

Town of Hilton Head Island

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2023



**TOWN OF HILTON HEAD ISLAND,  
SOUTH CAROLINA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2023**

Prepared By:  
Town Finance Department

# TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

## ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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# TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

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Town of Hilton Head Island  
Annual Comprehensive Financial Report  
Fiscal Year Ending, June 30, 2023

**TOWN COUNCIL**



**Alan Perry, Mayor, At-Large**



**David Ames**  
Mayor Pro-Tem / Ward 3



**Alex Brown**  
Ward 1



**Patsy Brison**  
Ward 2



**Tamara Becker**  
Ward 4



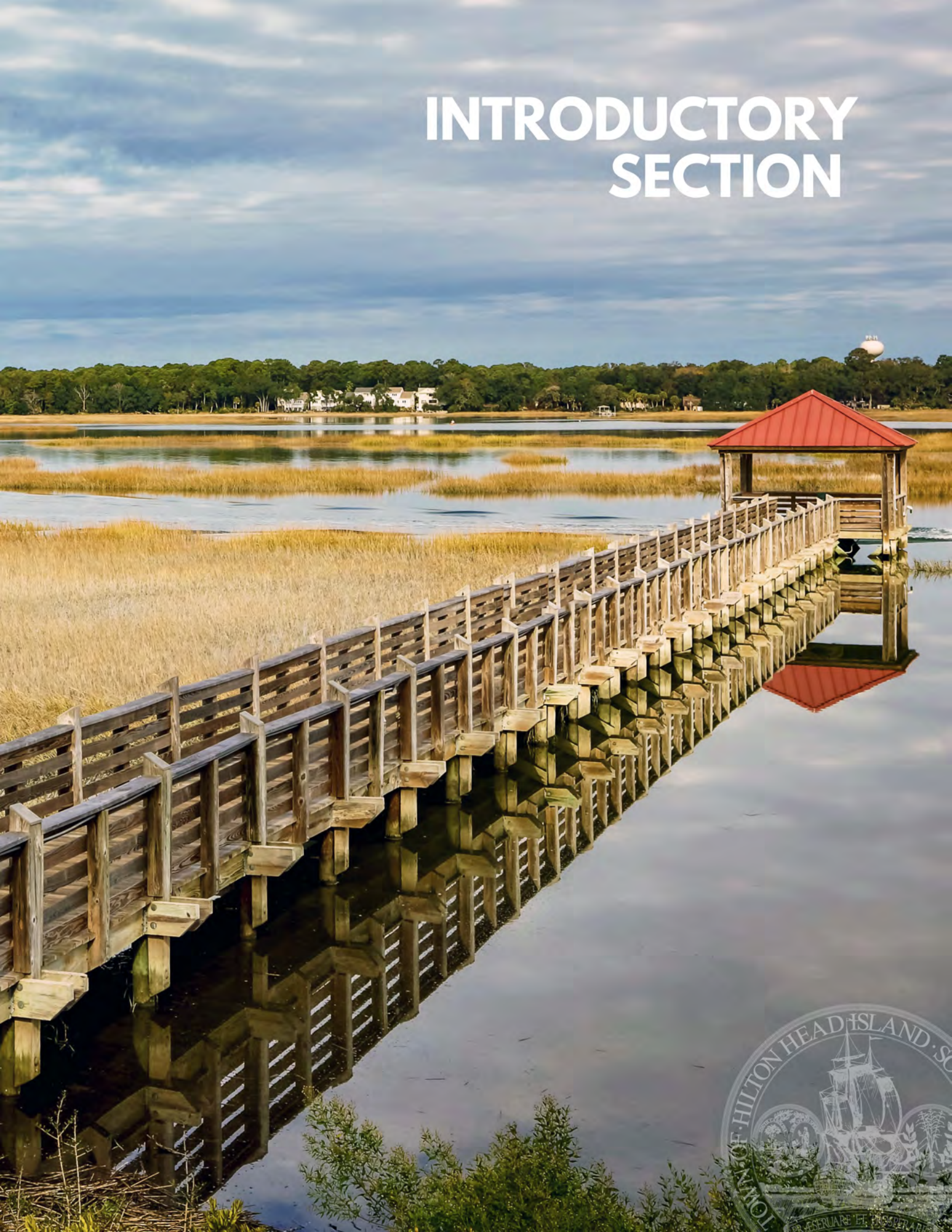
**Steve Alfred**  
Ward 5



**Glenn Stanford**  
Ward 6



# INTRODUCTORY SECTION





## **Transmittal Letter**

For The Fiscal Year Ended June 30, 2023  
The Town of Hilton Head Island, South Carolina

December 13, 2023

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

The Annual Comprehensive Financial Report of the Town of Hilton Head Island, South Carolina, (the Town) for the fiscal year ended June 30, 2023, is submitted in accordance with South Carolina Code Annotated, 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, Mauldin & Jenkins, LLC, has issued an unmodified ("clean") opinion for the year ended June 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### ***Town of Hilton Head Island Profile***

The Town of Hilton Head Island, incorporated in 1983, is a barrier island on the Atlantic coast of South Carolina. The Island is located about 30 miles from Savannah, Georgia, and about 90 miles from Charleston, South Carolina. Approximately 54 square miles in area, the Island is about 12 miles long and 5 miles wide. A four-lane bridge over the Intercoastal Waterway connects the Island with the mainland. The Town has jurisdiction over the entire Island except for Mariner's Cove, Blue Heron Point, and Windmill Harbor. The Town is empowered to levy a property tax on both real and personal property located within its boundaries.

The Town of Hilton Head Island operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of a mayor and six (6) other members. The Council appoints the government's manager, who in turn appoints the heads of the various departments. The mayor and each member of council shall be elected for a term of office of four (4) years.

The annual budget serves as the foundation for the Town of Hilton Head Island's financial planning and control. The Town Council formally adopts the budget and legally allocates, or appropriates, available monies for the Town's various funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented. At the first Council meeting in May, the Town Manager submits to the Town Council a proposed budget for the fiscal year commencing the following July 1. Town Council budget workshops are held for each budgeted fund to discuss proposed expenditures and the means of financing them. A public hearing is held prior to the budget's final adoption in order to obtain taxpayer comments. In June, the budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year.

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

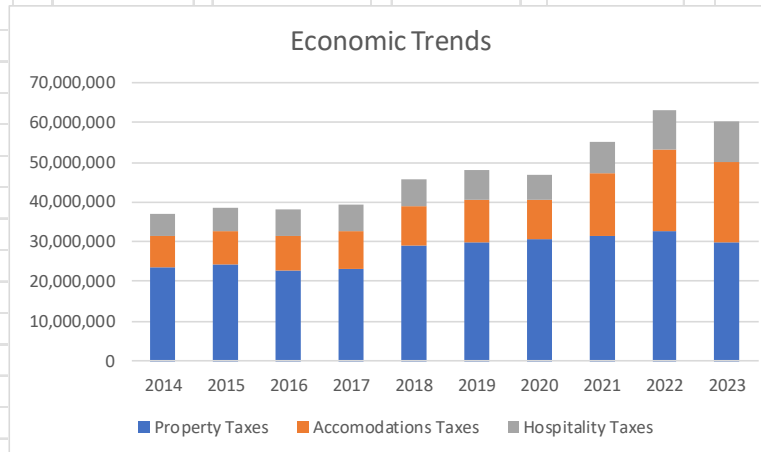


**Local Economy**

Tourism is the largest industry in the Island's economy. There are approximately 3.1 million visitors annually. It hosts a major sports event in the Heritage golf tournament. The Island has established world-class accommodations. The peak summer population is approximately 150,000.

The Town navigated successfully through the effects and response to Hurricane Matthew. The Town also successfully managed through the COVID-19 pandemic and emerged stronger than ever. Hospitality taxes – which are based on sales of prepared food and beverages had record collections for 2022 and 2023. Accommodations taxes – which are based on room rentals had record collections in 2022 and near-record collections in 2023. Another measure of the strength is property tax collections – which are based on property values and millage rates – also had record collections without an increase in millage rate for 2022. The temporary Disaster millage expired in 2022. Hilton Head is growing and our neighbors are growing as well – which is good for all of us in our regional economy.

	Property Taxes	Accomodations Taxes	Hospitality Taxes	Total	Percentage Change
2014	23,613,446	7,735,390	5,633,430	36,982,266	1.4%
2015	24,158,786	8,361,794	6,155,004	38,675,584	4.6%
2016	22,576,837	8,940,834	6,506,306	38,023,977	-1.7%
2017	23,111,039	9,561,791	6,661,873	39,334,703	3.4%
2018 *	29,094,854	9,863,909	6,867,787	45,826,550	16.5%
2019 *	29,824,023	10,620,098	7,545,767	47,989,888	4.7%
2020 *	30,508,737	10,032,022	6,284,461	46,825,220	-2.4%
2021 *	31,512,116	15,745,380	8,051,256	55,308,752	18.1%
2022 *	32,690,057	20,595,819	9,907,025	63,192,901	14.3%
2023	29,681,107	20,293,368	10,400,345	60,374,820	-4.5%

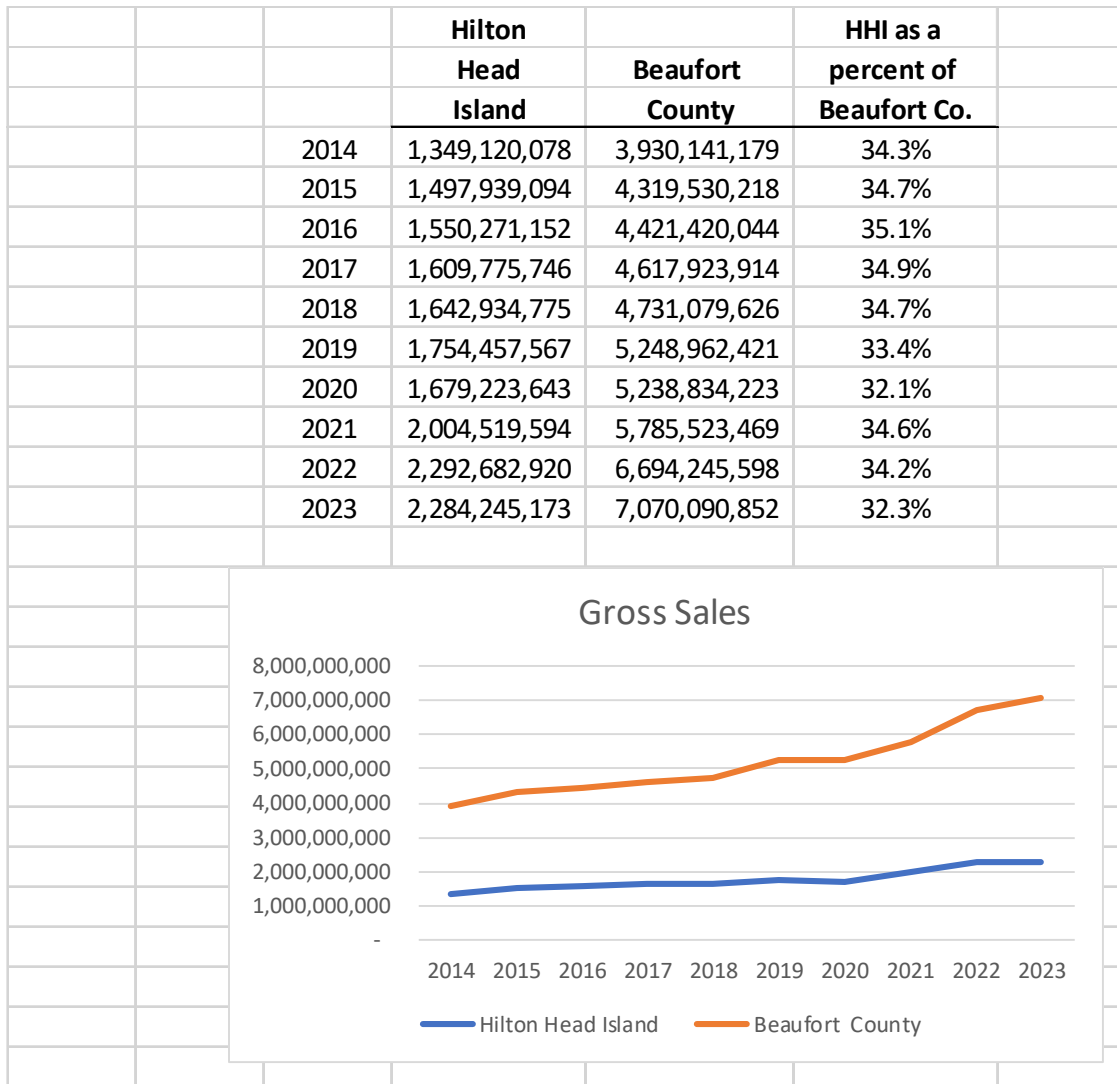


\* Property Tax totals include a 5 Mill assessment for Disaster recovery for FY 2018-2022.

The Town property tax rate decreased from 28.1 to 23.1 in FY 23 as the Disaster millage expired. Adjusting for the change in tax rate, total collections grew 3.1% in 2023.

**Local Economy (continued)**

The local economy also noted continued strong sales for both Hilton Head Island and Beaufort County in 2023 as another indicator of the growth and economic health of the region.



**Long Term Financial Planning**

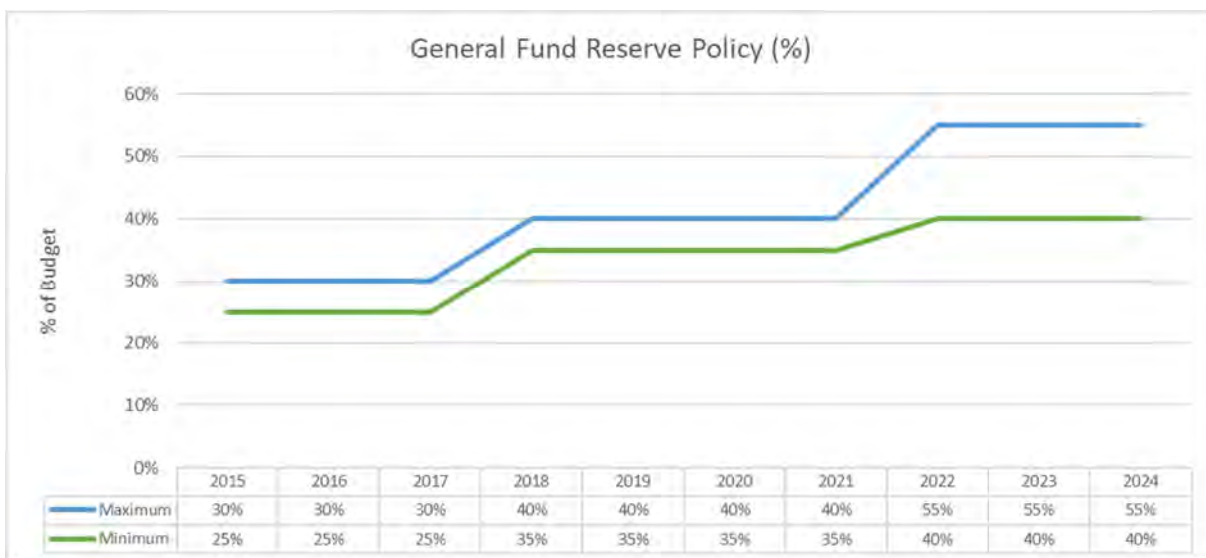
The Town of Hilton Head Island’s three-year financial plan is based upon sound financial reserves and conservative revenue forecasts and limiting future expenditures for the foreseeable future. As the Town approaches build out, mainland development, and the national economy will be ongoing challenges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

Adopted Financial Policies

Financial policies establish the framework for the Town’s overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. These policies set the tone for all fiscal decisions made by staff and Town Council. The Town currently has financial policies governing operations, capital planning, debt management, reserves and financial reporting. Regular reviews and enhancement of these policies are done in conjunction with the financial plan development and are adopted annually by Town Council. To coincide with the adoption of the fiscal 2023 budget, the Town updated its General Fund reserve policies:

**Long Term Financial Planning (Continued)**

Adopted Financial Policies (Continued)



Financial Resource Planning

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

Multi-Year Operating Budget Planning

Multi-year budget planning encompasses long-range operating expenditure plans, which are linked to community expectations and broad goals of the Town Council. The multi-year approach provides a better opportunity for staff to change its financial paradigm from what do we need this year to how do we accomplish our level of service objectives over time, given our financial capacity. While the Town is required to adopt an annual budget to meet State statutory requirements, the Town builds a three-year financial plan to help anticipate future impacts and ensure achievement of Town objectives. For Fiscal 2024, the Town continued its longer-term look to ensure economic sustainability. This is another step forward in the Town’s planning process. Town Council and Town Management continue to monitor the budget monthly with its Finance and Administrative Committee, and expects to present any proposed adjustments, if necessary to Town Council to continue to manage through the pandemic and economic uncertainty successfully.

Capital Improvement Project Planning

The Town’s Capital Improvement Program is based on the Town’s comprehensive plan “Our Town.” The purpose was to get the community involved in the long-term vision and prioritization for the Town’s future. The Capital Improvement Plan is based off this important work. The impact of projects on operating costs are planned and considered in developing future operating budget plans. Funding sources are conservatively estimated that support the capital construction using elastic revenues. To the extent debt financing is used, capital project plans are sized to conform to existing debt management policies. The Capital Improvements Projects are based on the Strategic Plan – which stems from the community and is developed as policy by Town Council with input from Town Management and staff as a blueprint for policy emphasis moving forward.

Debt Management

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

## **Long Term Financial Planning (Continued)**

### Debt Management (Continued)

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

Fiscal 2023 was the fifth year in a row the Town's debt has declined. The last new money issue was the 2019 General Obligation bonds issued to renovate the Fire Station in Sea Pines. This careful debt management continues to position the Town for its future.

### **Major Initiatives**

The Town has an aggressive Capital Improvement Plan in the works. The Town has several parks, roads, beach, pathways, facilities and other projects as part of the CIP. The Town details the projects and the progress on its website at [www.hiltonheadislandssc.gov](http://www.hiltonheadislandssc.gov) The Town is embarking on a ten-year implementation from the update to the comprehensive planning process to map out its future for the next phase of the Town's future.

	<b>FY 2023 -- General Fund</b>		
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
Revenue	37,512,058	44,406,559	6,894,501
Transfers In (Out), net	12,863,610	8,141,706	(4,721,904)
Expenditures	<u>(49,861,416)</u>	<u>(48,108,322)</u>	<u>1,753,094</u>
Revenues Over(Under) Expenditures	<u>514,252</u>	<u>4,439,943</u>	<u>3,925,691</u>

### **Hurricanes Matthew and resiliency efforts**

The Town's forethought and planning proved to be an especially important factor to respond to a major event in Fiscal 2017: Hurricane Matthew and smaller subsequent events. The Town was named part of a federal disaster area due to the storms and responded accordingly. The Town has made great strides in recovery – and emerged even stronger than ever. The Town continues to work closely with FEMA and State officials to ensure maximum allowable reimbursements. The planning and preparation by the Town have proved invaluable during this experience. The Town is undertaking a resiliency study this year to ensure the Town has fully considered the best practices for preparatory options.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Hilton Head Island for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2022. This was the thirty fourth consecutive year that the government has received the prestigious award. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Town also received the GFOA Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2022. It was the eighteenth year the Town has received this award. The budget document serves as the Town's primary fiscal policy document.



***Awards and Acknowledgements (Continued)***

The preparation of this report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department. I would also like to thank the leadership team of the Town, and its dedicated employees for their efforts to maintain the high quality of services our citizens expect while being prudent stewards of the Town's finances as the economy rebounds from the storms and the pandemic. I would also wish to thank the Town Manager, Marc Orlando and Town Council members for their continued fiscal responsibility, leadership, and providing the vision to forge a future with economic, cultural, and environmental vitality. I would also like to thank John Troyer, who retired as the Town's Director of Finance, in October 2023. John was instrumental in the financial success of the Town. His contributions included receiving the GFOA Hero Award for financial recovery post-Hurricane Matthew and helping the Town navigate the financial challenges of COVID-19.

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

Respectfully submitted,

*Jeff Herriman*

Jeff Herriman  
Interim Director of Finance

# TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

## PRINCIPAL OFFICIALS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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### Elected Officials

Alan Perry	Mayor, At-Large
David Ames	Mayor Pro-Tem / Ward 3
Alex Brown	Council Member – Ward 1
Patsy Brison	Council Member – Ward 2
Tamara Becker	Council Member – Ward 4
Steve Alfred	Council Member – Ward 5
Glenn Stanford	Council Member – Ward 6

### Executive Staff

Marc Orlando, ICMA-CM	Town Manager
Ben Brown	Senior Advisor to the Town Manager
Joshua A. Gruber, JD, MPA	Deputy Town Manager
Angie Stone, IPMA-SCP	Assistant Town Manager
Shawn A. Colin, AICP	Assistant Town Manager – Community Dev.

### Department Staff

Carolyn Grant	Communications Director
Natalie Harvey	Director of Cultural Affairs
Missy Luick	Assistant Community Dev. Director
Bryan McIlwee	Assistant Community Dev. Director
Zenos Morris	Assistant Community Dev. Director
Jennifer B. Ray	Capital Program Manager
Jeff Buckalew	Town Engineer
Aaron Black	Facilities Manager
Jeff Netzing	Storm Water Manager
Lisa Stauffer	Director of Human Resources
Chris Blankenship	Fire Chief
John Troyer	Finance Director
Thomas Sunday	Technology and Innovation Director
Bob Bromage	Public Safety Director

# TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

## ORGANIZATIONAL CHART FOR THE FISCAL YEAR ENDED JUNE 30, 2023



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**GFOA CERTIFICATE OF ACHIEVEMENT**

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Hilton Head Island  
South Carolina**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morill*

Executive Director/CEO



# FINANCIAL SECTION







## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Hilton Head Island, South Carolina** (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cashflows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

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### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A"), the budgetary comparison schedule for the General Fund, the Schedule of Proportionate Share of the Net Pension Liability – Police Officers' Retirement System, and the Schedule of Contributions – Police Officers' Retirement System as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB") 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining and Individual Fund financial statements and schedules and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Combining and Individual Fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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**Other Information**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hilton Head Island, South Carolina's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Savannah, Georgia  
December 13, 2023

# TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

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As management of the Town of Hilton Head Island (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023 ("2023" or "FY 2023") as compared to fiscal year ended June 30, 2022 ("2022" or "FY 2022"). The intent of this Management's Discussion and Analysis ("MD&A") is to look at the Town's financial performance as a whole. We would encourage readers to not only consider the information presented here but also the information provided in the letter of transmittal, financial statements and notes to the financial statements to enhance their understanding of the Town's overall improved financial position.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$384,339,000 (net position), including \$371,160,000 in net position for governmental activities and \$13,179,000 in net position for business-type activities. Unrestricted net position was approximately \$31,251,000, including unrestricted net position of approximately \$25,214,000 and \$6,037,000 for governmental and business-type activities, respectively.
- The Town's total net position increased by approximately \$43,577,000 and \$2,638,000 for its governmental and business-type activities, respectively, for a total increase in net position of approximately \$46,215,000 compared to the prior year net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$198,243,000, an increase of approximately \$19,164,000 over the prior year fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$10,292,000 (or 21%) of total General Fund expenditures for the year ended June 30, 2023. Total fund balance for the General Fund, which includes committed, nonspendable, and unassigned fund balance, was approximately \$33,503,000 (or 70%) of total General Fund expenditures for the year ended June 30, 2023.
- The overall increase in the Town's capital assets for the period ended June 30, 2023, was approximately \$7,762,000 (3%), including an increase of \$8,760,000 for its governmental activities and a decrease of \$998,000 and business-type activities, respectively. Capital asset additions for governmental activities of approximately \$15,310,000 exceeded depreciation and amortization expense of \$6,549,000 and net disposals of \$1,000. There were no capital asset additions for business-type activities – only depreciation expense of \$998,000.
- The Town's total long-term obligations, not including the net pension liability, decreased by approximately \$16,524,000 during the current fiscal year, including decreases of \$15,299,000 and \$1,225,000 for governmental and business-type activities, respectively. The Town issued no new debt for governmental activities, and made principal and refunding payments of \$16,055,000. The Town issued no new debt for business-type activities, and made principal and refunding payments of \$1,225,000. The Town recognized approximately \$785,000 in amortization of premiums.

### OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – *Introductory Section*, *Financial Section* (which includes the MD&A, the financial statements, required supplementary information, and supplementary information), and *Statistical Section*.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

#### Financial Statements

This MD&A is intended to serve as an introduction to the Town's financial statements. The Town's financial statements are comprised of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the financial statements, this report contains supplementary information that will enhance the reader's understanding of the financial condition of the Town.

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The *fund financial statements* are designed for a more detailed look at the Town's finances.

#### *Government-Wide Financial Statements*

The *Statement of Net Position* presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The Town's governmental activities include general government, management services, community services, public safety, culture and recreation, Visitors and Convention Bureau, and administration. Taxes (including business licenses), building permits, impact assessments, other charges for services, and state and federal grant funds finance most of these activities. The Town's business-type activities relate to the operations of the stormwater program. The government-wide financial statements can be found as listed in the table of contents.

#### *Fund Financial Statements*

The fund financial statements provide a more detailed look at the Town's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the general statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

#### Financial Statements (Continued)

**Governmental Funds** – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can be readily converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using the *modified accrual basis of accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between *governmental activities* (reported in the Statement of Net Position and the statement of activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The Town maintains numerous individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Tax Increment Financing Fund, Accommodations Tax Fund, Real Estate Transfer Fees Fund, Beach Preservation Fees Fund, Hospitality Fees Fund, Debt Service Fund, Capital Projects Fund, Natural Disasters Fund, and Federal Grants Fund – as they are considered major funds. Information from the other governmental funds is combined into aggregated presentations. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules elsewhere in this report. The governmental fund financial statements can be found as listed in the table of contents.

**Proprietary Funds** – The Town maintains one proprietary fund. *Enterprise funds* are used to account for operations that: (a) are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has one enterprise fund to account for its stormwater operations. The proprietary fund financial statements can be found as listed in the table of contents.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

#### Financial Statements (Continued)

**Other Information** – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. Regarding the Town's major funds, the Town adopts an annual budget for its General Fund, as required by South Carolina Constitution, Article 10, Section 7, as well as adopting budgets for the Debt Service Fund, Capital Projects Fund, and Stormwater Fund. A required budgetary comparison schedule for the General Fund has been provided to demonstrate compliance with the budget. Budgetary comparison schedules are not required to be presented for Debt Service, Capital Projects, or Enterprise Funds. Required pension schedules have been included which provide relevant information regarding the Town's participation in the South Carolina Police Officers' Retirement System ("PORS"). Required supplementary information can be found as listed in the table of contents.

Supplementary information, including combining information for the nonmajor governmental funds, and the budgetary comparison schedules for the other major and nonmajor budgeted funds, is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table provides a summary of the Town's net position at June 30, 2023 compared to June 30, 2022:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 214,292,906	\$ 195,154,259	\$ 6,426,140	\$ 3,633,759	\$ 220,719,046	\$ 198,788,018
Capital assets, net	286,816,948	278,057,127	11,438,576	12,436,782	298,255,524	290,493,909
Total assets	<u>501,109,854</u>	<u>473,211,386</u>	<u>17,864,716</u>	<u>16,070,541</u>	<u>518,974,570</u>	<u>489,281,927</u>
Deferred outflows of resources	5,436,560	6,076,650	178,121	267,182	5,614,681	6,343,832
Current and other liabilities	16,855,892	16,873,462	389,227	96,983	17,245,119	16,970,445
Long-term liabilities	99,686,678	114,985,323	4,475,000	5,700,000	104,161,678	120,685,323
Net pension liability	17,971,849	15,896,250	-	-	17,971,849	15,896,250
Total liabilities	<u>134,514,419</u>	<u>147,755,035</u>	<u>4,864,227</u>	<u>5,796,983</u>	<u>139,378,646</u>	<u>153,552,018</u>
Deferred inflows of resources	871,545	3,949,965	-	-	871,545	3,949,965
Net position:						
Net investment in capital assets	193,206,220	171,793,112	7,141,697	7,003,964	200,347,917	178,797,076
Restricted	152,740,166	142,439,709	-	-	152,740,166	142,439,709
Unrestricted	25,214,064	13,350,215	6,036,913	3,536,776	31,250,977	16,886,991
Total net position	<u>\$ 371,160,450</u>	<u>\$ 327,583,036</u>	<u>\$ 13,178,610</u>	<u>\$ 10,540,740</u>	<u>\$ 384,339,060</u>	<u>\$ 338,123,776</u>

The Town's current and other assets at June 30, 2023 increased by approximately \$21,931,000 (11%) from the prior year, consisting of an increase of \$19,139,000 (10%) in its governmental activities and an increase of \$2,792,000 (77%) in its business-type activities. The increase in governmental activities was primarily due to record investment interest earnings and the Town receiving grant revenues which were unspent at year-end. The increase in business-type activities was primarily related to a decrease in transfers out during the current year.

The Town's capital assets at June 30, 2023 (net of accumulated depreciation), increased by approximately \$7,762,000 (3%), including an increase of approximately \$8,760,000 (3%) and a decrease of approximately \$998,000 (8%) for governmental and business-type activities, respectively. As noted previously, capital asset additions for governmental activities of approximately \$15,310,000 exceeded depreciation and amortization expense of approximately \$6,549,000 and net disposals of approximately \$1,000. There were no capital asset additions for business-type activities – only depreciation expense of approximately \$998,000. Capital asset additions for governmental activities consisted of approximately \$6,655,000 in land purchases, \$4,244,000 in construction in progress additions, \$962,000 in buildings, \$1,079,000 in furniture, fixtures and equipment additions, \$849,000 in vehicles, \$69,000 in improvements other than buildings for park development and \$1,452,000 in Subscription-based Information Technology Arrangements ("SBITA") intangible assets.

