

Town of Hilton Head Island
South Carolina

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2025



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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**

Prepared By:
Town Finance Department

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

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INTRODUCTORY SECTION

Town of Hilton Head Island, South Carolina





Transmittal Letter

For The Fiscal Year Ended June 30, 2025
The Town of Hilton Head Island, South Carolina

December 4, 2025

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

The Annual Comprehensive Financial Report ("ACFR") of the Town of Hilton Head Island, South Carolina, (the "Town" or the "Island") for the fiscal year ended June 30, 2025, 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'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, 2025. The Independent Auditor's Report is located at the front of the financial section of this report.

The 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. The 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 operates under the Council/Manager form of government. Policy-making and legislative authority are vested in a governing council (the "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 the Council shall be elected for a term of office of four (4) years.

Town of Hilton Head Island Profile (Continued)

The annual budget serves as the foundation for the Town's financial planning and control. The 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 Council a proposed budget for the fiscal year commencing the following July 1. 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.

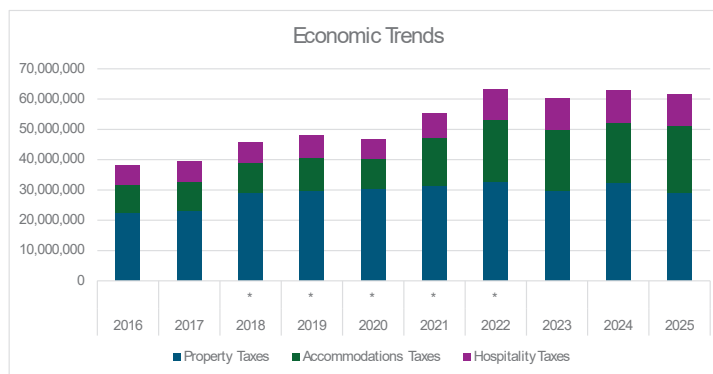
The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year in accordance with the budget amendment policies included in the current budget 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 successfully navigated the challenges posed by Hurricane Matthew and the COVID-19 pandemic, emerging stronger than ever. Hospitality tax collections — derived from sales of prepared food and beverages — reached record levels in both 2023 and 2024. Similarly, accommodations tax collections — based on room rentals — remain strong, despite a slight slowdown compared to 2023. Another indicator of economic vitality, property tax collections, also set new records, even with a reduction in the millage rate. The Town continues to grow, and our neighboring communities are thriving as well, fostering a robust and interconnected regional economy.

	Property Taxes	Accommodations Taxes	Hospitality Taxes	Total	Percentage Change
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%
2024	32,427,102	19,734,854	10,574,379	62,736,335	3.9%
2025	29,068,782 **	22,009,068 ***	10,559,662	61,637,512	-1.8%



* Property tax totals include a 5 Mill assessment for disaster recovery for FY2018-2022.

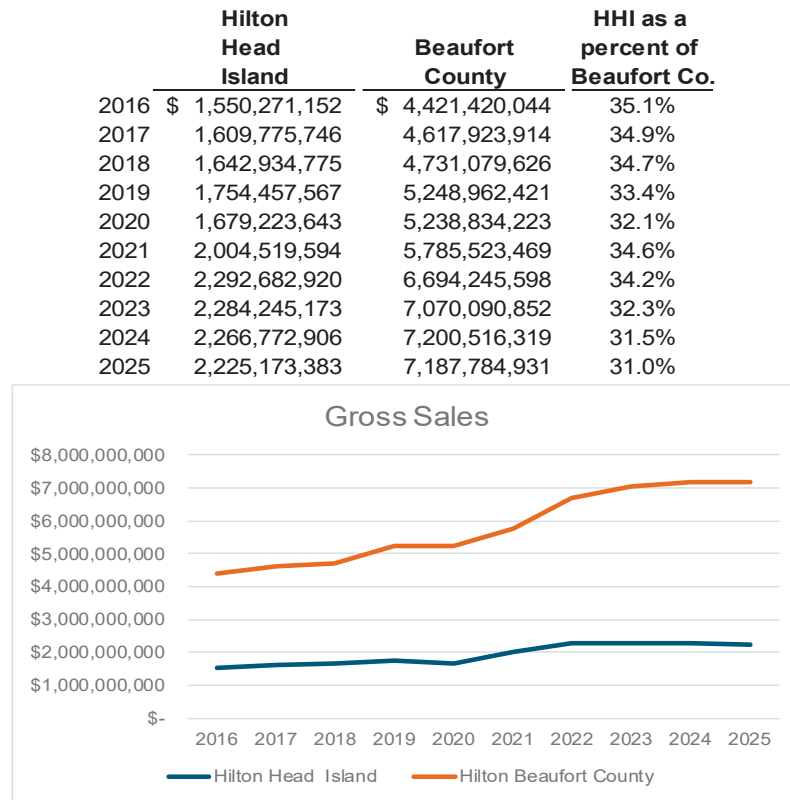
** The Town's TIF ended in 2025 including a cap for collections.

