with the current year, resulted in an end of year Fund Balance of \$18.0 million. Of this amount, \$3.4 million is unassigned fund.

The **Debt Service Fund** recognized \$5.3 million in total revenues and \$11.1 million in other financing sources offset with \$17.1 in expenditures and other uses. This resulted in expenditures exceeding revenues and other financing sources by \$702,518. The Fund Balance at the beginning of the year was \$9.1 million and, when combined with the current year, resulted in an end of year Fund Balance of \$8.4 million.

The **Capital Projects Fund** recognized \$1.4 million in total revenues and \$7.2 million in other financing sources offset with \$13.4 million in expenditures and other uses. This resulted in expenditures exceeding revenues and other financing sources by \$4,776,743. The Fund Balance at the beginning of the year was \$16.9 million and, when combined with the current year deficit, resulted in an end of year Fund Balance of \$12.1 million.

The **Tax Increment Financing District Fund (TIF)** recognized \$6.4 million in total revenues offset with \$6.1 million in other financing uses related to debt service payments and capital expenditures. This resulted in revenues exceeding expenditures and other financing uses by \$333,506. Fund Balance at the beginning of the year was \$5.6 million and, when combined with the current year, resulted in an end of year Fund Balance of \$5.9 million.

The **Accommodations Tax Fund** recognized \$4.9 million in total revenues offset with \$3.1 million in expenditures and \$1.3 million in other financing uses. This resulted in revenues exceeding expenditures by \$531,153. Fund Balance at the beginning of the year was \$2.1 million

and, when combined with the current year resulted in an end of year Fund Balance of \$2.6 million.

The **Real Estate Transfer Fee Fund** recognized \$2.5 million in total revenues offset with \$24,689 in expenditures and \$2.2 million in other financing uses. This resulted in revenues exceeding expenditures by \$274,607. Fund Balance at the beginning of the year was \$1.2 million and, when combined with the current year, resulted in an end of year Fund Balance of \$1.5 million.

The **Beach Preservation Fee Fund** recognized \$5.6 million in total revenues offset with \$6.6 million in other financing uses. This resulted in expenditures exceeding revenues by \$943,193. Fund Balance at the beginning of the year was \$15.5 million and, when combined with the current year, resulted in an end of year Fund Balance of \$14.6 million.

The **Hospitality Fee Fund** recognized \$5.6 million in total revenues offset with \$300,000 in expenditures and \$7.5 million in other financing uses. This resulted in expenditures exceeding revenues and other financing uses by \$2,173,680. The Fund Balance at the beginning of the year was \$3.5 million and, when combined with the current year, resulted in an end of year Fund Balance of \$1.4 million.

Revenues, Expenditures and Changes in Fund Balance – Governmental Funds

2013				
<u>Fund</u>	Revenue	Expenditures	Fund Balance	Changes in Fund Balance
General	\$ 32,818,642	\$ 31,328,472	\$ 17,303,727	\$ 1,490,170
Tax Increment Financing	6,563,712	5,841,889	5,582,678	721,823
Accommodations Tax (State)	4,497,057	4,131,375	2,058,002	365,682
Real Estate Transfer Fee	2,255,361	2,174,847	1,222,178	80,514
Beach Preservation Fee	5,001,165	4,737,428	15,521,334	263,737
Hospitality Fee	7,704,466	5,180,437	3,539,517	2,524,029
Debt Service	18,452,195	15,933,636	9,106,552	2,518,559
Capital Projects Fund	13,930,995	17,485,648	16,919,415	(3,554,653)
Non-Major Governmental Funds	2,668,410	1,395,906	1,446,920	1,272,504

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.

The General Fund revenues were less than the revised budget by \$59,668. Listed below is a summary of the major revenue sources comparing actual receipts to budget:

- Real and personal property taxes were down \$322,375
- Local accommodations tax revenue was up \$104,547
- Business license and franchise fee revenue were up \$339,988
- Building permit revenue was up \$80,140
- State shared revenue was down \$1,207
- EMS and public safety revenue was down \$342,766
- Fines and fees were down \$75,553
- Investment income was up \$150

Actual General Fund expenditures were less than the revised budget by \$2.11 million. The favorable variance can be primarily attributed to the continuation of the expenditure reduction plan that was implemented in mid-year FY 2009.

Original to revised expenditure budget variances:

	Original Budget	Revised Budget	Variance
<u>General Fund by Function</u>			
General Government	\$ 1,142,681	\$ 1,126,681	\$ 16,000
Management Services	5,178,881	5,139,521	39,360
Community Services	6,785,263	7,199,150	(413,887)
Public Safety	16,780,901	16,968,400	(187,499)
Non-Departmental Townwide	3,841,743	3,875,446	(33,703)
Capital Outlay	600,300	994,937	(394,637)
	<u>\$ 34,329,769</u>	<u>\$ 35,304,135</u>	<u>\$ (974,366)</u>

CAPITAL ASSETS

The Town's investment in capital assets for its governmental activities as of June 30, 2014 and 2013 amount to \$239.4 million and \$234.6 million respectively (net of accumulated depreciation). The Town's investment in capital assets for its business-type activities as of June 30, 2014 and 2013 amount to \$13.9 million and \$13.3 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:

- Fire Station #6 Replacement \$3,322,461
- Office Park Road/USCB Project \$1,356,135
- Port Royal Ocean Point renourishment \$1,268,750
- U.S. 278/Leamington/Fresh Market Shoppes Intersection \$859,419
- Island-Wide Beach Renourishment of Port Royal \$773,373

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 162,679,882	\$ 163,938,137	\$ -	\$ -	\$ 162,679,882	\$ 163,938,137
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	9,610,583	2,314,151	1,408,999	990,067	11,019,582	3,304,218
Buildings	17,172,476	17,972,300	-	-	17,172,476	17,972,300
Furniture, fixtures and equipment	1,277,043	1,399,455	-	-	1,277,043	1,399,455
Vehicles	3,973,952	4,369,650	-	-	3,973,952	4,369,650
Imp. Other than buildings - park development	9,051,392	9,404,349	-	-	9,051,392	9,404,349
Infrastructure	<u>21,325,859</u>	<u>20,876,618</u>	<u>12,511,199</u>	<u>12,311,032</u>	<u>33,837,058</u>	<u>33,187,650</u>
	<u>\$ 239,374,538</u>	<u>\$ 234,558,011</u>	<u>\$ 13,920,198</u>	<u>\$ 13,301,099</u>	<u>\$ 253,294,736</u>	<u>\$ 247,859,110</u>

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

Proprietary Fund

In FY 2014 the Town received \$3,564,300 in stormwater fees and incurred \$2,071,886 in expenses associated with this program. Unrestricted net position at the end of the year were \$2.0 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	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 60,080,000	\$ 64,505,000	\$ -	\$ -	\$ 60,080,000	\$ 64,505,000
Certificates of participation	-	1,260,000	-	-	-	1,260,000
Tax increment financing	4,010,000	7,860,000	-	-	4,010,000	7,860,000
Revenue/Special Obligation Bonds:						
Beach preservation fees	13,700,000	16,295,000	-	-	13,700,000	16,295,000
Hospitality tax	21,100,000	21,920,000	-	-	21,100,000	21,920,000
Stormwater	-	-	11,585,000	12,390,000	11,585,000	12,390,000
	<u>\$ 98,890,000</u>	<u>\$ 111,840,000</u>	<u>\$ 11,585,000</u>	<u>\$ 12,390,000</u>	<u>\$ 110,475,000</u>	<u>\$ 124,230,000</u>

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

BUDGET HIGHLIGHTS FOR FISCAL YEAR 2015

The **General Fund's** revenues for fiscal year 2015 are budgeted at \$37.6 million, an increase of \$2,946,956 or 8.5% compared to the prior year's budgeted revenues. This includes the use of \$1,007,245 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 \$37.6 million. The largest components of the budget are personnel costs and contractual services.

The **Capital Projects Fund** appropriation is \$11.6 million. The majority of the expenditures are budgeted for Chaplin Linear Park and the Island Recreation Center Enhancement which account for \$2.8 million or 24.1% of the capital budget and \$2.6 million or 22.4% has been earmarked for the USCB Hospitality Management Program Building and Campus.

The **Debt Service Fund** provides for the payment of principal and interest payments totaling \$16.7 million. There is \$333,647 or 2% decrease in debt service costs in fiscal year 2015.

Millage Rate

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 one 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, 2014

Exhibit A

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 62,724,410	\$ 2,390,633	\$ 65,115,043
Investments	775,806	-	775,806
Accounts Receivable	6,155,520	-	6,155,520
Due from Employees	19,191	-	19,191
Due from Other Governments	2,536,767	64,180	2,600,947
Interfund Balances	136,317	(136,317)	-
Non Depreciable Capital Assets	186,573,816	1,408,999	187,982,815
Depreciable Capital Assets	52,800,722	12,511,199	65,311,921
Total assets	<u>311,722,549</u>	<u>16,238,694</u>	<u>327,961,243</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Bond Refunding	2,205,148	985,102	3,190,250
Total deferred outflows of resources	<u>2,205,148</u>	<u>985,102</u>	<u>3,190,250</u>
Total assets and deferred outflows of resources	<u>313,927,697</u>	<u>17,223,796</u>	<u>331,151,493</u>
LIABILITIES			
Accounts Payable	3,857,791	266,703	4,124,494
Accrued Payroll and Related Payables	899,063	-	899,063
Due to Other Governments	36,050	-	36,050
Unearned Revenue	172,579	-	172,579
Irrigation and Pool Surety Bonds Payable	35,200	-	35,200
Court Bonds Payable	256	-	256
Performance Bonds Payable	73,906	-	73,906
Interest Payable	845,065	80,516	925,581
Due Within Less than One Year	16,813,821	825,000	17,638,821
Due Within More than One Year	88,129,624	10,760,000	98,889,624
Total liabilities	<u>110,863,355</u>	<u>11,932,219</u>	<u>122,795,574</u>
NET POSITION			
Net investment in capital assets	147,652,780	3,320,300	150,973,080
Restricted:			
Deposits in Escrow	65,998	-	65,998
Economic Development	5,916,184	-	5,916,184
Tourism Promotion	2,589,155	-	2,589,155
Environmental Conservation	1,496,785	-	1,496,785
Beach Nourishment and Restoration	2,578,141	-	2,578,141
Public Health and Safety	1,365,837	-	1,365,837
Debt Service Payments	8,404,034	-	8,404,034
Construction of Major Capital Facilities	10,239,916	-	10,239,916
Underground Electrical Service	2,786,325	-	2,786,325
Unrestricted	19,969,187	1,971,277	21,940,464
Total net position	<u>\$ 203,064,342</u>	<u>\$ 5,291,577</u>	<u>\$ 208,355,919</u>

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, 2014**

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Primary government:							
Governmental activities:							
General Government	\$ 5,014,153	\$ 2,579,305	\$ -	\$ -	\$ (2,434,848)	\$ -	\$ (2,434,848)
Management Services	5,176,878	7,795,909	-	-	2,619,031	-	2,619,031
Community Services	15,914,686	9,055,993	-	-	(6,858,693)	-	(6,858,693)
Public Safety	14,130,095	1,163,678	459,053	-	(12,507,364)	-	(12,507,364)
Culture and Recreation	1,962,094	-	-	-	(1,962,094)	-	(1,962,094)
Visitor and Convention Bureau	1,473,482	-	-	-	(1,473,482)	-	(1,473,482)
Administration	1,779,235	2,468,881	171,155	-	860,801	-	860,801
Interest on Debt	4,114,335	-	-	-	(4,114,335)	-	(4,114,335)
Total governmental activities	<u>49,564,958</u>	<u>23,063,766</u>	<u>630,208</u>	<u>-</u>	<u>(25,870,984)</u>	<u>-</u>	<u>(25,870,984)</u>
Business-type activities:							
Stormwater	1,997,630	3,564,300	-	-	-	1,566,670	1,566,670
	<u>1,997,630</u>	<u>3,564,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,566,670</u>	<u>1,566,670</u>
Total primary government	<u>\$ 51,562,588</u>	<u>\$ 26,628,066</u>	<u>\$ 630,208</u>	<u>\$ -</u>	<u>(25,870,984)</u>	<u>1,566,670</u>	<u>(24,304,314)</u>
General revenues:							
					23,613,446	-	23,613,446
					7,735,390	-	7,735,390
					5,633,430	-	5,633,430
					1,154,196	-	1,154,196
					255,448	-	255,448
					69,810	394	70,204
					(1,085,607)	-	(1,085,607)
					458,479	-	458,479
					74,163	(74,163)	-
					<u>37,908,755</u>	<u>(73,769)</u>	<u>37,834,986</u>
					12,037,771	1,492,901	13,530,672
					191,026,571	3,798,676	194,825,247
					<u>\$ 203,064,342</u>	<u>\$ 5,291,577</u>	<u>\$208,355,919</u>

TOWN OF HILTON HEAD ISLAND

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2014

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
ASSETS										
Cash and Cash Equivalents	\$ 15,996,982	\$ 6,293,043	\$ 1,573,795	\$ 1,272,169	\$ 13,354,271	\$ 129,473	\$ 7,511,316	\$ 13,906,100	\$ 2,687,261	\$ 62,724,410
Investments	-	-	-	-	-	-	775,806	-	-	775,806
Accounts Receivable	2,641,151	-	-	-	1,933,058	1,443,267	-	-	138,046	6,155,522
Due from Employees	19,191	-	-	-	-	-	-	-	-	19,191
Interfund Receivables	1,639,874	-	-	-	66,795	151,967	116,912	1,524,377	600	3,500,525
Due from Other Governments	475,225	91,107	1,707,034	224,616	-	-	-	38,786	-	2,536,768
Total assets	<u>\$ 20,772,423</u>	<u>\$ 6,384,150</u>	<u>\$ 3,280,829</u>	<u>\$ 1,496,785</u>	<u>\$ 15,354,124</u>	<u>\$ 1,724,707</u>	<u>\$ 8,404,034</u>	<u>\$ 15,469,263</u>	<u>\$ 2,825,907</u>	<u>\$ 75,712,222</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts Payable	1,320,668	-	565,769	-	-	-	-	1,950,137	21,217	3,857,791
Accrued Payroll and Employee Benefits	899,063	-	-	-	-	-	-	-	-	899,063
Due to Other Governments	36,050	-	-	-	-	-	-	-	-	36,050
Interfund Payables	362,355	467,966	125,905	-	775,983	358,870	-	1,260,173	12,956	3,364,208
Unearned Revenue	9,524	-	-	-	-	-	-	116,281	46,774	172,579
Irrigation and Pool Bonds	35,200	-	-	-	-	-	-	-	-	35,200
Court Bonds	256	-	-	-	-	-	-	-	-	256
Performance Bonds	73,908	-	-	-	-	-	-	-	-	73,908
Total liabilities	<u>2,737,024</u>	<u>467,966</u>	<u>691,674</u>	<u>-</u>	<u>775,983</u>	<u>358,870</u>	<u>-</u>	<u>3,326,591</u>	<u>80,947</u>	<u>8,439,055</u>
Fund balances:										
Nonspendable	9,796	-	-	-	-	-	-	-	-	9,796
Restricted	65,998	5,916,184	2,589,155	1,496,785	2,578,141	1,365,837	8,404,034	10,239,916	2,786,325	35,442,375
Committed	13,593,096	-	-	-	12,000,000	-	-	-	-	25,593,096
Assigned	1,007,245	-	-	-	-	-	-	1,902,756	-	2,910,001
Unassigned	3,359,264	-	-	-	-	-	-	-	(41,365)	3,317,899
Total fund balances	<u>18,035,399</u>	<u>5,916,184</u>	<u>2,589,155</u>	<u>1,496,785</u>	<u>14,578,141</u>	<u>1,365,837</u>	<u>8,404,034</u>	<u>12,142,672</u>	<u>2,744,960</u>	<u>67,273,167</u>
Total liabilities and fund balances	<u>\$ 20,772,423</u>	<u>\$ 6,384,150</u>	<u>\$ 3,280,829</u>	<u>\$ 1,496,785</u>	<u>\$ 15,354,124</u>	<u>\$ 1,724,707</u>	<u>\$ 8,404,034</u>	<u>\$ 15,469,263</u>	<u>\$ 2,825,907</u>	<u>\$ 75,712,222</u>

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, 2014

Exhibit D

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

Ending fund balance - governmental funds	\$ 67,273,167
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	239,374,537
Losses on refunding are not financial resources and, therefore, are not reported in the funds.	2,205,147
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(845,064)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(104,943,445)</u>
Net position of governmental activities	<u><u>\$ 203,064,342</u></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, 2014