The Town completed approximately \$2,822,000 in ongoing capital projects which were reclassified from construction in progress as follows: \$2,822,000 transferred to improvements other than buildings for park development.

Deferred outflows of resources (resources that will be used in a future period) decreased by approximately \$729,000 (11%), including a decrease of \$640,000 (11%) for governmental activities and a decrease of \$89,000 (33%) in business-type activities. The decrease in governmental activities is due to a decrease of \$194,000 in deferred charges on bonds and a decrease of \$446,000 in deferred pension charges as a result of actuarial assumption changes or experience improvements for the PORS. The decrease in business-type activities is due to amortization of outstanding deferred charges on refunding in the current year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Long-term liabilities decreased by approximately \$16,524,000 (14%), including decreases of \$15,299,000 (13%) and \$1,225,000 (21%) for governmental and business-type activities, respectively. As noted previously, the Town issued no new debt for governmental activities and made principal and refunding payments of \$16,055,000. The Town recognized \$785,000 in amortization of premiums. The Town issued no new debt for business-type activities and made \$1,225,000 in principal payments.

The net pension liability increased by approximately \$2,076,000 (13%), which was all related to governmental activities, due to the PORS' total net pension liability increasing. The State funding of the pension program has had challenges that have been addressed by increasing the required contribution amounts and improving investment earnings. As the State funding of the pension program is improved, the Town will experience decreases in its net pension liability. This liability is not controlled by the Town.

Current and other liabilities increased by approximately \$275,000 (2%), including a decrease of \$17,000 (0%) in governmental activities and a increase of \$292,000 (301%) in business-type activities. The increase in business-type activities is primarily due to an increase in accounts payable.

Deferred inflows of resources decreased by approximately \$3,078,000 (78%), which was all related to governmental activities, due to a \$3,075,000 decrease in deferred pension credits as a result of a change in the Town's change in proportionate share for its participation in the PORS.

The Town's total net position increased by approximately \$43,577,000 and \$2,638,000 for its governmental and business-type activities, respectively, for a total increase in net position of \$46,215,000 compared to the prior year net position.

Assets and deferred outflows exceeded liabilities and deferred inflows of resources (net position) by \$384,339,000, including \$371,160,000 in net position for governmental activities and \$13,179,000 in net position for business-type activities. The largest portion of the Town's net position, or \$200,348,000 (52%), which includes \$193,206,000 (52%) and \$7,142,000 (54%) for governmental and business-type activities, respectively, reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot generally be used to liquidate these liabilities.

An additional portion of the Town's net position of approximately \$152,740,000 (40%), which was all related to governmental activities, represents resources that are subject to external restrictions on how they may be used. This portion of the net position is restricted primarily for special revenue programs which are restricted by the revenue source (i.e. tax increment financing revenues, accommodation taxes, real estate transfer fees, beach preservation fees, hospitality taxes, etc.). The remaining balance is unrestricted net position of \$31,251,000 (8%), including \$25,214,000 (7%) and \$6,037,000 (46%) for governmental and business-type activities, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town's net position for FY 2023 compared to FY 2022:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 40,702,804	\$ 43,610,527	\$ 5,066,598	\$ 5,081,075	\$ 45,769,402	\$ 48,691,602
Operating grants and contributions	8,645,141	2,568,077	-	-	8,645,141	2,568,077
Capital grants and contributions	213,166	193,187	-	-	213,166	193,187
General revenues:						
Property taxes	29,539,637	32,604,260	-	-	29,539,637	32,604,260
Other taxes	30,693,713	30,502,844	-	-	30,693,713	30,502,844
Other	7,713,771	1,810,185	169,769	10,394	7,883,540	1,820,579
Total revenue	<u>117,508,232</u>	<u>111,289,080</u>	<u>5,236,367</u>	<u>5,091,469</u>	<u>122,744,599</u>	<u>116,380,549</u>
<b>Expenses</b>						
Governmental activities:						
General government	7,975,006	7,125,075	-	-	7,975,006	7,125,075
Management services	8,020,828	7,227,923	-	-	8,020,828	7,227,923
Community services	22,647,879	19,554,577	-	-	22,647,879	19,554,577
Public safety	24,258,123	21,344,565	-	-	24,258,123	21,344,565
Culture and recreation	3,996,869	4,451,959	-	-	3,996,869	4,451,959
Visitor and Convention Bureau	3,995,971	4,063,286	-	-	3,995,971	4,063,286
Administrative	49,756	69,575	-	-	49,756	69,575
Interest and other charges	2,621,386	3,056,276	-	-	2,621,386	3,056,276
Business-type activities						
Stormwater	-	-	2,963,497	2,429,938	2,963,497	2,429,938
Total expenses	<u>73,565,818</u>	<u>66,893,236</u>	<u>2,963,497</u>	<u>2,429,938</u>	<u>76,529,315</u>	<u>69,323,174</u>
<b>Transfers</b>	<u>(365,000)</u>	<u>2,159,614</u>	<u>365,000</u>	<u>(2,159,614)</u>	<u>-</u>	<u>-</u>
Change in net position	43,577,414	46,555,458	2,637,870	501,917	46,215,284	47,057,375
Net position beginning	327,583,036	281,027,578	10,540,740	10,038,823	338,123,776	291,066,401
Net position, ending	<u>\$ 371,160,450</u>	<u>\$ 327,583,036</u>	<u>\$ 13,178,610</u>	<u>\$ 10,540,740</u>	<u>\$ 384,339,060</u>	<u>\$ 338,123,776</u>

Revenues and other financing sources exceeded expenses and other financing uses by approximately \$46,215,000 for the year ended June 30, 2023, including \$43,577,000 and \$2,638,000 in governmental and business-type activities, respectively. Total revenues increased from the prior year by \$6,364,000 (5%), including increases of approximately \$6,219,000 (6%) in governmental activities and increases of approximately \$145,000 (3%) in business-type activities. The increase in governmental activities revenues is primarily due to an increase in grants and other revenue. The increase in business-type revenues is primarily due to an increase in investment income. The Town is in better shape than ever to meet the future challenges.

Total expenses increased from the prior year by approximately \$7,206,000 (10%), composed of an increase of approximately \$6,673,000 (10%) in governmental activities and an increase of \$533,000 (22%) in business-type activities. The increase in governmental activities is primarily due to an increase of \$850,000 in general government expenditures, an increase of \$793,000 in management services, an increase of \$3,093,000 in community services, an increase of \$2,914,000 in public safety, offset by decreases of \$435,000 in interest and other charges, decrease of \$455,000 in culture and recreation, \$20,000 in administrative and \$67,000 in Visitor and Convention Bureau. The increase in business-type activities is primarily due to an increase in stormwater repairs and maintenance.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted previously, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of FY 2023, the Town's governmental funds reported combined ending fund balance of approximately \$198,243,000, which represents an increase of \$19,164,000 in comparison with the prior year. Approximately 5% of this total amount (\$10,292,000) constitutes General Fund unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, committed, or restricted as shown below:

Classification/Fund	Purpose	Amount
Nonspendable		
General Fund	Prepaid expenses	\$ 18,475
Restricted:		
Tax Increment Financing	Economic development	5,852,129
Accommodations Tax	Tourism promotion	12,943,693
Real Estate Transfer Tax	Environmental conservation	13,379,520
Beach Preservation	Beach renourishment	24,168,443
Hospitality Fee	Public health and safety	24,485,722
Debt Service	Debt service payments	12,159,356
Capital Projects	Construction of major capital facilities	3,402,646
Community Development	Gullah Geechee Historic Neighborhoods	5,415,560
Natural Disasters	Response to natural disasters	34,373,980
Palmetto Electric Franchise	Underground electrical service	13,466,778
Operating Grants	Operating grants	538,502
HOME Grant	HOME grant	12,127
Road Usage Fees	Road projects	2,500,105
Firemen's Fund	Firemen's fund	41,605
Committed:		
General Fund	Disaster recovery	23,192,000
Beach Preservation	Beach renourishment	12,000,000
Unassigned:		
General Fund		10,292,333
Total fund balance		<u>\$ 198,242,974</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

#### Governmental Funds (Continued)

The General Fund is the operating fund of the Town. At the end of FY 2023, the total fund balance was approximately \$33,503,000, including committed fund balance of approximately \$23,192,000 for disaster recovery. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$10,292,000 or (21%) of total General Fund expenditures for the year ended June 30, 2023. Total fund balance, which includes committed, nonspendable, and unassigned fund balance was approximately \$33,503,000 (or 70%) of total General Fund expenditures for the year ended June 30, 2023. Some of the highlights for the increase in fund balance for the General Fund are as follows:

- General Fund revenues of \$44,407,000 increased by approximately \$384,000 (1%) over the prior year primarily due to the following:
  - \$1,209,000 increase in investment income and an \$843,000 increase in real and personal property taxes.
  - \$1,419,000 decrease in business licenses due to a one-time off schedule payment from the State of South Carolina in the prior year.
  
- General Fund expenditures of \$48,108,000 increased by approximately \$5,016,000 (12%) over the prior year primarily due to the following:
  - \$1,292,000 increase in community services due an increase in staffing and operating costs to improve and maintain the beaches, parks, and landscaping on the Island.
  - \$2,266,000 increase in public safety for additional expenses related to salaries and operating costs.
  - \$698,000 increase in management services for additional expenses related to salaries and operating costs.

Fund balance for the Tax Increment Financing ("TIF") District Fund increased by approximately \$1,635,000 as a result of revenues of approximately \$6,675,000 exceeding transfers out of approximately \$5,040,000. TIF fund revenues increased approximately \$864,000 (15%) partially due to an increase of approximately \$652,000 in real and personal property taxes and a \$212,000 increase in investment earnings. Transfers out decreased approximately \$522,000 due to a decrease in transfers to the Debt Service fund needed to meet debt service requirements.

Fund balance for the Accommodations Tax Fund increased approximately \$2,556,000 as a result of revenues of \$13,717,000 exceeding expenditures and other financing uses of approximately \$11,161,000. Accommodations Tax Fund revenues increased by approximately \$134,000 (1%) primarily due to increased investment earnings in the current year. Expenditures and other financing uses experienced a decrease of \$522,000 (6%) and an increase of \$1,473,000 (87%), respectively.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

#### Governmental Funds (Continued)

Fund balance for the Real Estate Transfer Fee Fund decreased approximately \$3,343,000 as a result of revenues of approximately \$5,521,000 not exceeding expenditures and other financing uses of approximately \$8,864,000. Real Estate Transfer Fees Fund revenues decreased approximately \$1,483,000 (21%) related to a decrease in property sales on the island from previously higher years. Expenditures remained relatively flat compared to the prior year and other financing uses increased \$7,626,000 (642%) related to the Town making multiple land purchases in the current year.

Fund balance for the Beach Preservation Fee Fund increased approximately \$8,586,000 due to revenues of approximately \$14,258,000 exceeding expenditures and other financing uses of approximately \$5,672,000. Revenues increased approximately \$205,000 (1%) due to increased investment earnings in the current year. Expenditures and other financing uses increased \$583,000 due to increased transfers out.

Fund balance for the Hospitality Fee Fund increased \$4,917,000 due to revenues of \$10,904,000 exceeding expenditures and other financing uses of \$5,672,000. Hospitality Fee Fund revenues increased \$997,000 (10%) due to increased tourism activity and investment earnings in the current year. Other financing uses increased \$3,661,000 (157%) due to an increase in transfers to the General Fund.

Fund balance for the Debt Service Fund increased \$920,000 due to revenues and other financing sources of \$20,283,000 exceeding expenditures of \$19,363,000. Debt Service Fund revenues increased by \$704,000 (13%) compared to the prior year. Other Financing Sources increased \$104,000 (1%) based on changes in the debt service requirements. Expenditures increased \$32,000 (0%) due to scheduled changes in principal and interest payments.

Fund balance for the Capital Projects Fund decreased \$5,394,000 due to revenues and other financing sources of \$15,428,000 not exceeding expenditures of \$20,822,000. Capital Projects Fund revenues increased \$159,000 (18%) primarily due to an increase in investment earnings of \$277,000 (1694%). Net other financing sources increased \$6,694,000 (87%) related to changes in current and future capital needs. Expenditures increased \$13,268,000 (176%) due to an increase in community services capital outlay.

Fund balance for the Natural Disasters Fund decreased \$1,982,000 due to revenues of \$1,591,000 not exceeding expenditures and other financing uses of \$3,573,000. Natural Disasters Fund revenue decreased \$4,324,000 (73%) primarily due to the completion of the real and property tax assessment of 5.0 mills for disaster recovery started in 2018. FY 2022 completed the fifth of five years for the 5 mills. Expenditures increased \$35,000 (100%) due to an increase in debris removal and other recovery expenditures in the current year. Other financing uses of \$3,538,000 were due to transfers to the Debt Service Fund to fund debt service requirements on the \$18 million disaster recovery bonds. These bonds were fully paid in fiscal year 2023.

The Federal Grants Fund reported no fund balance due to revenues of \$1,477,000 offsetting expenditures and other financing uses of \$1,477,000. Federal Grants Fund revenue increased \$672,000 (84%) due to the Town recognizing revenue as eligible expenditures are incurred.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

#### Governmental Funds (Continued)

The following table shows the revenues and other financing sources, expenditures and other financing uses, fund balances, and changes in fund balances for the Town's governmental funds for the years ended June 30, 2023 and 2022:

Fund	Fiscal Year Ended June 30, 2023			
	Revenue and Other Financing Sources	Expenditures and Other Financing Uses	Fund Balance	Changes in Fund Balance
General	\$ 52,548,265	\$ 48,108,322	\$ 33,502,808	\$ 4,439,943
Tax Increment Financing	6,675,147	5,040,205	5,852,129	1,634,942
Accommodations Tax (State)	13,716,539	11,160,643	12,943,693	2,555,896
Real Estate Transfer Fee	5,521,402	8,864,206	13,379,520	(3,342,804)
Beach Preservation Fee	14,257,688	5,671,506	36,168,443	8,586,182
Hospitality Fee	10,904,068	5,987,295	24,485,722	4,916,773
Debt Service	20,282,629	19,362,930	12,159,356	919,699
Capital Projects	15,428,449	20,822,285	3,402,646	(5,393,836)
Natural Disasters	1,591,009	3,573,211	34,373,980	(1,982,202)
Federal Grants	1,476,628	1,476,628	-	-
Nonmajor Governmental	11,697,707	4,868,542	21,974,677	6,829,165
Total governmental funds	<u>\$ 154,099,531</u>	<u>\$ 134,935,773</u>	<u>\$ 198,242,974</u>	<u>\$ 19,163,758</u>

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

#### Enterprise Fund

The information discussed previously related to business-type activities relates solely to the Stormwater Fund. See the previous discussion for detailed information regarding changes in the Stormwater Fund.

#### General Fund Budgetary Highlights

During the fiscal year, the Town prepared three General Fund budget amendments. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once more exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in expenditures that become necessary to maintain services. The amendments to the General Fund budget in the current year were to carry forward funds from FY2022 for projects and purchases planned for FY2022 that were delayed due to several factors and to increase the funding for a new Parking Contract, including operations and start-up capital, enhanced Public Safety with code enforcement start-up and a new Workforce Housing Program Manager. The total increase from the original to the revised General Fund budget was \$1,239,612.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2023, amounted to approximately \$285,646,000 and \$11,438,000, respectively, (net of accumulated depreciation). These capital assets include land, construction in progress, buildings, improvements, furniture, fixtures, and equipment, vehicles, and infrastructure.

The capital assets (net of accumulated depreciation) as of June 30, 2023 and 2022 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 177,067,581	\$ 170,466,187	\$ -	\$ -	\$ 177,067,581	\$ 170,466,187
Development rights	10,734,391	10,734,391	-	-	10,734,391	10,734,391
Easements/Right-of-ways	3,602,367	3,548,960	-	-	3,602,367	3,548,960
Construction in progress	5,391,659	3,969,383	-	-	5,391,659	3,969,383
Buildings	29,508,535	30,229,527	-	-	29,508,535	30,229,527
Furniture, fixtures, and equipment	1,360,075	599,378	-	-	1,360,075	599,378
Vehicles	3,641,287	3,583,155	-	-	3,641,287	3,583,155
Improvements other than buildings						
park development	27,001,841	25,505,605	-	-	27,001,841	25,505,605
Infrastructure	27,338,724	29,420,541	11,438,576	12,436,782	38,777,300	41,857,323
Total	<u>\$ 285,646,460</u>	<u>\$ 278,057,127</u>	<u>\$ 11,438,576</u>	<u>\$ 12,436,782</u>	<u>\$ 297,085,036</u>	<u>\$ 290,493,909</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

#### Capital Assets (Continued)

The overall increase in the Town's capital assets for the period ended June 30, 2023, was approximately \$6,591,000 (2%), including an increase of \$7,589,000 for its governmental activities and a decrease of \$998,000 in business-type activities, respectively. Capital asset additions for governmental activities of \$15,310,000 exceeded depreciation expense of \$6,549,000 and net disposals of \$1,000. There were no capital asset additions for business-type activities – only depreciation expense of approximately \$998,000.

Additional information on the Town's capital assets can be found in Notes 1 and 3 of the notes to the financial statements.

#### Debt

As of June 30, 2023, the Town's governmental and business-type activities had total outstanding long-term debt of \$88,195,000 and \$4,475,000, respectively. Of the Town's total, \$51,060,000 was general obligation debt, which is backed by the full faith and credit of the Town. The Town's total long-term obligations as of June 30, 2023 and 2022 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 51,060,000	\$ 59,290,000	\$ -	\$ -	\$ 51,060,000	\$ 59,290,000
Tax increment financing bonds	7,655,000	11,380,000	-	-	7,655,000	11,380,000
Revenue/Special obligation bonds:						
Beach Preservation Fees	17,445,000	20,450,000	-	-	17,445,000	20,450,000
Hospitality Tax	12,035,000	13,130,000	-	-	12,035,000	13,130,000
Stormwater	-	-	4,475,000	5,700,000	4,475,000	5,700,000
Total	<u>\$ 88,195,000</u>	<u>\$ 104,250,000</u>	<u>\$ 4,475,000</u>	<u>\$ 5,700,000</u>	<u>\$ 92,670,000</u>	<u>\$ 109,950,000</u>

The Town also has a net pension liability that is discussed in Note 4 of the notes to the financial statements.

The overall decrease in the Town's debt for the current fiscal year was \$17,280,000 (16%). Major events during the current fiscal year included the following:

- The Town made principal payments of \$17,280,000.

Additional information regarding the Town's long-term obligations can be found in Note 3 in the notes to the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES FOR THE TOWN

The Town implemented a number of financial responses in the wake of Hurricane Matthew. The Town issued a \$20 million Bond Anticipation Note to help finance the recovery efforts pending federal and state reimbursements. This note has been repaid. The Town also issued \$18 million in taxable Disaster Reserve bonds to restore reserves used for Hurricane Matthew to prepare for the next storm. These bonds were financed with property taxes of 5 mills for 5 years ending in fiscal year 2023. Fiscal 2022 finished the last of the planned five years with 5 mills assessed for disaster recovery. For the fiscal year 2023 the millage rate reduced from 28.10 to 23.10. The Town has certainly benefitted from the foresight of its officials in building reserves and preparing for events like Matthew. Town Council has shown leadership in making the necessary and appropriate responses to keep the Town hurricane ready operationally and financially. The budget for fiscal year 2024 that was passed by the Town Council totaled \$129,950,293. As required by Section 12-43-217 of the Code of Laws of South Carolina, 1976, as amended, (the "Code") once every fifth year each county shall appraise and equalize those under properties under its jurisdiction ("Reassessment"). Whereas Beaufort County (the "County") has undertaken Reassessment which will be implemented in tax year 2023 and the Town; pursuant to 12-37-251(E) of the Code, in order for the number of mills levied for tax year 2023 to be revenue neutral, the number of mills must be decreased or "rolled back.". The Town Council reduced the millage rate from 23.10 to 21.40 for fiscal year ending June 30, 2024. More information on the budget can be found on the Town's website at [www.hiltonheadislandsc.gov](http://www.hiltonheadislandsc.gov).

#### Real Estate Revenues

Real estate related revenues, including construction permits and real estate transfer fees, were 27% lower than last year's amounts. While FY 2023 Real Estate Transfer Fees were down from FY 2021 and FY 2022, FY 2023 was the third highest transfer fee in the history of the Town and still indicative of a strong local real estate market.

Fiscal Year	Real Estate Transfer Fee		Construction Permits		Total Real Estate Revenues	
	Actual	Percentage Change	Actual	Percentage Change	Actual	Percentage Change
2019	\$ 3,380,107	-2%	\$ 1,513,153	-20%	\$ 4,893,260	-8%
2020	3,552,965	5%	1,619,638	7%	5,172,603	6%
2021	7,127,885	101%	2,125,382	31%	9,253,267	79%
2022	6,957,245	-2%	2,001,046	-6%	8,958,291	-3%
2023	4,975,631	-28%	1,570,126	-22%	6,545,757	-27%

#### Tourism Revenues

Tourism related revenues, especially Accommodations Taxes, Beach Preservation Fees and Hospitality Taxes, remained relatively flat to the prior year. See the chart below for more information.

Fiscal Year	ATAX/Beach Preservation Fees		Hospitality Tax		Total Tourism Revenues		
	Actual	Percentage Change	Actual	Percentage Change	Actual	Dollar Change	Percentage Change
2019	\$ 18,100,241	7%	\$ 7,545,777	10%	\$ 25,646,018	\$ 1,826,502	8%
2020	17,115,252	-5%	6,284,461	-17%	23,399,713	(2,246,305)	-9%
2021	26,869,181	57%	8,051,256	28%	34,920,437	11,520,724	49%
2022	34,648,881	29%	9,907,025	23%	44,555,906	9,635,469	28%
2023	34,190,299	-1%	10,400,345	5%	44,590,644	34,738	0%

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES FOR THE TOWN (CONTINUED)**

Town Council adopted a \$129,950,293 budget for FY 2024. This budget is more than the \$119,501,114 adopted for FY 2023 and includes the addition of two new funds: Gullah Geechee Historic Neighborhoods Community Development Corporation and the Housing Fund. The two new funds account for \$8,693,185 of the \$10,449,179 FY 2024 budget increase. Two years of strong non-property tax revenue are also reflected in the FY 2024 budget and the budget includes enhanced revenues through growth-related application fee enhancements.

Town Council built the budget based on the same tax rate for FY 2024 as FY 2023. Town Council increased its reserve policy to better prepare the Town for the next storm. The General Fund budget is balanced for FY 2024. The millage rate was assessed at 23.10 mills for FY 2023 and 23.10 for FY 2024 and, as detailed above, due to reassessment by Beaufort County the mills were decreased or rolled back to 21.40 to remain revenue neutral. The Town's commitment to financial stability and responsibility is clearly evident in its post-hurricane expenses.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's financial situation. Questions concerning any of the information should be addressed to:

Director of Finance  
Town of Hilton Head Island  
One Town Center Court  
Hilton Head Island, South Carolina, 29928



# BASIC FINANCIAL STATEMENTS



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**STATEMENT OF NET POSITION  
JUNE 30, 2023**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash, Cash Equivalents and Investments	\$ 198,906,041	\$ 6,446,239	\$ 205,352,280
Accounts Receivable, Net	9,202,399	-	9,202,399
Due from Employees	13,427	-	13,427
Prepays	18,475	-	18,475
Due from Other Governments	6,122,149	10,316	6,132,465
Internal Balances	30,415	(30,415)	-
Capital assets:			
Non-depreciable	196,795,998	-	196,795,998
Depreciable, net of accumulated depreciation	90,020,950	11,438,576	101,459,526
<b>TOTAL ASSETS</b>	<b>501,109,854</b>	<b>17,864,716</b>	<b>518,974,570</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charges on Bond Refunding	1,516,628	178,121	1,694,749
Deferred Pension Charges	3,919,932	-	3,919,932
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,436,560</b>	<b>178,121</b>	<b>5,614,681</b>
<b>LIABILITIES</b>			
Accounts payable	6,182,693	372,022	6,554,715
Accrued Payroll and Related Payables	775,901	-	775,901
Due to Other Governments	6,018,883	-	6,018,883
Unearned Revenue	2,881,009	-	2,881,009
Irrigation and Pool Surety Bonds Payable	69,000	-	69,000
Performance Bonds Payable	20,229	-	20,229
Accrued Interest Payable	908,177	17,205	925,382
Noncurrent Liabilities:			
Net Pension Liability - Due in More than One Year	17,971,849	-	17,971,849
Due Within One Year	16,227,059	1,240,000	17,467,059
Due In More Than One Year	83,459,619	3,235,000	86,694,619
<b>TOTAL LIABILITIES</b>	<b>134,514,419</b>	<b>4,864,227</b>	<b>139,378,646</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Gain on Bond Refunding	43,362	-	43,362
Deferred Pension Credits	828,183	-	828,183
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>871,545</b>	<b>-</b>	<b>871,545</b>
<b>NET POSITION</b>			
Net investment in capital assets	193,206,220	7,141,697	200,347,917
Restricted for:			
Response to Natural Disasters	34,373,980	-	34,373,980
Debt service	12,159,356	-	12,159,356
Capital projects	106,206,830	-	106,206,830
Unrestricted	25,214,064	6,036,913	31,250,977
<b>TOTAL NET POSITION</b>	<b>\$ 371,160,450</b>	<b>\$ 13,178,610</b>	<b>\$ 384,339,060</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Functions/Programs	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General Government	\$ 7,975,006	\$ 1,570,126	\$ -	\$ -
Management Services	8,020,828	13,531,475	-	-
Community Services	22,647,879	18,372,448	7,911,714	213,166
Public Safety	24,258,123	2,253,124	733,427	-
Culture and Recreation	3,996,869	-	-	-
Visitor and Convention Bureau	3,995,971	-	-	-
Administration	49,756	4,975,631	-	-
Interest and Other Charges	2,621,386	-	-	-
Total governmental activities	73,565,818	40,702,804	8,645,141	213,166
Business-Type Activities:				
Stormwater	2,963,497	5,066,598	-	-
Total Business-Type Activities	2,963,497	5,066,598	-	-
<b>Total Primary Government</b>	<b>\$ 76,529,315</b>	<b>\$ 45,769,402</b>	<b>\$ 8,645,141</b>	<b>\$ 213,166</b>

General revenues:  
 Taxes:  
   Property Taxes  
   Accommodation Taxes  
   Hospitality taxes  
   State Shared Funds  
   Impact Fees  
   Other Revenue  
   Investment Income  
 Transfers  
   Total General Revenues and Transfers  
**CHANGE IN NET POSITION**  
 NET POSITION, Beginning of Year  
 NET POSITION, End of Year

The accompanying notes are an integral part of these financial statements.

**NET (EXPENSE) REVENUE AND  
CHANGES IN NET POSITION  
PRIMARY GOVERNMENT**

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (6,404,880)	\$ -	\$ (6,404,880)
5,510,647	-	5,510,647
3,849,449	-	3,849,449
(21,271,572)	-	(21,271,572)
(3,996,869)	-	(3,996,869)
(3,995,971)	-	(3,995,971)
4,925,875	-	4,925,875
(2,621,386)	-	(2,621,386)
<u>(24,004,707)</u>	<u>-</u>	<u>(24,004,707)</u>
-	2,103,101	2,103,101
-	<u>2,103,101</u>	<u>2,103,101</u>
<b>(24,004,707)</b>	<b>2,103,101</b>	<b>(21,901,606)</b>
29,539,637	-	29,539,637
20,293,368	-	20,293,368
10,400,345	-	10,400,345
1,204,689	-	1,204,689
164,741	-	164,741
700,846	-	700,846
5,643,495	169,769	5,813,264
(365,000)	365,000	-
<u>67,582,121</u>	<u>534,769</u>	<u>68,116,890</u>
<b>43,577,414</b>	<b>2,637,870</b>	<b>46,215,284</b>
327,583,036	10,540,740	338,123,776
<b>\$ 371,160,450</b>	<b>\$ 13,178,610</b>	<b>\$ 384,339,060</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	<b>General Fund</b>	<b>Tax Increment Financing Fund</b>	<b>Accommodations Tax Fund</b>	<b>Real Estate Transfer Fees Fund</b>	<b>Beach Preservation Fee Fund</b>
<b>ASSETS</b>					
Cash, Cash Equivalents, and Investments	\$ 45,978,989	\$ 5,826,774	\$ 9,026,117	\$ 12,877,184	\$ 31,105,368
Accounts Receivable, Net	2,910,365	-	-	-	3,901,353
Due from Employees	13,427	-	-	-	-
Prepays	18,475	-	-	-	-
Interfund Receivables	483,437	5,061	709,527	-	1,171,522
Due from Other Governments	365,417	20,294	5,117,146	502,336	-
<b>Total assets</b>	<b>\$ 49,770,110</b>	<b>\$ 5,852,129</b>	<b>\$ 14,852,790</b>	<b>\$ 13,379,520</b>	<b>\$ 36,178,243</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 1,912,868	\$ -	\$ 1,909,097	\$ -	\$ 9,800
Accrued Payroll and Other Liabilities	775,901	-	-	-	-
Due to Other Governments	6,018,883	-	-	-	-
Interfund Payables	7,383,671	-	-	-	-
Unearned revenue	10,640	-	-	-	-
Irrigation and Pool Bonds	69,000	-	-	-	-
Performance Bonds	20,229	-	-	-	-
<b>Total liabilities</b>	<b>16,191,192</b>	<b>-</b>	<b>1,909,097</b>	<b>-</b>	<b>9,800</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	76,110	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>76,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>					
Nonspendable	18,475	-	-	-	-
Restricted	-	5,852,129	12,943,693	13,379,520	24,168,443
Committed	23,192,000	-	-	-	12,000,000
Unassigned	10,292,333	-	-	-	-
<b>Total fund balances</b>	<b>33,502,808</b>	<b>5,852,129</b>	<b>12,943,693</b>	<b>13,379,520</b>	<b>36,168,443</b>
<b>Total liabilities deferred inflows of resources and fund balances</b>	<b>\$ 49,770,110</b>	<b>\$ 5,852,129</b>	<b>\$ 14,852,790</b>	<b>\$ 13,379,520</b>	<b>\$ 36,178,243</b>

The accompanying notes are an integral part of these financial statements.