** TIF collections in 2024 were \$7,844,686 while 2025 collections were \$3,258,859.

*** The Town received a one-time settlement of ATAX collections in 2025 of \$1,507,015.

Local Economy (Continued)

The local economy also noted stable sales for both the Town and Beaufort County in 2025 as another indicator of the growth and economic health of the region.



Long-Term Financial Planning

The Town's three-year financial plan is grounded in robust financial reserves, conservative revenue forecasts, and a strategic approach to limiting future expenditures. As the Town nears full development, challenges such as mainland growth and fluctuations in the national economy will require careful navigation to uphold its commitment to delivering the highest quality essential services to its citizens.

The Finance Department plays a crucial role in maintaining and recommending improvements to the financial plan to ensure the Town's continued fiscal stability. Achieving and sustaining this stability depends on the collaboration of multiple elements and partners working seamlessly together. The following outlines the key components of our financial plan.

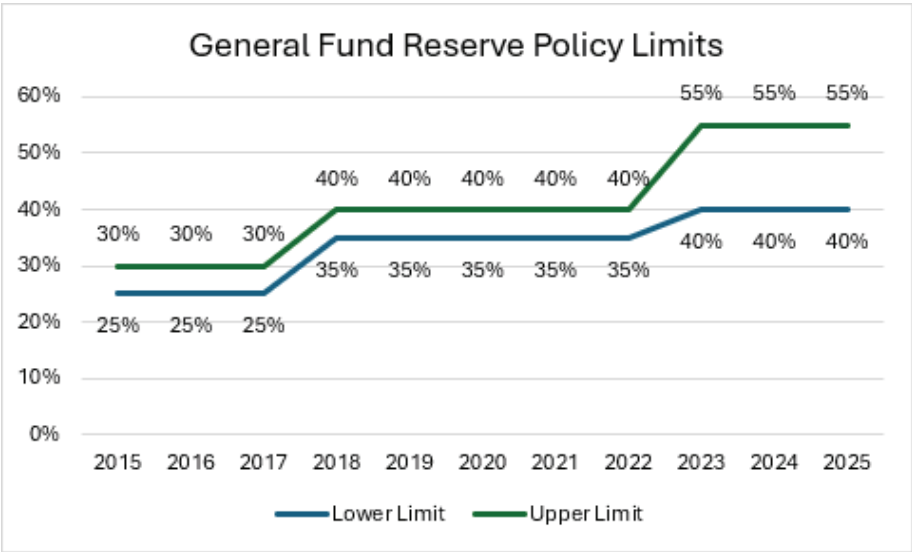
Adopted Financial Policies

Financial policies provide the foundation for the Town's overall fiscal planning and management. They establish guidelines for evaluating current budget performance and assessing proposals for future programs. These policies shape the fiscal decision-making process for both staff and Council.

Long Term Financial Planning (Continued)

Adopted Financial Policies (Continued)

The Town currently maintains financial policies covering operations, capital planning, debt management, reserves, and financial reporting. These policies undergo regular review and improvement as part of the financial plan development process and are adopted annually by Council. In alignment with the adoption of the fiscal year 2025 budget, the Town’s General Fund reserve policies will remain unchanged.



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 well-being of the Town. 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 Council.

Operating Budget Planning

The Town’s budget planning process integrates long-term operating expenditure plans with community expectations and the overarching goals of the Council. While the Town is required to adopt an annual budget to comply with state statutory requirements, for fiscal year 2026, it intends to take a broader, long-term view of the Town’s economic outlook. This includes collaborating with regional partners to optimize the Town’s future prospects. This initiative represents a significant step forward in the Town’s planning process. Council and Town Management, in coordination with the Finance and Administrative Committee, conduct monthly reviews of the budget. Any necessary adjustments will be identified and presented as needed.

Capital Improvement Program Planning

The Town’s Capital Improvement Program (“CIP”) aligns with the comprehensive plan, “Our Plan.” This plan emphasizes community involvement in shaping the long-term vision and priorities for the Town’s future. Funding for the CIP is based on conservatively estimated revenues to support capital construction. When debt financing is utilized, project sizes are carefully designed to adhere to existing debt management policies.

The Capital Improvement Program Projects are guided by the Strategic Plan, which reflects community input and serves as a policy blueprint developed by Town Council with contributions from Town Management and staff. This ensures alignment between community priorities and the Town’s policy direction.