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
REVENUES										
Real and Personal Property Tax	\$ 11,447,533	\$ 6,433,568	\$ -	\$ -	\$ -	\$ -	\$ 5,064,975	\$ 667,370	\$ -	\$ 23,613,446
Accommodations Tax	2,798,783	-	4,936,607	-	-	-	-	-	-	7,735,390
Hospitality Tax	-	-	-	-	-	5,633,430	-	-	-	5,633,430
Business License and Franchise	8,772,828	-	-	-	-	-	-	-	-	8,772,828
Permits	1,377,939	-	-	-	-	-	-	-	-	1,377,939
Impact Fees	-	-	-	-	-	-	-	248,733	-	248,733
Lease	-	-	-	-	-	-	-	127,938	-	127,938
Real Estate Transfer Fees	-	-	-	2,468,881	-	-	-	-	-	2,468,881
Beach Preservation Fees	-	-	-	-	5,597,565	-	-	-	-	5,597,565
Electric Franchise Fees	-	-	-	-	-	-	-	-	2,850,918	2,850,918
State Shared Funds	805,027	-	-	-	-	-	-	349,169	-	1,154,196
Donations	273	-	-	-	-	-	-	-	-	273
Federal Reimbursement - BABS	-	-	-	-	-	-	171,155	-	-	171,155
Grants	175,391	-	-	-	-	-	-	-	289,886	465,277
EMS Revenue	1,059,918	-	-	-	-	-	-	-	-	1,059,918
Public Safety Revenue	55,103	-	-	-	-	-	-	-	-	55,103
Fines and Fees	224,447	-	-	-	-	-	-	-	-	224,447
Miscellaneous Revenue	534,944	-	-	-	-	-	-	-	-	534,944
Investment Income	2,662	1,360	478	212	4,329	391	57,136	3,099	143	69,810
Total revenues	<u>27,254,848</u>	<u>6,434,928</u>	<u>4,937,085</u>	<u>2,469,093</u>	<u>5,601,894</u>	<u>5,633,821</u>	<u>5,293,266</u>	<u>1,396,309</u>	<u>3,140,947</u>	<u>62,162,191</u>
EXPENDITURES										
Current:										
General Government	1,060,140	-	-	-	-	-	-	-	-	1,060,140
Management Services	4,818,850	-	-	-	-	-	-	-	-	4,818,850
Community Services	6,392,687	-	-	-	-	-	-	-	-	6,392,687
Public Safety	16,754,759	-	-	-	-	-	-	-	265,066	17,019,825
Non-Departmental	3,497,973	-	-	-	-	-	-	-	-	3,497,973
Culture and Recreation	-	-	1,662,094	-	-	300,000	-	-	-	1,962,094
Visitor and Convention Bureau	-	-	1,473,482	-	-	-	-	-	-	1,473,482
Administration	-	-	-	24,689	-	-	-	-	1,456,530	1,481,219
Debt service:										
Administrative charges	-	-	-	-	-	-	17,025	114,997	-	132,022
Interest	-	-	-	-	-	-	4,080,573	-	-	4,080,573
Principal Retirement	-	-	-	-	-	-	12,950,000	-	-	12,950,000
Capital outlay:										
Management Services	362,732	-	-	-	-	-	-	-	-	362,732
Community Services	14,120	-	-	-	-	-	-	12,758,899	-	12,773,019
Public Safety	264,024	-	-	-	-	-	-	-	-	264,024
Non-Departmental	28,349	-	-	-	-	-	-	-	-	28,349
Total expenditures	<u>33,193,634</u>	<u>-</u>	<u>3,135,576</u>	<u>24,689</u>	<u>-</u>	<u>300,000</u>	<u>17,047,598</u>	<u>12,873,896</u>	<u>1,721,596</u>	<u>68,296,989</u>
Excess (deficiency) of revenues over expenditures	<u>(5,938,786)</u>	<u>6,434,928</u>	<u>1,801,509</u>	<u>2,444,404</u>	<u>5,601,894</u>	<u>5,333,821</u>	<u>(11,754,332)</u>	<u>(11,477,587)</u>	<u>1,419,351</u>	<u>(6,134,798)</u>
OTHER FINANCING SOURCES (USES)										
Transfers Out	-	(6,101,422)	(1,270,356)	(2,169,797)	(6,545,087)	(7,507,501)	-	(479,485)	(121,311)	(24,194,959)
Reimbursement of Prior Year Expenditures	-	-	-	-	-	-	-	458,479	-	458,479
Proceeds from Sale of Land	-	-	-	-	-	-	-	175,000	-	175,000
Transfers In	6,670,458	-	-	-	-	-	11,051,814	6,546,850	-	24,269,122
Total other financing sources and uses	<u>6,670,458</u>	<u>(6,101,422)</u>	<u>(1,270,356)</u>	<u>(2,169,797)</u>	<u>(6,545,087)</u>	<u>(7,507,501)</u>	<u>11,051,814</u>	<u>6,700,844</u>	<u>(121,311)</u>	<u>707,642</u>
Net change in fund balance	731,672	333,506	531,153	274,607	(943,193)	(2,173,680)	(702,518)	(4,776,743)	1,298,040	(5,427,156)
Fund balance -- beginning	17,303,727	5,582,678	2,058,002	1,222,178	15,521,334	3,539,517	9,106,552	16,919,415	1,446,920	72,700,323
Fund balances -- ending	<u>\$ 18,035,399</u>	<u>\$ 5,916,184</u>	<u>\$ 2,589,155</u>	<u>\$ 1,496,785</u>	<u>\$ 14,578,141</u>	<u>\$ 1,365,837</u>	<u>\$ 8,404,034</u>	<u>\$ 12,142,672</u>	<u>\$ 2,744,960</u>	<u>\$ 67,273,167</u>

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, 2014

Exhibit F

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

Net change in fund balances - total governmental funds		\$ (5,427,156)
<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	9,770,903	
Less current year depreciation	<u>(3,693,767)</u>	6,077,136
<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>		
		13,131,962
<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>		
		(95,346)
<p>The sale 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>		
		(1,260,607)
<p>Amortization of the loss 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>		
		(172,494)
Changes in long-term debt interest payable		<u>(215,724)</u>
Change in net position of governmental activities		<u>\$ 12,037,771</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, 2014

Exhibit G

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Real and Personal Property Taxes	\$ 11,769,908	\$ 11,769,908	\$ 11,447,533	\$ (322,375)
Accommodations Tax	2,694,236	2,694,236	2,798,783	104,547
Business License and Franchise Fees	8,432,840	8,432,840	8,772,828	339,988
Permits	1,297,799	1,297,799	1,377,939	80,140
State Shared Funds	806,234	806,234	805,027	(1,207)
Donations	500	500	273	(227)
Grants	125,080	125,080	175,391	50,311
EMS Revenue	1,402,787	1,402,787	1,059,918	(342,869)
Public Safety Revenue	55,000	55,000	55,103	103
Fines and Fees	300,000	300,000	224,447	(75,553)
Miscellaneous Revenue	427,620	427,620	534,944	107,324
Investment Income	2,512	2,512	2,662	150
Total Revenues	<u>\$ 27,314,516</u>	<u>\$ 27,314,516</u>	<u>\$ 27,254,848</u>	<u>\$ (59,668)</u>
Expenditures:				
Current:				
General Government	\$ 1,142,681	\$ 1,126,681	\$ 1,060,140	\$ 66,541
Management Services	5,178,880	5,139,521	4,818,850	320,671
Public Safety	16,786,902	16,968,400	16,754,759	213,641
Community Services	6,785,264	7,199,150	6,392,687	806,463
Non-Departmental	3,841,743	3,875,446	3,497,973	377,473
Capital Outlay	594,300	994,937	669,225	325,712
Total Expenditures	<u>34,329,770</u>	<u>35,304,135</u>	<u>33,193,634</u>	<u>2,110,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,015,254)</u>	<u>(7,989,619)</u>	<u>(5,938,786)</u>	<u>2,050,833</u>
Other financing sources (uses):				
Transfers In	6,340,529	6,453,876	6,670,458	216,582
Appropriated Fund Balance	-	861,019	-	(861,019)
Total other financing sources (uses)	<u>6,340,529</u>	<u>7,314,895</u>	<u>6,670,458</u>	<u>(644,437)</u>
Net change in fund balance	(674,725)	(674,724)	731,672	<u>\$ 1,406,396</u>
Fund balance - beginning	<u>17,303,727</u>	<u>17,303,727</u>	<u>17,303,727</u>	
Fund balance - ending	<u>\$ 16,629,002</u>	<u>\$ 16,629,003</u>	<u>\$ 18,035,399</u>	

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

TOWN OF HILTON HEAD ISLAND
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

Exhibit H

	Stormwater Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,390,633
Due from other governments	64,180
Interfund receivables	93
Total current assets	2,454,906
Noncurrent assets:	
Capital assets depreciable	12,511,199
Capital assets non depreciable	1,408,999
Total noncurrent assets	13,920,198
 Total assets	 16,375,104
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	985,102
 Total assets and deferred outflows of resources	 \$ 17,360,206
LIABILITIES AND NET POSITION	
Current liabilities:	
Accounts payable	266,703
Interfund payables	136,410
Interest payable	80,516
Current portion of long-term liabilities	825,000
Total current liabilities	1,308,629
Noncurrent liabilities:	
Long-term liabilities	10,760,000
Total noncurrent liabilities	10,760,000
 Total liabilities	 12,068,629
NET POSITION	
Net investment in capital assets	3,320,300
Unrestricted	1,971,277
Total net position	\$ 5,291,577

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, 2014

Exhibit I

	Stormwater Fund
Operating revenues:	
Stormwater Fees	\$ 3,564,300
Total operating revenues	3,564,300
Operating expenses:	
Maintenance and repair	597,028
Depreciation	686,070
Administrative	289,233
Total operating expenses	1,572,331
Operating Income (Loss)	1,991,969
Nonoperating revenues (expenses):	
Administrative	(92,054)
Interest Expense	(333,245)
Interest Income	394
Total non operating (expenses)	(424,905)
Income (Loss) before transfers	1,567,064
Transfers In	93
Transfers Out	(74,256)
Change in net position	1,492,901
Total net position - beginning, restated	3,798,676
Total net position - ending	\$ 5,291,577

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, 2014

Exhibit J

	Stormwater Fund
<u>OPERATING ACTIVITIES</u>	
Receipts from other governments	\$ 3,505,632
Payments to suppliers	(650,552)
Payments to employees	(342,308)
Net cash provided by operating activities	2,512,772
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition and construction of capital assets	(1,305,169)
Payment of interest expense	(344,261)
Principal payment on bonds payable	(805,000)
Net cash used for capital and related financing activities	(2,454,430)
<u>NONCAPITAL FINANCING ACTIVITIES</u>	
Transfers to other funds	(76,662)
Net cash used for noncapital financing activities	(76,662)
<u>INVESTING ACTIVITIES</u>	
Proceeds from income on investments	394
Net cash provided by investing activities	394
Net increase (decrease) in cash and cash equivalents	(17,926)
Cash and cash equivalents, beginning of year	2,408,559
Cash and cash equivalents, end of year	\$ 2,390,633
 Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ 1,991,969
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	686,070
(Increase) decrease in operating assets:	
Due from other governments	(58,668)
Due from other funds	578
(Decrease) in operating liabilities:	
Accounts payable	(53,524)
Due to other funds	(53,653)
Net cash provided by operating activities	\$ 2,512,772

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, 2014

Exhibit K

ASSETS

Cash and Temporary Investments

\$ 40,027

LIABILITIES

Due to Firemen's Fund Association

\$ 40,027

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

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

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, 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

In March of 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54 – *Fund Balance Reporting and Government Fund Type Definitions*. This Statement establishes fund balance classifications based primarily on the extent to which the Town is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures. The Town made the decision to implement this standard effective July 1, 2010.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. This Statement defined deferred outflows of resources and deferred inflows of resources as a consumption and acquisition of net assets by the entity that is applicable to a future reporting period, respectively. This Statement also defined net position as the residual of all other elements presented in a statement of financial position. This Statement amends the reporting requirements of GASB Statement 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definition of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, with early adoption permitted. The Town has elected to adopt this accounting standard for the fiscal year ended June 30, 2014.

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

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

The Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year ended June 30, 2014. GASB Statement No. 65 establishes accounting and financial reporting standards that require reclassification of certain items that, in prior years, were properly reported as assets and liabilities. This Statement supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was previously adopted by the Town.

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 liabilities 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.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation – Fund Financial Statements (continued)

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.

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.

Net Position. Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used

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

Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on either their use either through the enabling legislation enacted by the Town or through external restriction imposed by creditors, grantors, laws, or regulations of other governments.

Deferred Outflows 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 one item that qualifies for reporting in this category. It is the deferred charge on bond refunding 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.

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.

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, 2014, 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:

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

Note 1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Property Tax Calendar

Assessment date	December 31, 2013
Property tax due	January 15, 2014
Delinquent date	January 16, 2014
Levy date	October 2014
Tax sale	First Monday in October

The County has no specific lien date.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the Government-Wide and Proprietary Fund financial statements to the extent those standards do not conflict with or contradict guidance of the GASB. The Town has elected not to apply subsequent private sector guidance.

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 enterprise fund are charges to the customers for sales and service. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense 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.

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 may be authorized by the Town Manager; however, any revisions that alter the total expenditures of any fund must be approved by Town Council.

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

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

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.

Presented budgeted amounts are as originally adopted, transferred by Town Manager, or amended by Town Council. The amendments to the budget were:

Revenues:

Hospitality Tax Transfer	\$ 55,463
Beach Preservation Fee Transfer	16,581
Sunday Liquor Permit Fee Transfer	41,303
Prior Year Funds	861,019
Total Revenue Increases	\$ 974,366

Expenditure Increases/(Decreases):

Townwide - Employee Recognition/Taxable	700
Townwide - Personnel Adjustment	(41,658)
Townwide - Professional Dues	6,200
Townwide - Professional Services	7,800
Townwide - Breakroom Supplies	5,000
Townwide - Lease Payments	525
Townwide - Security Cameras	35,000
Townwide - General Contingency	(5,000)
Townwide - Event Management and Hospitality Training	18,833
Townwide - Island Recreation Center Capital Grant	41,303
Town Council - Personnel Adjustment	(7,000)
Town Manager - Personnel Adjustment	(9,000)
Finance; Administration - Professional Services	5,035
Finance; Business License - Personnel Adjustment	(84,377)
Finance; Business License - Professional Services	(55,218)
Administration; Municipal Court - Consulting Services	5,000
Administration; Information Technology - Personnel Adjustment	62,100
Administration; Information Technology - Maintenance Contracts and Fees	32,300
Administration; Information Technology - Computer Software <\$50,000	9,000
Administration; Information Technology - Specialized Equipment	20,000
Administration; Information Technology - Computer Software =or>\$50,000	308,485
Administration; Legal Administration Support - Personnel Adjustment	(22,500)
Administration; Legal Administration Support - Record Management	10,000
Administration; Human Resources - Employee Recognition/Non-Taxable	(700)
Public Projects and Facilities; Administration - Personnel Adjustment	250
Public Projects and Facilities; Engineering - Personnel Adjustment	4,200
Public Projects and Facilities; Engineering - Closed Loop Traffic Signal Maintenance	16,798
Public Projects and Facilities; Engineering - Traffic Control Consulting	6,600
Public Projects and Facilities; Facilities Management - Personnel Adjustment	6,650
Public Projects and Facilities; Facilities Management - Beach Parks Maintenance	16,581
Public Projects and Facilities; Facilities Management - Clean Up Abandoned Property	175,000
Public Projects and Facilities; Facilities Management - Maintenance Contracts and Fees	7,525
Public Projects and Facilities; Facilities Management - Specialized Equipment	(35,000)

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

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

Expenditure Increases/(Decreases):

Community Development; Administration - Personnel Adjustment	(26,700)
Community Development; Inspection/Compliance - Personnel Adjustment	3,000
Community Development; Inspection/Compliance - Travel	(575)
Community Development; Inspection/Compliance - Meetings and Conferences	1,125
Community Development; Inspection/Compliance - Books, Subscriptions and Dues	(550)
Community Development; DRZ - Personnel Adjustment	11,600
Community Development; DRZ - Consulting Services	187,314
Community Development; DRZ - Printing and Publishing	26,569
Community Development; Services - Personnel Adjustment	700
Community Development; Comprehensive Planning - Personnel Adjustment	(22,200)
Fire & Rescue; Administration - Personnel Adjustment	67,295
Fire & Rescue; Administration - South Carolina OCHA Medical Requirements	(5,800)
Fire & Rescue; Operating - Personnel Adjustment	142,658
Fire & Rescue; Operating - Professional Services	2,498
Fire & Rescue; Fleet Maintenance - Maintenance Contracts and Fees	(750)
Fire & Rescue; Fleet Maintenance - SCBA Repair	2,877
Fire & Rescue; Fleet Maintenance - Specialized Equipment	750
Fire & Rescue; Communications - Personnel Adjustment	(9,100)
Fire & Rescue; Training - Personnel Adjustment	(23,000)
Fire & Rescue; Training - Meetings and Conferences	5,800
Fire & Rescue; Emergency Management - Personnel Adjustment	500
Fire & Rescue; E911 Communications - Personnel Adjustment	2,700
Fire & Rescue; E911 Communications - Maintenance Contracts and Fees	(2,700)
Fire & Rescue; Support Services - Personnel Adjustment	1,800
Fire & Rescue; Support Services - Maintenance Contracts and Fees	2,400
Fire & Rescue; Support Services - Specialized Equipment	55,463
Police Patrol: Equipment <\$5,000	12,577
Police Patrol: Uniforms and Protective Gear	(6,750)
Police Patrol: Safety Supplies	(5,827)
Police Patrol: Office Supplies	320
Police Patrol: Specialized Equipment	3,777
Police Patrol: Radio Equipment	1,100
Police Patrol: Vehicles	5,063
Total Expenditure Increases	\$ 974,366