Hospitality Fees Fund	Debt Service Fund	Capital Projects Fund	Natural Disasters Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 20,999,123	\$ 12,124,094	\$ 5,944,907	\$ 34,259,195	\$ -	\$ 20,764,290	\$ 198,906,041
2,390,681	-	-	-	-	-	9,202,399
-	-	-	-	-	-	13,427
-	-	-	-	-	-	18,475
1,095,918	35,262	48,357	114,785	2,880,301	1,322,938	7,867,108
-	26,107	59,550	-	-	31,299	6,122,149
<u>\$ 24,485,722</u>	<u>\$ 12,185,463</u>	<u>\$ 6,052,814</u>	<u>\$ 34,373,980</u>	<u>\$ 2,880,301</u>	<u>\$ 22,118,527</u>	<u>\$ 222,129,599</u>
\$ -	\$ -	\$ 2,258,569	\$ -	\$ 80,339	\$ 12,020	\$ 6,182,693
-	-	-	-	-	-	775,901
-	-	-	-	-	-	6,018,883
-	-	391,599	-	-	61,423	7,836,693
-	-	-	-	2,799,962	70,407	2,881,009
-	-	-	-	-	-	69,000
-	-	-	-	-	-	20,229
-	-	2,650,168	-	2,880,301	143,850	23,784,408
-	26,107	-	-	-	-	102,217
-	26,107	-	-	-	-	102,217
-	-	-	-	-	-	18,475
24,485,722	12,159,356	3,402,646	34,373,980	-	21,974,677	152,740,166
-	-	-	-	-	-	35,192,000
-	-	-	-	-	-	10,292,333
<u>24,485,722</u>	<u>12,159,356</u>	<u>3,402,646</u>	<u>34,373,980</u>	<u>-</u>	<u>21,974,677</u>	<u>198,242,974</u>
<u>\$ 24,485,722</u>	<u>\$ 12,185,463</u>	<u>\$ 6,052,814</u>	<u>\$ 34,373,980</u>	<u>\$ 2,880,301</u>	<u>\$ 22,118,527</u>	<u>\$ 222,129,599</u>



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$198,242,974</b>						
<p>Amounts reported for governmental activities in the Statement of Net Position are different because of the following:</p>							
<p>Revenues which will be collected in the future but are not available soon enough to pay for the current period's expenditures are considered unavailable revenue in the funds.</p>	102,217						
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government funds:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 60%;">Cost of assets, including SBITAs</td> <td style="width: 20%; text-align: right;">\$356,083,826</td> <td style="width: 20%;"></td> </tr> <tr> <td>Accumulated depreciation/amortization</td> <td style="text-align: right;"><u>(69,266,878)</u></td> <td></td> </tr> </table>	Cost of assets, including SBITAs	\$356,083,826		Accumulated depreciation/amortization	<u>(69,266,878)</u>		286,816,948
Cost of assets, including SBITAs	\$356,083,826						
Accumulated depreciation/amortization	<u>(69,266,878)</u>						
<p>The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plan are not recorded in the governmental funds but are recorded in the Statement of Net Position.</p>	(14,880,100)						
<p>Interest is recorded as an expenditure when due and payable in the governmental funds. Interest is recorded in the government-wide statements when it is incurred. This amount represents the amount of interest incurred but not yet due and payable at year-end.</p>	(908,177)						
<p>Bond deferred charges on refunding are recorded as expenditures in the year they are incurred in the governmental funds, but are amortized over the lives of the bonds in the government-wide statements. This amount represents net bond deferred charges on refunding at year-end.</p>	1,516,628						
<p>Bond deferred gains on refunding are recorded as revenues in the year they are incurred in the governmental funds, but are amortized over the lives of the bonds in the government-wide statements. This amount represents net bond deferred gains on refunding at year-end.</p>	(43,362)						
<p>Long-term liabilities, including bonds payable, are not due or payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 60%;">Long-Term Debt and Premiums</td> <td style="width: 20%; text-align: right;">(93,863,702)</td> <td style="width: 20%;"></td> </tr> <tr> <td>Compensated Absences</td> <td style="text-align: right;"><u>(5,822,976)</u></td> <td></td> </tr> </table>	Long-Term Debt and Premiums	(93,863,702)		Compensated Absences	<u>(5,822,976)</u>		(99,686,678)
Long-Term Debt and Premiums	(93,863,702)						
Compensated Absences	<u>(5,822,976)</u>						
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$371,160,450</u></b>						

The accompanying notes are an integral part of these financial statements.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	General Fund	Tax Increment Financing Fund	Accommodations Tax Fund	Real Estate Transfer Fees Fund	Beach Preservation Fee Fund
<b>Revenues</b>					
Real and Personal Property Tax	\$ 17,215,546	\$ 6,443,778	\$ -	\$ -	\$ -
Accommodations Tax	6,948,465	-	13,344,903	-	-
Hospitality Tax	-	-	-	-	-
Business License and Franchise Fees	13,531,475	-	-	-	-
Permits	1,570,126	-	-	-	-
Impact Fees	-	-	-	-	-
Real Estate Transfer Fees	-	-	-	4,975,631	-
Beach Preservation Fees	-	-	-	-	13,896,931
Short-Term Rental Fees	-	-	-	-	-
Electric Franchise Fees	-	-	-	-	-
State Shared Funds	885,089	-	-	-	-
Grants	145,373	-	-	-	-
Road Usage Fees	-	-	-	-	-
EMS Revenue	2,250,934	-	-	-	-
Public Safety Revenue	2,190	-	-	-	-
One Percent Revenue	-	-	-	-	-
Miscellaneous Revenue	608,746	-	-	-	-
Investment Income	1,248,615	231,369	371,636	545,771	360,757
<b>Total revenues</b>	<b>44,406,559</b>	<b>6,675,147</b>	<b>13,716,539</b>	<b>5,521,402</b>	<b>14,257,688</b>
<b>Expenditures</b>					
Current:					
General Government	2,046,471	-	-	-	-
Management Services	7,778,093	-	-	-	-
Community Services	11,691,756	-	-	-	-
Public Safety	21,516,919	-	-	-	-
Non-Departmental	4,975,678	-	-	-	37,170
Culture and Recreation	-	-	3,996,869	-	-
Visitor and Convention Bureau	-	-	3,995,971	-	-
Administration	-	-	-	49,756	-
Capital outlay:					
Community Services	-	-	-	-	-
Debt service:					
Administrative Charges	-	-	-	-	-
Principal	91,638	-	-	-	-
Interest	7,767	-	-	-	-
<b>Total expenditures</b>	<b>48,108,322</b>	<b>-</b>	<b>7,992,840</b>	<b>49,756</b>	<b>37,170</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(3,701,763)</b>	<b>6,675,147</b>	<b>5,723,699</b>	<b>5,471,646</b>	<b>14,220,518</b>
<b>Other financing sources (uses)</b>					
Transfers in	8,103,050	-	-	-	-
Transfers out	-	(5,040,205)	(3,167,803)	(8,814,450)	(5,634,336)
SBITA's	-	-	-	-	-
Proceeds from sale of capital assets	38,656	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>8,141,706</b>	<b>(5,040,205)</b>	<b>(3,167,803)</b>	<b>(8,814,450)</b>	<b>(5,634,336)</b>
Net change in fund balances	4,439,943	1,634,942	2,555,896	(3,342,804)	8,586,182
<b>Fund balances, beginning of year</b>	<b>29,062,865</b>	<b>4,217,187</b>	<b>10,387,797</b>	<b>16,722,324</b>	<b>27,582,261</b>
<b>Fund balances, end of year</b>	<b>\$ 33,502,808</b>	<b>\$ 5,852,129</b>	<b>\$ 12,943,693</b>	<b>\$ 13,379,520</b>	<b>\$ 36,168,443</b>

The accompanying notes are an integral part of these financial statements.

Hospitality Fees Fund	Debt Service Fund	Capital Projects Fund	Natural Disasters Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 5,886,700	\$ -	\$ 137,591	\$ -	\$ -	\$ 29,683,615
-	-	-	-	-	-	20,293,368
10,400,345	-	-	-	-	-	10,400,345
-	-	-	-	-	-	13,531,475
-	-	-	-	-	-	1,570,126
-	-	164,741	-	-	-	164,741
-	-	-	-	-	-	4,975,631
-	-	-	-	-	-	13,896,931
-	-	-	-	-	1,659,511	1,659,511
-	-	-	-	-	2,805,261	2,805,261
-	-	319,600	-	-	-	1,204,689
-	-	213,166	319,541	1,476,628	5,970,172	8,124,880
-	-	-	-	-	10,745	10,745
-	-	-	-	-	-	2,250,934
-	-	-	-	-	-	2,190
-	-	-	-	-	733,427	733,427
-	-	54,739	-	-	-	663,485
503,723	436,184	292,972	1,133,877	-	518,591	5,643,495
<b>10,904,068</b>	<b>6,322,884</b>	<b>1,045,218</b>	<b>1,591,009</b>	<b>1,476,628</b>	<b>11,697,707</b>	<b>117,614,849</b>
-	-	-	-	-	156,872	2,203,343
-	-	-	-	-	-	7,778,093
-	-	-	-	1,476,628	10,453	13,178,837
-	-	-	35,446	-	1,260,496	22,812,861
-	-	-	-	-	-	5,012,848
-	-	-	-	-	-	3,996,869
-	-	-	-	-	-	3,995,971
-	-	-	-	-	-	49,756
-	-	20,574,360	-	-	-	20,574,360
-	18,850	-	-	-	-	18,850
-	16,055,000	211,476	-	-	-	16,358,114
-	3,289,080	36,449	-	-	-	3,333,296
-	<b>19,362,930</b>	<b>20,822,285</b>	<b>35,446</b>	<b>1,476,628</b>	<b>1,427,821</b>	<b>99,313,198</b>
<b>10,904,068</b>	<b>(13,040,046)</b>	<b>(19,777,067)</b>	<b>1,555,563</b>	<b>-</b>	<b>10,269,886</b>	<b>18,301,651</b>
-	13,959,745	13,194,780	-	-	-	35,257,575
(5,987,295)	-	-	(3,537,765)	-	(3,440,721)	(35,622,575)
-	-	1,188,451	-	-	-	1,188,451
-	-	-	-	-	-	38,656
<b>(5,987,295)</b>	<b>13,959,745</b>	<b>14,383,231</b>	<b>(3,537,765)</b>	<b>-</b>	<b>(3,440,721)</b>	<b>862,107</b>
4,916,773	919,699	(5,393,836)	(1,982,202)	-	6,829,165	19,163,758
19,568,949	11,239,657	8,796,482	36,356,182	-	15,145,512	179,079,216
<b>\$ 24,485,722</b>	<b>\$ 12,159,356</b>	<b>\$ 3,402,646</b>	<b>\$ 34,373,980</b>	<b>\$ -</b>	<b>\$ 21,974,677</b>	<b>\$ 198,242,974</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 19,163,758

Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (143,978)

Changes in the Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities. 553,645

Changes in the Town's compensated absences liability are not reported in the governmental funds but are reported in the Statement of Activities. (392,592)

Issuance of an SBITA is an other financing source in the governmental funds, however this issuance is reported as a long-term liability in the Statement of Net Position. (1,188,451)

Repayment of principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 16,358,114

Bond deferred gains and losses are expenditures in the year they are incurred in governmental funds, but are amortized over the lives of the bonds in the Statement of Activities. This amount represents the amortization of deferred charges for the year. (190,914)

Premiums on issuance of debt must be deferred and amortized over the life of the respective debt in the Statement of Activities. However, proceeds from premiums are reported as an other financing source in the year they are received in the governmental funds. This represents the amount which current year premiums were exceeded by amortization of premiums in the current year. 785,237

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due and payable. This represents the change in accrued interest during the year. 136,437

Governmental funds report only proceeds received from the sale of capital assets without any consideration for the net book value of the assets that were sold. The Statement of Activities reports gains or losses based on the proceeds and the net book value of the assets sold. (1,295)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as

Capital outlay	\$ 15,046,169	
Depreciation/amortization expense	<u>(6,548,716)</u>	
		<u>8,497,453</u>

**TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 43,577,414

The accompanying notes are an integral part of these financial statements.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2023**

	<b>Stormwater Fund</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash, cash equivalents, and investments	\$ 6,446,239
Due from other governments	10,316
Total current assets	6,456,555
<b>NONCURRENT ASSETS</b>	
Capital assets	
Depreciable, net of accumulated depreciation	11,438,576
Total noncurrent assets	11,438,576
Total assets	17,895,131
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on bond refunding	178,121
Total deferred outflows of resources	178,121
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	372,022
Interfund payables	30,415
Accrued interest payable	17,205
Current portion of bond payable	1,240,000
Total current liabilities	1,659,642
<b>LONG-TERM LIABILITIES</b>	
Bonds Payable	3,235,000
Total long-term liabilities	3,235,000
Total liabilities	4,894,642
<b>NET POSITION</b>	
Net investment in capital assets	7,141,697
Unrestricted	6,036,913
Total net position	\$ 13,178,610

The accompanying notes are an integral part of these financial statements.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<b>Stormwater Fund</b>
<b>OPERATING REVENUE</b>	
Stormwater Fees	\$ 5,066,598
Total operating revenues	5,066,598
<b>OPERATING EXPENSES</b>	
Maintenance and Repair	988,317
Administrative - Salary and Benefits	556,582
Administrative - Operating	250,514
Depreciation	998,206
Total operating expenses	2,793,619
<b>Operating income</b>	<b>2,272,979</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment Income	169,769
Amortization of Loss on Refunding	(89,061)
Interest expense	(80,817)
Total non-operating revenues (expenses)	(109)
<b>Income before transfers</b>	<b>2,272,870</b>
Transfers in - Accommodations Tax Fund	490,000
Transfers out - General Fund	(125,000)
Total transfers	365,000
<b>Change in net position</b>	<b>2,637,870</b>
Net position, beginning of year	10,540,740
<b>Net position, end of year</b>	<b>\$ 13,178,610</b>

The accompanying notes are an integral part of these financial statements.



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<b>Stormwater Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from Charges for Fees and Services	\$ 5,068,463
Payments to Suppliers	(942,588)
Payments to Employees	(556,582)
	3,569,293
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,569,293</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Transfers from other funds for Non-Capital purposes	490,000
Transfers to other funds for Non-Capital purposes	(125,000)
Change in Interfund Payable	4,863
	369,863
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>369,863</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Bond and Note Payments	(1,225,000)
Interest and Fiscal Charges Paid on Bonds	(84,816)
	(1,309,816)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,309,816)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned on investments	169,769
	169,769
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>169,769</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,799,109</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,647,130
	3,647,130
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 6,446,239</b>
 <b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</b>	
Operating income	\$ 2,272,979
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	998,206
(Increase) Decrease in Assets:	
Accounts Receivable	1,865
Increase (Decrease) in Liabilities:	
Accounts Payable	296,243
	296,243
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 3,569,293</b>

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

# TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

The Town of Hilton Head Island, South Carolina (the "Town") was organized under a charter originally granted by the State of South Carolina in 1983. The Town operates under the Council-Manager form of government in accordance with Home Rule Act Number 283. Town Council ("Council") is composed of a Mayor and six council members elected from single member wards. All legislative powers of the Town are vested in Council. Each member of Council, including the Mayor, has one vote in each matter. Under the Town's form of government, the Council hires a Manager who acts as the chief executive officer.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

As required by GAAP, the financial statements must present the Town's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either: 1) the Town is able to impose its will on the entity, or 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town's financial statements to be misleading.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. The Reporting Entity (Continued)

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town has one blended component unit and no discretely presented component units

The Town of Hilton Head Island Public Facilities Corporation (the "Corporation"), a blended component unit, is a not-for-profit 501(c)(3) organization created to facilitate the issuance of debt for acquisition of the Town's administration facilities. The Town appoints the Corporation's board members and the Corporation provides services entirely to the Town. Because the Corporation is so closely related to the Town, it is, in effect, the same as the primary government. The Corporation's financial information is reported in the Debt Service Fund and Capital Projects Fund of the Town. Separate financial statements for the Corporation are not issued.

The Town has limited relationships with the following entities:

**Hilton Head Island Recreation Association, Inc.** - Hilton Head Island Recreation Association, Inc. (the "Association") is a not-for-profit organization that provides recreation facilities, sports leagues, day-care services and training classes to the residents of Hilton Head Island, South Carolina. The Town provides bookkeeping services to the Association at no charge. The Town has no day-to-day supervisory responsibilities and the Association maintains separate corporate powers, and, as such, the financial information for the Association has not been made a part of these financial statements. The Town contributed approximately \$1,515,000 to the Association for the year ended June 30, 2023. The Association issues separate audited and/or reviewed financial statements.

**Coastal Discovery Museum** – The Coastal Discovery Museum (the "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 approximately \$485,000 to the Museum for the year ended June 30, 2023. The Museum issues separate audited financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town. For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements.

*Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. The Town's business-type activities consist of the stormwater operations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the Town generally considers its revenues to be available if they are collected within 30 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve-month availability period is generally used.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable.

Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental fund financial statements, is on major funds rather than by fund type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Town uses the following fund categories:

**Governmental fund types** are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities are accounted for through governmental funds. The Town's governmental fund types and funds are as follows:



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in other funds. All general tax revenues and other receipts that: (a) are not allocated by law or contractual agreement to other funds, or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

**Special revenue funds** are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Town has the following special revenue funds:

- i. **The Tax Increment Financing (“TIF”) District Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds from incremental taxes charged to individuals that are restricted for expenditures related to economic development within the TIF districts.
- ii. **The Beach Preservation Fee Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds from the beach preservation fees that are restricted for expenditures related to nourishment and restoration of the Town’s beaches.
- iii. **The Real Estate Transfer Fee Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds from the fee equal to one quarter of 1% (0.0025%) of the purchase price upon the transfer of any real property situated within the corporate limits of the Town that is restricted for expenditures related to environmental conservation.
- iv. **The Accommodations Tax Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds from the state-imposed 2% tax levied on rentals of transient accommodations within the corporate limit that are restricted for expenditures related to tourism promotion.
- v. **The Hospitality Fees Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds from the 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 that are restricted for expenditures that enhance the health, safety, and general welfare of the Town.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

- vi. **The Natural Disasters Fund, a major fund** and an unbudgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures related to the Town's response to a natural disaster or declared emergency.
- vii. **The Federal Grants Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds related to the American Rescue Plan Act ("ARPA") federal funds received by the Town.
- viii. The Town also reports the Palmetto Electric Franchise Fees Fund, the Operating Grants Fund, the Short-Term Rental Fee Fund, the Home Grant Fund, the Road Usage Fee Fund, and the Firemen's Fund as unbudgeted nonmajor special revenue funds.

**Debt service funds** are used to account for the accumulation of resources and payments of long-term bond principal and interest from government resources. The Debt Service Fund, a major fund and a budgeted fund, is used to account for and report the accumulation of financial resources that are restricted for the payment of all long-term debt principal, interest and related costs for the Town.

**Capital projects funds** are used to account for and report financial resources that are restricted, committed, or assigned for: (a) the acquisition, construction, or renovation of major capital facilities, (b) ongoing major improvement projects which usually span more than one year, and (c) major equipment or other capital asset acquisitions which are not financed by another fund. The Capital Projects Fund, a major fund and a budgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to equipment, site acquisitions, construction renovation of capital facilities, and other capital assets for the Town except for those financed in the Enterprise Fund.

**Gullah Geechee Historic Neighborhoods Community Development Corporation** funds are used to account for and report the costs associated with the actions of the Corporation to protect the Town's historic and culturally sensitive neighborhoods. The primary sources of revenue are State and County grants.

**Proprietary Fund Types** are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: Enterprise Funds and Internal Service Funds. The Town has one Enterprise Fund and has no Internal Service Funds.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating items. Proprietary fund types include the following fund:

**The Stormwater Fund, a major enterprise fund** and a budgeted fund, is used to account for and report the costs associated with the management, construction, maintenance, protections, control, regulation, use, and enhancement of stormwater systems and programs within the Town limits in concert with Beaufort County and other water resource management programs. Costs are recovered through user charges in a manner similar to private business enterprises.

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

##### 1. *Cash, Cash Equivalents and Investments*

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Pooled Investment Fund ("Pool") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the Pool are reported as investments.

The Town's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the Town to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

##### 1. Cash, Cash Equivalents and Investments (Continued)

- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third-party as escrow agent or custodian, of a fair value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

##### 1. Cash, Cash Equivalents and Investments (Continued)

- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made: (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of \$1 a share and to that end, value its assets by the amortized cost method.

The Town's cash and investment objectives are safety, liquidity and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices. The Town currently or in the past year has primarily used the following investments in its operating activities:

- South Carolina Local Government Investment Pool ("SCLGIP") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The SCLGIP is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72 "Fair Value Measurement and Application", investments are carried at fair value determined annually based upon: (a) quoted market prices for identical or similar investments, or (b) observable inputs other than quoted market prices. The total fair value of the SCLGIP is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

##### 1. *Cash, Cash Equivalents and Investments (Continued)*

- Government mutual funds are generally open-ended funds that invest in short-term debt securities (including obligations of the United States and related agencies) that generally have a weighted average maturity of less than one year and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.

##### 2. *Receivables and Payables*

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund receivables or payables have been recorded.

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes for the past ten years, less an allowance for amounts estimated to be uncollectible. All net property taxes receivable at year-end, except those collected within 30 days, are recorded as unavailable revenue (a component of deferred inflows of resources) and thus not recognized as revenue until collected in the governmental funds.

Property taxes are assessed and collected by Beaufort County under a joint billing and collection agreement. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15<sup>th</sup> of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16<sup>th</sup> – 3%, February 1<sup>st</sup> – an additional 7%, and March 16<sup>th</sup> – an additional 5%. On March 16<sup>th</sup> the property tax bills are transferred to the delinquent tax collection office of Beaufort County and the properties are subject to sale. Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. Other personal property taxes are levied in October and are payable by December 31.

The Town records receivables related to federal, state, and local grants when the reimbursable expenditure is incurred, less an allowance for amounts estimated to be uncollectible (if any). All trade, property taxes, grants and other receivables are shown net of an allowance for uncollectibles.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

##### 3. *Inventories and Prepaid Items*

Inventories and prepaid items, if any, in the governmental funds are accounted for using the purchase method (expensed when paid).

##### 4. *Capital Assets*

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets used in the operations of governmental funds and not specifically related to activities reported in proprietary funds have been reported as assets in the governmental activities column of the government-wide financial statement. The Town capitalizes assets other than infrastructure and software acquisition that cost \$5,000 or more and have an estimated useful life of at least two (2) years. The capitalization threshold for infrastructure shall be \$100,000 and for software acquisition, including subscription based information technology arrangements ("SBITA") the threshold shall be \$50,000.

Capital assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at estimated acquisition value (as estimated by the Town) at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets and right to use SBITA are depreciated/amortized on the straight-line method using the following estimated useful lives:

Category	Estimated Useful Life in Years
Building	25 – 30
Infrastructure	25
Vehicles	8 – 15
Furniture, fixtures and equipment	5 – 20
Roads	25 – 30
Waterway	30
Dams	30 – 50
Software	10
SBITAs	3 – 10

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

##### 5. *Compensated Absences*

The Town has a policy to accrue compensated absences for employees when the obligation relating to the employee's rights to receive compensation is attributable to the employee's services already rendered, when the rights vest and accumulate and when the payment is payable. Vacation pay meets the above criteria for accrual, whereas sick pay does not. Sick pay does not vest until an employee is eligible to retire. In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*", no liability is recorded for nonvesting accumulative rights to receive sick pay benefits. The entire compensated absence liability and expense is reported on the government-wide financial statements. Governmental funds will only recognize a liability for compensated absences if they are significant and have matured, for example, as a result of employee resignations or retirements.

Upon retirement, the value of sick leave accruals is contributed to a retirement health savings plan.

The General Fund is used to liquidate the liability for compensated absences.

##### 6. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expensed in the period incurred.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt, compensated absences, contractually required pension contributions, special termination benefits and other similar long-term liabilities that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

##### 7. *Deferred Outflows and Inflows of Resources*

As defined by GASB Concept Statement No. 4 “*Elements of Financial Statements*”, deferred outflows of resources and deferred inflows of resources represent the consumption of net assets by the government that are applicable to a future reporting period and an acquisition of net assets by the government that are applicable to a future reporting period, respectively.

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has two types of deferred outflows of resources: 1) the Town reports *deferred charges on bond refundings* in its Statement of Net Position. *Deferred charges on bond refundings*, which are the differences between the reacquisition prices and the net carrying amounts of the defeased debt, are deferred and amortized over the shorter of the life of the refunding or refunded bonds. Amortization of *deferred charges on bond refundings* is included in interest expense in the Statement of Activities, and 2) the Town also reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina Police Officers’ Retirement System. These *deferred pension charges* are either: (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date), or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

##### 7. *Deferred Outflows and Inflows of Resources (Continued)*

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has three types of deferred inflows of resources: 1) the Town reports *unavailable revenue* only in the governmental funds balance sheet. These items are deferred and recognized as an inflow of resources (revenues) in the period the amounts become available; 2) the Town reports *deferred gains on bond refundings* in its Statement of Net Position. *Deferred gains on bond refundings*, which are the differences between the reacquisition prices and the net carrying amounts of the defeased debt, are deferred and amortized over the shorter of the life of the refunding debt or refunded bonds. Amortization of *deferred gains on bond refundings* is included in interest expense in the Statement of Activities; and 3) the Town also reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Police Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

##### 8. *Fund Balance*

In accordance with GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" ("GASB #54"), the Town classifies its governmental fund balances as follows:

**Nonspendable** – includes amounts that inherently cannot be spent either because they are not in spendable form (i.e., prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

**Restricted** – includes amounts that are constrained by specific purposes which are externally imposed by: (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

##### 8. Fund Balance (Continued)

**Committed** – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority Town Council (“Council”) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed amounts for the Town consist of amounts passed and approved by resolution by Council.

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed and that such assignments are made before the report issuance date. The Town reserves the right to assign fund balance by a simple majority vote of Council.

**Unassigned** – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town generally uses restricted amounts first when both restricted and unrestricted (committed, assigned and unassigned) fund balance is available unless there are legal documents, contracts or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. See Note 3.D. for more information on fund balance.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

##### 9. *Net Position*

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. See Note 3.E. for more information on net position.

##### 10. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year-end.

##### 11. *Pensions*

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 4.B. and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

##### 11. *Pensions (Continued)*

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

##### 12. *Accounting Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

##### 13. *Fair Value*

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

##### 13. Fair Value (Continued)

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

##### 14. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### Budgetary Information

Annual appropriated budgets are adopted for the General Fund, Debt Service Fund, Capital Projects Fund, and the Stormwater Fund. The Town uses the following procedures in establishing budgetary data reflected in these financial statements:

1. The Town Manager submits to 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 Council.
4. Budgetary transfers between departments and projects may be authorized by the Town Manager for up to \$100,000; however, large transfers and any revisions that alter the total expenditures of any fund must be approved by Council.

The expenditures may not legally exceed appropriations at the fund level except for additional funds received as grants or donations. Appropriations except capital projects lapse at year-end.

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

#### A. Deposits and Investments

##### *Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2023, none of the Town's bank balances of approximately \$4,631,000 (with a carrying value of approximately \$4,167,000) were exposed to custodial credit risk.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### A. Deposits and Investments (Continued)

##### *Investments*

As of June 30, 2023, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value Level <sup>(1)</sup></u>	<u>Credit Rating<sup>^</sup></u>	<u>Fair Value</u>	<u>Investment Maturity in Years</u>
SC Local Government Investment Pool	N/A <sup>(2)</sup>	NR, NR	\$ 60,360,707	< 1 year
Open-Ended Mutual Fund Investing in Governmental Securities	Level 1	AAAm, Aaa-mf	1,012,983	< 1 year
Open-Ended Mutual Fund Investing in Governmental Securities	Level 1	NA, NA	64	< 1 year
United States Treasury & Agencies	Level 1	*	91,644,225	< 1 year
United States Treasury	Level 1	*	48,167,759	1 – 3 years
Total			<u>\$ 201,185,738</u>	

<sup>(1)</sup> See Note 1.C. 13 for the details of the Town's fair value hierarchy.

<sup>(2)</sup> Investments that have a net asset value are not subject to the fair value hierarchy.

\* Credit ratings are not required for obligations of the U.S. government.

<sup>^</sup> If available, credit ratings are for Standard & Poor's and Moody's Investors Services.

NA - Not Available

NR - Not Rated

**Interest Rate Risk:** Interest rate risk is limiting investment maturities to help manage exposure to fair value losses from increasing interest rates. The Town's policy is to minimize interest rate risk by: 1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; thereby, avoiding the need to sell securities on the open market prior to maturity, and 2) investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk but follows the investment statutes of the State of South Carolina. As of June 30, 2023, none of the Town's investments were exposed to custodial credit risk.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### A. Deposits and Investments (Continued)

##### *Investments (Continued)*

**Credit Risk for Investments:** Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's investment policy minimizes credit risk by limiting investments to the types of securities in compliance with the provisions of South Carolina statutes as discussed previously.

**Concentration of Credit Risk for Investments:** The Town places no limit on the amount the Town may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Certain cash, cash equivalents and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2023 were: (a) those imposed by the revenue source (i.e., hospitality tax, accommodation taxes, impact assessment fees, etc.), and (b) unspent bond proceeds.