Long-Term Financial Planning (Continued)

Debt Management

The Town issues debt solely to finance capital infrastructure or high-cost, long-lived assets. Each issuance is rigorously evaluated against several factors, including:

- Debt service as a percentage of operating expenditures;
- The tax and revenue bases available for repayment;
- The overall debt burden on the community;
- Statutory limitations; and
- Conditions influencing tax-exempt interest rates.

A comprehensive long-term analysis is conducted to assess the financial capacity that aligns with the Town's ability to repay its obligations. The size of the CIP is calibrated to the Town's debt capacity while considering conservatively estimated revenues. This approach stabilizes per capita debt and reduces annual debt service costs, promoting fiscal sustainability over the long-term.

The Town's credit ratings on its General Obligation outstanding bonds were raised this year – now the Town has a triple, Aaa -- affirmed at Aaa, AAA, and AAA, 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, willingness and efforts of the Town to maintain a fiscally sound operation through uncertain economic times — through sound policies and actions.

Fiscal year 2025 was the seventh year in a row that 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. 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.

	FY 2025 -- General Fund -- from Schedule A		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue	\$ 45,327,843	\$ 56,163,870	\$ 10,836,027
Transfers In (Out), net	14,357,026	14,357,026	-
Proceeds – Sale of Cap. Assets	-	88,628	88,628
Expenditures	<u>\$ (62,546,927)</u>	<u>(57,775,830)</u>	<u>4,771,097</u>
Revenues Over(Under)Expenditures	<u><u>\$ (2,862,058)</u></u>	<u><u>\$ 12,833,694</u></u>	<u><u>\$ 15,695,752</u></u>

Resiliency efforts

The Town continues to collaborate with the Federal Emergency Management Agency (“FEMA”) and state officials to secure the maximum allowable reimbursements for past storm events. The Town’s exceptional planning and preparation have been invaluable in ensuring the safety of the community during these incidents. This year, the Town is advancing its resiliency study to explore and implement best practices for preparatory measures, reinforcing its commitment to safeguarding the community against future challenges.

Awards and Acknowledgements

The Government Finance Officers Association (“GFOA”) awarded the Town a Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (“ACFR”) for the fiscal year ended June 30, 2024. This marks the thirty-sixth consecutive year the Town has received this prestigious honor.

To qualify for the Certificate of Achievement, a government must publish an ACFR that is not only easily readable and efficiently organized but also complies with generally accepted accounting principles and applicable legal standards. The Certificate is valid for one year, and the Town believes its current ACFR continues to meet the program’s rigorous standards. Accordingly, it has been submitted to the GFOA for consideration for another award.

Additionally, the Town received the GFOA Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2025. This represents the twenty-first consecutive year the Town has earned this recognition. The award underscores the quality of the Town’s budget document, which serves as its primary fiscal policy guide.

The preparation of this report would not have been possible without the efficient and dedicated efforts of the Finance Department’s entire staff. I extend my gratitude to the Town’s leadership team and its committed employees for their unwavering dedication to maintaining the high-quality services our citizens expect, all while demonstrating prudent stewardship of the Town’s finances.

I would also like to express my sincere appreciation to the Town Manager, Marc Orlando, and the members of the Council for their continued fiscal responsibility, visionary leadership, and commitment to fostering a future of economic, cultural, and environmental vitality. A special acknowledgment goes to our senior accountants, Crystal Bollino and Laurie Malik, and special work by Jeff Herriman for their exceptional oversight, diligence, and contributions to making the fiscal year 2025 reporting process a success.

This report reflects the strong financial position of the Town of Hilton Head Island, South Carolina. We take this opportunity to thank you and the citizens of the Town for your vital role in enabling the Town to sustain this high standard of fiscal responsibility. Your continued support is invaluable as we move forward together.

Respectfully submitted,

John M. Troyer

John M. Troyer
Interim Director of Finance

TOWN OF HILTON HEAD ISLAND

ANNUAL COMPREHENSIVE FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2025

TOWN COUNCIL



Mayor - Alan Perry
Elected November 2022



Mayor Pro Tempore - Alex Brown
Ward 1 Town Council Member
Elected November 2020



Ward 2 Town Council Member
Patsy Brison – *Elected November 2022*



Ward 3 Town Council Member
Steve DeSimone – *Elected November 2024*



Ward 4 Town Council Member
Tamara Becker – *Elected November 2018*



Ward 5 Town Council Member
Steve Alfred – *Elected November 2022*



Ward 6 Town Council Member
Melinda Tunner – *Elected November 2024*

VISION

Our 2020–2040 vision: To reinvent sustainability... again. To focus on revitalization and modernization, and to build an inclusive and diverse community.