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

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

Capital Projects Fund

Revenues Increases (Decreases):

Property Tax Revenue	\$ (67,013)
Proceeds from Sale of Land	17,301
State Taxes - Sunday Permit Fees	(322,307)
Impact Fees	(326,936)
Lease Revenue	119,782
General Obligation Bond Proceeds	3,831,689
Special Obligation (Hospitality Fees) Bond Proceeds	4,278,500
Prior Year Funds	597,258
Transfers In	
Beach Preservation Fees	1,075,859
Tax Increment Financing	5,387,200
Hospitality Tax	(111,467)
	<u>\$ 14,479,866</u>

Expenditures Increases (Decreases):

Pathways

Pembroke Drive	\$ 92,544
Leg O'Mutton Road	29,404
Garner Drive	(31,773)
Honey Horn Access Improvements	224,825
US 278 Wexford to Fresh Market Shoppes	18,683
US 278 Fresh Market Shoppes to Shelter Cove	144,003
US 278 Shelter Cove to Mathews Drive	2,782
US 278 Gardner Rd. to Jarvis Creek Road	(100,280)
US 278 Gumtree to Squire Pope Road	(38,260)
US 278 Village of Wexford to Arrow Road	(45,990)
Pathway Rehabilitation	3,182
	<u>299,120</u>

Road Improvements

Honey Horn Apron Improvements	(124,829)
Pedestrian Crosswalks and Refuges	16,525
Barcelona @ Port O'Call	(100,000)
US 278/Leamington/Fresh Market Shoppes	(361,114)
Mainland Transportation Improvements	400,000
Fire & Rescue Emergency Gate Controllers	(10,000)
Roadway Safety Improvements - Yacht Cove Turning Lane	14,497
Roadway Safety Improvements - Jenkins Island Right Turn Lane	(114,283)
Heritage Road Extension	2,522,232
Lemoyne Ave. Reconstruction	71,207
Mathews Drive/Chaplin Area Connectivity	905,982
Intersection Improvements - Hospital Center Boulevard	77,219
Directional Neighborhood Signs	91,856
Traffic Signal Mast Arms - Palmetto Dunes/US 278	28,607
Traffic Signal Mast Arms - Leamington/Fresh Market Shoppes/US 278	(6,440)
Traffic Signal System	25,000
Private (Dirt) Roads Acquisition	81,001
	<u>3,517,460</u>

Existing Facilities

Demolition of Structures	(27,185)
Fire Station #2 Replacement	(275,000)
Rehabilitation and Renovation of Fixed Assets	(34,832)
Town Hall Renovations	282,808
Fire Station #6 Replacement	3,653,206
Apparatus and Vehicle Replacement	11,653
	<u>3,610,650</u>

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

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (Continued)

Capital Projects Fund (Continued)

Park Development

Chaplin Community Park - Tennis Courts	(235,000)
Chaplin Linear Park w/ Boardwalk	(694,369)
Chaplin Community Park - Racketball Court	(30,000)
Chaplin Community Park - Picnic Shelters	457
Chaplin Community Park - Basketball Court	(15,000)
Public Art	(20,200)
Island Recreation Improvements	215,326
Rowing and Sailing Center	338,564
Green's Shell Park Basketball Court	(5,400)
Jarvis Creek Park Picnic Shelters	(17,164)
Collier Beach Park	1,228
	(461,558)

New Facilities/Infrastructure

Coligny/Pope Avenue Area Improvements	(1,735,209)
Office Park Road/USCB	4,050,000
Sewer Service - Barker Field	700,993
Sewer Service - SCDOT Parcel	496,820
58 Shelter Lane Building - Sheriff's Office	178,924
	3,691,528

Beach Maintenance

Beach Management	258,365
Island-Wide Beach Renourishment	524,831
Port Royal Ocean Point Project	291,436
	1,074,632

Land Acquisition

Land Acquisition	2,519,752
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Bond Costs of Issuance

108,500

Transfers Out

Debt Service Fund	119,782
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TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (Continued)

Stormwater Fund

Revenue Increases (Decreases):

Stormwater Fees	(1,425)
Prior Year Funds	1,311,710
	1,310,285

Expenditures Increases (Decreases)

Debt Service:

Interest Expense	261
Other Charges	(500)
	(239)

General:

Salaries	12,795
Travel	(4,028)
Meetings and Conferences	(414)
Public Education	(5,046)
Mapping Update	58,980
Professional Services	(40,000)
Books, Subscriptions and Dues	386
Tools and Equipment	(4,586)
Uniforms and Protective Gear	(543)
Cellular Phones	357
Vehicle Fuel	571
Legal	(1,500)
Administrative Fees	(2,409)
Water Quality Monitoring	265
	14,828

Hilton Head Plantation Stormwater Improvements:

Stormwater Maintenance	(61,069)
Infrastructure Improvements	180,910
Golden Hind	(10,000)
Isabella Court	675
Bear Creek Outfall	(95,696)
Cypress Golf Course Sinkhole	36,000
Sweetwater	25,000
	75,820

Indigo Run Plantation Stormwater Improvements

Stormwater Maintenance	(15,280)
Wiler's Creek Bank Stabilization	(64,956)
Colonial Drive Flooding	10,000
Long Reach Hoe Work	26,640
	(43,596)

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

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (Continued)

Stormwater Fund (continued)

Long Cove Club Stormwater Improvements

Stormwater Maintenance	(12,952)
Friendfield Court Wier Dam Repair	22,000
Inventory and Modeling	(66,000)
	(56,952)

Leamington Plantation Stormwater Improvements

Stormwater Maintenance	(13,410)
Inventory and Modeling	55,777
	42,367

Palmetto Dunes Plantation Stormwater Improvements

Drainage	(672)
Mooring Buoy Culvert Replacement	(25,000)
Longboat to Man O' War Pipe Cleaning	26,285
Queens Folly Flooding	(2,947)
Inventory and Modeling	169,905
	167,571

Palmetto Hall Plantation Stormwater Improvements

Stormwater Maintenance	7,299
	7,299

Port Royal Plantation Stormwater Improvements

Stormwater Maintenance	(24,579)
Culvert Upgrade	(42)
Clearing Siltation Upstream of Outflow	10,395
Scarborough Channel Widening	(100,000)
Infrastructure Improvements	128,396
	14,170

Shipyard Plantation Stormwater Improvements

Stormwater Maintenance	(10,154)
Cordillo Parkway along Townhouse	(38,565)
Golfmaster Villas	32,106
Tennismaster	34,720
Long Reach Hoe Work	11,630
Shipyard Raquet Club and Port O' Call	53,968
Pump Station	2,845
	86,550

Sea Pines Plantation Stormwater Improvements

Stormwater Maintenance	(5,582)
Lawton Drive and Lawton Road Pipe Cleaning	(288)
Baynard Cove Outfall Structure Cleaning	(20,000)
Baynard Cove Outfall Gate Replacement	(10,000)
Governor's Road	60,000
Pump Station	379,449
	403,579

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

Note 1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (Continued)

Stormwater Fund (continued)

Wexford Plantation Stormwater Improvements

Stormwater Maintenance	(14,033)
Ditch Work Along Powerline Easement	25,462
Generator Permanent Mount	(11,782)
Inventory and Modeling	(90,000)
Wexford Club Drive Flooding	(50,000)
Pump Station	269,003
	128,650

Beaufort County Stormwater Improvements

Stormwater Maintenance	730
Tabby Walk	74
Channel Maintenance of Easements	35,041
	35,845

Non PUD Stormwater Improvements

Stormwater Maintenance	(216,099)
Nassau/Tanglewood	(30,550)
Gumtree Road Outfall Channel at Katie Miller Road	60,000
Gumtree Road South Outfall	735
Arrow Road Rear Channel Maintenance	(1,166)
Mathews Drive at Matilda Drive Bank Erosion	(30,000)
Firethorn Lane Pipe Replacement	12,105
Old Woodlands and Pond Weir Channel Work	17,625
Unaffiliated Watersheds	(42,097)
Myrtle Lane and Hickory Lane Improvements	575,982
Executive Park Drainage Outfall	28,611
Sea Cloisters/Folly Field Maintenance	6,726
Long Reach Hoe/Northridge System Maintenance	99,375
Pump Stations	(61,215)
	420,032

State of South Carolina Stormwater Improvements

Arrow Road Improvements	2,350
Fish Haul Culverts	(21)
Bermuda	5,572
US 278 Flooding	(5,000)
Folly Field Road Improvements	11,460
	14,361

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

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 (enterprise) 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 are 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

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 deferred and 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

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 designee of the Town Council. Unassigned fund balance in the General Fund is the new 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, 2014, the Town evaluated events and transactions for potential recognition or disclosure through December 2, 2014.

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	\$ 15,996,982	\$ -	\$ 15,996,982
Tax Increment Financing	6,293,043	-	6,293,043
Accommodations Tax	1,573,795	-	1,573,795
Real Estate Transfer Fees	1,272,169	-	1,272,169
Beach Preservation Fees	13,354,271	-	13,354,271
Debt Service	7,511,316	775,806	8,287,122
Hospitality Tax	129,473	-	129,473
Capital Projects	13,906,100	-	13,906,100
Town Franchise Fees	2,641,355	-	2,641,355
Home Grant	45,906	-	45,906
Total Governmental Activities	<u>\$ 62,724,410</u>	<u>\$ 775,806</u>	<u>\$ 63,500,216</u>
Business-Type Activities:			
Stormwater Utility Fees	<u>\$ 2,390,633</u>	<u>\$ -</u>	<u>\$ 2,390,633</u>

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

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, 2014, the \$ 65,113,493 carrying balance and \$ 65,423,795 bank balance were held in various banks of which \$ 510,667 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 \$ 1,550 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, 2014, the Town had investments and maturities as shown below:

	Fair Value	1 Year
Federal Home Loan Bank Discount Note	775,806	775,806
Total	\$ 775,806	\$ 775,806

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

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. **Safety** – 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 market 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, 2014, the Town had debt securities and quality ratings as shown below:

	Fair Value	Quality Rating Aaa (Moody's)
Federal Home Loan Bank Discount Note	775,806	775,806
	\$ 775,806	\$ 775,806

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

Note 3. Receivables

At June 30, 2014, 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	\$ 374,577	\$ -	\$ -	\$ -	\$ 374,577
Local accommodations taxes	966,529	-	-	-	966,529
Business licenses	1,083,978	-	-	-	1,083,978
Other receivables	216,067	-	-	138,046	354,113
Beach preservation fees	-	1,933,058	-	-	1,933,058
Hospitality taxes	-	-	1,443,267	-	1,443,267
Total Receivables	\$ 2,641,151	\$ 1,933,058	\$ 1,443,267	\$ 138,046	\$ 6,155,522
Receivables from Employees:					
Cobra Insurance	\$ (9,018)	\$ -	\$ -	\$ -	\$ (9,018)
Computer Purchases*	28,209	-	-	-	28,209
Total Receivables from Employees	\$ 19,191	\$ -	\$ -	\$ -	\$ 19,191

*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, 2014 for which payment was received/made after June 30, 2014.

Governmental activities interfund receivables and payable balances at June 30, 2014 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	\$ -	\$ 152,106	\$ 125,905	\$ -	\$ -	\$ 1,257,613	\$ 8,295	\$ 95,955	\$ 1,639,874
Capital Project Fund	28,641	315,860	-	358,870	775,983	-	4,568	40,455	1,524,377
Hospitality Fee	149,407	-	-	-	-	2,560	-	-	151,967
Beach Preservation Fees	66,795	-	-	-	-	-	-	-	66,795
Non-Major Governmental	600	-	-	-	-	-	-	-	600
Proprietary Fund	-	-	-	-	-	-	93	-	93
Debt Service Fund	116,912	-	-	-	-	-	-	-	116,912
Total	\$ 362,355	\$ 467,966	\$ 125,905	\$ 358,870	\$ 775,983	\$ 1,260,173	\$ 12,956	\$ 136,410	\$ 3,500,618

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, 2014 are summarized below:

<u>Recipient Fund</u>	<u>Transferring Fund</u>	<u>Amount</u>
General Fund	Tax Increment Financing	\$ 163,775
General Fund	Accommodations Tax	1,270,356
General Fund	Hospitality Fee	3,570,012
General Fund	Beach Preservation Fee	1,111,138
General Fund	Capital Projects Fund	359,703
General Fund	Non-Major Governmental Fund	121,216
General Fund	Proprietary Fund	74,258
Capital Projects Fund	Beach Preservation Fee	2,327,672
Capital Projects Fund	Hospitality Fee	2,374,820
Capital Projects Fund	Tax Increment Financing	1,844,358
Debt Service Fund	Capital Projects Fund	119,782
Debt Service Fund	Tax Increment Financing	4,093,289
Debt Service Fund	Real Estate Transfer Fee	2,169,797
Debt Service Fund	Hospitality Fee	1,562,670
Debt Service Fund	Beach Preservation Fee	3,106,276
		<u>\$ 24,269,122</u>

Note 5. Due To or From Other Governments

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

<u>General Fund</u>	
Property Taxes - Beaufort County	\$ 208,063
Beaufort County - Oceanwoods Landscaping	4,725
E 911 - Beaufort County	57,436
Dispatch/ EMS 911 - Beaufort County	12,500
State of South Carolina - Aid to Sub-Division	176,555
State of South Carolina - Traffic Signal Maintenance	11,525
State of South Carolina - Road Repairs	1,524
State of South Carolina - Merchant Inventory	2,897
	<u>\$ 475,225</u>

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

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

<u>Capital Projects Fund</u>	
State Sunday Liquor Fees	\$ 38,786
	38,786
<u>Accommodations Taxes</u>	
State of South Carolina	1,707,034
	1,707,034
<u>Real Estate Transfer Fees</u>	
Beaufort County	224,616
	224,616
<u>Tax Increment Financing District</u>	
Beaufort County	91,107
	91,107
Total Due from Other Governments	\$ 2,536,768
	2,536,768
<u>Proprietary Fund</u>	
Beaufort County	64,180
	64,180

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

<u>General Fund</u>	
Municipal Court State Fees - SC State Treasurer	\$ 30,447
Beaufort County Sheriff's Office - Escrow	808
State of South Carolina - Sales & Use Tax	4,795
	36,050
Total Due to Other Governments	\$ 36,050
	36,050

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, 2014, 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

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, 2014, were distributed as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
General	Long-term employee receivables	\$ 9,796
Restricted		
General	Deposits in escrow	65,998
Tax Increment Financing District	Economic development	5,916,184
Accommodations Tax	Tourism promotion	2,589,155
Real Estate Transfer Fee	Environmental conservation	1,496,785
Beach Preservation Fee	Beach nourishment and restoration	2,578,141
Hospitality Fee	Public health and safety	1,365,837
Debt Service	Debt service payments	8,404,034
Capital Projects	Construction of major capital facilities	10,239,916
Palmetto Electric	Underground electrical service	2,786,325
Committed		
General	Disaster reserve	13,593,096
Beach Preservation Fee	Beach renourishment	12,000,000
Assigned		
General	FY 15 Budget	1,007,245
Capital Projects	FY 15 Budget	1,902,756
Unassigned		
HOME grant	HOME grant program	(8,568)
Operating Grants	Operating grants	(32,797)
General		<u>3,359,264</u>
Total Fund Balances		<u>\$ 67,273,167</u>

**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 a disaster 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 Disaster 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	\$ 1,320,668	\$ 565,769	\$ 1,950,137	\$ 21,217	\$ 266,703	\$ 4,124,494
Accrued payroll	899,063	-	-	-	-	899,063
Total payables	\$ 2,219,731	\$ 565,769	\$ 1,950,137	\$ 21,217	\$ 266,703	\$ 5,023,557

**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 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	\$ 9,524
Capital Projects Fund	116,281
Nonmajor Governmental Fund - Home Grant	46,774
	\$ 172,579

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 miscellaneous funds associated with the Town's Tree Fund.