##### ***Reconciliation to the Financial Statements***

The following table reconciles the amounts reported as deposits and investments in the notes to the financial statements to cash and cash equivalents reported in the financial statements:

Deposits and Cash on Hand	\$ 4,166,542
Investments	<u>201,185,738</u>
Total Cash, Cash Equivalents, and Investments per the Statement of Net Position	<u>\$ 205,352,280</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### B. Receivables and Unavailable and Unearned Revenues

##### *Property Taxes*

The Town's fiscal year 2023 real and business personal property taxes (which were for tax year 2022) were levied on September 30, 2022, and were due beginning on this date based on the assessed valuation as of January 1, 2022. Property taxes are considered late on January 16, 2023. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Assessed values are established by the Beaufort County Tax Assessor and the South Carolina Tax Commission. The Town's current operating and debt service millage rates were 17.20 mills, and 5.90 mills, respectively. Town property taxes are billed and collected by Beaufort County under a joint billing and collection agreement.

The Town's governmental activities receivables and allowances at June 30, 2023 consisted of the following:

	Government-wide Financial Statements - Governmental Activities				
	Governmental Fund Financial Statements				
	General Fund	Beach Preservation Fee Fund	Hospitality Fee Fund	Nonmajor Governmental Funds	Total
Receivables:					
EMS fees	\$ 1,070,300	\$ -	\$ -	\$ -	\$ 1,070,300
Local accommodations taxes	1,950,677	-	-	-	1,950,677
Other receivables	291,388	-	-	-	291,388
Due from Employees	13,427	-	-	-	13,427
Beach preservation fees	-	3,901,353	-	-	3,901,353
Hospitality fees	-	-	2,390,681	-	2,390,681
Less: EMS allowance	(402,000)	-	-	-	(402,000)
Total receivables	<u>\$ 2,923,792</u>	<u>\$ 3,901,353</u>	<u>\$ 2,390,681</u>	<u>\$ -</u>	<u>\$ 9,215,826</u>

##### *Due From Other Governments*

The amounts due from other governments to the Town as of June 30, 2023 are as follows:

	Government-wide Financial Statements - Governmental Activities								
	Governmental Fund Financial Statements								
	General Fund	Tax Increment Financing	Accommodations Taxes	Real Estate Transfer Fees	Debt Service Fund	Capital Projects Fund	Natural Disasters	Nonmajor Governmental Funds	Total
Due from other governments:									
Beaufort County:									
Property Taxes	\$ 275,325	\$ -	\$ -	\$ -	\$ 39,034	\$ 344	\$ 2,201	\$ -	\$ 316,904
Other	126,687	-	-	-	-	-	-	-	126,687
Road Usage Fees	-	-	-	-	-	-	-	200	200
Real Estate Transfer Fees	-	-	-	502,336	-	-	-	-	502,336
Tax Increment Financing	-	20,294	-	-	-	-	-	-	20,294
Grants	-	-	-	-	-	-	-	31,099	31,099
Less: Property Tax Allowance	(36,595)	-	-	-	(12,927)	(344)	(2,201)	-	(52,067)
State of South Carolina:									
Sunday Liquor Fees	-	-	-	-	-	59,550	-	-	59,550
Accommodations Taxes	-	-	5,117,146	-	-	-	-	-	5,117,146
Total	<u>\$ 365,417</u>	<u>\$ 20,294</u>	<u>\$ 5,117,146</u>	<u>\$ 502,336</u>	<u>\$ 26,107</u>	<u>\$ 59,550</u>	<u>\$ -</u>	<u>\$ 31,299</u>	<u>\$ 6,122,149</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### B. Receivables and Unavailable and Unearned Revenues (Continued)

##### *Due From Other Governments (Continued)*

The amounts due from other governments to the Town's enterprise fund as of June 30, 2023 are as follows:

	<b>Stormwater Fund</b>
Beaufort County:	
Stormwater Fees	\$ 10,316
Total	\$ 10,316

##### *Unavailable and Unearned Revenues*

Governmental funds report as a component of deferred inflows of resources: (a) revenues that are not considered to be available to liquidate liabilities (unavailable revenue), and (b) revenues that have been received but are intended to finance future periods (deferred revenue). Governmental funds also defer revenue recognition and report liabilities in connection with resources that have been received but not yet earned (unearned revenue).

At June 30, 2023, the various components of unavailable and unearned revenues were as follows:

	<b>Fund</b>	<b>Deferred Inflows of Resources</b>		<b>Liabilities</b>	<b>Total</b>
		<b>Unavailable</b>	<b>Unearned</b>	<b>Unearned</b>	
Advance - Miscellaneous	General	\$ -	\$ 10,640	\$ 10,640	\$ 10,640
Advance - Grants	Federal Grants	-	2,799,962	2,799,962	2,799,962
Advance - Revolving Fund Loans	Nonmajor Governmental	-	70,407	70,407	70,407
Delinquent Taxes Receivable	General	76,110	-	76,110	76,110
Delinquent Taxes Receivable	Debt Service	26,107	-	26,107	26,107
Total		\$ 102,217	\$ 2,881,009	\$ 2,983,226	\$ 2,983,226

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### C. Interfund Receivables, Payables and Transfers

##### *Interfund Receivables and Payables*

Interfund balances at June 30, 2023 consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<b><u>Major Governmental Funds:</u></b>		
General Fund	\$ 483,437	\$ 7,383,671
Tax Increment Financing Fund	5,061	-
Accommodations Tax Fund	709,527	-
Beach Preservation Fees Fund	1,171,522	-
Hospitality Fees Fund	1,095,918	-
Debt Service Fund	35,262	-
Capital Projects Fund	48,357	391,599
Natural Disasters Fund	114,785	-
Federal Grants	2,880,301	-
<b><u>Other Nonmajor Governmental Funds:</u></b>		
Palmetto Electric Franchise Fees Fund	219,141	-
Operating Grants Fund	510,760	-
Home Grant	82,534	-
Road Usage Fee Fund	510,503	-
Short-Term Rentals Fund	-	56,974
Firemen's Fund	-	4,449
<b><u>Proprietary Funds:</u></b>		
Stormwater Fund	-	30,415
	\$ 7,867,108	\$ 7,867,108

Amounts due from/to funds resulted from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30, 2023. All balances are expected to be repaid within one year.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### C. Interfund Receivables, Payables and Transfers (Continued)

##### *Interfund Transfers*

Interfund transfers for the year ended June 30, 2023 consisted of the following:

Fund	Transfers In	Transfers Out	Purpose
<b><u>Major Governmental Funds:</u></b>			
General Fund	\$ 8,103,050	\$ -	Funding from various funds for tourism-related expenditures
Tax Increment Financing Fund	-	5,040,205	Fund Capital Improvement Program
Accommodations Tax Fund	-	3,167,803	Fund tourism-related expenditures
Real Estate Transfer Fees Fund	-	8,814,450	Fund purchase of Town Council approved property
Beach Preservation Fees Fund	-	5,634,336	Fund tourism-related expenditures and Debt Service payments
Hospitality Fees Fund	-	5,987,295	Fund tourism-related expenditures and Debt Service payments
Debt Service Fund	13,959,745	-	Funding from various funds for debt service payments
Capital Projects Fund	13,194,780	-	Funding from various funds for Capital Improvement Program
Natural Disasters Fund	-	3,537,765	Fund Debt Service payments
<b><u>Other Nonmajor Governmental Funds:</u></b>			
Short-Term Rentals Fund	-	1,659,935	Fund personnel and software expenditures in the General Fund
Road Usage Fee Fund	-	1,240,183	Fund Capital Improvement Program
Palmetto Electric Franchise Fees Fund	-	540,603	Fund Capital Improvement Program
<b><u>Proprietary Funds:</u></b>			
Stormwater Fund	490,000	125,000	Transfers In to fund tourism related expenditures and transfers out to fund Capital Improvement Program
	<u>\$ 35,747,575</u>	<u>\$ 35,747,575</u>	

The Town uses transfers to: 1) move revenues from the fund that by statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move Town grant monies from grantor funds to grantee funds, and 3) transfer bond proceeds from the fund that by statute or budget requires to receive them to other funds authorized to execute the project.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### D. Fund Balances

Fund balances for all major and nonmajor funds as of June 30, 2023 were distributed as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
Prepays	Prepaid items	\$ 18,475
Restricted:		
Tax Increment Financing District	Economic Development	5,852,129
Accommodations Tax	Tourism promotion	12,943,693
Real Estate Transfer Fee	Environmental conservation	13,379,520
Beach Preservation Fee	Beach renourishment	24,168,443
Hospitality Fee	Public health and safety	24,485,722
Debt Service	Debt service payments	12,159,356
Capital Projects	Construction of major capital facilities	3,402,646
Natural Disasters	Response to natural disasters	34,373,980
Palmetto Electric	Underground electrical service	13,466,778
Operating Grants	Operating grants	538,502
HOME Grant	HOME grant program	12,127
Road Usage Fee	Road projects	2,500,105
Community Development Corporation	Gullah Geechee Historic Neighborhoods	5,415,560
One Percent	Firemen's fund	41,605
Committed:		
General	Disaster recovery	23,192,000
Beach Preservation Fee	Beach renourishment	12,000,000
Unassigned:		
General		10,292,333
Total Fund Balance		<u>\$ 198,242,974</u>

In relation to fund balance committed for Disaster Recovery, the Council has established:

- Committed for Operating Expenditures** – The Town will establish and maintain an operating balance based on a range with a minimum of 40% up to a maximum of 55% of the Town's adopted fiscal year operating budget. The operating balance may be utilized for emergency purposes in post-disaster occurrences; to offset an early fiscal year tax revenue income stream deficiency; and to avoid emergency Town borrowing or use of tax anticipation notes. The Director of Finance is authorized to transfer the amount of undesignated fund balance above the 55% maximum into the following funds: 1) The Debt Service Fund to maintain an account reserved for the reduction of the Town's general obligation debt. These funds may be used for early retirement or other debt payments; 2) the Natural Disasters Fund to maintain an account for disaster preparation, disaster response, or disaster recovery; or 3) the Capital Improvements Fund – subject to Council appropriations for usage from the CIP fund.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### D. Fund Balances (Continued)

A report shall be given each year to Council, at the close of the fiscal year, identifying the status of the fund balance in relation to the operating reserve policy, and any potential excess funds that could be transferred or used. The Town had the minimum 40% committed in fund balance of approximately \$23,192,000 at June 30, 2023.

- **Committed for Advertising Expenditures** – The Town will set aside 2% of the 2% local hospitality tax and 5% of the 1% local accommodations tax revenues collected annually into an advertising account. These funds are committed for disaster management communications oriented programs. The fund will be used to provide post disaster advertising, a communications link to emergency agencies, and media programs to provide public notice. Funds may be distributed upon authorization by the Town Manager. The total amount of funds for this purpose will not exceed \$1,000,000, which is included in the Natural Disasters Fund. Annual interest earned on funds will also be deposited into the account.
- **Committed for Beach Renourishment** – The Town will hold in an interest-bearing account a portion of the amounts on deposit in the Town of Hilton Head Island Beach Preservation Fee Account. The amount to be held in this account shall not exceed \$12 million. At June 30, 2023, the balance was approximately \$12,000,000.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### E. Net Position

The Town has reported unrestricted net position of approximately \$31,251,000, which includes approximately \$17,972,000 related to the Town's proportionate share of the net pension liability. The Town does not anticipate funding this liability and will continue to contribute to the pension plan at State required contribution rates.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Net investment in capital assets:		
Net capital assets	\$ 286,816,948	\$ 11,438,576
Less:		
Outstanding long-term debt	(93,863,702)	(4,475,000)
Construction related AP and retainage	(1,220,292)	-
Add:		
Deferred charges on refunding	1,473,266	178,121
Subtotal Net investment in capital assets	193,206,220	7,141,697
Restricted for:		
Economic Development	5,852,129	-
Tourism promotion	12,943,693	-
Environmental conservation	13,379,520	-
Beach renourishment	24,168,443	-
Public health and safety	24,485,722	-
Debt service payments	12,159,356	-
Construction of major capital facilities	3,402,646	-
Community Development	5,415,560	-
Natural disasters	34,373,980	-
Underground electrical service	13,466,778	-
Operating grants	538,502	-
HOME grant	12,127	-
Road projects	2,500,105	-
One Percent	41,605	-
Subtotal Restricted	152,740,166	-
Unrestricted	25,214,064	6,036,913
<b>Total net position</b>	<b>\$ 371,160,450</b>	<b>\$ 13,178,610</b>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### F. Accommodations Tax Fund

Accommodations Tax Fund is a Special Revenue Fund used to record Accommodations Tax receipts and grants approved by Council payable out of appropriations. Thirty percent (approximately \$3,996,000) and five percent (approximately \$666,000) of Accommodations Taxes after deducting a \$25,000 transfer to the General Fund are required to be transferred to the Hilton Head Island Chamber of Commerce Visitor and Convention Bureau and the General Fund, respectively. The remaining amounts are allocated to various projects approved by Council and these projects must be tourism-related. Council has adopted a policy whereby the appropriations for an individual grant will lapse if the project is not underway by December 31 of the year following appropriation. The grant can be extended, by the Town Manager, for one additional calendar year.

Council has approved amounts for calendar year 2023 as follows:

Grantee	Appropriations
Art League of Hilton Head	\$ 75,000
Arts Center of Coastal Carolina	420,000
David M. Carmine Foundation	181,000
Gullah Museum of Hilton Head	139,700
Harbour Town Merchants Association	29,000
Hilton Head Audubon Society	17,588
Hilton Head Choral Society	10,000
Hilton Head Concours d'Elegance	385,000
Hilton Head Dance Theater	20,000
Hilton Head Island Airport	155,000
Hilton Head Island Bridge Association	15,000
Hilton Head Island Recreation Association	60,000
Hilton Head Island St. Patrick's Day Parade	71,704
Hilton Head Island Wine & Food Festival	130,000
Hilton Head Island Wine & Food - Craft Beer Fest	25,000
Hilton Head Symphony Orchestra	300,000
Lean Ensemble Theater	50,000
Lowcountry Golf Course Owners	50,000
Long Cove Club - Intercollegiate	51,442
Lowcountry Gullah	95,889
Mitchelville Preservation Project	185,000
Native Island Business & Community	235,000
Sea Turtle Patrol Hilton Head Island	64,500
Shelter Cove Harbour Company	195,000
Tedx Hilton Head	25,000
Boys & Girls Club-Pedal Hilton Head Island	35,000
Coastal Discovery Museum	325,000
Coastal Discovery Honey Horn CIP	695,350
The First Tee of the Lowcountry	40,000
The Heritage Library Foundation	118,000
The Outside Foundation	59,480
The Sandbox	59,895
World Affairs Council	5,000
Hilton Head Island-Bluffton Chamber-Supplemental	350,000
	\$ 4,673,548

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### G. Capital Assets and SBITA's

Capital asset activity for the Town's governmental activities for the year ended June 30, 2023 was as follows:

	Balance	Increases	Decreases	Transfers	Balance
<b>Governmental activities</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 170,466,187	\$ 6,654,801	\$ -	\$ (53,407)	\$ 177,067,581
Development Rights	10,734,391	-	-	-	10,734,391
Easements/Right-of-Ways	3,548,960	-	-	53,407	3,602,367
Construction in progress	3,969,383	4,244,534	-	(2,822,258)	5,391,659
Total Capital Assets, Non-Depreciable	<u>188,718,921</u>	<u>10,899,335</u>	<u>-</u>	<u>(2,822,258)</u>	<u>196,795,998</u>
Capital Assets, Depreciable:					
Buildings	48,808,429	961,900	-	-	49,770,329
Furniture, Fixtures and Equipment	4,831,376	1,079,256	(193,658)	-	5,716,974
Vehicles	9,647,647	848,718	(199,757)	-	10,296,608
Improvements Other Than Buildings:					
Park Development	34,622,384	68,509	-	2,822,258	37,513,151
Infrastructure	54,538,652	-	-	-	54,538,652
Total Capital Assets, Depreciable	<u>152,448,488</u>	<u>2,958,383</u>	<u>(393,415)</u>	<u>2,822,258</u>	<u>157,835,714</u>
Less Accumulated Depreciation for:					
Buildings	18,578,902	1,682,892	-	-	20,261,794
Furniture, Fixtures and Equipment	4,231,998	317,263	(192,362)	-	4,356,899
Vehicles	6,064,492	790,587	(199,758)	-	6,655,321
Improvements Other Than Buildings:					
Park Development	9,116,779	1,394,531	-	-	10,511,310
Infrastructure	25,118,111	2,081,817	-	-	27,199,928
Total Accumulated Depreciation	<u>63,110,282</u>	<u>6,267,090</u>	<u>(392,120)</u>	<u>-</u>	<u>68,985,252</u>
Total capital assets, depreciable, net	<u>89,338,206</u>	<u>(3,308,707)</u>	<u>(1,295)</u>	<u>2,822,258</u>	<u>88,850,462</u>
Governmental activities capital assets, net	<u>\$ 278,057,127</u>	<u>\$ 7,590,628</u>	<u>\$ (1,295)</u>	<u>\$ -</u>	<u>285,646,460</u>
SBITA's, net					<u>1,170,488</u>
Governmental activities capital assets, net including SBITA's					<u>\$ 286,816,948</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### G. Capital Assets and SBITA's (Continued)

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

Functions/Programs	
General Government	\$ 734,121
Management Services	167,279
Community Services	3,604,615
Public Safety	1,761,075
Total	\$ 6,267,090

Capital asset activity for the Town's business-type activities for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type activities</b>					
Capital Assets, Depreciable:					
Infrastructure	\$ 26,200,717	\$ -	\$ -	\$ -	\$ 26,200,717
Total Capital Assets, Depreciable	26,200,717	-	-	-	26,200,717
Less Accumulated Depreciation for:					
Infrastructure	13,763,935	998,206	-	-	14,762,141
Total Accumulated Depreciation	13,763,935	998,206	-	-	14,762,141
Total Capital Assets, Depreciable, Net	12,436,782	(998,206)	-	-	11,438,576
Total Capital Assets, Net	\$ 12,436,782	\$ (998,206)	\$ -	\$ -	\$ 11,438,576

Capital asset depreciation expense for business-type activities was charged to Stormwater.

SBITA asset activity for the Town's governmental activities for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities</b>					
SBITA asset	\$ 263,663	\$ 1,188,451	\$ -	\$ -	\$ 1,452,114
Less Accumulated Amortization for:					
SBITA's	-	281,626	-	-	281,626
SBITA's, net	\$ 263,663	\$ 906,825	\$ -	\$ -	\$ 1,170,488

The SBITA beginning balance differs from that of the prior year as a result of the implementation of GASB Statement No. 96.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### H. Long-Term Obligations

The Town issues bonds to provide funds for the acquisition and construction of major capital facilities as well as the purchase of land. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the Town. Tax Increment Financing Bonds (“TIFB”) are considered a special obligation of the Town payable solely from ad valorem taxes generated by improvements to real property within the redevelopment project area. The full faith, credit, and taxing powers of the Town are not pledged for the payment of the TIFB nor the interest thereon. Special Obligation Bonds (“SOB”) are considered a special obligation of the Town payable from a specified revenue source, such as hospitality tax, beach preservation fees, stormwater fees, etc. The full faith, credit and taxing powers of the Town are not pledged for the payment of the SOB nor the interest thereon.

Details on the Town’s outstanding debt issues as of June 30, 2023 are as follows:

#### ***General Obligation Bonds***

#### **\$5,005,000 General Obligation Bonds Dated September 9, 2009**

On September 9, 2009, the Town issued \$5,005,000 in general obligation bonds with an average interest rate of 2.72% to advance refund \$4,900,000 general obligation bonds dated November 16, 1999 with an average interest rate of 5.56%. The net proceeds of \$5,248,484 including a premium of \$34,061 (after payment of \$139,061 in issuance costs) and funds on hand were used to purchase United States government securities. These general obligation bonds were refunded to reduce total debt service payments over the life of the bonds and to obtain an economic gain. A schedule of the amounts due for this issue follows:

<b>For the Year Ending June 30,</b>	<b>Interest Rate by Year (%)</b>	<b>Governmental Activities</b>		
		<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2024	3.500	\$ 24,850	\$ 460,000	\$ 484,850
2025	3.500	8,400	480,000	488,400
		\$ 33,250	\$ 940,000	\$ 973,250

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



**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**H. Long-Term Obligations (Continued)**

*General Obligation Bonds (Continued)*

**\$13,080,000 General Obligation Bonds Dated September 14, 2016**

On September 14, 2016, the Town issued \$13,080,000 in general obligation bonds with a Net Interest Rate of 0.999% to advance refund \$13,210,000 general obligation bonds dated March 15, 2005. The net proceeds of \$13,593,831 including \$513,831 in premiums (after payment of \$209,846 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for in substance defeasance. These general obligation bonds were refunded to reduce total debt service by \$1,272,716 over the life of the bonds and to obtain a present value economic gain of \$1,219,122. A schedule for the amounts due for this refunded issue is as follows:

<b>For the Year Ending June 30,</b>	<b>Interest Rate by Year (%)</b>	<b>Governmental Activities</b>		
		<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2024	1.500	\$ 18,788	\$ 825,000	\$ 843,788
2025	1.500	6,300	840,000	846,300
		\$ 25,088	\$ 1,665,000	\$ 1,690,088

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

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**H. Long-Term Obligations (Continued)**

*General Obligation Bonds (Continued)*

**\$9,035,000 General Obligation Bonds Dated September 14, 2016**

On September 14, 2016, the Town issued \$9,035,000 in general obligation bonds with a Net Interest Rate of 1.98% to advance refund \$9,515,000 general obligation bonds dated February 3, 2010. The net proceeds of \$9,708,531 including \$673,531 in premiums (after payment of \$173,384 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for in substance defeasance. These general obligation bonds were refunded to reduce total debt service over the life of the bonds by \$1,281,272 and to obtain a present value economic gain of \$1,225,838. A schedule for the amounts due for this refunded issue is as follows:

<b>For the Year Ending June 30,</b>	<b>Interest Rate by Year (%)</b>	<b>Governmental Activities</b>		
		<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2024	4.000	\$ 168,238	\$ 635,000	\$ 803,238
2025	4.000	142,838	665,000	807,838
2026	4.000	116,238	465,000	581,238
2027	2.000	97,638	465,000	562,638
2028	2.000	88,338	470,000	558,338
2029 – 2033	various	294,940	2,535,000	2,829,940
2034 and 2035	various	40,263	1,105,000	1,145,263
		<u>\$ 948,493</u>	<u>\$ 6,340,000</u>	<u>\$ 7,288,493</u>

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### H. Long-Term Obligations (Continued)

##### *General Obligation Bonds (Continued)*

##### **\$5,770,000 General Obligation Bonds Dated September 14, 2016**

On September 14, 2016, the Town issued \$5,770,000 in general obligation bonds with a Net Interest Rate of 1.629% to advance refund \$5,715,000 general obligation bonds dated March 4, 2008. The net proceeds of \$6,156,989 including \$386,989 in premiums (after payment of \$102,706 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for in substance defeasance. These general obligation bonds were refunded to reduce total debt service over the life of the bonds by \$446,334 and to obtain a present value economic gain of \$430,003. A schedule for the amounts due for this refunded issue is as follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2024	2.000	\$ 10,850	\$ 1,085,000	\$ 1,095,850
		\$ 10,850	\$ 1,085,000	\$ 1,095,850

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

##### **\$27,310,000 General Obligation Bonds Dated September 21, 2017**

On September 21, 2017, the Town issued \$27,310,000 in general obligation bonds to fund the Capital Improvements Plan. A schedule of the amounts due for this issue follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2024	5.000	\$ 865,569	\$ 605,000	\$ 1,470,569
2025	5.000	835,319	940,000	1,775,319
2026	5.000	788,319	780,000	1,568,319
2027	4.000	749,319	815,000	1,564,319
2028	4.000	716,719	850,000	1,566,719
2029 – 2033	various	3,172,471	4,660,000	7,832,471
2034 – 2038	3.000	2,439,665	5,390,000	7,829,665
2039 – 2043	various	1,560,695	6,270,000	7,830,695
2044 – 2047	3.250	477,751	5,790,000	6,267,751
		\$ 11,605,827	\$ 26,100,000	\$ 37,705,827

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### H. Long-Term Obligations (Continued)

##### *General Obligation Bonds (Continued)*

##### **\$5,000,000 General Obligation Bonds Dated May 8, 2019**

On May 8, 2019, the Town issued \$5,000,000 in general obligation bonds with an average interest rate of 3.40% to provide for the Capital Improvements Plan of 2019 and 2020. A schedule of the amounts due for this issue follows:

<b>For the Year Ending June 30,</b>	<b>Interest Rate by Year (%)</b>	<b>Governmental Activities</b>		
		<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2024	5.000	\$ 156,650	\$ 195,000	\$ 351,650
2025	5.000	146,900	205,000	351,900
2026	5.000	136,650	215,000	351,650
2027	5.000	125,900	225,000	350,900
2028	5.000	114,650	240,000	354,650
2029 – 2033	various	415,250	1,345,000	1,760,250
2034 – 2038	3.000	195,000	1,570,000	1,765,000
2039	3.000	10,200	340,000	350,200
		\$ 1,301,200	\$ 4,335,000	\$ 5,636,200

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

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**H. Long-Term Obligations (Continued)**

*General Obligation Bonds (Continued)*

**\$5,830,000 General Obligation Bonds**

On December 3, 2020, the Town issued \$5,830,000 in general obligation bonds with a Net Interest Rate of 0.6142% to advance refund \$6,665,000 general obligation bonds Series dated August 3, 2011. The net proceeds of \$6,975,085 including \$1,145,000 in premiums (after payment of \$194,823 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for a current refunding. These general obligation bonds were refunded to reduce total debt service by \$721,624 over the life of the bonds and to obtain a present value economic gain of \$705,853. A schedule for the amounts due for this refunded issue is as follows:

<b>For the Year Ending June 30,</b>	<b>Interest Rate by Year (%)</b>	<b>Governmental Activities</b>		
		<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2024	5.000	\$ 211,350	\$ 670,000	\$ 881,350
2025	5.000	177,850	705,000	882,850
2026	5.000	142,600	740,000	882,600
2027	5.000	105,600	780,000	885,600
2028	4.000	66,600	815,000	881,600
2029	4.000	34,000	850,000	884,000
		<b>\$ 738,000</b>	<b>\$ 4,560,000</b>	<b>\$ 5,298,000</b>

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### H. Long-Term Obligations (Continued)

##### *General Obligation Bonds (Continued)*

##### **\$6,285,000 General Obligation Bonds**

On December 3, 2020, the Town issued \$6,285,000 in general obligation taxable bonds with a Net Interest Rate of 1.647% to advance refund \$5,585,000 general obligation bonds Series dated June 18, 2013. The net proceeds of \$6,327,890 (after payment of \$210,808 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for an advanced refunding. These general obligation bonds were refunded to reduce total debt service by \$472,376 over the life of the bonds and to obtain a present value economic gain of \$425,404. We have apportioned the bonds 55.55%/44.45% between this issue to delineate how much is applicable to the debt limit. A schedule for the amounts due for this refunded issue is as follows:

##### **\$3,491,317.50 portion (55.55%) General Obligation Bonds – applicable to the debt limit**

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2024	3.000	\$ 53,700	\$ 255,530	\$ 309,230
2025	0.750	46,034	263,863	309,897
2026	0.950	44,055	266,640	310,695
2027	1.100	41,522	269,418	310,940
2028	1.200	38,559	272,195	310,754
2029 – 2033	various	134,005	1,419,303	1,553,308
2034 and 2035	various	18,376	605,495	623,871
		<u>\$ 376,251</u>	<u>\$ 3,352,444</u>	<u>\$ 3,728,695</u>

##### **\$2,793,682.50 portion (44.45%) General Obligation Bonds – not applicable to the debt limit**

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2024	3.000	\$ 42,970	\$ 204,470	\$ 247,440
2025	0.750	36,836	211,137	247,973
2026	0.950	35,252	213,360	248,612
2027	1.100	33,225	215,582	248,807
2028	1.200	30,854	217,805	248,659
2029 – 2033	various	107,228	1,135,697	1,242,925
2034 and 2035	various	14,704	484,505	499,209
		<u>\$ 301,069</u>	<u>\$ 2,682,556</u>	<u>\$ 2,983,625</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**H. Long-Term Obligations (Continued)**

*Special Obligation Bonds*

**\$30,075,000 Special Obligation Bonds (Beach Preservation Fees) Dated September 28, 2017**

On September 28, 2017, the Town issued \$30,075,000 special obligation bonds (beach preservation fee) to finance beach renourishment projects. A schedule of the amounts due for this issue follows:

<b>For the Year Ending June 30,</b>	<b>Interest Rate by Year (%)</b>	<b>Governmental Activities</b>		
		<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2024	5.000	\$ 793,375	\$ 3,155,000	\$ 3,948,375
2025	5.000	631,625	3,315,000	3,946,625
2026	5.000	461,750	3,480,000	3,941,750
2027	5.000	283,375	3,655,000	3,938,375
2028	5.000	96,000	3,840,000	3,936,000
		<u>\$ 2,266,125</u>	<u>\$ 17,445,000</u>	<u>\$ 19,711,125</u>

Beach preservation fees are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.