3. Nonmajor Governmental Fund – Home Grant

The unearned revenue in the Home Grant Fund is surplus 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	\$ 239,374,538	\$ 13,920,198
Less: General obligation bonds	(60,080,000)	-
Special obligation bonds	(34,800,000)	(11,585,000)
TIF Bonds	(4,010,000)	-
Bond premiums	(2,004,461)	-
Add: Loss on refunding	2,205,148	985,102
Unspent bond proceeds	6,967,555	-
	147,652,780	3,320,300
Restricted for:		
Deposits in escrow	65,998	-
Economic development	5,916,184	-
Tourism promotion	2,589,155	-
Environmental conservation	1,496,785	-
Beach nourishment and restoration	2,578,141	-
Public health and safety	1,365,837	-
Debt service payments	8,404,034	-
Construction of major capital facilities	10,239,916	-
Underground electrical service	2,786,325	-
Unrestricted:	19,969,187	1,971,277
Total net position	\$ 203,064,342	\$ 5,291,577

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

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 2014: \$ 1,473,482) and thirty percent (30%, FY 2013: \$1,341,508) 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 project will lapse if the project is not underway by July 1 of the year following appropriation. The appropriation can be extended, annually, until the funds are expended. No appropriations were lapsed during the fiscal year ended June 30, 2014.

Recapped below are the grant appropriations and expenditures for the year ended June 30, 2014:

	<u>Appropriations</u>	<u>Expenditures</u>
<u>Grants (not Town related)</u>		
Art League of Hilton Head Island	\$ 40,000	\$ 18,078
Art League of Hilton Head Island	45,000	-
Arts Center of Coastal Carolina	365,000	365,000
Arts Center of Coastal Carolina	86,000	86,000
Coastal Discovery Museum	168,000	81,637
Coastal Discovery Museum	185,000	90,913
David M. Carmines Memorial Foundation	4,000	4,000
Harbour Town Merchants Association - 4th of July Fireworks	9,000	8,000
Heritage Library Foundation	10,000	3,888
Heritage Library Foundation	17,150	-
Hilton Head Choral Society	12,000	6,000
Hilton Head Choral Society	18,000	-
Hilton Head Dance Theatre	12,000	12,000
Hilton Head Dance Theatre	12,000	4,377
Hilton Head Island Concourse D'Elegance	134,000	134,000
Hilton Head Institute	25,000	21,500
Hilton Head Island St. Patrick's Day Parade	12,000	5,249
Hilton Head Island-Bluffton Chamber of Commerce Marketing	250,000	186,591
Hilton Head Island-Bluffton Chamber of Commerce Marketing	330,000	123,716
Hilton Head Symphony Orchestra	200,000	200,000
Hilton Head Wine and Food	100,350	65,251
Lowcountry Golf Course Owners Association	50,000	25,000
Lowcountry Golf Course Owners Association	50,000	25,000
Main Street Youth Theatre	12,000	12,000
Main Street Youth Theatre	12,000	4,186
Mitchelville Preservation Project	15,000	15,000
Mitchelville Preservation Project	28,000	4,543
Native Island Business and Community Affairs Association	79,673	32,354
Native Island Business and Community Affairs Association	95,000	44,236
Shelter Cove Harbour Company - 4th of July Fireworks	8,000	8,000
Shelter Cove Harbour Company - 4th of July Fireworks	9,000	-
Skull Creek July 4th Celebration	8,000	2,445
Skull Creek July 4th Celebration	9,000	-
South Carolina Lowcountry & Resort Islands Tourism Commission	15,000	15,000
South Carolina Repertory Company	12,000	12,000
The Sandbox: An Interactive Children's Museum	50,000	23,976
The Sandbox: An Interactive Children's Museum	50,000	22,154
Total Grants (not Town related)	<u>\$ 2,537,173</u>	<u>\$ 1,662,094</u>
<u>Other Financing Uses</u>		
Transfer to General Fund	\$ 999,776	\$ 1,270,356
Total Other Financing Uses	<u>\$ 999,776</u>	<u>\$ 1,270,356</u>

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

Note 9. Accommodations Tax Fund (continued)

The more significant projects and the related commitments are as follows:

Cultural Council

Town Council approved grants for the Arts Center of Coastal Carolina for the visual and performing arts. A total of \$ 451,000 was approved for operations during 2013/2014.

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>
2004	2,080,000	(1,993,143)	(30,684)	56,173
2005	2,087,265	(1,874,900)	(2,500)	209,865
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

Town council has approved amounts for 2014/2015 grants as follows:

Art League of Hilton Head	\$ 45,000
David M. Carmines Memorial Foundation	4,000
Harbour Town Merchants Association	9,000
Hilton Head Choral Society	18,000
Hilton Head Concours d'Elegance	134,000
Hilton Head Dance Theater	12,000
Hilton Head Wine and Food	100,350
Hilton Head St. Patrick's Day Parade	12,000
Hilton Head-Bluffton Chamber of Commerce	330,000
Hilton Head Symphony Orchestra	200,000
Italian American Club of Hilton Head	5,000
Lowcountry Golf Course Owners Association	50,000
Main Street Youth Theater	12,000
Mitchelville Preservation Project	28,000
Native Island Business & Community Affairs	95,000
Shelter Cove Harbour Company	9,000
Skull Creek July 4th Celebration	9,000
SC Lowcountry & Resort Islands Tourism	15,000
South Carolina Repertory Company	12,000
Coastal Discovery Museum	185,000
Heritage Library Foundation	17,150
The Sandbox: An Interactive Children's Museum	50,000
	<u>\$ 1,351,500</u>

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

Note 10. Long-Term Obligations

The Town issues three types of bonds: general obligation, tax increment financing (TIF), and revenue. The bonds are used for the acquisition and construction of major capital facilities, as well as the purchase of land. The Town presently has \$98.9 million in outstanding bonds associated with governmental type activities and \$11.6 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).

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
2015	\$ 3,702,756	\$ 12,995,000	\$ 16,697,756	\$ 322,063	\$ 825,000	\$ 1,147,063
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
2020-2024	8,821,887	26,795,000	35,616,887	731,696	5,010,000	5,741,696
2025-2029	4,451,178	15,690,000	20,141,178	92,435	2,205,000	2,297,435
2030-2034	1,917,599	9,100,000	11,017,599	-	-	-
2035-2038	171,796	3,015,000	3,186,796	-	-	-
Total	\$ 30,517,681	\$ 98,890,000	\$ 129,407,681	\$ 2,198,146	\$ 11,585,000	\$ 13,783,146

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

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.

Assessed Value as of June 30, 2014		\$ 817,099,066
Debt Limit - Eight Percent (8%) of Assessed Value, without voter's approval		65,367,925
Council Imposed 80% Cap		52,294,340
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds 2009A (Refunding of Series 1999A)	4,520,000	
General Obligation Bonds 2013A (Partial)	3,706,667	
Total Amount Applicable to Debt Limit		8,226,667
Legal Debt Margin without a Referendum		\$ 44,067,673

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

Note 10. Long-Term Obligations (continued)

GOVERNMENTAL ACTIVITIES

\$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
2015	4.000	\$ 721,590	\$ 1,710,000	\$ 2,431,590
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
2020-2024	various	690,278	6,500,000	7,190,278
2025	various	17,937	820,000	837,937
		\$ 3,434,240	\$ 16,705,000	\$ 20,139,240

Ad Valorem tax revenues of the Debt Service Fund are used to repay the first \$1,260,489 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
2015	4.000	\$ 377,137	\$ 720,000	\$ 1,097,137
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
2020-2024	various	579,619	4,860,000	5,439,619
		<u>\$ 2,128,306</u>	<u>\$ 8,770,000</u>	<u>\$ 10,898,306</u>

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
2015	2.400	\$ 132,296	\$ 360,000	\$ 492,296
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
2020-2024	various	269,633	2,165,000	2,434,633
2025	3.500	8,400	480,000	488,400
		<u>\$ 843,640</u>	<u>\$ 4,520,000</u>	<u>\$ 5,363,640</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)

\$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
2015	3.250	\$ 517,678	\$ 450,000	\$ 967,678
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
2020-2024	various	1,866,000	2,745,000	4,611,000
2025-2029	various	1,201,060	2,280,000	3,481,060
2030-2034	various	588,330	2,475,000	3,063,330
2035	5.650	31,640	560,000	591,640
		<u>\$ 6,105,092</u>	<u>\$ 10,425,000</u>	<u>\$ 16,530,092</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
2015	2.000	\$ 353,444	\$ 630,000	\$ 983,444
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
2020-2024	various	1,139,519	3,695,000	4,834,519
2025-2029	various	484,344	4,370,000	4,854,344
		<u>\$ 3,243,783</u>	<u>\$ 11,320,000</u>	<u>\$ 14,563,783</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
2015	4.000	\$ 182,778	\$ 147,222	\$ 330,000
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
2020-2024	various	700,306	944,444	1,644,750
2025-2029	various	474,944	1,172,000	1,646,944
2030-2034	various	235,472	1,408,333	1,643,805
2035	4.000	12,668	316,889	329,557
		<u>\$ 2,276,224</u>	<u>\$ 4,633,333</u>	<u>\$ 6,909,557</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
2015	4.000	\$ 146,222	\$ 117,778	\$ 264,000
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
2020-2024	various	560,244	755,556	1,315,800
2025-2029	various	379,956	938,000	1,317,956
2030-2034	various	188,378	1,126,667	1,315,045
2035	4.000	10,132	253,111	263,243
		<u>\$ 1,820,976</u>	<u>\$ 3,706,667</u>	<u>\$ 5,527,643</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)

\$19,000,000 Beach Preservation Fees Revenue Bonds Dated August 23, 2006

On August 23, 2006, the Town issued \$19,000,000 in revenue bonds to fund the Town's beach renourishment project. 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
2015	5.000	\$ 67,500	\$ 2,700,000	\$ 2,767,500
		<u>\$ 67,500</u>	<u>\$ 2,700,000</u>	<u>\$ 2,767,500</u>

The Town is required to maintain a reserve for the beach preservation bonds. The original required deposit was 10% of the stated amount of the certificates or \$1,900,180. The Town has allowed the investment income to remain in the reserve. At June 30, 2014, \$1,900,062 was the fair value amount held in the reserve which is reported in the Debt Service Fund. Beach preservation fees are transferred annually to the Debt Service Fund in an amount sufficient to repay the annual debt service.

\$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
2015	2.000	\$ 218,394	\$ 410,000	\$ 628,394
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
2020-2024	various	669,169	2,475,000	3,144,169
2025-2028	various	217,168	2,295,000	2,512,168
		<u>\$ 1,893,681</u>	<u>\$ 6,915,000</u>	<u>\$ 8,808,681</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, 2014, \$601,728 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

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
2015	2.000	\$ 576,419	\$ 425,000	\$ 1,001,419
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
2020-2024	various	2,347,119	2,655,000	5,002,119
2025-2029	various	1,667,369	3,335,000	5,002,369
2030-2034	various	905,419	4,090,000	4,995,419
2035-2036	4.125	117,356	1,885,000	2,002,356
		<u>\$ 7,819,508</u>	<u>\$ 14,185,000</u>	<u>\$ 22,004,508</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, 2014, \$1,070,049 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

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
2015	4.000	\$ 296,338	\$ 1,315,000	\$ 1,611,338
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>\$ 771,771</u>	<u>\$ 11,000,000</u>	<u>\$ 11,771,771</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, 2014, \$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.

\$8,000,000 Tax Increment Bonds Dated June 25, 2004

On June 25, 2004, the Town issued \$8,000,000 in tax increment bonds for paying principal and interest on the tax increment bond anticipation note of \$4,530,000 which matured June 25, 2004, and for financing redevelopment 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
2015	4.650	\$ 22,669	\$ 975,000	\$ 997,669
		<u>\$ 22,669</u>	<u>\$ 975,000</u>	<u>\$ 997,669</u>

\$22,000,000 Tax Increment Bonds Dated April 17, 2008

On April 17, 2008, the Town issued \$22,000,000 in tax increment bonds for redevelopment projects associated with the Town's TIF (Tax Increment Financing District.) 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
2015	2.9750	\$ 90,291	\$ 3,035,000	\$ 3,125,291
		<u>\$ 90,291</u>	<u>\$ 3,035,000</u>	<u>\$ 3,125,291</u>

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

Note 10. Long-Term Obligations (continued)

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, 2014, \$28,415,000 of bonds are considered defeased debt.

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. 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
2015	2.780	\$ 322,063	\$ 825,000	\$ 1,147,063
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
2020-2024	2.780	731,696	5,010,000	5,741,696
2025-2026	2.780	92,435	2,205,000	2,297,435
		\$ 2,198,146	\$ 11,585,000	\$ 13,783,146

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
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 64,505,000	\$ -	\$ 4,425,000	\$ 60,080,000	\$ 4,135,000
Certificates of participation	1,260,000	-	1,260,000	-	-
Tax increment financing	7,860,000	-	3,850,000	4,010,000	4,010,000
Special Obligation Bonds:					
Beach preservation fees	16,295,000	-	2,595,000	13,700,000	4,015,000
Hospitality tax	21,920,000	-	820,000	21,100,000	835,000
Premium on bonds	2,186,424	-	181,963	2,004,461	174,726
Total bonds and notes payable	<u>114,026,424</u>	<u>-</u>	<u>13,131,963</u>	<u>100,894,461</u>	<u>13,169,726</u>
Other liabilities:					
Compensated absences	3,953,638	2,050,746	1,955,400	4,048,984	3,644,095
Total other liabilities	<u>3,953,638</u>	<u>2,050,746</u>	<u>1,955,400</u>	<u>4,048,984</u>	<u>3,644,095</u>
Governmental activities long-term liabilities	<u>\$ 117,980,062</u>	<u>\$ 2,050,746</u>	<u>\$ 15,087,363</u>	<u>\$ 104,943,445</u>	<u>\$ 16,813,821</u>
Business-type Activities:					
Bonds and notes payable:					
Stormwater fees	12,390,000	-	805,000	11,585,000	825,000
Total bonds and notes payable	<u>12,390,000</u>	<u>-</u>	<u>805,000</u>	<u>11,585,000</u>	<u>825,000</u>
Business-type activities long-term liabilities	<u>\$ 12,390,000</u>	<u>\$ -</u>	<u>\$ 805,000</u>	<u>\$ 11,585,000</u>	<u>\$ 825,000</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, 2014 was as follows:

<u>Primary Government</u>	Beginning Balances	Increases	Decreases	Ending Balance
Government activities:				
Capital assets not being depreciated:				
Land	\$ 163,938,137	\$ 19,752	\$ (1,278,007)	\$ 162,679,882
Development Rights	10,734,391	-	-	10,734,391
Easements/Right-of-Ways	3,548,960	-	-	3,548,960
Construction in progress	2,314,151	9,613,650	(2,317,218)	9,610,583
Total capital assets not being depreciated	<u>180,535,639</u>	<u>9,633,402</u>	<u>(3,595,225)</u>	<u>186,573,816</u>
Capital assets being depreciated:				
Buildings	26,975,700	169,705	-	27,145,405
Furniture, fixtures and equipment	5,475,381	331,032	(63,544)	5,742,869
Vehicles	7,108,958	104,536	(92,739)	7,120,755
Imp. other than buildings - park development	12,005,601	127,691	-	12,133,292
Infrastructure	32,088,580	1,739,154	-	33,827,734
Total capital assets being depreciated	<u>83,654,220</u>	<u>2,472,118</u>	<u>(156,283)</u>	<u>85,970,055</u>
Less accumulated depreciation for:				
Buildings	9,003,400	969,529	-	9,972,929
Furniture, fixtures and equipment	4,075,926	453,444	(63,544)	4,465,826
Vehicles	2,739,308	500,234	(92,739)	3,146,803
Imp. other than buildings - park development	2,601,252	480,648	-	3,081,900
Infrastructure	11,211,962	1,289,913	-	12,501,875
Total accumulated depreciation	<u>29,631,848</u>	<u>3,693,768</u>	<u>(156,283)</u>	<u>33,169,333</u>
Total capital assets being depreciated, net	<u>54,022,372</u>	<u>(1,221,650)</u>	<u>-</u>	<u>52,800,722</u>
Government activity capital assets, net	<u>\$ 234,558,011</u>	<u>\$ 8,411,752</u>	<u>\$ (3,595,225)</u>	<u>\$ 239,374,538</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 990,067	\$ 772,416	\$ (353,484)	\$ 1,408,999
Total capital assets not being depreciated	<u>990,067</u>	<u>772,416</u>	<u>(353,484)</u>	<u>1,408,999</u>
Capital assets being depreciated:				
Infrastructure	17,151,239	886,237	-	18,037,476
Total capital assets being depreciated	<u>17,151,239</u>	<u>886,237</u>	<u>-</u>	<u>18,037,476</u>
Less accumulated depreciation for:				
Infrastructure	4,840,207	686,070	-	5,526,277
Total accumulated depreciation	<u>4,840,207</u>	<u>686,070</u>	<u>-</u>	<u>5,526,277</u>
Total capital assets being depreciated, net	<u>12,311,032</u>	<u>200,167</u>	<u>-</u>	<u>12,511,199</u>
Business-type activity capital assets, net	<u>\$ 13,301,099</u>	<u>\$ 972,583</u>	<u>\$ (353,484)</u>	<u>\$ 13,920,198</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.

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

Note 11. Capital Assets (continued)

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

Governmental activities:	
General Government	\$ 332,344
Management Services	180,601
Community Services	1,852,549
Public Safety	<u>1,328,274</u>
Total depreciation expense - governmental activities	<u>\$ 3,693,768</u>
 Business-type activities:	
Stormwater	<u>\$ 686,070</u>
Total depreciation expense - business-type activities	<u>\$ 686,070</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, 2014, the following categories of projects were budgeted and expenditures were made as shown:

Public Facilities	\$ 2,601,826
Park Development	707,640
Land and Related Acquisitions and Improvements	19,752
Beach Maintenance	2,326,444
Facilities Improvements	4,118,687
Roadway Improvements	1,548,042
Pathways Improvements	1,436,508
Total	<u>\$ 12,758,899</u>

Note 13. Contracted Commitments and Operating Leases

Commitments

At June 30, 2014, the Town had contractual commitments of approximately \$13,302,962 in progress. Through June 30, 2014, approximately \$8,212,632 in costs had been incurred on these commitments. At June 30, 2014, the Town had outstanding contractual commitments totaling approximately \$5,090,330 for projects in progress.

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

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:

2015	\$ 77,669
2016	24,001
2017	24,001
2018	1
2019	1
	<u>\$ 125,673</u>

At June 30, 2014, future minimum payment under noncancelable operating leases with remaining terms in excess of one year were as follows:

2015	\$ 60,353
2016	32,572
2017	30,569
2018	29,118
2019	21,343
	<u>\$ 173,955</u>

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, 2014, 2013 and 2012, employer contributions were based on a total payroll of \$7,907,699, \$7,635,178, and \$7,932,369, respectively. The amount contributed by the employer for the year ended June 30, 2014 was \$688,480 or 8.7% of covered payroll. During the years ended June 30, 2013 and 2012, \$653,453 and \$670,941 were contributed to the plan by the employer, respectively. Employee contributions to the plan were \$583,232 or 7.4% of covered payroll for year ended June 30, 2014. Employees who participate in the PORS plan made contributions of \$75,614 to the 401(k). No match was made for these contributions.

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

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 State of South Carolina Retirement Systems, a Division of the State Budget and Control Board.

Both employers and employees are required to contribute to the plans under authority of Title 9 of the South Carolina Code of Law. Mandatory employee contributions of 7.84% of their total earnings are made through payroll deductions. Employees hired before July 1, 1995 only contribute 3.5% and the Town pays the remaining 3.5%. For the year ended June 30, 2014, \$7,819,385 of wages was subject to retirement plan contributions. The Town pays the employer contribution at the rate of 11.900% of member salaries except for employees hired before July 1, 1995 for whom the employer contribution rate is 15.94%. During the year ended June 30, 2014, a total of \$1,092,641 was contributed into the System for the Town's share and \$490,071 for the employees' share, which represented 13.82% and 6.2% of covered payroll, respectively. During the years ended June 30, 2013 and 2012, \$1,000,670 and \$991,997 were contributed to the system for the Town's share, representing 13.11% and 13.10% of covered payroll, respectively. The Town also contributes .004% of salary for group life contributions and accidental death contributions. All employees contribute at the actuarially required contribution rate. Employees vest after five years and are entitled to a deferred annuity commencing at age 55. Employees who retire at age 55 with 5 years of service or have twenty-five years of credited service are entitled to a retirement benefit, payable monthly for life equal to 2.14% of average final compensation times years of credited service. The System also provides disability benefits and cost of living adjustments on an ad-hoc basis, as established by State statute.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the Police Officers' Retirement System is issued and publicly available by writing the South Carolina Retirement System, P. O. Box 11960, Columbia, SC 29211-1960 or by accessing the South Carolina Retirement System's website, www.retirement.sc.gov.

Retirement Plan Summary - ICMA and PORS Combined

For the year ended June 30, 2014, employer contributions were based on a total payroll of \$15,937,350 of which \$15,727,084 or 98.68% of the total payroll was covered under the plan. Employer contributions were \$1,781,121 or 11.18% of covered payroll. Employee contributions were \$1,148,917 or 7.21% 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

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 \$214,087 at June 30, 2014, and is included as a liability in the General Fund in the accrued payroll and employee payables. During the period ended June 30, 2014, the Town contributed \$112,205 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, 2014, the limit was \$350, and the Town's liability under this plan totaled \$78,833. During the period ended June 30, 2014, the Town contributed \$17,913 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, 2014 the limit was \$150 per covered individual, and the Town's liability under this plan totaled \$77,029. During the period ended June 30, 2014, the Town contributed \$19,571 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. Nine (9) employees were eligible for the benefits for the period ended June 30, 2014.

The Town contributed \$191,882 during the year ended June 30, 2014.

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

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 Bonds 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, 2014.

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.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA
NOTES TO 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:

<u>Long Term Obligation</u>	Original Face Amount of Deferred Charge	Final Maturity Date	Deferred Charge on Bond Refunding
General Obligation Bonds - March 1, 2005	1,105,601	03/01/2025	\$ 589,862
General Obligation Bonds - August 3, 2011	1,071,450	08/03/2029	892,875
General Obligation Bonds - September 9, 2009	143,484	09/09/2024	97,250
Special Obligation Bonds - October 26, 2011	769,428	10/26/2027	<u>625,161</u>
		Total Governmental Funds	<u>\$ 2,205,148</u>
Business-type Activity Bonds - December 1, 2010	1,343,322	12/01/2025	<u>\$ 985,102</u>
		Total Business-type Activity Fund	<u>\$ 985,102</u>

Amortization of the deferred charge on governmental and business-type activity refundings of bond payable for the year ended June 30, 2014 was \$172,493 and \$89,554, respectively.

Note 20. Restatement of Beginning Balance of Net Position

The Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year ended June 30, 2014. GASB Statement No. 65 establishes accounting and financial reporting standards that require reclassification of certain items that, in prior years, were properly reported as assets and liabilities. This Statement supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was previously adopted by the Town. The Town's financial statements were affected by the implementation of GASB Statement No. 65. Under the guidance of the Statement, all bond issuance costs are to be expensed in the period incurred rather than capitalized. Any such unamortized bond issuance costs that were incurred and capitalized in a previous year should be written off by a cumulative adjustment of beginning net position. A reconciliation of beginning net positions is provided below. Additionally, the Statement required that deferred gains and losses resulting from the refunding of bonds be segregated from bonds payable as either deferred outflows or inflows. This differs from prior year presentation as these amounts were recorded as a reduction to the bonds payable balance. As a result, \$2,205,148 and \$985,102 in governmental type and business-type activities, respectively, was classified as deferred outflows related to bond refundings for the year ended June 30, 2014.

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

Note 20. Restatement of Beginning Balance of Net Position (continued)

	Governmental Activities	Business- type Activities	Total
Net position, as previously reported	\$ 192,721,263	\$ 3,951,115	\$ 196,672,378
Adjustment to net position to write off capitalized bond issuance costs	<u>(1,694,692)</u>	<u>(152,439)</u>	<u>(1,847,131)</u>
Net position as of June 30, 2013, as restated	<u>\$ 191,026,571</u>	<u>\$ 3,798,676</u>	<u>\$ 194,825,247</u>

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 \$ 899,973 to the Association for the year ended June 30, 2014. 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 \$367,193 to the Museum for the year ended June 30, 2014. The Museum issues separate audited financial statements.

Other 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, 2014

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Revenues:</u>				
Real and Personal Property Taxes	\$ 11,769,908	\$ 11,769,908	\$ 11,447,533	\$ (322,375)
Accommodations Tax:				
Local 1%	2,694,236	2,694,236	2,798,783	104,547
Business License and Franchise Fees:				
Business License	7,530,740	7,530,740	7,795,909	265,169
Recycling Franchise	130,000	130,000	135,231	5,231
Cable Television Franchise	750,100	750,100	817,454	67,354
Beach Franchise	22,000	22,000	24,234	2,234
Total	8,432,840	8,432,840	8,772,828	339,988
Permits:				
Construction	416,900	416,900	588,868	171,968
Development	11,899	11,899	6,615	(5,284)
Other	869,000	869,000	782,456	(86,544)
Total	1,297,799	1,297,799	1,377,939	80,140
State Shared Funds	806,234	806,234	805,027	(1,207)
Donations:				
EMS/Fire Department Donations	500	500	273	(227)
Grants:				
Beaufort County Hazmat/E911	110,000	110,000	171,401	61,401
DHEC/Red to Green Fields	3,400	3,400	3,990	590
Total	113,400	113,400	175,391	61,991
Other Revenue:				
Municipal Court Fines and Fees	300,000	300,000	224,447	(75,553)
Public Safety/EMS	1,457,787	1,457,787	1,115,021	(342,766)
Total	1,757,787	1,757,787	1,339,468	(418,319)
Miscellaneous Revenue:				
Beach Services	210,000	210,000	230,839	20,839
Victims Assistance	45,000	45,000	36,980	(8,020)
Miscellaneous Revenue	184,300	184,300	267,125	82,825
Total	439,300	439,300	534,944	95,644
Investment Income	2,512	2,512	2,662	150
Total Revenues	\$ 27,314,516	\$ 27,314,516	\$ 27,254,848	\$ (59,668)

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, 2014

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures:</u>				
General Government:				
Town Council:				
Salaries and Benefits	\$ 139,360	\$ 132,360	\$ 131,443	\$ 917
Operating	360,750	360,750	302,210	58,540
Total Town Council	<u>500,110</u>	<u>493,110</u>	<u>433,653</u>	<u>59,457</u>
Town Manager:				
Salaries and Benefits	607,571	598,571	598,343	228
Operating	35,000	35,000	28,144	6,856
Total Town Manager	<u>642,571</u>	<u>633,571</u>	<u>626,487</u>	<u>7,084</u>
Total General Government	<u>1,142,681</u>	<u>1,126,681</u>	<u>1,060,140</u>	<u>66,541</u>
Management Services:				
Finance-Administration:				
Salaries and Benefits	276,046	276,046	275,028	1,018
Operating	21,400	26,435	19,015	7,420
Total Finance-Administration	<u>297,446</u>	<u>302,481</u>	<u>294,043</u>	<u>8,438</u>
Finance-Accounting:				
Salaries and Benefits	504,832	504,832	499,680	5,152
Operating	101,750	101,750	72,062	29,688
Total Finance-Accounting	<u>606,582</u>	<u>606,582</u>	<u>571,742</u>	<u>34,840</u>
Finance-Revenue and Collections:				
Salaries and Benefits	722,537	638,160	637,932	228
Operating	133,600	78,382	38,989	39,393
Total Finance-Revenue and Collections	<u>856,137</u>	<u>716,542</u>	<u>676,921</u>	<u>39,621</u>
Administration-Legal :				
Salaries and Benefits	437,059	437,059	430,499	6,560
Operating	38,300	38,300	27,022	11,278
Total Administration-Legal	<u>475,359</u>	<u>475,359</u>	<u>457,521</u>	<u>17,838</u>
Administration-Municipal Court:				
Salaries and Benefits	321,655	321,655	318,630	3,025
Operating	86,750	91,750	73,585	18,165
Total Administration-Municipal Court	<u>408,405</u>	<u>413,405</u>	<u>392,215</u>	<u>21,190</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, 2014

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Management Services (continued):				
Administration-Administrative Support :				
Salaries and Benefits	201,986	179,486	179,380	106
Operating	22,130	32,130	4,344	27,786
Total Administration-Administrative Support	<u>224,116</u>	<u>211,616</u>	<u>183,724</u>	<u>27,892</u>
Administration-Operations:				
Salaries and Benefits	941,055	1,003,155	1,002,617	538
Operating	779,167	820,467	717,085	103,382
Total Administration-Operations	<u>1,720,222</u>	<u>1,823,622</u>	<u>1,719,702</u>	<u>103,920</u>
Administration-Human Resources:				
Salaries and Benefits	419,484	419,484	412,161	7,323
Operating	171,130	170,430	110,821	59,609
Total Administration-Human Resources	<u>590,614</u>	<u>589,914</u>	<u>522,982</u>	<u>66,932</u>
Total Management Services	<u>5,178,881</u>	<u>5,139,521</u>	<u>4,818,850</u>	<u>320,671</u>
Community Services:				
Community Development-Administration:				
Salaries and Benefits	455,781	429,081	428,807	274
Operating	144,562	144,562	112,743	31,819
Total CD-Administration	<u>600,343</u>	<u>573,643</u>	<u>541,550</u>	<u>32,093</u>
Community Development-CD Services:				
Salaries and Benefits	282,696	283,396	283,246	150
Operating	6,696	6,696	4,627	2,069
Total CD-CD Services	<u>289,392</u>	<u>290,092</u>	<u>287,873</u>	<u>2,219</u>
Community Development-Inspection/Compliance:				
Salaries and Benefits	614,400	617,400	617,161	239
Operating	22,322	22,322	18,885	3,437
Total CD-Inspection/Compliance	<u>636,722</u>	<u>639,722</u>	<u>636,046</u>	<u>3,676</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, 2014

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Community Services (continued):				
Community Development-Develop., Review, and Zoning:				
Salaries and Benefits	552,462	564,062	563,751	311
Operating	97,167	311,050	86,411	224,639
Total CD-DR and Z	<u>649,629</u>	<u>875,112</u>	<u>650,162</u>	<u>224,950</u>
Community Development-Comprehensive Planning:				
Salaries and Benefits	480,417	458,217	457,939	278
Operating	18,365	18,365	8,415	9,950
Total CD-Comprehensive	<u>498,782</u>	<u>476,582</u>	<u>466,354</u>	<u>10,228</u>
Public Facilities-Administration:				
Salaries and Benefits	245,072	245,322	245,212	110
Operating	4,900	4,900	2,889	2,011
Total Public Facilities-Administration	<u>249,972</u>	<u>250,222</u>	<u>248,101</u>	<u>2,121</u>
Public Facilities-Engineering:				
Salaries and Benefits	424,591	428,791	428,624	167
Operating	368,150	391,548	148,654	242,894
Total Public Facilities-Engineering	<u>792,741</u>	<u>820,339</u>	<u>577,278</u>	<u>243,061</u>
Public Facilities-Facilities Management:				
Salaries and Benefits	959,333	965,983	965,614	369
Operating	2,108,349	2,307,455	2,019,709	287,746
Total Public Facilities-Facilities Management	<u>3,067,682</u>	<u>3,273,438</u>	<u>2,985,323</u>	<u>288,115</u>
Total Community Services	<u>6,785,263</u>	<u>7,199,150</u>	<u>6,392,687</u>	<u>806,463</u>
Public Safety:				
Fire and Rescue-Administration:				
Salaries and Benefits	233,176	300,471	300,367	104
Operating	135,315	129,515	90,285	39,230
Total Fire and Rescue-Administration	<u>368,491</u>	<u>429,986</u>	<u>390,652</u>	<u>39,334</u>
Fire and Rescue-Fleet Maintenance:				
Salaries and Benefits	287,377	287,377	286,533	844
Operating	253,700	255,827	233,815	22,012
Total Fire and Rescue-Logistics/Maintenance	<u>541,077</u>	<u>543,204</u>	<u>520,348</u>	<u>22,856</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, 2014