**\$28,530,000 Special Obligation Bonds – Tax Increment Financing (“TIF”) Dated July 27, 2017**

On July 27, 2017, the Town issued \$30,075,000 in special obligation bonds (tax increment financing) to fund TIF projects within the Capital Improvement Plans. A schedule of the amounts due for this issue follows:

<b>For the Year Ending June 30,</b>	<b>Interest Rate by Year (%)</b>	<b>Governmental Activities</b>		
		<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2024	1.780	\$ 136,259	\$ 3,795,000	\$ 3,931,259
2025	1.780	68,708	3,860,000	3,928,708
		<u>\$ 204,967</u>	<u>\$ 7,655,000</u>	<u>\$ 7,859,967</u>

TIF revenues are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**H. Long-Term Obligations (Continued)**

*Special Obligation Bonds (Continued)*

**\$16,520,000 Special Obligation Bonds (Hospitality) Dated October 29, 2019**

On October 29, 2019, the Town issued \$16,520,000 in special obligation refunding bonds (hospitality) with a net interest rate of 2.84% to advance refund the remaining portion of the Town's outstanding Series 2011A and Series 2011B Special Obligation Bonds. The net proceeds of \$16,006,603 (net of issuance costs of \$513,397), along with \$1,635,176 released from the Series 2011 Bond debt service reserve funds, were used to purchase United States government securities placed in an irrevocable trust for in-substance defeasance. These special obligation bonds were refunded to reduce total debt service over the life of the bonds by \$2,524,469 and to obtain a net present value economic gain of \$433,665. A schedule of the amounts due for this refunding is as follows:

<b>For the Year Ending June 30,</b>	<b>Interest Rate by Year (%)</b>	<b>Governmental Activities</b>		
		<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2024	2.160	\$ 327,134	\$ 1,110,000	\$ 1,437,134
2025	2.350	303,158	1,140,000	1,443,158
2026	2.450	276,368	1,165,000	1,441,368
2027	2.550	247,825	1,195,000	1,442,825
2028	2.600	217,353	1,225,000	1,442,353
2029 – 2033	various	725,715	3,705,000	4,430,715
2034 – 2036	various	160,073	2,495,000	2,655,073
		<u>\$ 2,257,626</u>	<u>\$ 12,035,000</u>	<u>\$ 14,292,626</u>

Hospitality revenues are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.



**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**H. Long-Term Obligations (Continued)**

*Special Obligation Bonds (Continued)*

**\$3,200,000 Stormwater Bonds Dated January 31, 2018**

On January 31, 2018, the Town issued \$3,200,000 in revenue bonds to fund Stormwater projects. A schedule of the amounts due for this issue follows:

<u>For the Year Ending June 30,</u>	<u>Interest Rate by Year (%)</u>	<u>Governmental Activities</u>		
		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2024	2.710	\$ 45,664	\$ 320,000	\$ 365,664
2025	2.710	36,992	330,000	366,992
2026	2.710	28,049	335,000	363,049
2027	2.710	18,970	345,000	363,970
2028	2.710	9,621	355,000	364,621
		<u>\$ 139,296</u>	<u>\$ 1,685,000</u>	<u>\$ 1,824,296</u>

Payments on these special revenue bonds will be funded with Stormwater revenues.

**\$5,630,000 Stormwater Bonds**

On January 14, 2021, the Town issued \$5,630,000 in special obligation refunding bonds (Stormwater) with a net interest rate of 0.83% to advance refund the remaining portion of the Town's outstanding Series 2010 Special Obligation Bonds (Stormwater). The net proceeds (net of issuance costs of \$144,000), along with \$870,555 contribution from Stormwater funds, were used to current refund the Series 2010 Bonds. These special obligation bonds were refunded to reduce total debt service over the life of the bonds by \$1,022,207 and to obtain a net present value economic gain of \$156,124. A schedule of the amounts due for this refunding is as follows:

<u>For the Year Ending June 30,</u>	<u>Interest Rate by Year (%)</u>	<u>Governmental Activities</u>		
		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2024	0.830	\$ 23,157	\$ 920,000	\$ 943,157
2025	0.830	15,521	930,000	945,521
2026	0.830	7,802	940,000	947,802
		<u>\$ 46,480</u>	<u>\$ 2,790,000</u>	<u>\$ 2,836,480</u>

Payments on these special revenue bonds will be funded with Stormwater revenues.

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**H. Long-Term Obligations (Continued)**

***SBITA's***

The Town implemented the provisions of GASB Statement No. 96, *Subscription Based Information Technology Arrangements*, as of July 1, 2022. As such, the Town has recognized a liability for all significant SBITA's. These arrangements have terms that range from 3 – 5 years and the Town utilized its incremental borrowing rate of 3.5% to compute the net present value of the SBITA's. A schedule of the amounts due for these arrangements are as follows:

<u>For the Year Ending June 30,</u>	<b>Governmental Activities</b>		
	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2024	\$ 35,068	\$ 320,571	\$ 355,639
2025	24,423	282,976	307,399
2026	14,528	279,874	294,402
2027	5,243	254,197	259,440
2028	133	11,382	11,515
	\$ 79,395	\$ 1,149,000	\$ 1,228,395

***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 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 Fourteen (14); and

Such general obligation debt shall be issued within five years of the date of such referendum and shall mature within 40 years from the time such indebtedness shall be incurred.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### H. Long-Term Obligations (Continued)

##### *Legal Debt Limit (Continued)*

In addition, Hilton Head Island's Town Council imposes an 80% cap on the debt limit or a minimum of \$20,000,000. Below is the calculation of the legal debt limit as of June 30, 2023:

Assessed Value		<u>\$ 1,080,988,070</u>
Debt Limit - 8% of Assessed Value, without voter's approval		<u>86,479,046</u>
Council Imposed 80% Cap or Minimum of \$20,000,000		66,479,046
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds 2009A (Refunding of Series 1999A)	\$ (940,000)	
General Obligation Bonds 2017A	(26,100,000)	
General Obligation Bonds 2019	(4,335,000)	
General Obligation Bonds 2020B (Refunding)	<u>(3,352,444)</u>	
Total Amount Applicable to Debt Limit		<u>(34,727,444)</u>
Legal Debt Margin without a Referendum		<u>\$ 31,751,602</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### H. Long-Term Obligations (Continued)

##### *Legal Debt Limit (Continued)*

Presented below is a summary of changes in long-term obligations for the Town's governmental activities for the year ended June 30, 2023:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
GOB - September 2009 (\$5.005M)	\$ 1,385,000	\$ -	\$ 445,000	\$ 940,000	\$ 460,000
GOB - June 2013 (\$5.0M)	197,222	-	197,222	-	-
GOB - June 2013 (\$4.0M)	157,778	-	157,778	-	-
GOB - September 2016 (\$13.08M)	2,475,000	-	810,000	1,665,000	825,000
GOB - September 2016 (\$9.035M)	6,945,000	-	605,000	6,340,000	635,000
GOB - September 2016 (\$5.77M)	2,150,000	-	1,065,000	1,085,000	1,085,000
GOB - September 2017 (\$27.31M)	26,670,000	-	570,000	26,100,000	605,000
GOB - September 2017 (\$18.0M)	3,465,000	-	3,465,000	-	-
GOB - May 2019 (\$5.0M)	4,520,000	-	185,000	4,335,000	195,000
GOB - December 2020 (\$5.83M)	5,200,000	-	640,000	4,560,000	670,000
GOB - December 2020 (\$6.285M)	6,125,000	-	90,000	6,035,000	460,000
<b>Total General Obligation Bonds</b>	<b>59,290,000</b>	<b>-</b>	<b>8,230,000</b>	<b>51,060,000</b>	<b>4,935,000</b>
Special Obligation Bonds					
SOB - September 2017 (\$30.075M)	20,450,000	-	3,005,000	17,445,000	3,155,000
SOB - October 2019 (\$16.520M)	13,130,000	-	1,095,000	12,035,000	1,110,000
<b>Total Special Obligation Bonds</b>	<b>33,580,000</b>	<b>-</b>	<b>4,100,000</b>	<b>29,480,000</b>	<b>4,265,000</b>
Tax Increment Financing Bonds:					
TIFB - July 2017 (\$28.53M)	11,380,000	-	3,725,000	7,655,000	3,795,000
<b>Total Tax Increment Financing Bonds</b>	<b>11,380,000</b>	<b>-</b>	<b>3,725,000</b>	<b>7,655,000</b>	<b>3,795,000</b>
 SBITA's	 263,663	 1,188,451	 303,114	 1,149,000	 320,571
 Subtotal	 104,513,663	 1,188,451	 16,358,114	 89,344,000	 13,315,571
Premiums on Bonds	5,304,939	-	785,237	4,519,702	-
<b>Total Debt</b>	<b>109,818,602</b>	<b>1,188,451</b>	<b>17,143,351</b>	<b>93,863,702</b>	<b>13,315,571</b>
Compensated Absences	5,430,384	1,720,308	1,327,716	5,822,976	2,911,488
<b>Total Long-Term Obligations</b>	<b>\$ 115,248,986</b>	<b>\$ 2,908,759</b>	<b>\$ 18,471,067</b>	<b>\$ 99,686,678</b>	<b>\$ 16,227,059</b>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

#### H. Long-Term Obligations (Continued)

##### *Legal Debt Limit (Continued)*

Presented below is a summary of changes in long-term obligations for the Town's business-type activities for the year ended June 30, 2023:

##### **Business-type**

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt:					
Revenue Bonds:					
January 2018 (\$3.2M)	\$ 1,995,000	\$ -	\$ 310,000	\$ 1,685,000	\$ 320,000
January 2021 (\$5.63M)	3,705,000	-	915,000	2,790,000	920,000
Total Revenue Bonds	5,700,000	-	1,225,000	4,475,000	1,240,000
Total Long-Term Obligations	<u>\$ 5,700,000</u>	<u>\$ -</u>	<u>\$ 1,225,000</u>	<u>\$ 4,475,000</u>	<u>\$ 1,240,000</u>

Presented below is a summary of debt service requirements to maturity by year for the Town's governmental and business-type activities as of June 30, 2023:

For the Year Ended June 30,	Governmental Activities			Business-Type Activities		
	Interest	Principal	Total	Interest	Principal	Total
2024	\$ 2,809,733	\$ 12,995,000	\$ 15,804,733	\$ 68,821	\$ 1,240,000	\$ 1,308,821
2025	2,403,968	12,625,000	15,028,968	52,513	1,260,000	1,312,513
2026	2,001,232	7,325,000	9,326,232	35,851	1,275,000	1,310,851
2027	1,684,404	7,620,000	9,304,404	18,970	345,000	363,970
2028	1,369,073	7,930,000	9,299,073	9,621	355,000	364,621
2029 – 2033	4,883,611	15,650,000	20,533,611	-	-	-
2034 – 2038	2,868,081	11,650,000	14,518,081	-	-	-
2039 – 2043	1,570,895	6,610,000	8,180,895	-	-	-
2044 – 2047	477,749	5,790,000	6,267,749	-	-	-
Total	<u>\$ 20,068,746</u>	<u>\$ 88,195,000</u>	<u>\$ 108,263,746</u>	<u>\$ 185,776</u>	<u>\$ 4,475,000</u>	<u>\$ 4,660,776</u>

##### ***Debt from Direct Placement/Borrowing***

The Town's outstanding Series 2017 Tax Increment Financing Bonds, Series 2018 Stormwater Revenue Bonds, and Series 2021 Stormwater Revenue Bonds are direct placements/direct borrowings. Direct placements/borrowings generally contain provisions that in an event of default, outstanding amounts can become immediately due if the Town is unable to make payment, and they may contain collateral provisions.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. OTHER INFORMATION

#### A. Contingencies

Arbitrage – State and local bonds issued after 1984 are subject to arbitrage restrictions as enacted by the Federal government. To retain the bond's tax-exempt status, local governments must meet the regulations as adopted by the U.S. Treasury Department. The proceeds from the bond issue must not be invested, for more than a temporary period, in obligations producing a materially higher yield than the bond issue. To maintain tax exempt status, the yield earned at the materially higher rate over the bond cost must be remitted to the U.S. Treasury every five years. Exceptions to the regulations include the requirement that the local government expend all the bond proceeds within designated periods which could be up to three years. The Town has recorded a Bond Yield Restriction Liability of \$2,878 to limit yield to the Federal law maximum allowed.

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, 2023.

Lawsuits – The Town has been named in several lawsuits concerning zoning, enforcement of Town ordinances and for performance. None of these suits claim any damages.

The Town has been named in several lawsuits concerning other matters asserting monetary damages. The cases are in preliminary stages and the possible outcome or damages are unknown at this time. The Town carries liability insurance, and these lawsuits, with the exception of the lawsuit discussed below, should be covered. Management does not believe that any of these will have a material effect on the financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. OTHER INFORMATION (CONTINUED)

#### A. Contingencies (Continued)

Beaufort County Sheriff's Fees – The Town has accrued \$2,000,000 per year for fiscal years ended June 30, 2021, 2022 and 2023 for sheriff's services provided by Beaufort County. In prior fiscal years, the Town paid over \$3,000,000 per year to Beaufort County for sheriff's services.

After completing a study of the services provided by the sheriff's office, the Town determined that the sheriff's services provided by Beaufort County (the "County") were consistent with the sheriff's services provided to other areas of Beaufort County. Therefore, the Town's position was the sheriff's services provided should be covered by the property taxes paid by Town property owners to the County, and no additional fees should be paid by the Town to Beaufort County.

Negotiations between the Town and Beaufort County failed in July 2020, when the Town proposed to pay \$2,000,000 per year for sheriff's services and for the Town to take on some additional financial responsibilities from the County.

The Town has estimated that \$6,000,000 is the appropriate liability for sheriff's services provided by Beaufort County for the fiscal years ended June 30, 2021, 2022 and 2023 and has properly accrued a liability equal to that amount. The Town is continuing to accrue for fiscal year ending June 30, 2024. This liability is included in Due to Other Governments on the financial statements.

#### B. Retirement Plans

##### *Great-West Life and Annuity Retirement Plan (the "Plan")*

The Town established a defined contribution 401(a) money purchase plan on February 15, 1984, effective for the fiscal year beginning July 1, 1984, for all full-time employees. That Plan was effective through December 31, 1996, at which time the funds were rolled over to a 401(k) plan effective January 1, 1997. The Plan is administered by and the funds are held by the Great-West Life and Annuity Company, a retirement plan administrator. All full-time and part-time employees are covered by the Plan except those covered by the South Carolina Police Officers' Retirement System ("PORS") Plan and are fully vested after five years of service. The Plan calls for employer contributions to include a 6% automatic contribution, 100% match of the employee's first 4% contribution and 50% match of the next 4% contributed. All Plan amendments must be approved by the Town manager or his designee.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *Great-West Life and Annuity Retirement Plan (the "Plan") (Continued)*

For the years ended June 30, 2023, 2022, and 2021, employer contributions were based on a total payroll of approximately \$11,388,000, \$9,673,000 and \$9,762,000, respectively. The amount contributed by the employer for the year ended June 30, 2023 was approximately \$1,305,000, or 11.5%, of covered payroll. During the years ended June 30, 2022 and 2021, approximately \$994,000 and \$1,006,000 were contributed to the Plan by the employer, respectively. Employee contributions to the Plan were approximately \$1,077,000, or 9.5%, of covered payroll for the year ended June 30, 2023.

##### *State Retirement Plan*

The Towns' participates in the State of South Carolina's retirement plans. The South Carolina Public Employee Benefit Authority ("PEBA"), created on July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the State of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit plans. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *State Retirement Plan (Continued)*

The PEBA issues an Annual Comprehensive Financial Report (“ACFR”) containing financial statements and required supplementary information for the System’s Pension Trust Funds. The ACFR is publicly available through the PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR of the state.

##### *Plan Description*

The South Carolina Police Officers’ Retirement System (“PORS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firefighters of the state and its political subdivisions. PORS also covers peace officers, coroners, probate judges, and magistrates.

##### *Plan Membership*

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under the System is presented below.

**PORS** – To be eligible for PORS membership, an employee must be required by the terms of his/her employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in the PORS. Magistrates are required to participate in the PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the System with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the System with an effective date of membership on or after July 1, 2012, is a Class Three member.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *State Retirement Plan (Continued)*

###### *Plan Benefits*

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of benefit terms for the System is presented below.

**PORS** – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *State Retirement Plan (Continued)*

###### *Plan Contributions*

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.75% for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the 1% increase in the PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the PEBA Board is prohibited from decreasing the PORS contribution rates until the funded ratio is at least 85%. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of System assets to the actuarial accrued liability of the System (the funded ratio) that is equal to or greater than 85%, then the PEBA Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the System shows a funded ratio of less than 85%, then effective on the following July 1, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the System shows a funded ratio that is equal to or greater than 85%.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *State Retirement Plan (Continued)*

##### *Plan Contributions (Continued)*

As noted earlier, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town's contributions are actuarially determined but are communicated to and paid by the Town as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the year ended June 30, 2023 are as follows:

	<b>PORS Rates</b>
	<b>2023</b>
Employer Contribution Rate: <sup>^</sup>	
Retirement	19.84%
Incidental Death Benefit	0.20%
Accidental Death Contributions	0.20%
	20.24%
 Employee Contribution Rate <sup>^</sup>	 9.75%

<sup>^</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws

The actual and required contributions to the PORS were approximately \$2,215,000 for the year ended June 30, 2023 and include the non-employer contributions noted below.

##### *Non-employer Contributions*

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1% of the PORS contribution increases for the year ended June 30, 2023. The State's budget appropriated these funds directly to the PEBA for the Police Officers' Retirement System Trust Fund. The amount of funds appropriated by the State (non-employer contributing entity) for the year ended June 30, 2023 were approximately \$81,000 for the PORS. These contributions (on-behalf benefits) from the State were recognized as intergovernmental revenues and pension expenditures in the Town's governmental fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *State Retirement Plan (Continued)*

##### *Actuarial Assumptions and Methods*

Actuarial valuations of the Plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the reporting period ended June 30, 2019.

The June 30, 2022 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2021. The TPL was rolled-forward from the valuation date to the Plans’ fiscal year-end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the Systems. In fiscal year 2022, the PEBA Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022 (measurement date) for the PORS.

	<u>PORS</u>
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return*	7.00%
Projected salary increases*	3.5% to 10.5% (varies by service)
Benefit adjustments	Lesser of 1% or \$500 annually

\* Includes inflation at 2.25%.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *State Retirement Plan (Continued)*

##### *Actuarial Assumptions and Methods (Continued)*

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

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

##### *Long-Term Expected Rate of Return*

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.00% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.25% inflation component.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *State Retirement Plan (Continued)*

##### *Long-Term Expected Rate of Return (Continued)*

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public Equity	46.0%	6.87%	3.16%
Bonds	26.0%	0.27%	0.07%
Private Equity	9.0%	9.68%	0.87%
Private Debt	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real estate	9.0%	6.01%	0.54%
Infrastructure	3.0%	5.08%	0.15%
	100.0%		
		Total expected real return	5.18%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	7.43%

##### *Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions*

The NPL is calculated separately for each System and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2022 measurement date, for the PORs, are presented in the following table:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employer's Net Pension Liability</u>	<u>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</u>
PORS	\$ 8,937,686,946	\$ 5,938,707,767	\$ 2,998,979,179	66.4%

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *State Retirement Plan (Continued)*

##### *Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

At June 30, 2023, the Town reported a liability of approximately \$17,972,000 for its proportionate share of the NPL for the PORS. The NPL was measured as of June 30, 2022, and the TPL for the Plans used to calculate the NPL were measured based on the most recent actuarial valuation report of July 1, 2021, that was projected forward to the measurement date. The Town's proportion of the NPL was based on a projection of the Town's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2022 measurement date, the Town's PORS proportion was 0.599266%, which was a decrease of 0.018565% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of approximately \$1,699,000 PORS. At June 30, 2023, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>PORS</b>		
Differences between expected and actual experience	\$ 301,531	\$ 355,273
Assumption changes	748,376	-
Net difference between projected and actual earnings on pension plan investments	54,271	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	644,585	472,910
Employer contributions subsequent to the measurement date	2,171,169	-
<b>Total PORS</b>	<b>\$ 3,919,932</b>	<b>\$ 828,183</b>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *State Retirement Plan (Continued)*

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

Approximately \$2,171,000 that was reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date to the PORS, will be recognized as a reduction of the NPL in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the PORS will increase (decrease) pension expense as follows:

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	PORS
2023	2024	\$ 500,951
2024	2025	427,453
2025	2026	(706,386)
2026	2027	698,562
Total	Total	\$ 920,580

##### *Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. OTHER INFORMATION (CONTINUED)

#### B. Retirement Plans (Continued)

##### *State Retirement Plan (Continued)*

##### *Sensitivity Analysis*

The following table presents the sensitivity of the Town's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.00%, as well as what it would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability of the PORS	\$ 25,060,661	\$ 17,971,849	\$ 12,168,989

##### *Plan Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the Plans administered by PEBA is available in the separately issued ACFR containing financial statements and required supplementary information for PORS. The ACFR of the Pension Trust Funds is publicly available on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223.

##### *Payable to Plan*

The Town reported a payable of approximately \$285,000 to the PEBA as of June 30, 2023, representing required employer and employee contributions for the month of June 2023 for the PORS. This amount is included in Accounts Payable on the financial statements and was paid in July 2023.

#### C. Health Plans

In January 2001, the Town instituted a medical expense reimbursement plan whereby the Town contributes a set amount each year per employee. The employees submit reimbursement requests for qualified expenses to Human Resources. Amounts not used during the calendar year are carried over to the next year, subject to a \$5,000 cap.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. OTHER INFORMATION (CONTINUED)

#### C. Health Plans (Continued)

In January 2005, the Town also instituted a preventative dental care reimbursement plan whereby employees covered by the State Dental Plan are eligible for reimbursement of out-of-pocket expenses associated with preventive dental care up to an established limit each year. The reimbursement is available to the employee and their dependents provided they are covered under the State Dental Plan, Unused funds are forfeited at the end of the year.

Effective January 1, 2023, the Town instituted the following enhancements to the medical expense reimbursement plan. The Town selected Aviben to administer the plan and increased the annual benefit from \$800 to \$1,150 per calendar year. This resulted in one combined account for medical and preventative dental and the elimination of the separate preventative dental care reimbursement plan. The employee medical expense reimbursement accounts were fully funded with the implementation of this plan, therefore, there is no liability under this plan as of June 30, 2023. The medical expense reimbursement cap of \$5,000 will be eliminated effective December 31, 2023.

#### D. Contract Commitments

##### *Commitments*

At June 30, 2023, the Town had remaining construction commitments of approximately \$11,821,000 related to ongoing capital activities, including infrastructure improvements, software upgrades, park construction and improvements, and roadway and pathway construction and improvements.

#### E. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the employee.

The plan is administered by and the funds are held by Great-West, a retirement plan administrator.

Investments are managed by the plan's trustee under a range of investment options. The choice of the investment option(s) is made by the participants.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. OTHER INFORMATION (CONTINUED)

#### F. Post-employment Benefits Other than Pensions

##### *Plan Description*

In February 2002, the Town instituted a defined contribution plan, the Town of Hilton Head Island Retirement Health Savings Plan ("Plan"), whereby the Town contributes funds to each eligible employee's Health Reimbursement Account ("HRA"). The Town has established a Retirement Plan Advisory Committee consisting of members of the Town's Executive Steering Committee and Senior Staff, which have the authority to establish and amend the benefit terms and contributions rates of the Plan. The Plan is administered through a qualified trust managed by Educators Benefit Consultants, LLC.

##### *Plan Benefits*

The Town contributes 100% of forfeited sick leave (hours in excess of the maximum allowed to be accrued as of the end of the calendar year) on an annual basis while actively employed by the Town and 100% of any remaining MedFlex (Town sponsored HRA) balance no later than 60 days after retirement or after the date that the employee is deemed totally or permanently disabled (as defined by PORS or the Town's long-term disability insurance carrier). The Town also contributes 100% of the employee's accumulated sick leave balance upon: 1) retirement, 2) the date that the participant is deemed totally or permanently disabled (as defined by PORS or the Town's long-term disability insurance carrier), or 3) death if retirement eligible. The surviving spouse and/or surviving eligible dependents of the deceased participant are immediately eligible to maintain the account and utilize it to fund eligible medical benefits. If the participant's account balance has not been fully utilized upon the death of the eligible spouse, the account balance may continue to be utilized to pay benefits to eligible dependents. Upon death of all eligible dependents, the account balance is forfeited. If there are no living spouse or dependents at the time of death of the participant, the account balance is forfeited. Participants who are eligible to retire but who are: 1) involuntarily terminated and not offered the option to retire in lieu of termination, 2) involuntarily terminated after declining the option to retire in lieu of termination, or 3) retirement eligible but die while actively employed by the Town are not eligible to receive employer contributions and the balance in their account is forfeited. Forfeitures revert back to the employer for use to offset future employer contributions or other purposes permitted by law.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. OTHER INFORMATION (CONTINUED)

#### F. Post-employment Benefits Other than Pensions (Continued)

##### *Plan Benefits (Continued)*

Participants are 100% vested upon the death, disability or retirement from the Town as follows: 1) upon death of the participant, benefits are payable to the surviving spouse and dependents as described previously; 2) a participant who becomes totally and permanently disabled (as defined by PORS or the Town's long-term disability insurance carrier) is eligible to receive plan benefits; and 3) a participant retires after meeting qualifications as follows: (i) to qualify for retirement under PORS, Class Two members must have 25 years of service credit or be at least age 55 with five years of earned service credit. Class Three members must have 27 years of service credit or be at least age 55 with eight years of earned service credit; (ii) to qualify for retirement under the Town's retirement plan, an employee must have 25 years of service with the Town or be at least age 55 with five years of service with the Town.

##### *Plan Contributions*

The Town contributed approximately \$281,000, including both the retirement and annual contributions, to the trust during the year ended June 30, 2023. The Town does not have a liability related to the defined contribution plan as of June 30, 2023. No contributions other than employer contributions are required or accepted.

#### G. Proprietary Fund Infrastructure Agreements

The Town has entered into a series of agreements with a number of Public Utility Districts ("PUDs") and Homeowner Associations ("HOAs"). The Town is granted easements to the stormwater infrastructure in certain areas of the Town, and the Town takes responsibility for future maintenance. The Town is currently undergoing a system-wide mapping project to identify all the features within these agreements. Some are known to be impaired. Because of the uncertainty in the condition of the features, the Town has determined a fair valuation cannot be established. The Town has chosen the most conservative reporting position and not recorded any assets for stormwater features within these easements. The Town is recording assets when it incurs costs that meet the capitalization criteria, which there were none in the fiscal year ended June 30, 2023.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4. OTHER INFORMATION (CONTINUED)

#### H. Road Usage Fee

Effective October 1, 2021, the Town suspended collection of the Road Usage Fee of \$25.00 that was imposed on vehicles registered to an address within the boundaries of the Town. The fee was adopted by the Town in 2016. However, in June 2021, the South Carolina Supreme Court ruled in the Burns, et al. v. Greenville County Council, et al. case that a “service or user fee” – including “uniform service charges” is a charge required to be paid in return for a particular government service or program made available to the payer of that fee that benefits the payer in some manner different from the members of the general public not paying the fee.

Due to the ruling of the Burns, et al. v. Greenville County Council, et al. case, the Council believes it is appropriate to suspend the collection of its Road Usage Fee while it evaluates its options relative to ensuring compliance with the legal criteria outlined in the Burns opinion. The Town continues to follow the case through appeals and evaluates future options.

#### I. Subsequent Events

There were no material subsequent events for the year ended June 30, 2023 as of the date of the report.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
<b>Revenues</b>				
Real and Personal Property Taxes	\$ 16,023,489	\$ 16,023,489	\$ 17,215,546	\$ 1,192,057
Accommodations Tax	4,779,690	4,779,690	6,948,465	2,168,775
Business License and Franchise Fees	11,597,145	11,597,145	13,531,475	1,934,330
Permits	1,668,323	1,668,323	1,570,126	(98,197)
State Shared Funds	915,878	915,878	885,089	(30,789)
Grants	76,111	76,111	145,373	69,262
EMS Revenue	1,838,000	1,838,000	2,250,934	412,934
Public Safety Revenue	-	-	2,190	2,190
Miscellaneous Revenue	577,672	577,672	608,746	31,074
Investment Income	35,750	35,750	1,248,615	1,212,865
<b>Total Revenues</b>	<b>37,512,058</b>	<b>37,512,058</b>	<b>44,406,559</b>	<b>6,894,501</b>
<b>Expenditures</b>				
Current:				
General Government	2,072,174	2,122,142	2,046,471	75,671
Management Services	8,245,502	8,097,112	7,778,093	319,019
Community Services	11,507,536	12,202,556	11,691,756	510,800
Public Safety	21,055,008	22,444,018	21,516,919	927,099
Non-Departmental	5,741,584	4,995,588	4,975,678	19,910
Debt service:				
Principal	-	-	91,638	(91,638)
Interest	-	-	7,767	(7,767)
<b>Total Expenditures</b>	<b>48,621,804</b>	<b>49,861,416</b>	<b>48,108,322</b>	<b>1,753,094</b>
<b>Deficiency of revenues under expenditures</b>	<b>(11,109,746)</b>	<b>(12,349,358)</b>	<b>(3,701,763)</b>	<b>8,647,595</b>
<b>Other financing sources</b>				
Transfers in	11,109,746	12,863,610	8,103,050	(4,760,560)
Proceeds from sale of capital assets	-	-	38,656	38,656
<b>Total other financing sources</b>	<b>11,109,746</b>	<b>12,863,610</b>	<b>8,141,706</b>	<b>(4,721,904)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>514,252</b>	<b>4,439,943</b>	<b>3,925,691</b>
Fund balances, beginning of year	29,062,865	29,062,865	29,062,865	-
<b>Fund balances, end of year</b>	<b>\$ 29,062,865</b>	<b>\$ 29,577,117</b>	<b>\$ 33,502,808</b>	<b>\$ 3,925,691</b>

**Notes to Schedule:**

The notes to the budgetary comparison schedule are an integral part of this schedule.

This schedule has been presented on the modified accrual basis of accounting, which is consistent with GAAP.



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GAAP BASIS – GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**NOTE 1. BASIS OF ACCOUNTING**

The budgetary comparison schedule has been presented on the modified accrual basis of accounting, which is consistent with GAAP.