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Public Safety (continued):				
Fire and Rescue-Operations:				
Salaries and Benefits	9,021,865	9,164,523	9,161,590	2,933
Operating	110,700	113,199	101,083	12,116
Total Fire and Rescue-Operations	<u>9,132,565</u>	<u>9,277,722</u>	<u>9,262,673</u>	<u>15,049</u>
Fire and Rescue-Communications:				
Salaries and Benefits	872,782	863,682	863,413	269
Operating	224,095	224,095	196,302	27,793
Total Fire and Rescue-Communications	<u>1,096,877</u>	<u>1,087,777</u>	<u>1,059,715</u>	<u>28,062</u>
Fire and Rescue-Training:				
Salaries and Benefits	589,794	566,794	566,592	202
Operating	125,714	131,514	131,447	67
Total Fire and Rescue-Training	<u>715,508</u>	<u>698,308</u>	<u>698,039</u>	<u>269</u>
Fire and Rescue-Emergency Management:				
Salaries and Benefits	90,424	90,924	90,848	76
Operating	45,100	45,100	43,293	1,807
Total Fire and Rescue-Emergency Management	<u>135,524</u>	<u>136,024</u>	<u>134,141</u>	<u>1,883</u>
Fire and Rescue-Bureau of Fire Prevention:				
Salaries and Benefits	526,076	526,076	525,173	903
Operating	38,925	38,925	34,496	4,429
Total Fire and Rescue-Bureau of Fire Prevention	<u>565,001</u>	<u>565,001</u>	<u>559,669</u>	<u>5,332</u>
Fire and Rescue-Support Services:				
Salaries and Benefits	405,301	407,101	406,956	145
Operating	382,000	384,400	338,969	45,431
Total Fire and Rescue-Support Services	<u>787,301</u>	<u>791,501</u>	<u>745,925</u>	<u>45,576</u>
Fire and Rescue-E911 Communications:				
Salaries and Benefits	243,810	246,510	246,373	137
Operating	29,895	27,195	-	27,195
Total Fire and Rescue-E911 Communications	<u>273,705</u>	<u>273,705</u>	<u>246,373</u>	<u>27,332</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, 2014

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	2,362,433	2,344,856	2,322,467	22,389
Stipend	115,000	115,000	107,100	7,900
Victims' Rights	59,035	59,035	59,035	-
Traffic Patrol	253,626	253,626	253,626	-
Waterway Patrol	118,070	118,070	118,070	-
Beach Services	205,638	205,638	215,090	(9,452)
Operating Supplies	51,050	68,947	61,836	7,111
Total Sheriff/Other Public Safety	<u>3,164,852</u>	<u>3,165,172</u>	<u>3,137,224</u>	<u>27,948</u>
Total Public Safety	<u>16,780,901</u>	<u>16,968,400</u>	<u>16,754,759</u>	<u>213,641</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, 2014

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Non-Departmental:				
Townwide:				
Salaries & Benefits - Temporary	29,464	(12,194)	29,430	(41,624)
Worker's Compensation	56,360	56,360	38,487	17,873
Insurance	402,630	402,630	351,204	51,426
Postage	32,000	32,000	30,363	1,637
General Contingency	50,000	45,000	3,898	41,102
Unemployment	15,000	15,000	-	15,000
Townwide Employee Recognition	60,000	60,700	52,300	8,400
Palmetto Pass	21,000	21,000	19,301	1,699
Retiree Medical	1,800	1,800	1,404	396
COBRA	200	200	18	182
Travel	500	500	-	500
Professional Dues	25,000	31,200	31,130	70
Temporary Agency	5,000	5,000	4,942	58
Professional Services	32,000	39,800	183	39,617
Telephone/Cell Phones/Utilities	753,000	753,000	612,404	140,596
Equipment Maintenance/Supplies/Other	2,000	2,000	319	1,681
Vehicle Fuel	220,000	220,000	197,318	22,682
Lease Payments	59,800	60,325	50,080	10,245
Photocopying	10,000	10,000	7,098	2,902
Courier	18,000	18,000	14,900	3,100
Printers, Fax Supplies	22,000	22,000	18,341	3,659
Taxes & Assessments	-	-	71,869	(71,869)
Breakroom Supplies	-	5,000	4,681	319
Economic Development Corporation	156,044	156,044	98,927	57,117
Hospitality Training & Promotion	134,711	153,544	152,190	1,354
Drug Court Grant	48,500	48,500	48,500	-
Solicitor Career Criminal Program	35,000	35,000	35,000	-
Recreation Center-Operating Grant	629,278	629,278	629,278	-
Recreation Center-Capital Grant	280,900	322,203	270,695	51,508
Community Foundation Grant - Public Art	37,500	37,500	37,500	-
Coastal Discovery Grant-Operating Grant	75,000	75,000	75,000	-
Coastal Discovery Grant-Capital Grant	77,000	77,000	68,025	8,975
Turtle Watch	33,900	33,900	33,738	162
LTRA Grant	175,000	175,000	175,000	-
Heritage Classic Foundation	320,156	320,156	320,156	-
USAR-RRT Grant	7,500	7,500	-	7,500
LEPC Grant	15,500	15,500	14,294	1,206
Total Non-Departmental Townwide	<u>3,841,743</u>	<u>3,875,446</u>	<u>3,497,973</u>	<u>377,473</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, 2014

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Capital Outlay:				
Management Services :				
Administration-Operations				
Specialized Equipment/Computer Software	218,500	238,500	171,174	67,326
Computer Software >\$50,000	-	308,485	191,558	116,927
Total Administration-Operations	<u>218,500</u>	<u>546,985</u>	<u>362,732</u>	<u>184,253</u>
Total Management Services	<u>218,500</u>	<u>546,985</u>	<u>362,732</u>	<u>184,253</u>
Community Services:				
Public Projects & Facilities - Facilities Management				
Specialized Equipment	62,000	27,000	14,120	12,880
Total Public Projects & Facilities - Facilities Management	<u>62,000</u>	<u>27,000</u>	<u>14,120</u>	<u>12,880</u>
Total Community Services	<u>62,000</u>	<u>27,000</u>	<u>14,120</u>	<u>12,880</u>
Public Safety:				
Police Patrol/Communications				
Specialized Equipment	6,000	9,777	9,777	-
Radio Equipment	-	1,100	995	105
Vehicles	-	5,062	5,062	-
Total Police Patrol/Communications	<u>6,000</u>	<u>15,939</u>	<u>15,834</u>	<u>105</u>
Fire and Rescue Support Services:				
Specialized Equipment	257,500	312,963	197,569	115,394
Total Fire and Rescue Support Services	<u>257,500</u>	<u>312,963</u>	<u>197,569</u>	<u>115,394</u>
Fire and Rescue Communications				
Radio Equipment	5,300	5,300	5,102	198
Communications Center Equipment	11,000	11,000	1,914	9,086
Specialized Equipment	20,000	20,000	22,856	(2,856)
Total Fire and Rescue-Communications	<u>36,300</u>	<u>36,300</u>	<u>29,872</u>	<u>6,428</u>
Fire and Rescue Fleet Maintenance:				
Specialized Equipment	20,000	20,750	20,749	1
Total Fire and Rescue-Logistics/Maintenance	<u>20,000</u>	<u>20,750</u>	<u>20,749</u>	<u>1</u>
Total Public Safety	<u>319,800</u>	<u>385,952</u>	<u>264,024</u>	<u>121,928</u>
Townwide:				
Security Cameras	-	35,000	28,349	6,651
Total Townwide	<u>-</u>	<u>35,000</u>	<u>28,349</u>	<u>6,651</u>
Total Capital Outlay	<u>600,300</u>	<u>994,937</u>	<u>669,225</u>	<u>325,712</u>
Total Expenditures	<u>34,329,769</u>	<u>35,304,135</u>	<u>33,193,634</u>	<u>2,110,501</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, 2014

Schedule 1

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Excess (deficiency) of Revenues Over (Under) Expenditures	<u>(7,015,253)</u>	<u>(7,989,619)</u>	<u>(5,938,786)</u>	<u>2,050,833</u>
<u>Other Financing Sources:</u>				
Transfers In	6,340,529	6,453,876	6,670,458	216,582
Appropriated Fund Balance	-	861,019	-	(861,019)
Total Other Financing Sources	<u>6,340,529</u>	<u>7,314,895</u>	<u>6,670,458</u>	<u>(644,437)</u>
Net change in fund balance	(674,724)	(674,724)	731,672	<u>\$ 1,406,396</u>
Fund Balance - beginning	<u>17,303,727</u>	<u>17,303,727</u>	<u>17,303,727</u>	
Fund Balance - ending	<u>\$ 16,629,003</u>	<u>\$ 16,629,003</u>	<u>\$ 18,035,399</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, 2014

Schedule 2

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Revenues:</u>				
Real and Personal Property Taxes	\$ 5,235,138	\$ 5,235,138	\$ 5,064,975	\$ (170,163)
Federal Reimbursement - BABS	185,938	185,938	171,155	(14,783)
Investment Income	76,000	76,000	57,136	(18,864)
Total Revenues	<u>5,497,076</u>	<u>5,497,076</u>	<u>5,293,266</u>	<u>(203,810)</u>
<u>Expenditures:</u>				
Administrative	19,000	19,000	17,025	1,975
Debt Service:				-
Principal	12,950,000	12,950,000	12,950,000	-
Interest	4,081,403	4,081,403	4,080,573	830
Total Expenditures	<u>17,050,403</u>	<u>17,050,403</u>	<u>17,047,598</u>	<u>2,805</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(11,553,327)</u>	<u>(11,553,327)</u>	<u>(11,754,332)</u>	<u>(201,005)</u>
<u>Other Financing Sources</u>				
Transfers In	10,999,098	10,999,098	11,051,814	52,716
Total Other Financing Sources	<u>10,999,098</u>	<u>10,999,098</u>	<u>11,051,814</u>	<u>52,716</u>
Net Change in Fund Balance	(554,229)	(554,229)	(702,518)	<u>\$ (148,289)</u>
Fund Balance - beginning	<u>9,106,552</u>	<u>9,106,552</u>	<u>9,106,552</u>	
Fund Balance - ending	<u>\$ 8,552,323</u>	<u>\$ 8,552,323</u>	<u>\$ 8,404,034</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, 2014

Schedule 3

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Revenues:</u>				
Real and Personal Property Taxes	\$ 686,425	\$ 619,412	\$ 667,370	\$ 47,958
Grants	-	-	-	-
Contributions	-	-	-	-
State Taxes - Sunday Permit Fees	768,500	446,193	349,169	(97,024)
Lease Revenue	12,000	131,782	127,938	(3,844)
Impact Fees	692,000	365,064	248,733	(116,331)
Investment Income	-	1,889	3,099	1,210
Total Revenues	<u>2,158,925</u>	<u>1,564,340</u>	<u>1,396,309</u>	<u>(168,031)</u>
<u>Expenditures:</u>				
Public Facilities:				
Coligny/Pope Avenue Area Improvements	1,991,000	255,791	126,700	129,091
Office Park Road/USCB	-	4,050,000	1,356,135	2,693,865
Sewer Service - Barker Field	-	700,993	620,717	80,276
Sewer Service - Spanish Wells SCDOT Parcel	-	496,820	496,820	-
58 Shelter Cove Lane Building - BCSO	-	178,924	-	178,924
58 Shelter Cove Lane Building - Town Upfit	60,000	60,000	1,454	58,546
Total Public Facilities	<u>2,051,000</u>	<u>5,742,528</u>	<u>2,601,826</u>	<u>3,140,702</u>
Park Development:				
Chaplin Linear Park w/ Boardwalk	1,300,000	605,631	82,068	523,563
Chaplin Community Park - Tennis Courts	235,000	-	-	-
Chaplin Community Park - Picnic Shelters	50,000	50,457	50,457	-
Chaplin Community Park - Basketball Court	15,000	-	-	-
Chaplin Community Park - Racketball Court	30,000	-	-	-
Collier Beach Park	-	1,228	1,228	-
Island Recreation Improvements	35,000	250,326	234,449	15,877
Rowing and Sailing Center	885,000	1,223,564	262,203	961,361
Public Art	25,000	4,800	4,800	-
Jarvis Creek Park Picnic Shelters	75,000	57,836	57,836	-
Green's Shell Basketball Court	20,000	14,600	14,600	-
Total Park Development	<u>2,670,000</u>	<u>2,208,442</u>	<u>707,641</u>	<u>1,500,801</u>
Land Acquisition:				
Land Acquisition	-	2,519,752	19,752	2,500,000
Total Land Acquisition	<u>-</u>	<u>2,519,752</u>	<u>19,752</u>	<u>2,500,000</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, 2014

Schedule 3

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Beach Maintenance:				
Beach Management	202,000	460,365	284,321	176,044
Islandwide Beach Renourishment	500,000	1,024,831	773,373	251,458
Port Royal Plantation - Ocean Point	1,000,000	1,291,436	1,268,750	22,686
Total Beach Maintenance	<u>1,702,000</u>	<u>2,776,632</u>	<u>2,326,444</u>	<u>450,188</u>
Facilities Improvements:				
Fire Station #2 Replacement	275,000	-	-	-
Fire Station #6 Replacement	-	3,653,206	3,319,477	333,729
Town Hall Renovations	100,000	382,808	367,574	15,234
Rehab & Renovation of Town Fixed Assets	191,000	156,168	156,168	-
Apparatus/Vehicle Replacement	-	11,653	11,653	-
Demolition of Structures	291,000	263,815	263,815	-
Total Facilities Improvements	<u>857,000</u>	<u>4,467,650</u>	<u>4,118,687</u>	<u>348,963</u>
Roadway Improvements:				
Roadway Safety Improvements:				
Yacht Cove Turning Lane	-	14,497	10,214	4,283
Jenkins Right Turn Lane	110,000	(4,283)	-	(4,283)
Lemoyne Avenue Reconstruction	50,000	121,207	39,084	82,123
Heritage Road Extension	-	2,522,232	14,117	2,508,115
Mathews Dr/Chaplin Area Connectivity	-	905,982	3,136	902,846
Mainland Transportation Improvements	-	400,000	400,000	-
Barcelona @ Port O'Call	100,000	-	-	-
Honey Horn Apron Improvements	125,000	171	171	-
Private Dirt Roads Acquisition	-	81,001	8,839	72,162
US 278/Leamington/Fresh Market Shoppes	1,207,000	845,886	740,859	105,027
Intersection Improvements:				
Hospital Center Blvd/Main Street	-	77,219	77,219	-
Directional Neighborhood Signage	-	91,857	91,857	-
Traffic Signal System Pre-Emp	350,000	375,000	-	375,000
Traffic Signal Mast Arms:				
US 278/Leamington/Fresh Market Shoppes	125,000	118,560	118,560	-
US 278/Palmetto Dunes	-	28,607	23,051	5,556
Pedestrian Crosswalks and Refuges:				
US 278/Chamber Drive	-	4,330	4,330	-
US 278/Yacht Cove Drive	-	8,276	8,276	-
US 278/Regency Drive	-	3,918	3,918	-
Emergency Access Gates:				
Palmetto Dunes	100,000	100,000	4,412	95,588
Gate Controllers	10,000	-	-	-
Total Roadway Improvements	<u>2,177,000</u>	<u>5,694,460</u>	<u>1,548,043</u>	<u>4,146,417</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, 2014

Schedule 3

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Expenditures (continued):</u>				
Pathway Improvements:				
Pathway Rehabilitation	195,000	198,184	198,184	-
US 278 Fresh Market Shoppes to Shelter Cove	-	144,003	53,642	90,361
US 278 Shelter Cove to Mathews Drive	30,000	32,782	32,782	-
Honey Horn Access Improvements	-	224,824	224,824	-
Gardner Drive	330,000	298,227	287,714	10,513
Pembroke Drive	480,000	572,544	567,544	5,000
Leg O'Mutton Road	-	29,403	29,403	-
U.S. 278 Wexford to Fresh Market Shoppes	-	18,683	18,683	-
U.S. 278 Wexford to Arrow Road	50,000	4,010	4,010	-
U.S. 278 Gumtree to Squire Pope Road	55,000	16,740	-	16,740
U.S. 278 Gardner Rd. to Jarvis Creek Park	120,000	19,720	19,720	-
Total Pathway Improvements	<u>1,260,000</u>	<u>1,559,120</u>	<u>1,436,506</u>	<u>122,614</u>
Total Capital Outlay/Community Services	<u>10,717,000</u>	<u>24,968,584</u>	<u>12,758,899</u>	<u>12,209,685</u>
Debt Issue Costs:				
Debt Issue Costs	-	108,500	114,997	(6,497)
Total Debt Issue Costs	<u>-</u>	<u>108,500</u>	<u>114,997</u>	<u>(6,497)</u>
Total Expenditures	10,717,000	25,077,084	12,873,896	12,203,188
Excess of Revenues Over (Under) Expenditures	<u>(8,558,075)</u>	<u>(23,512,744)</u>	<u>(11,477,587)</u>	<u>12,035,157</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Property	-	17,301	175,000	157,699
Reimbursement of Prior Year Expenditures	-	-	458,479	458,479
Issuance of Bonds	275,000	8,383,300	-	(8,383,300)
Transfers In	8,703,000	15,054,592	6,546,850	(8,507,742)
Transfers Out	(318,400)	(438,182)	(479,485)	(41,303)
Appropriated Fund Balance	-	597,258	-	(597,258)
Total Other Financing Sources (Uses)	<u>8,659,600</u>	<u>23,614,269</u>	<u>6,700,844</u>	<u>(16,913,425)</u>
Net change in fund balance	101,525	101,525	(4,776,743)	<u>\$ (4,878,268)</u>
Fund Balance - beginning	<u>16,919,415</u>	<u>16,919,415</u>	<u>16,919,415</u>	
Fund Balance - ending	<u>\$ 17,020,940</u>	<u>\$ 17,020,940</u>	<u>\$ 12,142,672</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, 2014

Schedule 4

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Operating Revenues:</u>				
Stormwater Utility Fees	\$ 3,587,573	\$ 3,586,148	\$ 3,564,300	\$ (21,848)
Total Operating Revenues	<u>3,587,573</u>	<u>3,586,148</u>	<u>3,564,300</u>	<u>(21,848)</u>
<u>Operating Expenses:</u>				
<u>Planned Unit Developments:</u>				
Hilton Head Plantation:				
Stormwater Maintenance	75,000	13,931	13,931	-
3,519 Acres Project	-	180,910	159,230	21,680
Hilton Head Plantation Pond Control	10,000	-	-	-
Isabella Court - Pipe Replacement	-	675	675	-
Bear Creek Outfall	100,000	4,304	4,304	-
Cypress Golf Course - Sinkhole	-	36,000	-	36,000
Sweetwater	-	25,000	5,748	19,252
Total Hilton Head Plantation	<u>185,000</u>	<u>260,820</u>	<u>183,888</u>	<u>76,932</u>
Indigo Run Plantation:				
Stormwater Maintenance	20,000	4,720	3,500	1,220
1,651 Acres Project	67,000	67,000	-	67,000
Wiler's Creek Bank Stabilization	65,000	44	44	-
Colonial Drive Flooding	40,000	50,000	-	50,000
Long Reach Hoe Work	-	26,640	26,640	-
Total Indigo Run Plantation	<u>192,000</u>	<u>148,404</u>	<u>30,184</u>	<u>118,220</u>
Long Cove Club:				
Stormwater Maintenance	15,000	2,048	2,048	-
Friendfield Court Wier/Dam	65,000	87,000	11,020	75,980
Inventory and Modeling	66,000	-	-	-
Total Long Cove Club	<u>146,000</u>	<u>89,048</u>	<u>13,068</u>	<u>75,980</u>
Leamington Plantation:				
Stormwater Maintenance	15,000	1,590	1,590	-
Inventory and Modeling	-	55,777	24,194	31,583
Total Leamington Plantation	<u>15,000</u>	<u>57,367</u>	<u>25,784</u>	<u>31,583</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, 2014

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	15,000	14,328	14,328	-
Mooring Buoy Culvert Replacement	25,000	-	-	-
Queens Folly Flooding	7,000	4,053	1,969	2,084
Inventory and Modeling	-	169,905	35,086	134,819
Loangboat Row to Man O'War Drive Pipe Cleaning	-	26,285	26,285	-
Total Palmetto Dunes Plantation	<u>47,000</u>	<u>214,571</u>	<u>77,668</u>	<u>136,903</u>
Palmetto Hall Plantation:				
Stormwater Maintenance	-	7,299	7,299	-
Total Palmetto Hall Plantation	<u>-</u>	<u>7,299</u>	<u>7,299</u>	<u>-</u>
Port Royal Plantation:				
Stormwater Maintenance	25,000	421	421	-
Culvert Upgrades	-	(42)	(42)	-
Clearing Siltation Upstream of Outflow	-	10,395	10,395	-
Scarborough Channel Widening	100,000	-	-	-
1,352 Acres Project	-	128,396	96,766	31,630
Total Port Royal Plantation	<u>125,000</u>	<u>139,170</u>	<u>107,540</u>	<u>31,630</u>
Shipyards Plantation:				
Stormwater Maintenance	20,000	9,846	9,846	-
Tennismaster	-	34,720	34,720	-
Golfmaster Villas	-	32,106	32,106	-
Cordillo Parkway	40,000	1,435	1,435	-
Long Reach Hoe Work	-	11,630	11,630	-
Shipyards Racquet Club & Port O'Call Pipe Cleaning	-	53,968	53,968	-
Shipyards Pump Station	10,000	12,845	12,845	-
Total Shipyards Plantation	<u>70,000</u>	<u>156,550</u>	<u>156,550</u>	<u>-</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, 2014

Schedule 4

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Operating Expenses (continued):</u>				
<u>Planned Unit Developments (continued):</u>				
Sea Pines Plantation:				
Stormwater Maintenance	10,000	4,418	4,418	-
Lawton Drive & Lawton Road Pipe Cleaning	20,000	19,712	19,712	-
Baynard Cove Structure Clearing	20,000	-	-	-
Baynard Cove Gate Replacement	10,000	-	-	-
Governor's Road	-	60,000	-	60,000
Sea Pines Pump Station	43,000	422,449	72,450	349,999
Total Sea Pines Plantation	<u>103,000</u>	<u>506,579</u>	<u>96,580</u>	<u>409,999</u>
Wexford Plantation:				
Stormwater Maintenance	20,000	5,967	5,967	-
Ditch Work Along Powerline Easement	-	25,462	25,462	-
Generator Permanent Mounts	27,000	15,218	15,218	-
Inventory and Modeling	90,000	-	-	-
Wexford Club Drive Flooding	50,000	-	-	-
Wexford Pump Station	22,000	291,003	291,003	-
Total Wexford Plantation	<u>209,000</u>	<u>337,650</u>	<u>337,650</u>	<u>-</u>
Total Planned Unit Developments	<u>1,092,000</u>	<u>1,917,458</u>	<u>1,036,211</u>	<u>881,247</u>
<u>Non-Planned Unit Developments:</u>				
Stormwater Maintenance	220,000	4,631	4,631	-
Stormwater Pump Station Maintenance	125,000	63,785	63,785	-
Channel Maintenance of Easements	-	35,041	35,041	-
Mathews & Matilda Drive Bank Erosion	30,000	-	-	-
Old Woodlands Pond & Channel	-	17,625	17,625	-
Unaffiliated Watersheds	89,000	46,903	11,357	35,546
Nassau/Tanglewood	35,000	4,450	4,450	-
Myrtle & Hickory Lane	-	575,982	348,466	227,516
Firethorn Lane Pipe Replacement	-	12,105	12,105	-
Executive Park Drainage Outfall Improvements	-	28,611	28,610	1
Gumtree Channel @ Katie Miller Road	75,000	135,000	1,573	133,427
Tabby Walk	-	74	74	-
Sea Cloisters, Folly Field	-	6,726	6,726	-
Long Reach Hoe - Northridge System	-	99,375	99,375	-
Arrow Road Rear Channel Maintenance	20,000	18,834	18,834	-
Arrow Road	-	2,350	2,350	-
Fish Haul Culverts	-	(21)	(21)	-
Bermuda Point	-	5,572	5,572	-
U.S. 278 Flooding	5,000	-	-	-
Folly Field	-	11,460	11,460	-
Gumtree Road South Outfall	-	735	735	-
Total Non-Planned Unit Development	<u>599,000</u>	<u>1,069,238</u>	<u>672,748</u>	<u>396,490</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, 2014

Schedule 4

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<u>Operating Expenses (continued):</u>				
Other Operating Expenses:				
Maintenance and Repairs	162,109	226,988	193,233	33,755
Administrative	339,388	289,337	289,233	104
Infrastructure Capitalized	-	-	(1,305,164)	1,305,164
Depreciation	-	-	686,070	(686,070)
Total Other Operating Expenses	<u>501,497</u>	<u>516,325</u>	<u>(136,628)</u>	<u>652,953</u>
 Total Operating Expenses	 2,192,497	 3,503,021	 1,572,331	 1,930,690
 Operating Income	 1,395,076	 83,127	 1,991,969	 1,908,842
<u>Nonoperating (Expenses):</u>				
Investment Income	-	-	394	394
Administrative	(3,000)	(2,500)	(92,054)	(89,554)
Principal	(805,000)	(805,000)	-	805,000
Interest Expense	(344,000)	(344,261)	(333,245)	11,016
Total Nonoperating (Expenses)	<u>(1,152,000)</u>	<u>(1,151,761)</u>	<u>(424,905)</u>	<u>726,856</u>
 Income (Loss) Before Transfers and Bond Proceeds	 243,076	 (1,068,634)	 1,567,064	 2,635,698
Transfers Out	(74,258)	(74,258)	(74,256)	2
Transfers In	-	-	93	93
Funds from Prior Years	-	1,311,710	-	(1,311,710)
 Net Change in Fund Net Position	 168,818	 168,818	 1,492,901	 <u>\$ 1,661,719</u>
 Net Position - Beginning, as restated	 <u>3,798,676</u>	 <u>3,798,676</u>	 <u>3,798,676</u>	
 Net Position - Ending	 <u>\$ 3,967,494</u>	 <u>\$ 3,967,494</u>	 <u>\$ 5,291,577</u>	

Other 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, 2014

Schedule 5

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Palmetto Electric	Operating Grants	Home Grant	
ASSETS:				
Cash and Cash Equivalents	\$ 2,641,355	\$ -	\$ 45,906	\$ 2,687,261
Accounts Receivable	146,346	-	(8,300)	138,046
Interfund Receivables	-	-	600	600
Total assets	<u>\$ 2,787,701</u>	<u>\$ -</u>	<u>\$ 38,206</u>	<u>\$ 2,825,907</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ -	\$ 21,217	\$ -	\$ 21,217
Interfund Payables	1,376	11,580	-	12,956
Unearned Revenue	-	-	46,774	46,774
Total liabilities	<u>1,376</u>	<u>32,797</u>	<u>46,774</u>	<u>80,947</u>
Fund balances (deficit):				
Restricted	2,786,325	-	-	2,786,325
Unassigned	-	(32,797)	(8,568)	(41,365)
Total fund balances (deficit)	<u>2,786,325</u>	<u>(32,797)</u>	<u>(8,568)</u>	<u>2,744,960</u>
Total liabilities and fund balances	<u>\$ 2,787,701</u>	<u>\$ -</u>	<u>\$ 38,206</u>	<u>\$ 2,825,907</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, 2014

Schedule 6

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Palmetto Electric	Operating Grants	Home Grant	
Revenues:				
Electric Franchise Fees	\$ 2,850,918	\$ -	\$ -	\$ 2,850,918
Grant Revenue	-	289,886	-	289,886
Investment Income	135	-	8	143
Total revenues	<u>2,851,053</u>	<u>289,886</u>	<u>8</u>	<u>3,140,947</u>
Expenditures:				
Current:				
Administrative	1,456,530	-	-	1,456,530
Public Safety	-	265,066	-	265,066
Total expenditures	<u>1,456,530</u>	<u>265,066</u>	<u>-</u>	<u>1,721,596</u>
Excess expenditures over revenues	1,394,523	24,820	8	1,419,351
Other Financing Uses:				
Transfers Out	<u>(63,694)</u>	<u>(57,617)</u>	-	<u>(121,311)</u>
Total other financing uses	<u>(63,694)</u>	<u>(57,617)</u>	<u>-</u>	<u>(121,311)</u>
Net change in fund balance	1,330,829	(32,797)	8	1,298,040
Fund balance - beginning	<u>1,455,496</u>	<u>-</u>	<u>(8,576)</u>	<u>1,446,920</u>
Fund balance (deficit) - ending	<u>\$ 2,786,325</u>	<u>\$ (32,797)</u>	<u>\$ (8,568)</u>	<u>\$ 2,744,960</u>

Other 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, 2014

Schedule 7

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>ASSETS:</u>				
Cash and Temporary Investments	<u>\$ 30,910</u>	<u>\$ 569,144</u>	<u>\$ 560,027</u>	<u>\$ 40,027</u>
 <u>LIABILITIES:</u>				
Due to Firemen's Fund Association	<u>\$ 30,910</u>	<u>\$ 569,144</u>	<u>\$ 560,027</u>	<u>\$ 40,027</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.

<u>Contents</u>	<u>Pages</u>
Financial Trends <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>	92-96
Revenue Capacity <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>	97-102
Debt Capacity <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>	103-107
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place and to help make comparisons over time and with other governments.</i>	108-109
Operating Information <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>	110-113

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Town implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

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

	<u>2005</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>
Governmental activities										
Net investment in capital assets	\$ 83,615,491	\$ 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
Restricted	8,594,126	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
Unrestricted	<u>39,877,353</u>	<u>35,349,883</u>	<u>35,803,517</u>	<u>34,433,182</u>	<u>27,448,750</u>	<u>27,806,762</u>	<u>19,070,840</u>	<u>12,610,400</u>	<u>15,130,825</u>	<u>19,969,187</u>
Total governmental activities net position	<u>\$ 132,086,970</u>	<u>\$ 151,522,290</u>	<u>\$ 153,381,493</u>	<u>\$ 158,262,851</u>	<u>\$ 165,349,096</u>	<u>174,936,166</u>	<u>186,379,057</u>	<u>179,613,791</u>	<u>192,721,263</u>	<u>203,064,342</u>
Business-type activities										
Net investment in capital assets						(263,488)	1,969,503	587,800	1,985,756	3,320,300
Unrestricted						<u>2,441,371</u>	<u>1,588,215</u>	<u>1,776,610</u>	<u>1,965,359</u>	<u>1,971,277</u>
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>
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>

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General Government	\$ 2,908,087	\$ 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
Management Services	3,267,610	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
Community Services	8,020,829	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
Public Safety	14,707,812	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
Culture and Recreation	1,318,157	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
Visitor & Convention Bureau	989,584	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
Administration	1,296,642	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
Interest on Debt	5,409,997	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
Other Charges	-	-	295,486	235,742	-	-	-	-	-	-
Total governmental activities expenses	<u>\$ 37,918,718</u>	<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
Business-type activities:										
Stormwater						1,397,226	1,616,827	4,449,857	1,757,863	1,997,630
Total Expenses						<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>
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
General Government	\$ 571,933	\$ 590,577	\$ 592,441	\$ 588,996	\$ 608,137	\$ 3,886,767	\$ 3,950,975	\$ 3,799,757	\$ 2,565,756	\$ 2,579,305
Management Services	6,686,643	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
Community Services	8,010,754	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
Public Safety	992,708	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
Administration	6,717,848	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
Operating grants and contributions	155,067	347,325	134,793	152,140	130,796	206,897	140,555	305,329	338,378	630,208
Capital grants and contributions	944,425	180,900	48,246	61,843	52,525	17,697	-	1,044,854	142,116	-
Total governmental activities program revenues	<u>\$ 24,079,378</u>	<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
Business-type activities:										
Charges for services:										
Stormwater						2,553,971	3,377,779	3,491,879	3,580,445	3,564,300
Total Program Revenues						<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>
Net (Expense)Revenue										
Total governmental activities net expense	<u>\$ (13,839,340)</u>	<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)
Total business-type activities net expense						1,156,745	1,760,952	(957,978)	1,822,582	1,566,670
Total Net (Expense) Revenue						<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>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property Taxes	\$ 21,602,549	\$ 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
Other Taxes	8,305,770	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
Intergovernmental	1,197,579	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
Investment earnings	1,203,427	2,951,972	4,236,702	2,521,431	876,095	356,176	260,608	124,415	87,660	69,810
Miscellaneous	2,084,490	3,286,231	3,679,894	3,921,488	3,895,151	584,455	1,105,414	307,069	760,213	(297,517)
Total governmental activities	<u>\$ 34,393,815</u>	<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>
Business-type activities:										
Investment earnings						83,128	8,612	-	253	394
Transfers						(302,763)	(389,729)	(235,330)	(236,130)	(74,163)
Total business-type activities						<u>\$ (219,635)</u>	<u>\$ (381,117)</u>	<u>\$ (235,330)</u>	<u>\$ (235,877)</u>	<u>\$ (73,769)</u>
Change in Net Position										
Governmental activities	<u>\$ 20,554,475</u>	<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
Business-type activities						937,110	1,379,835	(1,193,308)	1,586,705	1,492,901
Total Change in Net Position	<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>					

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

	<u>2005</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>
Function/Program										
Governmental activities:										
Charges for services:										
General Government	\$ 571,933	\$ 590,577	\$ 591,441	\$ 588,996	\$ 608,137	\$ 3,886,767	\$ 3,950,975	\$ 3,799,757	\$ 2,565,756	\$ 2,579,305
Management Services	6,686,643	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
Community Services	8,010,754	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
Public Safety	992,708	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
Administration	6,717,848	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
Operating grants and contributions	155,067	347,325	134,793	152,140	130,796	206,897	140,555	305,329	338,378	630,208
Capital grants and contributions	944,425	180,900	48,246	61,843	52,525	17,697	-	1,044,854	142,116	-
Total governmental activities	<u>\$ 24,079,378</u>	<u>\$ 24,564,748</u>	<u>\$ 21,031,700</u>	<u>\$ 21,021,288</u>	<u>\$ 18,383,750</u>	<u>\$ 19,842,121</u>	<u>\$ 20,463,103</u>	<u>\$ 21,956,539</u>	<u>\$ 22,644,739</u>	<u>\$ 23,693,974</u>
Business-type activities:										
Stormwater						2,553,971	3,377,779	3,491,879	3,580,445	3,564,300
Total Program Revenues						<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>