**NOTE 2. BUDGETARY INFORMATION**

The Town's procedures in establishing the budgetary data reflected in the budgetary comparison schedule are as follows:

- A. The Town Manager submits to 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.
- B. Public hearings are held for taxpayers' comments for the General Fund, Capital Projects Fund, Debt Service Fund, and Stormwater Fund budgets.
- C. The budgets are legally enacted through passage of an ordinance by July 1.
- D. Budgetary transfers between departments and projects may be authorized by the Town Manager for up to \$100,000; however, large transfers and any revisions that alter the total expenditures of any fund must be approved by Council.

The expenditures may not legally exceed appropriations at the fund level except for additional funds received as grants or donations. Appropriations lapse at year-end.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SOUTH CAROLINA POLICE OFFICERS' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30,	2014	2015	2016	2017
Town's Proportion of the Net Pension Liability	0.65013%	0.65013%	0.55035%	0.62151%
Town's Proportionate Share of the Net Pension Liability	\$ 13,477,016	\$ 12,446,267	\$ 11,994,845	\$ 15,764,333
Town's Covered Payroll	\$ 7,472,105	\$ 7,819,385	\$ 7,762,118	\$ 8,204,054
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	180.36%	159.17%	154.53%	192.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	67.55%	64.57%	60.44%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of the preceding fiscal year.

The Town adopted GASB No. 68 during the year ended June 30, 2015. Information is not available before 2014.

The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018 and from 7.25% to 7.00% for the year ended June 30, 2022.

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	0.64589%	0.59288%	0.58238%	0.57427%	0.61783%	<b>0.59927%</b>
\$	17,694,659	\$ 16,799,396	\$ 16,690,570	\$ 19,044,080	\$ 15,896,250	<b>\$ 17,971,849</b>
\$	8,698,094	\$ 8,206,297	\$ 8,447,139	\$ 8,675,225	\$ 9,252,397	<b>\$ 9,483,951</b>
	203.43%	204.71%	197.59%	219.52%	171.81%	<b>189.50%</b>
	60.94%	61.73%	62.69%	58.79%	70.37%	<b>66.45%</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES**  
**SCHEDULE OF CONTRIBUTIONS**  
**SOUTH CAROLINA POLICE OFFICERS' RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended June 30,</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contributions	\$ 1,004,009	\$ 1,040,900	\$ 1,127,237	\$ 1,238,850
Contributions in Relation to the Contractually Required Contributions				
Contributions from the Town	1,004,009	1,040,900	1,127,237	1,238,850
Contributions from the State	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 7,819,385	\$ 7,762,118	\$ 8,204,054	\$ 8,698,094
Contributions as a Percentage of Covered Payroll	12.84%	13.41%	13.74%	14.24%

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$	1,332,703	\$ 1,456,287	\$ 1,582,361	\$ 1,687,637	\$ 1,824,712	\$ <b>2,214,943</b>
	1,251,705	1,375,289	1,501,363	1,606,639	1,743,714	<b>2,133,945</b>
	80,998	80,998	80,998	80,998	80,998	<b>80,998</b>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	8,206,297	\$ 8,447,139	\$ 8,675,225	\$ 9,252,397	\$ 9,483,951	\$ <b>10,943,394</b>
	16.24%	17.24%	18.24%	18.24%	19.24%	<b>20.24%</b>



# SUPPLEMENTAL FINANCIAL INFORMATION



COLLEGE OF LEADERSHIP  
AND INNOVATION  
SERVING THE FUTURE

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	Special Revenue Funds							
	Palmetto Electric Franchise Fees	Operating Grants	Home Grant	Road Usage Fee	Short-Term Rental Fee Fund	Community Development Fund	Firemen's Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 13,247,637	\$ -	\$ -	\$ 1,989,402	\$ 56,974	\$ 5,415,560	\$ 54,717	\$ 20,764,290
Interfund Receivables	219,141	510,760	82,534	510,503	-	-	-	1,322,938
Due from other Governments	-	31,099	-	200	-	-	-	31,299
<b>Total assets</b>	<b><u>\$ 13,466,778</u></b>	<b><u>\$ 541,859</u></b>	<b><u>\$ 82,534</u></b>	<b><u>\$ 2,500,105</u></b>	<b><u>\$ 56,974</u></b>	<b><u>\$ 5,415,560</u></b>	<b><u>\$ 54,717</u></b>	<b><u>\$ 22,118,527</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ -	\$ 3,357	\$ -	\$ -	\$ -	\$ -	\$ 8,663	\$ 12,020
Interfund Payables	-	-	-	-	56,974	-	4,449	61,423
Unearned Revenue	-	-	70,407	-	-	-	-	70,407
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>3,357</u></b>	<b><u>70,407</u></b>	<b><u>-</u></b>	<b><u>56,974</u></b>	<b><u>-</u></b>	<b><u>13,112</u></b>	<b><u>143,850</u></b>
<b>FUND BALANCES</b>								
Restricted:								
Underground Electrical Service	13,466,778	-	-	-	-	-	-	13,466,778
Federal and Operating Grants	-	538,502	-	-	-	-	-	538,502
HOME Grant Program	-	-	12,127	-	-	-	-	12,127
Road Improvements	-	-	-	2,500,105	-	-	-	2,500,105
Community Development One Percent	-	-	-	-	-	5,415,560	-	5,415,560
	-	-	-	-	-	-	41,605	41,605
<b>Total fund balances</b>	<b><u>13,466,778</u></b>	<b><u>538,502</u></b>	<b><u>12,127</u></b>	<b><u>2,500,105</u></b>	<b><u>-</u></b>	<b><u>5,415,560</u></b>	<b><u>41,605</u></b>	<b><u>21,974,677</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 13,466,778</u></b>	<b><u>\$ 541,859</u></b>	<b><u>\$ 82,534</u></b>	<b><u>\$ 2,500,105</u></b>	<b><u>\$ 56,974</u></b>	<b><u>\$ 5,415,560</u></b>	<b><u>\$ 54,717</u></b>	<b><u>\$ 22,118,527</u></b>



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<b>Special Revenue Funds</b>								
	<b>Palmetto Electric Franchise Fees</b>	<b>Operating Grants</b>	<b>Home Grant</b>	<b>Road Usage Fee</b>	<b>Short-Term Rental Fee Fund</b>	<b>Community Development Fund</b>	<b>Firemen's Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>								
Short-Term Rental Fees	\$ -	\$ -	\$ -	\$ -	\$ 1,659,511	-	\$ -	\$ 1,659,511
Electric Franchise Fees	2,805,261	-	-	-	-	-	-	2,805,261
Grants	-	470,172	-	-	-	5,500,000	-	5,970,172
Road Usage Fees	-	-	-	10,745	-	-	-	10,745
One Percent Revenue	-	-	-	-	-	-	733,427	733,427
Interest income	321,222	-	3,119	121,362	481	72,375	32	518,591
<b>Total revenues</b>	<b>3,126,483</b>	<b>470,172</b>	<b>3,119</b>	<b>132,107</b>	<b>1,659,992</b>	<b>5,572,375</b>	<b>733,459</b>	<b>11,697,707</b>
<b>Expenditures</b>								
Current:								
General Government	-	-	-	-	57	156,815	-	156,872
Community Services	9,423	1,030	-	-	-	-	-	10,453
Public Safety	-	473,198	-	-	-	-	787,298	1,260,496
<b>Total expenditures</b>	<b>9,423</b>	<b>474,228</b>	<b>-</b>	<b>-</b>	<b>57</b>	<b>156,815</b>	<b>787,298</b>	<b>1,427,821</b>
Excess (deficiency) of revenues over (under) expenditures	3,117,060	(4,056)	3,119	132,107	1,659,935	5,415,560	(53,839)	10,269,886
<b>Other financing uses</b>								
Transfers out	(540,603)	-	-	(1,240,183)	(1,659,935)	-	-	(3,440,721)
<b>Total other financing uses</b>	<b>(540,603)</b>	<b>-</b>	<b>-</b>	<b>(1,240,183)</b>	<b>(1,659,935)</b>	<b>-</b>	<b>-</b>	<b>(3,440,721)</b>
Net change in fund balances	2,576,457	(4,056)	3,119	(1,108,076)	-	5,415,560	(53,839)	6,829,165
<b>Fund balances, beginning of year</b>	<b>10,890,321</b>	<b>542,558</b>	<b>9,008</b>	<b>3,608,181</b>	<b>-</b>	<b>-</b>	<b>95,444</b>	<b>15,145,512</b>
<b>Fund balances, end of year</b>	<b>\$ 13,466,778</b>	<b>\$ 538,502</b>	<b>\$ 12,127</b>	<b>\$ 2,500,105</b>	<b>\$ -</b>	<b>\$ 5,415,560</b>	<b>\$ 41,605</b>	<b>\$ 21,974,677</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Real and Personal Property Taxes	\$ 16,023,489	\$ 16,023,489	\$ 17,215,546	\$ 1,192,057
Accommodations Tax - Local 1%	4,779,690	4,779,690	6,948,465	2,168,775
Business License and Franchise Fees:				
Business License - Town	5,525,705	5,525,705	8,396,593	2,870,888
Business License - MASC	5,074,688	5,074,688	4,294,330	(780,358)
Cable Television Franchise Fee	952,932	952,932	780,688	(172,244)
Beach Franchise Fee	43,820	43,820	59,864	16,044
Total Business License and Franchise Fees	<u>11,597,145</u>	<u>11,597,145</u>	<u>13,531,475</u>	<u>1,934,330</u>
Permits:				
Construction	663,764	663,764	495,593	(168,171)
Development	15,670	15,670	7,369	(8,301)
Other	988,889	988,889	1,067,164	78,275
Total Permits	<u>1,668,323</u>	<u>1,668,323</u>	<u>1,570,126</u>	<u>(98,197)</u>
State Shared Funds	915,878	915,878	885,089	(30,789)
Grants:				
Beaufort County E911	76,111	76,111	138,543	62,432
State Mitigation	-	-	6,000	6,000
CDBG	-	-	830	830
Total Grants	<u>76,111</u>	<u>76,111</u>	<u>145,373</u>	<u>69,262</u>
Public Safety - EMS Revenue	1,838,000	1,838,000	2,250,934	412,934
Public Safety - County D/T Revenue	-	-	2,190	2,190
Miscellaneous Revenue:				
Beach Services	298,401	298,401	236,232	(62,169)
Other	279,271	279,271	372,514	93,243
Total Miscellaneous Revenue	<u>577,672</u>	<u>577,672</u>	<u>608,746</u>	<u>31,074</u>
Investment Income	35,750	35,750	1,248,615	1,212,865
<b>TOTAL REVENUES</b>	<b><u>37,512,058</u></b>	<b><u>37,512,058</u></b>	<b><u>44,406,559</u></b>	<b><u>6,894,501</u></b>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Town Council:				
Salaries and Benefits	167,742	178,742	152,580	26,162
Operating	380,370	460,370	473,935	(13,565)
<b>Total Town Council</b>	<b><u>548,112</u></b>	<b><u>639,112</u></b>	<b><u>626,515</u></b>	<b><u>12,597</u></b>
Town Manager:				
Salaries and Benefits	1,372,212	1,331,180	1,343,873	(12,693)
Operating	151,850	151,850	76,083	75,767
<b>Total Town Manager</b>	<b><u>1,524,062</u></b>	<b><u>1,483,030</u></b>	<b><u>1,419,956</u></b>	<b><u>63,074</u></b>
Total General Government	<u>2,072,174</u>	<u>2,122,142</u>	<u>2,046,471</u>	<u>75,671</u>
Management Services:				
Finance - Administration:				
Salaries and Benefits	1,996,630	2,136,662	2,117,784	18,878
Operating	202,470	302,470	275,143	27,327
<b>Total Finance - Administration</b>	<b><u>2,199,100</u></b>	<b><u>2,439,132</u></b>	<b><u>2,392,927</u></b>	<b><u>46,205</u></b>
Human Resources:				
Salaries and Benefits	487,372	556,372	556,265	107
Operating	100,378	100,378	98,219	2,159
<b>Total Human Resources</b>	<b><u>587,750</u></b>	<b><u>656,750</u></b>	<b><u>654,484</u></b>	<b><u>2,266</u></b>
Administration - Legal:				
Salaries and Benefits	1,084,294	589,187	568,448	20,739
Operating	16,784	16,784	30,173	(13,389)
Total Administration - Legal	<u>1,101,078</u>	<u>605,971</u>	<u>598,621</u>	<u>7,350</u>
Administrative Services - Office of Cultural Affairs:				
Salaries and Benefits	161,345	161,345	122,601	38,744
Operating	138,750	138,750	125,343	13,407
Total Administrative Services - Office of Cultural Affairs	<u>300,095</u>	<u>300,095</u>	<u>247,944</u>	<u>52,151</u>
Administrative Services - Administrative Support:				
Salaries and Benefits	192,122	192,122	80,682	111,440
Operating	30,000	30,000	25,491	4,509
Total Administrative Services - Administrative Support	<u>222,122</u>	<u>222,122</u>	<u>106,173</u>	<u>115,949</u>

(Continued)

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

EXPENDITURES (CONTINUED)	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
Management Services (Continued):				
Salaries and Benefits	\$ 1,531,271	\$ 1,515,978	\$ 1,635,983	\$ (120,005)
Operating	1,955,971	2,008,949	1,828,118	180,831
Total Administrative Services - Information Technology	3,487,242	3,524,927	3,464,101	60,826
Administrative Services - Information Technology:				
Communications:				
Salaries and Benefits	241,750	241,750	246,895	(5,145)
Operating	106,365	106,365	66,948	39,417
Total Communications	348,115	348,115	313,843	34,272
<b>Subtotal Administrative Services</b>	<b>5,458,652</b>	<b>5,001,230</b>	<b>4,730,682</b>	<b>270,548</b>
Total Management Services	8,245,502	8,097,112	7,778,093	319,019
Community Services:				
Community Development - Administration:				
Salaries and Benefits	592,109	636,434	744,664	(108,230)
Operating	86,997	86,997	75,662	11,335
Total Community Development - Administration	679,106	723,431	820,326	(96,895)
Community Development - CD Services:				
Salaries and Benefits	630,071	630,071	596,609	33,462
Operating	5,704	5,704	863	4,841
Total Community Development - CD Services	635,775	635,775	597,472	38,303
Community Development - Inspection/Compliance:				
Salaries and Benefits	1,067,042	1,057,663	977,507	80,156
Operating	109,670	109,670	82,036	27,634
Total Community Development - Inspection/Compliance	1,176,712	1,167,333	1,059,543	107,790
Community Development - Development, Review, Zoning:				
Salaries and Benefits	699,280	623,280	527,308	95,972
Operating	13,882	13,882	5,224	8,658
Total Community Development - Development, Review, Zoning	713,162	637,162	532,532	104,630
Community Development - Comprehensive Planning:				
Salaries and Benefits	624,061	354,234	355,742	(1,508)
Operating	457,642	499,849	333,043	166,806
Total Community Development - Comprehensive Planning	1,081,703	854,083	688,785	165,298
<b>Subtotal Community Development</b>	<b>4,286,458</b>	<b>4,017,784</b>	<b>3,698,658</b>	<b>319,126</b>
Public Facilities - Administration:				
Salaries and Benefits	-	-	99,743	(99,743)
Operating	-	-	562	(562)
Total Public Facilities - Administration	-	-	100,305	(100,305)
Public Facilities - Engineering:				
Salaries and Benefits	395,395	374,628	301,772	72,856
Operating	304,265	304,265	331,080	(26,815)
Total Public Facilities - Engineering	699,660	678,893	632,852	46,041
Public Facilities - Facilities Management:				
Salaries and Benefits	1,370,720	1,449,347	1,583,260	(133,913)
Operating	4,555,231	4,694,412	4,636,394	58,018
Capital	-	669,730	361,221	308,509
Total Public Facilities - Facilities Management	5,925,951	6,813,489	6,580,875	232,614
Public Facilities - Capital Projects:				
Salaries and Benefits	580,809	580,809	570,091	10,718
Operating	14,658	111,581	108,975	2,606
Total Public Facilities - Capital Projects	595,467	692,390	679,066	13,324
<b>Subtotal Public Facilities</b>	<b>7,221,078</b>	<b>8,184,772</b>	<b>7,993,098</b>	<b>191,674</b>
Total Community Services	11,507,536	12,202,556	11,691,756	510,800
Public Safety:				
Fire Rescue - Executive:				
Salaries and Benefits	855,275	855,275	874,180	(18,905)
Operating	422,887	420,107	412,727	7,380
Capital	842,182	842,182	-	842,182
Total Fire Rescue - Executive	2,120,344	2,117,564	1,286,907	830,657

(Continued)

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
<b>EXPENDITURES (CONTINUED)</b>				
Public Safety (Continued):				
Fire Rescue - Operations:				
Salaries and Benefits	\$ 13,230,258	\$ 14,285,258	\$ 14,166,152	\$ 119,106
Operating	328,270	328,270	311,385	16,885
Total Fire Rescue - Operations	13,558,528	14,613,528	14,477,537	135,991
Fire Rescue - Support Services:				
Salaries and Benefits	2,137,744	2,122,202	2,244,248	(122,046)
Operating	563,630	628,244	553,507	74,737
Total Fire Rescue - Support Services	2,701,374	2,750,446	2,797,755	(47,309)
Subtotal Fire Rescue:				
Salaries and Benefits	16,223,277	17,262,735	17,284,580	(21,845)
Operating	1,314,787	1,376,621	1,277,619	99,002
Capital	842,182	842,182	-	842,182
<b>Subtotal Fire Rescue</b>	<b>18,380,246</b>	<b>19,481,538</b>	<b>18,562,199</b>	<b>919,339</b>
Sheriff/Other Public Safety:				
Office of Public Safety-Salaries and Benefits	-	283,584	336,653	(53,069)
Office of Public Safety-Operating	-	84,134	51,140	32,994
Police Services/Contract	2,050,000	2,000,000	2,000,000	-
Stipend	165,800	135,800	104,450	31,350
Beach Services	458,962	458,962	462,477	(3,515)
<b>Total Sheriff/Other Public Safety</b>	<b>2,674,762</b>	<b>2,962,480</b>	<b>2,954,720</b>	<b>7,760</b>
Total Public Safety	21,055,008	22,444,018	21,516,919	927,099
Non-Departmental - Town-Wide:				
Non-Grant Expenditures:				
Personnel	999,329	353,333	431,407	(78,074)
Operating	2,450,665	2,380,665	2,299,331	81,334
<b>Total Non-Departmental - Town-Wide Expenditures</b>	<b>3,449,994</b>	<b>2,733,998</b>	<b>2,730,738</b>	<b>3,260</b>
Operating Grants:				
Grant Match	30,000	-	-	-
Recreation Center - Operating Grant	1,099,304	1,099,304	1,099,304	-
Coastal Discovery Grant - Operating Grant	92,775	92,775	92,775	-
Coastal Discovery Grant - Mitchellville Grant	105,000	105,000	105,000	-
Event Management and Hospitality Training	190,094	190,094	173,447	16,647
LTRA Grant	282,404	282,404	282,404	-
Multidisciplinary Court	50,000	50,000	50,000	-
Solicitor Career Criminal Program	118,500	118,500	118,500	-
Heritage Classic Foundation	298,513	298,513	298,510	3
Beaufort County EDC	25,000	25,000	25,000	-
<b>Subtotal Non-Departmental - Town-Wide Grants</b>	<b>2,291,590</b>	<b>2,261,590</b>	<b>2,244,940</b>	<b>16,650</b>
Total Non-Departmental - Town-wide	5,741,584	4,995,588	4,975,678	19,910
Debt service	-	-	99,405	(99,405)
<b>TOTAL EXPENDITURES</b>	<b>48,621,804</b>	<b>49,861,416</b>	<b>48,108,322</b>	<b>1,753,094</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(11,109,746)</b>	<b>(12,349,358)</b>	<b>(3,701,763)</b>	<b>8,647,595</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
Beach Preservation Fee Fund	1,983,508	1,983,508	652,923	(1,330,585)
Hospitality Tax Fund	5,062,424	5,732,154	3,218,687	(2,513,467)
Tax Increment Financing Fund	153,000	153,000	153,000	-
State Accommodations Tax Fund	2,445,211	3,445,211	2,445,211	(1,000,000)
Electricity Franchise Fee Fund	540,603	540,603	540,603	-
Short-Term Rental Fund	800,000	884,134	967,626	83,492
Stormwater Utility Fund	125,000	125,000	125,000	-
Proceeds from sale of capital assets	-	-	38,656	38,656
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>11,109,746</b>	<b>12,863,610</b>	<b>8,141,706</b>	<b>(4,721,904)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>514,252</b>	<b>4,439,943</b>	<b>3,925,691</b>
FUND BALANCES - Beginning of Year	29,062,865	29,062,865	29,062,865	-
<b>FUND BALANCES - End of Year</b>	<b>\$ 29,062,865</b>	<b>\$ 29,577,117</b>	<b>\$ 33,502,808</b>	<b>\$ 3,925,691</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Real and Personal Property Taxes	\$ 5,402,336	\$ 5,402,336	\$ 5,886,700	\$ 484,364
Investment Income	12,000	12,000	436,184	424,184
<b>TOTAL REVENUES</b>	<b>5,414,336</b>	<b>5,414,336</b>	<b>6,322,884</b>	<b>908,548</b>
<b>EXPENDITURES</b>				
Administrative	30,000	30,000	18,850	11,150
Debt service:				
Principal	16,055,000	16,055,000	16,055,000	-
Interest	3,289,081	3,289,081	3,289,080	1
<b>TOTAL EXPENDITURES</b>	<b>19,374,081</b>	<b>19,374,081</b>	<b>19,362,930</b>	<b>11,151</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(13,959,745)</b>	<b>(13,959,745)</b>	<b>(13,040,046)</b>	<b>919,699</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in:				
Beach Preservation Fees	3,952,375	3,952,375	3,952,375	-
Hospitality Tax	1,444,691	1,444,691	1,444,691	-
TIF Taxes	3,927,564	3,927,564	3,927,564	-
Real Estate Transfer Fees	1,097,350	1,097,350	1,097,350	-
Natural Disasters Fund	3,537,765	3,537,765	3,537,765	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>13,959,745</b>	<b>13,959,745</b>	<b>13,959,745</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>919,699</b>	<b>919,699</b>
FUND BALANCES - Beginning of Year	11,239,657	11,239,657	11,239,657	-
<b>FUND BALANCES - End of Year</b>	<b>\$ 11,239,657</b>	<b>\$ 11,239,657</b>	<b>\$ 12,159,356</b>	<b>\$ 919,699</b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS**  
**CAPITAL PROJECTS FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Grants	\$ 3,530,000	\$ 2,641,145	\$ 213,166	\$ (2,427,979)
Sunday Permit Fees	400,000	400,000	319,600	(80,400)
Impact Fees	1,150,000	1,150,000	164,741	(985,259)
Other Revenue	-	-	54,739	54,739
Investment Income	-	-	292,972	292,972
<b>TOTAL REVENUES</b>	<b>5,080,000</b>	<b>4,191,145</b>	<b>1,045,218</b>	<b>(3,145,927)</b>
<b>EXPENDITURES</b>				
Park Development:				
Public Art Program	25,000	25,000	20,720	4,280
Chaplin Linear Park and Boardwalk	478,238	453,190	31,711	421,479
Crossing Park	1,829,586	1,829,586	154,110	1,675,476
Chaplin Community Park	1,910,925	1,910,925	114,109	1,796,816
Mid-Island Track	5,200,830	5,200,830	287,314	4,913,516
Patterson Family Property Park	1,385,656	1,385,656	64,804	1,320,852
Island Recreation CIP	400,000	400,000	371,291	28,709
Shelter Cover Parking Expansion	940,000	940,000	14,973	925,027
Park Upgrades	1,000,000	759,243	216,574	542,669
Taylor Family Property Park	125,000	125,000	20,613	104,387
Barker Field	500,000	500,000	99,934	400,066
Total Park Development	<u>13,795,235</u>	<u>13,529,430</u>	<u>1,396,153</u>	<u>12,133,277</u>
Land Acquisition:				
Miscellaneous	300,000	7,911,625	7,826,584	85,041
Total Land Acquisition	<u>300,000</u>	<u>7,911,625</u>	<u>7,826,584</u>	<u>85,041</u>
Beach Maintenance:				
Islandwide Beach Renourishment	900,000	900,000	638,605	261,395
Coligny Beach Parking Lot	100,000	100,000	97,121	2,879
Driessen Beach Park Improvements	300,000	600,000	22,149	577,851
Folly Field Beach Park Improvements	100,000	100,000	21,017	78,983
Islanders Beach Park Improvements	500,000	500,000	59,999	440,001
Beach Park Maintenance & Improvement	350,000	350,000	314,618	35,382
Harbour Town Dredge	600,000	600,000	-	600,000
Total Beach Maintenance	<u>2,850,000</u>	<u>3,150,000</u>	<u>1,153,509</u>	<u>1,996,491</u>
Facilities Improvements:				
Town Hall Renovations	802,000	1,081,556	904,040	177,516
Honey Horn Improvements	198,250	198,250	125,384	72,866
Fire Apparatus, Vehicle Replacement and Shed	7,868,473	7,609,420	119,954	7,489,466
Computer Software Equipment	1,843,900	1,498,391	2,251,253	(752,862)
Fire/Medical Systems & Equipment	460,000	425,000	245,953	179,047
Security Cameras - Shelter Cove	536,000	613,407	364,785	248,622
Modern Classic Motors	472,500	472,500	348,013	124,487
Fire Hydrant Expansion	50,000	50,000	17,419	32,581
Arts Campus Feasibility Study	25,000	25,000	-	25,000
BCSO Renovations	450,000	502,358	210,907	291,451
Town Facilities Assessment	100,000	72,690	48,544	24,146
Sprinkler Head Replacement	180,000	180,000	-	180,000
Electric Vehicle Charging Stations	30,000	30,000	29,580	420
Parking Master Plan Implementation	200,000	200,000	200,000	-
Historic Mitchelville Freedom Park	125,000	125,000	50,451	74,549
Town Vehicle Replacements	298,472	362,390	360,535	1,855
Total Facilities Improvements	<u>13,639,595</u>	<u>13,445,962</u>	<u>5,276,818</u>	<u>8,169,144</u>
Roadway Improvements:				
Dirt Road Acquisition & Paving Program	1,928,583	1,928,583	114,893	1,813,690
William Hilton Parkway Enhancements	4,298,224	4,287,275	3,058,600	1,228,675
Pope Avenue, Palmetto Bay Road, Arrow Road and New Orleans Road Streetscape Enhancements	986,480	986,480	974,162	12,318
Main Street Enhancements	225,000	225,000	87,334	137,666
Squire Pope Road Crosswalks	150,000	150,000	-	150,000
Other Roadway Enhancements	565,555	565,555	118,609	446,946
Total Roadway Improvements	<u>8,153,842</u>	<u>8,142,893</u>	<u>4,353,598</u>	<u>3,789,295</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS**  
**CAPITAL PROJECTS FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
<b>EXPENDITURES (CONTINUED)</b>				
Stormwater Projects:				
Wexford	\$ 75,000	\$ 75,000	\$ 22,585	\$ 52,415
Non-PUD	755,000	755,000	111,409	643,591
Total Stormwater Projects	<u>830,000</u>	<u>830,000</u>	<u>133,994</u>	<u>696,006</u>
Pathway Improvements:				
Pathway Improvements	4,724,000	4,924,000	312,853	4,611,147
Total Pathway Improvements	<u>4,724,000</u>	<u>4,924,000</u>	<u>312,853</u>	<u>4,611,147</u>
Housing:				
North Pointe Housing Partnership	955,000	930,462	63,998	866,464
Other Housing	424,261	424,261	56,853	367,408
Total Housing Projects	<u>1,379,261</u>	<u>1,354,723</u>	<u>120,851</u>	<u>1,233,872</u>
Total Capital Outlay	<u>45,671,933</u>	<u>53,288,633</u>	<u>20,574,360</u>	<u>32,714,273</u>
Debt service	-	-	247,925	(247,925)
<b>TOTAL EXPENDITURES</b>	<b><u>45,671,933</u></b>	<b><u>53,288,633</u></b>	<b><u>20,822,285</u></b>	<b><u>32,466,348</u></b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b><u>(40,591,933)</u></b>	<b><u>(49,097,488)</u></b>	<b><u>(19,777,067)</u></b>	<b><u>29,320,421</u></b>
<b>OTHER FINANCING SOURCES</b>				
Sale of Land	800,000	794,925	-	(794,925)
Transfers in:				
Beach Preservation Fees	2,850,000	3,150,000	1,029,037	(2,120,963)
State Accommodation Tax	3,109,000	3,109,000	232,592	(2,876,408)
Hospitality Tax	14,727,945	14,021,049	1,323,918	(12,697,131)
Tax Increment Financing	4,187,235	3,947,992	959,641	(2,988,351)
Road Usage Fee	3,508,555	3,497,606	1,240,183	(2,257,423)
Electric Franchise Fee	8,743,319	9,492,568	-	(9,492,568)
Real Estate Transfer Fee	-	7,616,700	7,717,100	100,400
Short Term Rental Permit Fee	1,200,118	830,138	692,309	(137,829)
Stormwater Utility Fee	830,000	830,000	-	(830,000)
SBITA's	-	-	1,188,451	1,188,451
<b>TOTAL OTHER FINANCING SOURCES</b>	<b><u>39,956,172</u></b>	<b><u>47,289,978</u></b>	<b><u>14,383,231</u></b>	<b><u>(32,906,747)</u></b>
<b>NET CHANGE IN FUND BALANCES</b>	<b><u>(635,761)</u></b>	<b><u>(1,807,510)</u></b>	<b><u>(5,393,836)</u></b>	<b><u>(3,586,326)</u></b>
FUND BALANCES - Beginning of Year	8,796,482	8,796,482	8,796,482	-
<b>FUND BALANCES - End of Year</b>	<b><u>\$ 8,160,721</u></b>	<b><u>\$ 6,988,972</u></b>	<b><u>\$ 3,402,646</u></b>	<b><u>\$ (3,586,326)</u></b>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS**  
**STORMWATER FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
<b>OPERATING REVENUES</b>				
Stormwater Utility Fees	\$ 5,044,000	\$ 5,044,000	\$ 5,066,598	\$ 22,598
<b>TOTAL OPERATING REVENUES</b>	<b>5,044,000</b>	<b>5,044,000</b>	<b>5,066,598</b>	<b>22,598</b>
<b>OPERATING EXPENSES</b>				
Planned Unit Developments:				
Hilton Head Plantation	-	-	112,963	(112,963)
Palmetto Hall Plantation	-	-	189,921	(189,921)
Port Royal Plantation	-	-	50,766	(50,766)
Shipyards Plantation	-	-	81,926	(81,926)
Sea Pines Plantation	350,000	1,378,073	147,250	1,230,823
Wexford Plantation	-	-	10,675	(10,675)
Yacht Cove	-	-	15,980	(15,980)
Total Planned Unit Developments	<u>350,000</u>	<u>1,378,073</u>	<u>609,481</u>	<u>768,592</u>
Non-Planned Unit Developments:				
Stormwater Maintenance	-	55,745	259,843	(204,098)
Inventory and Modeling	-	-	2,995	(2,995)
Pump Station	-	-	24,873	(24,873)
Total Non-Planned Unit Developments	<u>-</u>	<u>55,745</u>	<u>287,711</u>	<u>(231,966)</u>
Other Non-Classified Expenses:				
Contingency - PUD	830,000	830,000	-	830,000
Contingency - Non-PUD	940,000	940,000	91,125	848,875
Contingency - Pump Stations	330,000	330,000	-	330,000
Total Other Non-Classified Expenses	<u>2,100,000</u>	<u>2,100,000</u>	<u>91,125</u>	<u>2,008,875</u>
Other Operating Expenses:				
Administrative Salaries/Benefits	608,996	608,996	556,582	52,414
Administrative Operating	524,500	524,500	250,514	273,986
Depreciation	1,118,451	1,118,451	998,206	120,245
Total Other Operating Expenses	<u>2,251,947</u>	<u>2,251,947</u>	<u>1,805,302</u>	<u>446,645</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>4,701,947</b>	<b>5,785,765</b>	<b>2,793,619</b>	<b>2,992,146</b>
<b>OPERATING INCOME (EXPENSE)</b>	<b>342,053</b>	<b>(741,765)</b>	<b>2,272,979</b>	<b>3,014,744</b>
<b>NON-OPERATING INCOME (EXPENSES):</b>				
Investment Income	20,000	20,000	169,769	149,769
Loss on refunding	(91,532)	(91,532)	(89,061)	2,471
Interest Expense	(84,817)	(84,817)	(80,817)	4,000
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<b>(156,349)</b>	<b>(156,349)</b>	<b>(109)</b>	<b>156,240</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>185,704</b>	<b>(898,114)</b>	<b>2,272,870</b>	<b>3,170,984</b>
Transfers In - Accommodations Tax Fund				
	-	490,000	490,000	-
Transfers Out - General Fund				
	(125,000)	(125,000)	(125,000)	-
Transfers Out - CIP				
	(830,000)	(830,000)	-	830,000
Total Transfers	<u>(955,000)</u>	<u>(465,000)</u>	<u>365,000</u>	<u>830,000</u>
<b>NET CHANGE IN FUND NET POSITION</b>	<b>(769,296)</b>	<b>(1,363,114)</b>	<b>2,637,870</b>	<b>4,000,984</b>
<b>NET POSITION - Beginning of Year</b>	<b>10,540,740</b>	<b>10,540,740</b>	<b>10,540,740</b>	<b>-</b>
<b>NET POSITION - End of Year</b>	<b>\$ 9,771,444</b>	<b>\$ 9,177,626</b>	<b>\$ 13,178,610</b>	<b>\$ 4,000,984</b>