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

	<u>2005</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>
General Fund										
Reserved	\$ 122,453	\$ 328,984	\$ 157,080	\$ 283,748	\$ 164,731	\$ 145,008				
Unreserved	11,196,901	14,366,799	16,269,658	15,990,383	15,697,038	15,618,977				
Total General Fund	<u>\$ 11,319,354</u>	<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	\$ 19,159,808	\$ 17,402,001	\$ 18,556,583	\$ 24,013,184	\$ 18,634,944	\$ 24,398,924				
Unreserved, reported in:										
Special revenue funds	25,460,960	30,798,191	27,088,384	26,375,485	21,814,650	22,479,639				
Capital projects funds	20,022,075	16,841,628	14,520,788	16,735,177	4,924,286	5,796,855				
Debt service funds	83,084	524,408	2,237,167	269,253	-	-				
Total All Other Governmental Funds	<u>\$ 64,725,927</u>	<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
Committed							11,366,314	11,865,342	12,366,509	13,593,096
Assigned							-	817,455	674,725	1,007,245
Unassigned							3,400,504	3,017,270	4,187,612	3,359,264
Total General Fund							<u>\$ 14,886,285</u>	<u>\$ 15,813,557</u>	<u>\$ 17,303,727</u>	<u>\$ 18,035,399</u>
All Other Governmental Funds										
Restricted							\$ 33,894,568	\$ 39,209,689	\$ 42,850,943	\$ 35,376,377
Committed							12,000,000	12,000,000	12,000,000	12,000,000
Assigned							-	3,293	554,229	1,902,756
Unassigned							-	(8,581)	(8,576)	(41,365)
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>

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

	<u>2005</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>
Revenues										
Taxes (see Schedule 6) ^a	\$ 29,908,319	\$ 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
Licenses, fees, and permits ^b	22,816,711	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
Fines and penalties	307,993	362,466	419,313	465,065	407,422	423,042	361,152	308,708	262,022	224,447
Charges for services	1,340,492	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
Intergovernmental	1,197,579	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
Investment earnings	1,203,427	2,951,973	4,236,702	2,521,430	876,095	356,179	260,606	124,417	87,660	69,810
Other revenues	1,698,671	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
Total revenues	<u>\$ 58,473,192</u>	<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>
Expenditures										
General Government	\$ 1,233,212	\$ 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
Management Services	3,166,953	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
Community Services	5,785,641	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
Public Safety	13,766,856	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
Non-Departmental	1,668,095	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
Accommodations Tax Grants	1,318,157	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
Visitor & Convention Bureau	989,584	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
Administration	1,296,642	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
Capital Outlay	11,499,658	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
Debt Service										
Principal	5,261,940	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
Interest	3,739,029	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
Fiscal charges	11,328	-	-	-	-	-	-	-	-	-
Debt issue costs	586,452	-	-	451,841	-	391,417	-	525,364	150,792	132,022
Total expenditures	<u>\$ 50,323,547</u>	<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>
Excess of revenues over (under) expenditures	8,149,645	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)
Other Financing Sources (Uses)										
Bonds issued	\$ 30,685,000	\$ -	\$ 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	(31,082,935)	-	-	(11,955,000)	-	(5,248,484)	-	(21,675,878)	-	-
Premium on bond issuance	860,673	-	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
Reimbursement of prior year expenditures	-	-	-	-	-	-	-	-	-	458,479
Transfers in	11,019,688	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
Transfers out	(11,019,688)	(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)
Total other financing sources (uses)	<u>\$ 462,738</u>	<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>
Net change in fund balances	<u>\$ 8,612,383</u>	<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>
Debt Service as a Percentage of Noncapital Expenditures	22.8%	24.2%	19.3%	27.5%	29.1%	30.9%	30.6%	22.3%	28.8%	29.1%

Notes: ^aProperty Tax Reassessments performed in 2013.

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

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

Fiscal Year	Property	Accommodations	Hospitality	Total
2005	21,602,549	5,314,660	2,991,110	29,908,319
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
Change 2005-2014	9.3%	45.5%	88.3%	23.7%

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		
2005	2004	801,317,491	14,377,704,217	40,432,317	505,403,963	841,749,808	14,883,108,180	22.30	5.66%
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%

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 propety; 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 ^a			
		General Fund	Debt Service	Capital Improvements Program	Total Direct Rate	County Public Schools	County Operations	Public Service Districts ¹	Total Rate
2005	2004	14.80	2.00	5.50	22.30	94.20	48.60	7.05	172.15
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	12.57	6.01	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

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.

^aOverlapping rates are those of local and county governments that apply to property owners within the Town of Hilton Head Island in addition to those imposed directly by the Town itself.

¹Water and sewage services are provided to the Town by Public Service Districts. The rates reported represent an average of the millage charges from 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 2013</u>			<u>Tax Year 2004</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	\$ 19,965,350	1	2.44%	\$ 18,596,684	1	2.21%
Palmetto Electric Co-op Inc	5,455,120	2	0.67%	6,566,274	3	0.78%
Columbia Properties Hilton Head LLC	4,764,090	3	0.58%	-	-	-
SCG Hilton Head Property LLC	4,260,000	4	0.52%	3,678,552	5	0.44%
Sea Pines Resort LLC	3,669,410	5	0.45%	3,406,337	6	0.40%
Hargray Telephone Company Inc	3,187,000	6	0.39%	-	-	-
Hilton Head Health System LP	1,423,500	7	0.17%	-	-	-
Festival Center (E&A) LLC	1,255,120	8	0.15%	-	-	-
Shelter Cove Towne Center LLC	1,207,500	9	0.15%	-	-	-
Heritage Golf Port Royal LLC	1,126,620	10	0.14%	-	-	-
Greenwood Development	-	-	-	8,934,326	2	1.06%
Dune Hotel Associates	-	-	-	3,885,920	4	0.46%
Smith Lynn Press	-	-	-	3,155,440	7	0.37%
Renwar Industries Inc	-	-	-	2,524,600	8	0.30%
M&M Multi Services	-	-	-	2,504,230	9	0.30%
Atlantic Industries Ltd.	-	-	-	2,097,330	10	0.25%
Total	\$ 46,313,710		5.67%	\$ 55,349,693		6.58%

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
2005	21,975,474	20,865,069	94.95%	737,480	21,602,549	98.30%
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%

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**

Fiscal Year	Town Direct Rate	Beaufort County	South Carolina
2005	0%	0%	5%
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%

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 ^a	Per Capita ^a
2005	74,705,000	35,500,000	-	-	10,005,000	607,690	924,396	(1,419,825)	120,322,261	9.96%	3,461
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

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

^aSee 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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value^a of Property	Per Capita^b
2005	74,128,679	0.50%	2,133
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	59,955,995	0.35%	1,521

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

^aSee Schedule 7 for property value data.

^bSee 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, 2014

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Beaufort County School District	\$ 284,485,621	49%	\$ 139,966,926
Beaufort County General Obligation Debt	207,847,814	49%	102,261,124
Broad Creek Public Service District	5,390,000	100%	5,390,000
Hilton Head No. 1 Public Service District	12,725,452	94%	11,961,925
Subtotal, overlapping debt			<u>259,579,975</u>
Town direct debt			<u>100,894,461</u>
Total direct and overlapping debt			<u>\$ 360,474,436</u>

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.

^aFor 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. This approach was also used for Beaufort County's capital lease, loan, and other debt. The applicable percentage of Beaufort County Economic Development Bonds, which are backed by county sales taxes, was estimated by dividing the Town's retail sales by the County's retail sales.

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

Legal Debt Margin Calculation for Calendar Year 2013/Fiscal Year 2014

Assessed value (as of December 31, 2013)	\$ 817,099
Debt Limit (8% of assessed value)	65,368

Debt applicable to limit:

General Obligation Bonds:

2009A	\$ 4,520
2013B	<u>3,707</u>

Total net debt applicable to limit	<u>8,227</u>
Legal Debt Margin (without a referendum)	<u><u>\$ 57,141</u></u>

	Fiscal Year									
	<u>2005</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>
Debt limit	\$ 64,916	\$ 65,867	\$ 65,196	\$ 66,174	\$ 66,619	\$ 75,964	\$ 73,455	\$ 74,172	\$ 67,226	\$ 57,141
Total net debt applicable to limit	17,355	15,855	14,180	12,325	10,295	8,160	5,930	5,005	8,870	8,227
Legal debt margin	47,561	50,012	51,016	53,849	56,324	67,804	67,525	69,167	58,356	48,914
Total net debt applicable to the limit as a percentage of debt limit	26.73%	24.07%	21.75%	18.63%	15.45%	10.74%	8.07%	6.75%	13.19%	14.40%

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 votes 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.

^a Town Council imposed an eighty percent (80%) cap on the debt limit in 2009. With this cap, the debt limit for 2014 cannot exceed \$52,294,340.

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	
2005	2,991,110	275,000	469,885	744,885	4.02
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

Tax Increment Bonds

Fiscal Year	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2005	3,777,553	-	347,200	347,200	10.88
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

Stormwater Revenue Bonds

Fiscal Year	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2005	1,480,356	-	750,546	750,546	1.97
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

Beach Preservation Fee Revenue Bonds

Fiscal Year	Collections	Debt Service			Coverage
		Principal	Interest	Total	
2005	-	-	-	-	-
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

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

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Annual Unemployment Rate
2005	34,761	1,207,945	34,750	2.1%
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%

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>2014 Employees</u>	<u>2005 Employees</u>
Serge Group Restaurants	800	N/A
Sea Pines Resort	650	N/A
Hilton Head Medical Ctr and Clinics	525	N/A
Marriott Vacation Club Intl	569	N/A
Beaufort County School District	449	N/A
Westin Hotel and Resorts	350	N/A
Cypress of Hilton Head	345	N/A
Salty Dog	340	N/A
Hilton Head Marriott Golf and Beach Resort	265	N/A
Publix Super Markets	255	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

Function/Program	Full-time-Equivalent Employees as of June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	3.0	4.0	4.0	5.0	5.0	4.0	5.0	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	17.0	19.0	19.0	17.0	17.0	18.0	18.0	17.0
Administration	23.0	23.5	23.5	23.5	22.5	23.5	21.0	22.0	22.0	22.0
Community Services										
Community Development	35.5	36.0	36.0	36.0	36.0	30.0	27.0	27.0	27.0	25.0
Public Projects & Facilities	19.0	19.0	20.0	21.0	21.0	22.0	22.0	22.0	22.0	22.0
Public Safety										
Fire & Rescue	144.0	144.8	147.3	147.3	147.6	146.0	145.0	147.1	145.1	143.0
Police Services ^a	-	-	-	-	-	-	-	-	-	-
Total	252.5	254.3	258.8	261.8	262.1	254.5	247.0	252.1	249.1	244.0

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).

^aThe 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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Management Services										
Business license permits issued	5,130	5,312	5,409	5,638	5,644	5,549	5,718	5,802	5,997	6,434
Business license inspections	20	360	546	150	396	127	1,460	605	2,324	283
Business license audits	50	101	55	-	-	-	117	49	123	124
Hospitality tax accounts	409	411	357	343	356	325	359	373	419	437
Bed tax accounts	649	701	675	732	775	752	863	891	1,232	1,312
Beach passes issued	3,052	2,116	2,729	2,009	2,434	1,885	2,602	2,224	2,688	2,428
Number of court cases docketed	8,340	9,033	9,366	10,687	8,380	9,159	8,016	7,152	6,156	5,111
Number of court cases disposed	7,120	8,952	9,123	10,881	8,607	8,854	8,363	7,221	6,271	5,271
Number of search warrants issued	24	15	16	41	19	22	33	27	28	8
Number of arrest warrants issued	547	477	437	410	460	415	349	216	502	307
Number of bench warrants issued	1,333	801	531	894	693	777	576	610	363	389
Community Services										
Community Development										
Building inspections conducted	21,337	22,167	18,146	15,297	13,053	11,604	10,773	11,813	12,133	19,024
Building permits issued	449	440	168	104	63	51	68	89	130	212
Miscellaneous permits issued	3,100	3,146	4,233	5,121	4,470	4,913	4,805	4,345	4,619	5,070
Public Projects and Facilities										
# of capital improvement projects to manage	53	84	76	51	64	62	53	45	38	20
# of beach access/parks to maintain	7	8	8	8	8	8	8	8	8	8
Miles of pathways to maintain	50	51	51	53	55	56	57	58	60	62
Maintenance work orders	2,119	2,373	2,517	2,150	2,800	4,187	4,406	4,500	5,212	5,150
Public Safety										
Fire and Rescue service calls	6,140	6,167	6,030	6,246	6,088	5,957	6,034	5,796	6,291	6,518
Actual fires extinguished	151	147	139	153	151	127	80	130	166	81
Inspections	2,338	2,271	2,357	2,649	2,626	2,390	2,902	2,281	1,937	1,855
Telephone requests	45,878	55,584	73,475	75,099	77,352	72,361	61,435	65,522	66,710	55,841
Public training programs	341	366	687	614	791	520	609	518	493	415

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>2005</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>
General Government										
Town-owned parcels	106	113	113	116	183	185	182	175	142	168
Town-owned property acreage	1,126	1,142	1,142	n/a	n/a	n/a	n/a	1,202	1,319	1,321
Town-owned development rights	n/a	n/a	n/a	n/a	7	8	8	8	8	8
Town-owned easements	n/a	n/a	n/a	n/a	73	75	80	80	50	91
Management Services										
Town vehicles	41	39	38	38	39	40	39	38	38	38
Public Safety										
Emergency Apparatus Vehicles	24	24	24	24	24	24	24	24	25	28
Police Vehicles	-	-	-	-	-	-	-	-	-	-
General Vehicles	17	19	22	22	23	30	30	30	25	19
Fire Stations	7	7	7	7	7	7	7	7	7	7
Public Projects and Facilities*										
Traffic signals	22	22	22	22	22	23	22	22	22	23
Pathways (miles)	50	50	51	53	55	56	57	58	60	62
Beach access/parks	7	7	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, 2014

Customer	Type of Business	Equivalent Single Family Residential Units	Stormwater Fees Billed	Percentage of Total Billed
Town of Hilton Head Island	town government	663.82	\$ 72,157	2.00%
Beaufort County Schools	education	470.63	51,157	1.42%
Beaufort County	aircraft transportation	416.75	45,301	1.26%
Sea Pines Resort LLC	resort and golf	383.65	41,703	1.16%
Columbia Properties Hilton Head LLC	hotel/motel	301.77	32,802	0.91%
Marriott Ownership Resorts	timeshare condominium	287.70	31,273	0.87%
Greenwood Communities and Resorts	developer/various	268.45	29,181	0.81%
Festival Center	shopping center	189.93	20,645	0.57%
SGC Hilton Head Property	hotel/motel	187.59	20,391	0.57%
Heritage Golf-Port Royal LLC	golf course & clubs	154.62	16,807	0.47%
Total			<u>\$ 361,417</u>	<u>10.04%</u>
Total Stormwater Fees Billed			<u>\$ 3,600,656</u>	

Equivalent Single Family Residential Units: This is the measurement that is used to calculate the storm water fees by parcel. The standard unit is 4,906 square feet which was derived from a sampling of Beaufort County houses to determine the average impervious square feet of the average home. Impervious areas are estimated by parcel by the County storm water personnel and those areas are divided by the standard to determine the number of equivalent single family residential units related to the parcel. After the calculation, the billing rate is applied to equivalent units to determine the fee to be billed.

Supplemental Financial Information

Schedule 23
Town of Hilton Head Island, SC
Municipal Fines, Assessments and Surcharges
For the Year Ended June 30, 2014

Court Fines

Court fines collected	\$ 224,447
Court fines retained by the Town	<u>224,447</u>
Court fines remitted to the State Treasurer	<u><u>-</u></u>

Court Assessments

Court assessments collected	\$ 224,836
Court assessments retained by the Town	<u>24,720</u>
Court assessments remitted to the State Treasurer	<u><u>200,116</u></u>

Court Surcharges

Court surcharges collected	\$ 117,694
Court surcharges retained by the Town	<u>12,260</u>
Court surcharges remitted to the State Treasurer	<u><u>105,434</u></u>

Victims Services

Court assessments allocated to victim services	\$ 36,980
Victim Services expenditures	<u>59,035</u>
Funds available for carryforward	<u><u>(22,055)</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, 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, 2014, 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 December 2, 2014.

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 opinion 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scott and Company LLC

Columbia, South Carolina
December 2, 2014