# STATISTICAL SECTION



# TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

## STATISTICAL SECTION (UNAUDITED)

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This part of the Town's ACFR 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>
<b>Financial Trends</b> .....	<b>109 – 114</b>
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity</b> .....	<b>115 – 120</b>
<i>These schedules contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.</i>	
<b>Debt Capacity</b> .....	<b>121 – 125</b>
<i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's abilities to issue additional debt in the future.</i>	
<b>Demographic and Economic Information</b> .....	<b>126 and 127</b>
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	
<b>Operating Information</b> .....	<b>128 – 131</b>
<i>These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and activities it performs.</i>	

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Annual Financial Statements audit reports for the relevant year.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 1  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS**

*(accrual basis of accounting)*

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental activities										
Net investment in capital assets	\$ 147,652,780	\$ 163,062,329	\$ 169,753,952	\$ 135,840,935	\$ 123,118,927	\$ 125,075,197	\$ 144,351,204	\$ 160,928,772	\$ 171,793,112	\$ 193,206,220
Restricted	35,442,375	31,942,739	31,347,375	49,430,348	73,002,476	90,782,943	90,551,046	110,004,264	142,438,709	152,740,166
Unrestricted	19,969,187	10,121,639	13,639,863	(1,278,494)	12,993,432	7,012,374	7,245,410	10,094,542	13,350,215	25,214,064
Total Governmental activities net position	<u>\$ 203,064,342</u>	<u>\$ 205,126,707</u>	<u>\$ 214,741,190</u>	<u>\$ 183,992,789</u>	<u>\$ 209,114,835</u>	<u>\$ 222,870,514</u>	<u>\$ 242,147,660</u>	<u>\$ 281,027,578</u>	<u>\$ 327,582,036</u>	<u>\$ 371,160,450</u>
Business-Type activities										
Net investment in capital assets	\$ 3,320,300	\$ 4,569,085	\$ 4,759,203	\$ 4,478,605	\$ 4,911,086	\$ 4,660,533	\$ 4,896,777	\$ 6,847,044	\$ 7,003,964	\$ 7,141,697
Unrestricted	1,971,277	1,838,661	2,395,261	2,308,143	3,402,531	4,739,679	4,982,778	3,191,779	3,536,776	6,036,913
Total Business-Type activities net position	<u>\$ 5,291,577</u>	<u>\$ 6,407,746</u>	<u>\$ 7,154,464</u>	<u>\$ 6,786,748</u>	<u>\$ 8,313,617</u>	<u>\$ 9,400,212</u>	<u>\$ 9,879,555</u>	<u>\$ 10,038,823</u>	<u>\$ 10,540,740</u>	<u>\$ 13,178,610</u>
Total	<u>\$ 208,355,919</u>	<u>\$ 211,534,453</u>	<u>\$ 221,895,654</u>	<u>\$ 190,779,537</u>	<u>\$ 217,428,452</u>	<u>\$ 232,270,726</u>	<u>\$ 252,027,215</u>	<u>\$ 291,066,401</u>	<u>\$ 338,122,776</u>	<u>\$ 384,339,060</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 2  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 5,014,153	\$ 5,501,516	\$ 6,119,293	\$ 9,177,681	\$ 5,182,132	\$ 6,041,666	\$ 2,543,044	\$ 487,594	\$ 7,125,075	\$ 7,975,006
Management Services	5,176,878	5,249,881	5,240,408	5,030,374	5,682,232	5,410,617	5,575,062	6,087,358	7,227,923	8,020,828
Community Services	15,914,686	15,337,540	18,658,764	28,419,138	38,440,753	24,884,430	21,948,681	25,648,683	19,554,577	22,647,879
Public Safety	14,130,095	16,529,019	19,802,724	63,979,026	25,913,844	21,377,534	20,793,073	18,983,033	21,344,565	24,258,123
Culture and Recreation	1,962,094	2,429,893	2,652,668	2,583,815	2,729,719	2,984,245	3,344,738	2,144,683	4,451,959	3,996,869
Visitor & Convention Bureau	1,473,482	1,580,537	1,709,995	1,831,924	1,888,500	2,056,508	1,939,622	3,047,544	4,063,286	3,995,971
Administration	1,779,235	2,500,842	212,356	517,130	34,635	33,801	35,540	71,279	69,575	49,756
Interest on debt	4,114,335	3,396,216	3,042,722	2,312,765	6,725,441	4,796,359	4,751,574	3,321,054	3,056,276	2,621,386
Total Governmental Activities expenses	<u>49,564,958</u>	<u>52,525,444</u>	<u>57,438,930</u>	<u>113,851,853</u>	<u>86,597,256</u>	<u>67,585,160</u>	<u>60,931,334</u>	<u>59,791,228</u>	<u>66,893,236</u>	<u>73,565,818</u>
Business-Type Activities:										
Stormwater	1,997,630	2,367,173	2,755,139	2,856,923	3,143,464	3,759,466	4,410,846	4,768,127	2,429,938	2,963,497
Total Business-Type Activities expenses	<u>1,997,630</u>	<u>2,367,173</u>	<u>2,755,139</u>	<u>2,856,923</u>	<u>3,143,464</u>	<u>3,759,466</u>	<u>4,410,846</u>	<u>4,768,127</u>	<u>2,429,938</u>	<u>2,963,497</u>
Total Primary Governmental Expenses	<u>\$ 51,562,588</u>	<u>\$ 54,892,617</u>	<u>\$ 60,194,069</u>	<u>\$ 116,708,776</u>	<u>\$ 89,740,720</u>	<u>\$ 71,344,626</u>	<u>\$ 65,342,180</u>	<u>\$ 64,559,355</u>	<u>\$ 69,323,174</u>	<u>\$ 76,529,315</u>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,579,305	\$ 2,455,854	\$ 3,168,940	\$ 1,943,264	\$ 2,045,077	\$ 1,586,816	\$ 1,619,639	\$ 2,125,382	\$ 2,001,045	\$ 1,570,126
Management Services	7,795,909	8,334,478	8,224,310	9,289,682	11,196,245	10,692,146	9,695,618	11,265,459	15,246,918	13,531,475
Community Services	9,055,993	9,802,304	10,016,676	10,806,905	11,385,333	11,696,013	11,114,700	15,332,256	17,385,766	18,372,448
Public Safety	1,163,678	1,505,579	1,486,087	1,480,903	1,731,897	1,769,028	1,491,532	1,778,174	2,019,553	2,253,124
Administration	2,468,881	2,534,932	2,887,147	2,780,312	3,463,489	3,380,107	3,552,965	7,127,885	6,957,245	4,975,631
Operating Grants and Contributions	630,208	348,467	838,915	12,923,774	32,450,642	73,867	820,896	2,985,776	2,568,077	8,645,141
Capital Grants and Contributions	-	275,000	19,956	1,330,261	194,510	111,000	890,000	151,926	193,187	213,166
Total Governmental Activities Program Revenues	<u>23,693,974</u>	<u>25,256,614</u>	<u>26,642,031</u>	<u>40,555,101</u>	<u>62,467,193</u>	<u>29,308,977</u>	<u>29,185,350</u>	<u>40,766,858</u>	<u>46,371,791</u>	<u>49,561,111</u>
Business-Type Activities:										
Charges for Services:										
Stormwater	3,564,300	3,551,386	3,551,400	3,583,005	4,775,637	4,895,801	4,928,623	5,043,167	5,081,075	5,066,598
Operating Grants and Contributions	-	25,764	44,272	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	<u>3,564,300</u>	<u>3,577,150</u>	<u>3,595,672</u>	<u>3,583,005</u>	<u>4,775,637</u>	<u>4,895,801</u>	<u>4,928,623</u>	<u>5,043,167</u>	<u>5,081,075</u>	<u>5,066,598</u>
Total Primary Governmental Program Revenues	<u>27,258,274</u>	<u>28,833,764</u>	<u>30,237,703</u>	<u>44,138,106</u>	<u>67,242,830</u>	<u>34,204,778</u>	<u>34,113,973</u>	<u>45,810,025</u>	<u>51,452,866</u>	<u>54,627,709</u>
Total Governmental Activities Net (Expense) Revenue	(25,870,984)	(27,268,830)	(30,796,899)	(73,296,752)	(24,130,063)	(38,276,183)	(31,745,984)	(19,024,370)	(20,521,445)	(24,004,707)
Total Business-Type Activities Net (Expense) Revenue	1,566,670	1,209,977	840,533	726,082	1,632,173	1,136,335	517,777	275,040	2,651,137	2,103,101
Total Primary Government Net (Expense) Revenue	<u>\$ (24,304,314)</u>	<u>\$ (26,058,853)</u>	<u>\$ (29,956,366)</u>	<u>\$ (72,570,670)</u>	<u>\$ (22,497,890)</u>	<u>\$ (37,139,848)</u>	<u>\$ (31,228,207)</u>	<u>\$ (18,749,330)</u>	<u>\$ (17,870,308)</u>	<u>\$ (21,901,606)</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 2 (CONTINUED)  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

*(accrual basis of accounting)*

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>General revenues and other changes in Net position</b>										
Governmental activities										
Taxes:										
Property taxes	\$ 23,613,446	\$ 24,163,776	\$ 22,576,837	\$ 23,111,039	\$ 29,312,409	\$ 29,772,468	\$ 30,556,573	\$ 31,500,198	\$ 32,604,260	\$ 29,539,637
Other taxes	13,368,820	14,516,798	15,447,140	16,223,664	16,731,696	18,165,865	16,316,483	23,796,636	30,502,844	30,693,713
Intergovernmental revenue	1,154,196	1,176,192	1,131,882	1,185,671	1,128,623	1,181,437	1,133,664	1,185,499	939,654	1,204,689
Investment earnings	69,810	50,763	48,922	57,785	763,029	2,090,240	2,038,353	206,983	213,524	5,643,495
Miscellaneous revenue	(297,517)	1,896,632	1,206,601	875,192	1,191,352	696,852	853,057	1,037,378	657,007	865,587
Transfers	-	-	-	1,095,000	125,000	125,000	125,000	125,000	2,159,614	(365,000)
Total Governmental Activities General Revenues	<u>37,908,755</u>	<u>41,804,161</u>	<u>40,411,382</u>	<u>42,548,351</u>	<u>49,252,109</u>	<u>52,031,862</u>	<u>51,023,130</u>	<u>57,851,694</u>	<u>67,076,903</u>	<u>67,582,121</u>
Business-Type Activities										
Investment earnings	394	450	443	1,202	19,696	75,260	86,566	9,228	10,394	169,769
Transfers	(74,163)	(94,258)	(94,258)	(1,095,000)	(125,000)	(125,000)	(125,000)	(125,000)	(2,159,614)	365,000
Total Business-Type Activities General Revenues	<u>(73,769)</u>	<u>(93,808)</u>	<u>(93,815)</u>	<u>(1,093,798)</u>	<u>(105,304)</u>	<u>(49,740)</u>	<u>(38,434)</u>	<u>(115,772)</u>	<u>(2,149,220)</u>	<u>534,769</u>
Total Primary Government General Revenues	<u>37,834,986</u>	<u>41,710,353</u>	<u>40,317,567</u>	<u>41,454,553</u>	<u>49,146,805</u>	<u>51,982,122</u>	<u>50,984,696</u>	<u>57,735,922</u>	<u>64,927,683</u>	<u>68,116,890</u>
<b>Change in Net Position</b>										
Governmental Activities	12,037,771	14,535,331	9,614,483	(30,748,401)	25,122,046	13,755,679	19,277,146	38,827,324	46,555,458	43,577,414
Business-Type Activities	1,492,901	1,116,169	746,718	(367,716)	1,526,869	1,086,595	479,343	159,268	501,917	2,637,870
Cumulative Change in Accounting Principle	-	-	-	-	-	-	-	52,594	-	-
Total Primary Government	<u>\$ 13,530,672</u>	<u>\$ 15,651,500</u>	<u>\$ 10,361,201</u>	<u>\$ (31,116,117)</u>	<u>\$ 26,648,915</u>	<u>\$ 14,842,274</u>	<u>\$ 19,756,489</u>	<u>\$ 39,039,186</u>	<u>\$ 47,057,375</u>	<u>\$ 46,215,284</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 3  
PROGRAM REVENUES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

*(accrual basis of accounting)*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,579,305	\$ 2,455,854	\$ 3,168,940	\$ 1,943,264	\$ 2,045,077	\$ 1,586,816	\$ 1,619,639	\$ 2,125,382	\$ 2,001,045	\$ 1,570,126
Management Services	7,795,909	8,334,478	8,224,310	9,289,682	11,196,245	10,692,146	9,695,618	11,265,459	15,246,918	13,531,475
Community Services	9,055,993	9,802,304	10,016,676	10,806,905	11,385,333	11,696,013	11,114,700	15,332,256	17,385,766	18,372,448
Public Safety	1,163,678	1,505,579	1,486,087	1,480,903	1,731,897	1,769,028	1,491,532	1,778,174	2,019,553	2,253,124
Administration	2,468,881	2,534,932	2,887,147	2,780,312	3,463,489	3,380,107	3,552,965	7,127,885	6,957,245	4,975,631
Operating Grants and Contributions	630,208	348,467	838,915	12,923,774	32,450,642	73,867	820,896	2,985,776	2,568,077	8,645,141
Capital Grants and Contributions	-	275,000	19,956	1,330,261	194,510	111,000	890,000	151,926	193,187	213,166
Total Governmental Activities Program Revenues	<u>23,693,974</u>	<u>25,256,614</u>	<u>26,642,031</u>	<u>40,555,101</u>	<u>62,467,193</u>	<u>29,308,977</u>	<u>29,185,350</u>	<u>40,766,858</u>	<u>46,371,791</u>	<u>49,561,111</u>
Business-Type Activities:										
Charges for Services:										
Stormwater	3,564,300	3,551,386	3,551,400	3,583,005	4,775,637	4,895,801	4,928,623	5,043,167	5,081,075	5,066,598
Operating Grants and Contributions	-	25,764	44,272	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	<u>3,564,300</u>	<u>3,577,150</u>	<u>3,595,672</u>	<u>3,583,005</u>	<u>4,775,637</u>	<u>4,895,801</u>	<u>4,928,623</u>	<u>5,043,167</u>	<u>5,081,075</u>	<u>5,066,598</u>
Total Primary Governmental Program Revenues	<u>\$ 27,258,274</u>	<u>\$ 28,833,764</u>	<u>\$ 30,237,703</u>	<u>\$ 44,138,106</u>	<u>\$ 67,242,830</u>	<u>\$ 34,204,778</u>	<u>\$ 34,113,973</u>	<u>\$ 45,810,025</u>	<u>\$ 51,452,866</u>	<u>\$ 54,627,709</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 4  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund:										
Nonspendable	\$ 9,796	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,475
Restricted	65,998	66,011	66,025	66,025	66,129	66,593	-	-	-	-
Committed	13,593,096	14,232,879	15,171,715	11,515,420	13,278,518	17,939,891	18,750,207	17,593,863	26,741,992	23,192,000
Assigned	1,007,245	1,471,227	2,013,643	821,728	2,144,266	1,023,117	930,589	424,261	-	-
Unassigned	3,359,264	3,579,208	3,700,049	3,700,049	3,352,382	2,071,086	2,430,688	7,657,894	2,320,873	10,292,333
Total General Fund	<u>\$ 18,035,399</u>	<u>\$ 19,349,325</u>	<u>\$ 20,951,432</u>	<u>\$ 16,103,222</u>	<u>\$ 18,841,295</u>	<u>\$ 21,100,687</u>	<u>\$ 22,111,484</u>	<u>\$ 25,676,018</u>	<u>\$ 29,062,865</u>	<u>\$ 33,502,808</u>
All Other Governmental Funds:										
Restricted	\$ 35,376,377	\$ 31,876,728	\$ 31,282,350	\$ 49,364,323	\$ 109,296,730	\$ 116,113,844	\$ 102,963,099	\$ 114,907,038	\$ 144,935,948	\$ 152,740,166
Committed	12,000,000	12,000,000	12,000,000	5,080,403	11,873,362	5,080,403	5,080,403	5,080,403	5,080,403	12,000,000
Assigned	1,902,756	1,232,948	2,273,000	-	-	-	-	-	-	-
Unassigned	(41,365)	(59,263)	6,677	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 49,237,768</u>	<u>\$ 45,050,413</u>	<u>\$ 45,562,027</u>	<u>\$ 54,444,726</u>	<u>\$ 121,170,092</u>	<u>\$ 121,194,247</u>	<u>\$ 108,043,502</u>	<u>\$ 119,987,441</u>	<u>\$ 150,016,351</u>	<u>\$ 164,740,166</u>

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 5  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

*(modified accrual basis of accounting)*

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenues</b>										
Taxes (see Schedule 6) <sup>a</sup>	\$ 36,982,266	\$ 38,675,584	\$ 38,023,977	\$ 39,334,703	\$ 45,826,550	\$ 47,989,888	\$ 46,825,220	\$ 55,308,751	\$ 63,192,901	\$ 60,377,328
Licenses, Fees and Permits <sup>d</sup>	21,316,864	22,475,266	23,738,338	24,465,801	28,015,121	27,181,697	25,989,119	36,189,732	41,286,600	38,603,676
Fines and Penalties	224,447	198,948	210,243	245,826	164,849	73,665	-	-	-	-
Charges for Services	1,242,959	1,673,499	1,556,125	1,536,927	1,786,657	1,790,359	1,531,033	1,819,579	2,374,603	2,261,679
Intergovernmental	1,325,351	1,344,243	1,295,538	15,492,218	29,157,777	5,485,057	3,034,774	4,325,031	3,992,829	10,065,186
Investment earnings	69,810	50,763	48,922	57,783	763,029	2,090,240	2,038,356	206,984	213,524	5,643,495
Other revenues	1,000,494	972,240	1,242,066	858,358	993,434	720,238	735,477	655,395	603,420	663,485
<b>Total Revenues</b>	<b>\$ 62,162,191</b>	<b>\$ 65,390,543</b>	<b>\$ 66,115,209</b>	<b>\$ 81,991,616</b>	<b>\$ 106,707,417</b>	<b>\$ 85,331,144</b>	<b>\$ 80,153,979</b>	<b>\$ 98,505,472</b>	<b>\$ 111,663,877</b>	<b>\$ 117,614,849</b>
<b>Expenditures</b>										
General Government	\$ 1,060,140	\$ 1,046,890	\$ 1,203,788	\$ 4,419,410	\$ 1,348,800	\$ 1,619,103	\$ 1,909,225	\$ 1,923,342	\$ 1,726,570	\$ 2,203,343
Management Services	4,818,850	4,986,727	4,947,486	4,990,115	5,604,443	5,218,339	5,411,725	5,779,364	7,080,011	7,778,093
Community Services	6,392,687	7,238,602	7,804,951	8,730,949	9,553,266	10,323,707	10,754,044	9,942,318	11,408,989	13,178,837
Public Safety	17,019,825	17,202,723	17,926,916	62,181,211	23,450,584	19,714,618	20,153,939	21,362,118	20,147,211	22,812,861
Non-departmental	3,497,973	3,879,828	4,350,151	4,358,634	3,827,008	3,790,863	4,063,621	4,925,733	4,665,487	5,012,848
Accommodations Tax Grants	1,962,094	2,429,893	2,652,668	2,583,815	2,729,719	2,984,245	3,344,738	2,144,683	4,451,959	3,996,869
Visitor & Convention Bureau	1,473,482	1,580,537	1,709,995	1,831,924	1,888,500	2,056,508	1,939,622	3,047,544	4,063,286	3,995,971
Administration	1,481,219	2,317,333	28,871	27,817	34,635	33,801	35,540	71,279	69,575	49,756
Capital outlay	13,428,124	11,527,089	13,839,880	25,222,144	34,458,285	21,722,195	23,720,347	14,204,129	7,554,151	20,574,360
Debt service:										
Principal	12,950,000	12,994,999	7,420,000	8,040,000	56,830,000	15,830,000	15,335,000	15,655,000	15,545,000	16,358,114
Interest	4,080,573	3,702,272	3,278,425	2,432,746	5,109,591	5,109,046	4,436,262	4,138,637	3,769,566	3,333,296
Fiscal charges	-	-	11,025	17,125	14,175	243,869	519,267	408,206	16,100	18,850
Issuance costs	132,022	11,025	-	472,186	2,086,419	-	-	-	-	-
<b>Total expenditures</b>	<b>\$ 68,296,989</b>	<b>\$ 68,917,918</b>	<b>\$ 65,174,156</b>	<b>\$ 125,308,076</b>	<b>\$ 146,935,425</b>	<b>\$ 88,646,294</b>	<b>\$ 91,623,330</b>	<b>\$ 83,602,353</b>	<b>\$ 80,497,905</b>	<b>\$ 99,313,198</b>
Excess of revenues over (under) expenditures	\$ (6,134,798)	\$ (3,527,375)	\$ 941,053	\$ (43,316,460)	\$ (40,228,008)	\$ (3,315,150)	\$ (11,469,351)	\$ 14,903,119	\$ 31,165,972	\$ 18,301,651
<b>Other financing sources (uses)</b>										
Transfers In	24,269,122	\$ 27,861,903	24,374,977	37,140,890	19,020,874	25,724,979	26,088,860	28,876,843	24,460,585	35,257,575
Transfers Out	(24,194,959)	(27,767,645)	(24,280,719)	(36,045,890)	(18,895,874)	(25,599,979)	(25,963,860)	(28,751,843)	(22,300,971)	(35,622,575)
Sale of capital assets	175,000	559,688	1,078,410	-	11,001	3,691	326,182	19,160	90,171	38,656
SBITA's	-	-	-	-	-	-	-	-	-	1,188,451
Bonds Issued	-	-	-	45,000,000	103,915,000	5,000,000	-	-	-	-
Refunding Bonds Issued	-	-	-	27,885,000	-	-	16,520,000	12,115,000	-	-
Premium on Bonds Issued	-	-	-	2,337,101	5,640,446	470,006	-	1,187,976	-	-
Payments to Escrow Agent	-	-	-	(28,966,152)	-	-	(17,641,779)	(12,894,375)	-	-
Reimbursement of Prior Year Expenditures	458,479	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>707,642</b>	<b>653,946</b>	<b>1,172,668</b>	<b>47,350,949</b>	<b>109,691,447</b>	<b>5,598,697</b>	<b>(670,597)</b>	<b>552,761</b>	<b>2,249,785</b>	<b>862,107</b>
<b>Net change in fund balance</b>	<b>\$ (5,427,156)</b>	<b>\$ (2,873,429)</b>	<b>\$ 2,113,721</b>	<b>\$ 4,034,489</b>	<b>\$ 69,463,439</b>	<b>\$ 2,283,547</b>	<b>\$ (12,139,948)</b>	<b>\$ 15,455,880</b>	<b>\$ 33,415,757</b>	<b>\$ 19,163,758</b>
Capital Expenditures	\$ 12,105,520	\$ 29,850,953	\$ 4,602,059	\$ 7,876,100	\$ 11,904,432	\$ 10,506,785	\$ 20,395,803	\$ 12,836,863	\$ 3,965,048	\$ 13,857,718
Debt service as a percentage of non-capital expenditures	30.3%	42.7%	17.7%	8.9%	45.9%	26.8%	27.8%	28.0%	25.2%	23.0%

Notes:

<sup>a</sup>Property Tax Reassessments performed in 2103 and 2018.

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

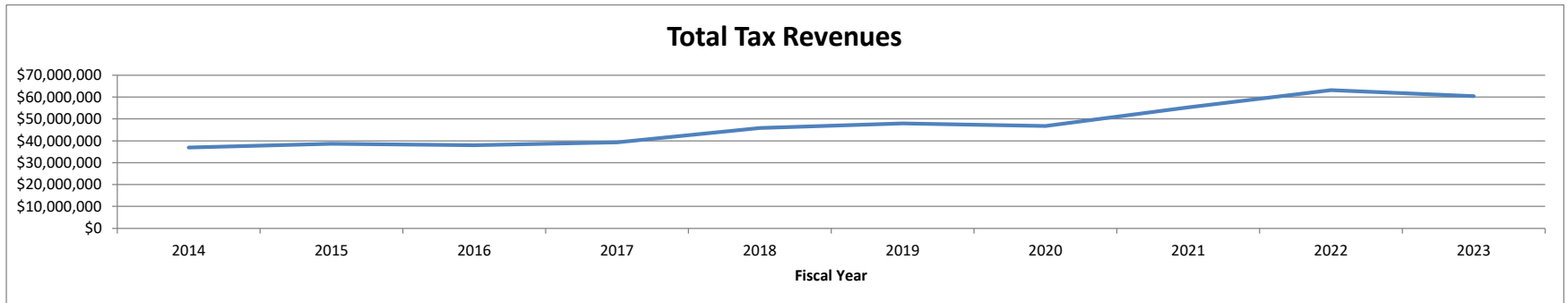


**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 6  
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

*(modified accrual basis of accounting)*

<u>Fiscal Year Ended June 30,</u>	<u>Property Tax</u>	<u>Accommodations Tax</u>	<u>Hospitality Tax</u>	<u>Total</u>
2014	\$ 23,613,446	\$ 7,735,390	\$ 5,633,430	\$ 36,982,266
2015	24,158,786	8,361,794	6,155,004	38,675,584
2016	22,576,837	8,940,834	6,506,306	38,023,977
2017	23,111,039	9,561,791	6,661,873	39,334,703
2018	29,094,854	9,863,909	6,867,787	45,826,550
2019	29,824,023	10,620,098	7,545,767	47,989,888
2020	30,508,737	10,032,022	6,284,461	46,825,220
2021	31,512,116	15,745,379	8,051,256	55,308,751
2022	32,690,057	20,595,819	9,907,025	63,192,901
2023	29,683,615	20,293,368	10,400,345	60,377,328
Change 2014 – 2023	25.71%	162.34%	84.62%	63.26%



Note: Fiscal year 2023 was the first year without the 5.0 Natural Disaster millage. Total town millage was reduced from 28.1 in fiscal year 2022 to 23.1 in fiscal year 2023.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 7  
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
UNAUDITED**

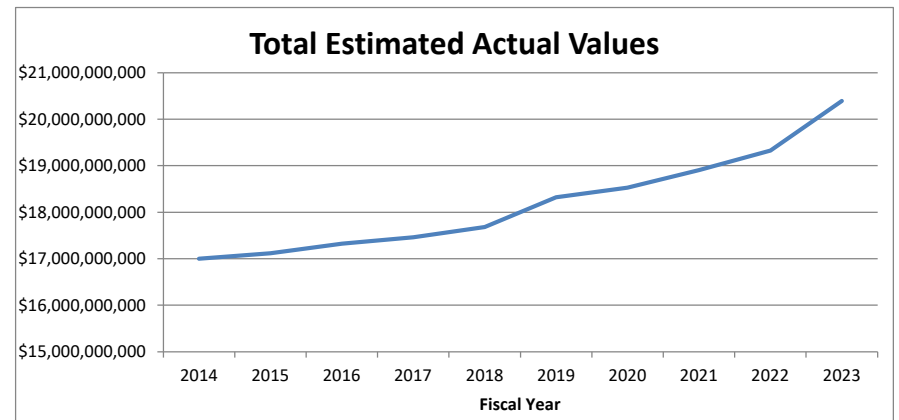
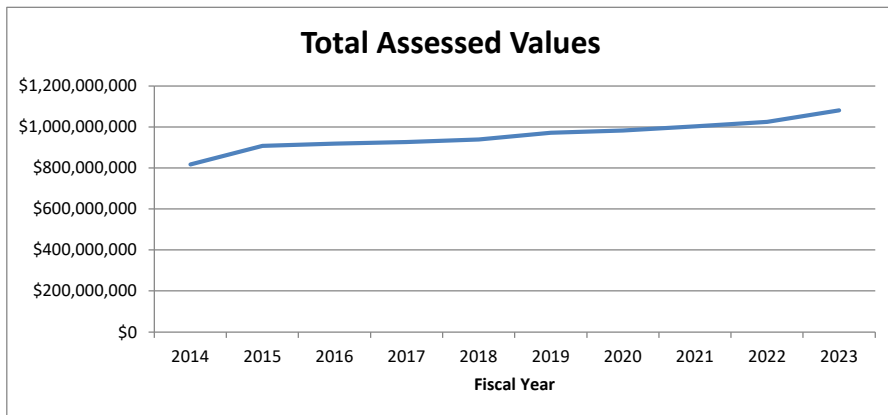
Fiscal Year Ended June 30,	Tax Year	Real and Personal Property		Motor Vehicles		Total Taxable		Total Direct Tax Rate	Taxable Assessed Value as a Percentage of Estimated Actual Taxable Value
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2014	2013	\$ 786,139,446	\$ 16,519,224,042	\$ 30,959,620	\$ 482,196,000	\$ 817,099,066	\$ 17,001,420,042	20.83	4.81%
2015	2014	870,403,050	16,565,140,739	36,619,380	553,832,220	907,022,430	17,118,972,959	21.35	5.30%
2016	2015	881,046,120	16,740,310,118	37,685,410	582,386,500	918,731,530	17,322,696,618	22.18	5.30%
2017	2016	886,106,320	16,836,456,410	40,547,190	626,612,158	926,653,510	17,463,068,568	22.18	5.31%
2018	2017	896,643,630	17,036,670,488	41,785,600	645,750,420	938,429,230	17,682,420,908	28.36	5.31%
2019	2018	935,086,850	17,767,110,598	35,960,940	555,736,716	971,047,790	18,322,847,314	27.72	5.30%
2020	2019	947,450,110	18,002,018,626	34,141,720	527,622,675	981,591,830	18,529,641,301	28.10	5.30%
2021	2020	964,993,530	18,335,352,245	36,759,110	568,071,554	1,001,752,640	18,903,423,799	28.10	5.30%
2022	2021	985,104,810	18,717,476,468	39,360,000	608,265,444	1,024,464,810	19,325,741,912	28.10	5.30%
2023	2022	1,040,073,090	19,761,900,855	40,914,980	632,295,947	1,080,988,070	20,394,196,802	23.10	5.30%

Source: Beaufort County Assessor's Office & Town Finance Department Extrapolations.

**Notes:**

Property in Beaufort County is reassessed once every five years on average. The County assesses property at 6% and 4% of actual value for real property, 10.5% for personal property, and 6% for motor vehicles.

Tax rates are per \$1,000 of assessed value.



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 8  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
UNAUDITED**

Fiscal Year	Town of Hilton Head Island					Overlapping Rates <sup>a</sup>			Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Capital Improvements Program Millage	Natural Disasters Millage	Total Town Millage	Total County Millage	Total School Millage	Total Public Service Districts Millage <sup>1</sup>	
2014	13.88	6.14	0.81	-	20.83	56.30	129.16	8.45	214.74
2015	14.37	6.14	0.84	-	21.35	56.86	135.21	8.81	222.23
2016	15.20	6.14	0.84	-	22.18	59.15	135.21	8.75	225.29
2017	15.20	6.14	0.84	-	22.18	61.27	143.21	8.66	235.32
2018	16.38	6.14	0.84	5.00	28.36	63.39	145.21	8.70	245.66
2019	15.93	5.97	0.82	5.00	27.72	62.78	136.31	8.53	235.34
2020	17.13	5.97	-	5.00	28.10	65.30	145.70	8.55	247.65
2021	17.20	5.90	-	5.00	28.10	64.20	150.30	8.60	251.20
2022	17.20	5.90	-	5.00	28.10	64.80	157.90	8.60	259.40
2023	17.20	5.90	-	-	23.10	64.80	161.90	8.55	258.35

**Notes:**

The Town's basic property tax rate may be increased only by a majority vote of Council after sufficient public notice of the referendum has been provided to the Rates for debt service are set based on each year's requirements. The South Carolina legislature has also created laws that limit the millage rate increase for general operating purposes to the Jan. - Dec. of the prior year average CPI for the region plus estimated population growth.

Fiscal year 2023 Town direct rates are the approved millage rates by Council.

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

<sup>1</sup>Water and sewage services are provided to the Town by Public Service Districts. The rates reported represent an average of the millage charges from 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 non-owner occupied residents. Beginning with Tax Year 2006, a 1% state-wide 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 non-owner occupied rates were the same.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 9  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED**

Taxpayer	Fiscal Year 2023 Tax Year 2022			Fiscal Year 2014 Tax Year 2013		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Marriott Ownership Resorts, Inc	\$ 16,887,220	1	1.56%	\$ 19,965,350	1	2.44%
Hargray Telephone Company Inc	8,774,240	2	0.81%	3,187,000	6	0.39%
Palmetto Electric Co-op, Inc	6,146,680	3	0.57%	5,455,120	2	0.67%
Sea Pines Resort, LLC	5,105,100	4	0.47%	3,669,410	5	0.45%
Columbia Properties Hilton Head, LLC	4,880,580	5	0.45%	4,764,090	3	0.58%
SCG Hilton Head Property, LLC	4,335,720	6	0.40%	4,260,000	4	0.52%
Shelter Cove II, LLC	2,995,230	7	0.28%	-		0.00%
Shelter Cove III, LLC	2,697,310	8	0.25%	-		0.00%
Palmetto Dunes Resort, LLC	2,174,630	9	0.20%	-		0.00%
Hilton Head Health System LP	2,034,720	10	0.19%	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%
<b>Total</b>	<b>\$ 56,031,430</b>		<b>5.18%</b>	<b>\$ 46,313,710</b>		<b>5.66%</b>

**Source:** Beaufort County

**Note:** These figures represent property solely within the Town limits of the Town of Hilton Head Island.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 10  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED**

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the		Collections In Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy			Amount	Percentage of Levy
		Amount	Percentage of Levy			
2014	\$ 24,323,902	\$ 23,207,435	95.41%	\$ 406,011	\$ 23,613,446	97.08%
2015	24,844,827	23,885,817	96.14%	277,959	24,163,776	97.26%
2016	23,311,081	22,201,474	95.24%	375,364	22,576,838	96.85%
2017	23,599,662	22,490,478	95.30%	620,561	23,111,039	97.93%
2018	29,255,089	28,529,563	97.52%	565,291	29,094,854	99.45%
2019	30,266,050	29,134,100	96.26%	689,923	29,824,023	98.54%
2020	31,006,308	29,939,691	96.56%	569,047	30,508,738	98.40%
2021	31,886,408	31,239,114	97.97%	273,002	31,512,116	98.83%
2022	32,751,483	31,804,965	97.11%	885,091	32,690,056	99.81%
2023	29,947,625	29,213,909	97.55%	469,707	29,683,616	99.12%

Source: Beaufort County and the Town of Hilton Head Island Finance Department

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 11  
DIRECT AND OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS  
UNAUDITED**

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<b>Fiscal Year</b>	<b>Town Direct Rate</b>	<b>Beaufort County</b>	<b>South Carolina</b>
2014	0%	0%	6%
2015	0%	0%	6%
2016	0%	0%	6%
2017	0%	0%	6%
2018	0%	0%	6%
2019	0%	1%	6%
2020	0%	1%	6%
2021	0%	1%	6%
2022	0%	0%	6%
2023	0%	1%	6%

**Notes:**

All sales tax goes to the State for distribution.

Beaufort County voters approved a 1% sales tax increase for transportation projects effective May 1, 2019 and ended December 31, 2021.

Beaufort County voters approved a 1% Green Space sales tax increase effective May 1, 2023.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 12  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED**

Fiscal Year	Governmental Activities						Business-Type Activities	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	Special Obligation/TIF Bonds	Bond Anticipation Notes	Bond Premium	SBITA's	Total	Revenue Bonds			
2014	\$ 60,080,000	\$ 38,810,000	\$ -	\$ 2,004,461	\$ -	\$ 100,894,461	\$ 11,585,000	\$ 112,479,461	6.07%	\$ 2,854
2015	55,945,000	29,950,000	-	1,829,733	-	87,724,733	10,760,000	98,484,733	5.34%	2,460
2016	51,680,000	26,795,000	-	1,655,008	-	80,130,008	9,910,000	90,040,008	4.95%	2,223
2017	46,345,000	23,535,000	45,000,000	3,104,407	-	117,984,407	9,035,000	127,019,407	6.61%	3,136
2018	86,080,000	75,885,000	-	7,350,264	-	169,315,264	11,290,000	180,605,264	9.50%	4,509
2019	83,515,000	67,620,000	-	7,135,387	-	158,270,387	10,090,000	168,360,387	8.45%	4,247
2020	75,625,000	59,960,000	-	6,237,438	-	141,822,438	8,855,000	150,677,438	7.30%	3,780
2021	67,235,000	52,560,000	-	6,090,172	-	125,885,172	6,905,000	132,790,172	5.85%	3,331
2022	59,290,000	44,960,000	-	5,304,939	-	109,554,939	5,700,000	115,254,939	4.96%	3,027
2023	51,060,000	37,135,000	-	4,519,702	1,149,000	93,863,702	4,475,000	98,338,702	4.18%	2,583

<sup>1</sup>See the Schedule of Demographic and Economic Statistics for personal income and population data.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 13  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value<sup>1</sup> of Property</u>	<u>Per Capita<sup>2</sup></u>
2014	\$ 59,955,995	0.35%	\$ 1,521
2015	58,846,475	0.34%	1,470
2016	51,606,596	0.30%	1,274
2017	92,457,411	0.53%	2,283
2018	87,741,233	0.50%	2,191
2019	86,497,396	0.47%	2,182
2020	78,364,596	0.42%	1,966
2021	70,264,563	0.37%	1,763
2022	61,971,559	0.32%	1,628
2023	52,168,524	0.26%	1,370

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

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

<sup>2</sup>See the Schedule of Demographic and Economic Statistics (Schedule 17) for population data. These ratios are calculated using data from the prior calendar year.



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 14  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
OUTSTANDING AT YEAR END  
UNAUDITED**

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes:</b>			
Beaufort County School District	\$ 442,462,600	44.27%	\$ 195,889,117
Beaufort County	164,609,853	44.27%	72,876,846
Broad Creek Public Service District	9,595,000	100.00%	9,595,000
Hilton Head No. 1 Public Service District	5,910,000	96.00%	5,673,600
Subtotal, overlapping debt	<u>622,577,453</u>		<u>284,034,563</u>
<b>Town of Hilton Head Island direct debt</b>	<u>93,863,702</u>	100.00%	<u>93,863,702</u>
<b>Total direct and overlapping debt</b>	<u>\$ 716,441,155</u>		<u>\$ 377,898,265</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.

<sup>1</sup>The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 15  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(dollars in thousands)  
UNAUDITED**

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Debt limit	\$ 65,368	\$ 72,562	\$ 73,499	\$ 74,132	\$ 75,074	\$ 77,684	\$ 78,527	\$ 80,140	\$ 81,957	\$ 86,479
Total net debt applicable to limit	<u>8,227</u>	<u>7,749</u>	<u>7,268</u>	<u>51,767</u>	<u>50,216</u>	<u>51,483</u>	<u>47,538</u>	<u>44,442</u>	<u>39,601</u>	<u>34,727</u>
Legal debt margin	<u>\$ 57,141</u>	<u>\$ 64,813</u>	<u>\$ 66,231</u>	<u>\$ 22,365</u>	<u>\$ 24,858</u>	<u>\$ 26,201</u>	<u>\$ 30,989</u>	<u>\$ 35,698</u>	<u>\$ 42,356</u>	<u>\$ 51,752</u>
Total net debt applicable to the limit as a percentage of debt limit	12.59%	10.68%	9.89%	69.83%	66.89%	66.27%	60.54%	55.46%	48.32%	40.16%

**Legal Debt Margin Calculation**

Assessed value	\$ 1,080,988
Debt Limit (8% of total assessed value)	86,479
Council-imposed limit for disasters (20%) - minimum \$20 million	<u>(20,000)</u>
Total Debt Limit	66,479
Debt applicable to limit:	
General Obligation Bonds:	
2009A	940
2017A	26,100
2019	4,335
2020B	<u>3,352</u>
Total Net Debt Applicable to Limit	<u>34,727</u>
Legal Debt Margin	<u>\$ 31,752</u>

**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 only when approved by a majority vote of the qualified electors of the political subdivisions 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 years of the date of such referendum and shall mature within 40 years from the time such indebtedness shall be incurred.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 16  
PLEGGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS  
UNAUDITED**

Fiscal Year	Hospitality Tax Bonds					Tax Increment Financing ("TIF") Bonds				
	Collections	Debt Service		Total	Coverage	Collections	Debt Service		Total	Coverage
		Principal	Interest				Principal	Interest		
2014	\$ 5,633,430	\$ 820,000	\$ 811,213	\$ 1,631,213	3.45	\$ 6,433,568	\$ 3,850,000	\$ 243,289	\$ 4,093,289	1.57
2015	6,155,004	835,000	776,427	1,611,427	3.82	6,486,071	4,009,999	112,477	4,122,476	1.57
2016	6,506,306	850,000	778,113	1,628,113	4.00	4,090,780	-	-	-	-
2017	6,661,873	865,000	762,113	1,627,113	4.09	4,194,830	-	-	-	-
2018	6,867,787	895,000	739,350	1,634,350	4.20	4,624,900	2,890,000	428,838	3,318,838	1.39
2019	7,545,767	920,000	715,200	1,635,200	4.61	4,687,575	3,470,000	456,392	3,926,392	1.19
2020	6,284,461	1,265,000	243,637	1,508,637	4.17	5,031,311	3,535,000	394,626	3,929,626	1.28
2021	8,051,256	1,050,000	391,776	1,441,776	5.58	5,361,090	3,595,000	331,703	3,926,703	1.37
2022	9,907,025	1,075,000	371,406	1,446,406	6.85	5,792,527	3,660,000	267,712	3,927,712	1.47
2023	10,400,345	1,095,000	349,691	1,444,691	7.20	6,443,778	3,725,000	202,564	3,927,564	1.64

Fiscal Year	Stormwater Revenue Bonds					Beach Preservation Fee Revenue Bonds				
	Collections	Debt Service		Total	Coverage	Collections	Debt Service		Total	Coverage
		Principal	Interest				Principal	Interest		
2014	\$ 3,564,300	\$ 805,000	\$ 333,245	\$ 1,138,245	3.13	\$ 5,597,565	\$ 2,595,000	\$ 508,968	\$ 3,103,968	1.80
2015	3,551,386	825,000	321,877	1,146,877	3.10	6,136,679	4,015,000	363,838	4,378,838	1.40
2016	3,551,400	850,000	299,128	1,149,128	3.09	6,431,700	2,305,000	223,938	2,528,938	2.54
2017	3,583,005	875,000	275,498	1,150,498	3.11	6,860,758	2,395,000	141,913	2,536,913	2.70
2018	4,775,636	945,000	265,867	1,210,867	3.94	7,087,820	2,470,000	567,325	3,037,325	2.33
2019	4,895,801	1,200,000	311,654	1,511,654	3.24	7,480,143	3,875,000	1,430,444	5,305,444	1.41
2020	4,928,623	1,235,000	278,489	1,513,489	3.26	7,083,230	2,645,000	1,328,850	3,973,850	1.78
2021	5,043,167	1,315,000	252,534	1,567,534	3.22	11,123,801	2,755,000	1,220,850	3,975,850	2.80
2022	5,081,075	1,205,000	100,458	1,305,458	3.89	14,053,062	2,865,000	1,094,125	3,959,125	3.55
2023	5,066,598	1,225,000	84,817	1,309,817	3.87	13,896,931	3,005,000	947,375	3,952,375	3.52

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 17  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS  
UNAUDITED**

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<u>Calendar Year</u>	<u>Population<sup>1</sup></u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Personal Income<sup>2</sup></u>	<u>Annual Unemployment Rate<sup>3</sup></u>
2014	39,412	\$ 1,854,295	\$ 47,049	4.5%
2015	40,039	1,845,438	46,091	4.9%
2016	40,512	1,817,733	44,869	5.0%
2017	40,500	1,921,887	47,454	3.6%
2018	40,055	1,900,770	47,454	3.2%
2019	39,639	1,993,406	50,289	2.7%
2020	39,861	2,063,724	51,773	4.5%
2021	39,861	2,269,765	56,942	3.9%
2022	38,076	2,322,179	60,988	3.1%
2023	38,069	2,350,837	61,752	3.0%

**Source:**

<sup>1</sup>Provided by the U.S. Census Bureau, Quick Facts.

<sup>2</sup>Provided by the U.S. Census Bureau.

<sup>3</sup>Provided by the U.S. Census Bureau of Labor Statistics.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 18  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

<b>Employer</b>	<b>2023</b>		<b>2014</b>	
	<b>Number of Employees</b>	<b>Rank</b>	<b>Number of Employees</b>	<b>Rank</b>
SERG Group Restaurants	944	1	800	1
Sea Pines Resort	683	2	650	2
Coastal Restaurants and Bars	671	3	N/A	N/A
Marriott Vacation Club International	560	4	569	4
Beaufort County School District	478	5	449	5
Hilton Head Medical Center and Clinics	457	6	525	3
Greenwood Communities & Resorts (Palmetto Dunes)	394	7	N/A	N/A
Publix Super Markets	340	8	255	10
Cypress of Hilton Head	315	9	345	7
Omni Hilton Head Oceanfront Resort	236	10	N/A	N/A
<b>TOTAL</b>	<b>5,078</b>		<b>3,593</b>	

**Source:** Employment head counts were verified via telephone calls or emails to the above companies.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 19  
FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
UNAUDITED**

Function	Full-Time Equivalent Employees as of June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	4.0	4.0	4.0	4.0	4.0	5.0	5.0	7.0	8.0	8.0
Management Services										
Finance	17.0	16.6	15.6	17.6	20.3	20.7	19.7	19.2	19.2	21.2
Administration	22.0	22.0	21.0	22.1	23.3	20.7	20.7	24.2	23.2	28.2
Human Resources	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Community Services										
Community Development	25.0	25.0	25.0	27.7	30.1	30.5	33.0	29.1	29.1	34.1
Public Projects & Facilities	22.0	21.0	22.0	23.0	23.0	25.0	26.0	29.0	29.0	29.0
Public Safety										
Fire & Rescue	143.0	143.7	143.7	140.9	144.3	141.3	142.5	142.5	142.5	146.8
Police Services <sup>a</sup>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<u>244.0</u>	<u>243.3</u>	<u>242.3</u>	<u>246.3</u>	<u>256.0</u>	<u>254.2</u>	<u>257.9</u>	<u>262.0</u>	<u>262.0</u>	<u>278.3</u>

**Source:** Town of Hilton Head Island Human Resources Department

**Notes:**

A full-time equivalent is a measurement equal to one person working a full-time schedule for one year. A full-time employee of the Town is normally scheduled to work 1,950 hours per year (including vacation and sick leave). The primary exception would be Fire and Rescue shift personnel normally scheduled to work 2,923 hours per year (including vacation and sick leave).

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

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 20  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Management Services</b>										
Business license accounts issued	6,434	6,291	5,908	6,507	6,944	6,689	6,529	7,177	12,574	16,310
Business license inspections	283	529	293	391	521	503	199	194	370	359
Business license audits	124	46	66	28	82	349	359	411	733	862
Hospitality tax accounts	437	440	461	380	374	379	377	368	396	405
Bed tax accounts	1,312	1,308	1,399	1,472	1,461	1,504	1,519	1,262	1,126	1,277
Beach passes issued	2,428	2,845	2,850	3,287	3,110	3,170	4,304	4,417	4,288	6,029
Number of court cases docketed <sup>1</sup>	5,111	3,459	3,862	4,886	3,858	-	-	-	-	-
Number of court cases disposed <sup>1</sup>	5,271	3,525	3,860	5,004	3,858	-	-	-	-	-
Number of search warrants issued <sup>1</sup>	8	9	6	5	7	-	-	-	-	-
Number of arrest warrants issued <sup>1</sup>	307	363	307	284	199	-	-	-	-	-
Number of bench warrants issued <sup>1</sup>	389	353	312	390	117	-	-	-	-	-
<b>Community Services</b>										
<b>Community Development</b>										
Building inspections conducted	19,024	13,907	15,647	16,957	21,124	21,063	20,470	18,942	21,410	26,069
Building permits issued	212	156	144	206	257	200	220	307	236	103
Miscellaneous permits issued	5,070	5,390	5,015	5,641	5,316	5,091	4,625	5,337	5,089	4,443
<b>Public Projects and Facilities</b>										
# of capital improvement projects to manage	20	20	22	34	41	35	31	35	87	67
# of beach access/parks to maintain	8	8	8	7	7	7	7	7	7	7
Miles of pathways to maintain	62	64	64	64	64	64	65	65	65	65
Maintenance work orders	5,150	5,025	5,100	5,000	5,000	5,000	5,502	6,404	5,952	12,426
<b>Public Safety</b>										
Fire and Rescue service calls	6,518	6,809	7,119	7,576	7,498	7,520	7,551	8,213	9,282	9,608
Actual fires extinguished	81	93	105	146	119	97	17	37	43	93
Inspections	1,855	2,121	3,196	1,960	2,594	2,636	3,042	3,874	2,031	2,843
Telephone requests	55,841	50,789	49,842	52,981	48,064	55,496	58,375	75,520	70,307	75,260
Public training programs	415	514	418	352	500	420	304	196	113	148

Source: Various Town departments

**Notes:**

<sup>1</sup>The Town closed the municipal court in fiscal year 2019.

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 21  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Government										
Town-owned parcels	168	223	224	221	145	146	146	147	147	152
Town-owned property acreage	1,321	1,312	1,307	1,307	1,307	1,303	1,293	1,295	1,294	1,315
Town-owned development rights	8	8	8	8	8	8	8	8	8	8
Town-owned easements	91	52	51	51	65	53	60	60	60	60
Management Services										
Town vehicles	38	36	38	38	40	43	42	42	42	50
Public Safety										
Emergency Apparatus Vehicles	28	28	28	29	29	30	30	28	30	30
Police Vehicles <sup>a</sup>	-	-	-	-	-	-	-	-	-	-
General Vehicles	19	19	19	20	20	21	21	22	23	24
Fire Stations	7	7	7	7	7	7	7	7	7	7
Public Projects and Facilities*										
Traffic signals	23	23	23	23	23	23	29	29	26	26
Pathways (miles)	62	64	64	64	64	64	65	65	65	65
Beach access/parks	8	8	8	7	7	7	7	7	7	7

**Sources:** Various Town departments and asset database.

**Notes:**

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

<sup>a</sup>Police Services currently contracted with Beaufort County Sheriff's Office.

\*All Town Roads are deeded to Beaufort County.



**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE 22  
PRINCIPAL STORMWATER CUSTOMERS  
CURRENT YEAR  
UNAUDITED**

<u>Customer</u>	<u>Type of Business</u>	<u>Stormwater Fees Billed</u>	<u>Percentage of Total Billed</u>
Town of Hilton Head Island	Town government	\$ 94,543	1.83%
Beaufort County	County government	81,655	1.58%
Sea Pines Resort LLC	Various	57,698	1.12%
Marriott Ownership Resorts	Timeshare condominium	52,027	1.01%
Palmetto Dunes Resort LLC	Various	41,313	0.80%
Heritage Golf-Port Royal LLC	Golf course & club	23,221	0.45%
Spirit Realty LP	Real estate	22,717	0.44%
HGC Palmetto Hall LLC	Golf course & club	22,433	0.44%
Shelter Cove III LLC	Shopping center	21,192	0.41%
Hilton Head Plantation POA	Various	15,818	0.31%
Wexford Plant HOA	Various	16,347	0.32%
Community Services Assoc Inc-Sea Pines	Various	16,466	0.32%
Hilton Head Island Holdings, LLC	Various	12,388	0.24%
Sea Pines Country Club Inc	Golf course & club	12,327	0.24%
FM Shoppes LLC	Various	12,150	0.24%
<b>Total</b>		<b>502,295</b>	<b>9.75%</b>
<b>Total Stormwater Fees Billed</b>		<b>\$ 5,152,649</b>	

The Stormwater fee is composed of three components:

- 1 - Administrative fee of \$24 on each account.
- 2 - Gross area charge on the total acreage of the parcel. The minimum fee is \$21 for the first two acres with a declining charge for additional acres.
- 3 - Impervious area charge based on \$105 for every 4,906 of square feet.

The residential accounts' impervious area charge is based on established tiers and percentages.

## **COMPLIANCE SECTION**



**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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hilton Head Island, South Carolina (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 13, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

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

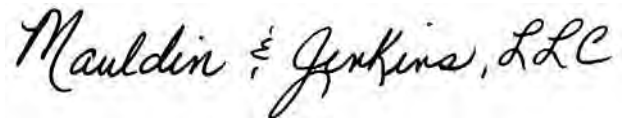
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**Report on Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 of Hilton Head Island, South Carolina's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Savannah, Georgia  
December 13, 2023



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

### Report on Compliance for Each Major Federal Program

#### ***Opinion on Each Major Federal Program***

We have audited the Town of Hilton Head Island, South Carolina's (the "Town") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2023. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

---

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

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

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### **Report on Internal Control Over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Savannah, Georgia  
December 13, 2023

# TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program Title	Federal AL Number	Grant Identification Number	Expenditures	Passed Through to Subrecipients
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Direct Awards:				
Community Development Block Grant	14.218	B-20-MW-45-0014	\$ 186,258	\$ -
<b>Total U.S. Department of Housing and Urban Development</b>			186,258	-
<b><u>U.S. Department of Transportation</u></b>				
Passed Through - South Carolina Department of Transportation				
Emergency Planning	20.703	N/A	11,384	
Hazardous Materials Training and Planning	20.703	21SHSP13	24,669	
Hazardous Materials Training and Planning	20.703	22SHSP17	38,079	
Hazardous Materials Training and Planning	20.703	17SHSP20	325	-
<b>Total U.S. Department of Transportation</b>			74,457	-
<b><u>U.S. Department of Treasury</u></b>				
Direct Awards:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	NA	1,779,872	-
<b>Total U.S. Department of Treasury</b>			1,779,872	-
<b><u>National Endowment for the Humanities</u></b>				
Direct Awards:				
Promotion of the Humanities Federal/State Partnership	45.129	N/A	2,500	-
<b>Total National Endowment for the Humanities</b>			2,500	-
<b><u>U.S. Department of Homeland Security</u></b>				
Direct Awards:				
Assistance to Firefighters Grant - FD1014	97.025	21SHSP32	4,647	
Assistance to Firefighters Grant - FD1014	97.025	21SHSP33	39,471	
Passed through - SC Emergency Management Division Disaster Grants - Public Assistance - Hurricane Ian	97.036	4677	35,446	-
<b>Total U.S. Department of Homeland Security</b>			79,564	-
<b>Total Expenditures of Federal Awards</b>			\$ 2,122,651	\$ -



# TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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### **NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards ("SEFA") includes the federal award activity of the Town under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Town, it is not intended to and does not present the net position, changes in net position, or cash flows of the Town.

### **NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **NOTE 3. INDIRECT COST RATE**

The Town has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

### **NOTE 4. NON-CASH ASSISTANCE**

No federal awards were expended in the form of non-cash assistance during the fiscal year ended June 30, 2023.

### **NOTE 5. SUBRECIPIENTS**

The Town did not pass funding through to subrecipients during the fiscal year ended June 30, 2023.

# TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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### SECTION I SUMMARY OF AUDIT RESULTS

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP.

Unmodified

Internal control over financial reporting:  
Material weaknesses identified?

\_\_\_ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

\_\_\_ Yes X No

Noncompliance material to financial statements noted?

\_\_\_ Yes X No

#### Federal Awards

Internal control over financial reporting:  
Material weaknesses identified?

\_\_\_ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

\_\_\_ Yes X None reported

Type of auditor's report issued

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_ Yes X No

Identification of major programs:

AL Number

21.027

Name of Federal Program or Cluster

**U.S. Department of Treasury:**  
Coronavirus State and Local Fiscal  
Recovery Fund

Dollar threshold used to distinguish between Type A and Type B programs?

\$750,000

Auditee qualified as a low-risk auditee?

X Yes \_\_\_ No

**TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV  
PRIOR YEAR FINDINGS AND RESPONSES**

None reported.