MISSION

The Town of Hilton Head Island's mission is to promote the health and vitality of the community we serve through ethical and inclusive programs, policies and actions.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

PRINCIPAL OFFICIALS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Elected Officials

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

Executive Staff

Marc Orlando, ICMA-CM	Town Manager
Shawn Gillen, Ph.D.	Assistant Town Manager
Shawn Leininger, AICP	Assistant Town Manager
Angie Stone, IPMA-SCP	Assistant Town Manager
Ben Brown	Strategic Initiatives Director

Department Staff

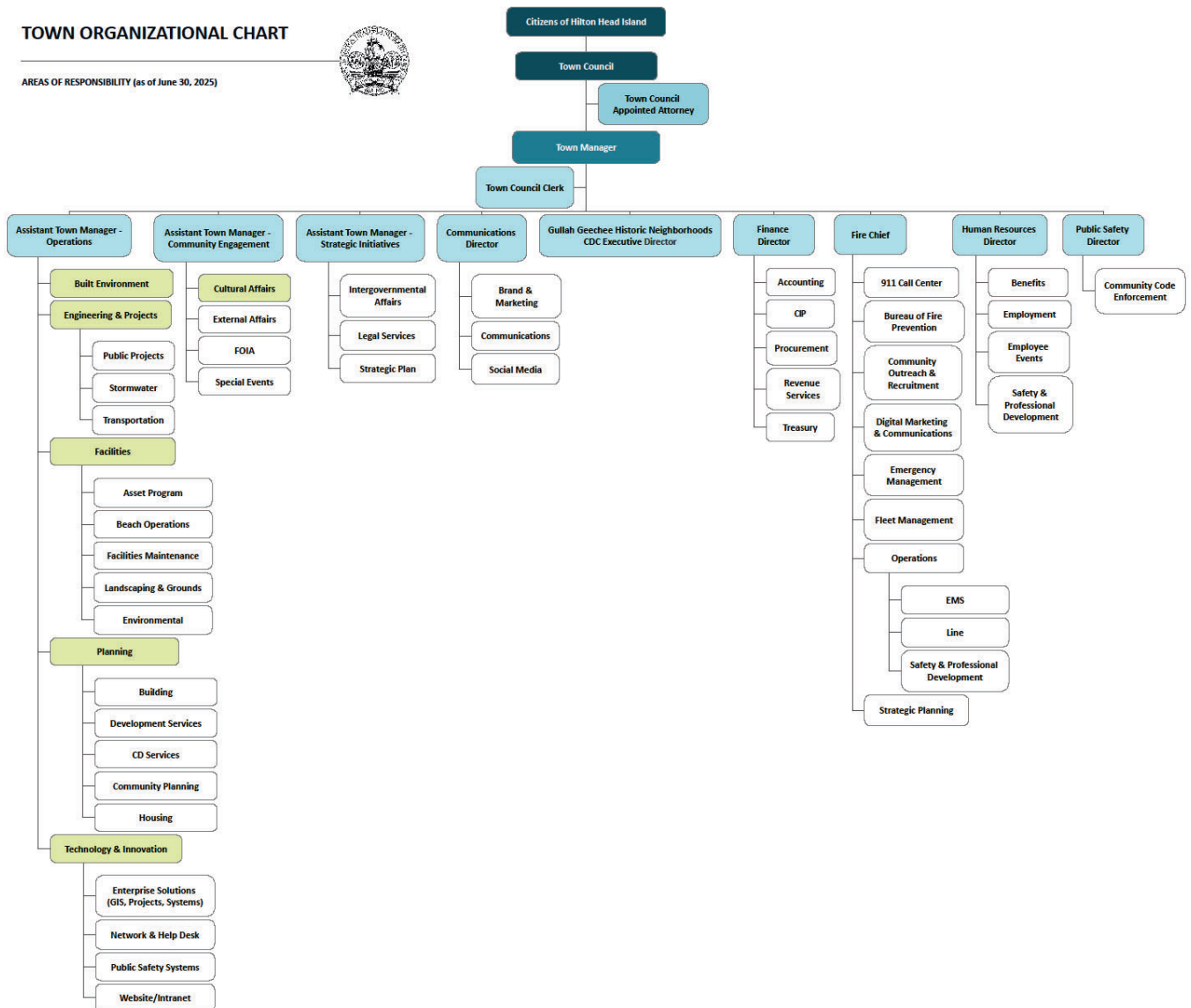
Natalie Harvey	Director of Cultural Affairs
Jeff Netzing	Engineering & Projects Director
Zenos Morris	Director of Built Environment
Derrick Coaxum	Facilities Director
Thomas Sunday	Technology and Innovation Director
Heather Woolwine	Communications Director
Chris Blankenship	Fire Chief
Lisa Stauffer	Director of Human Resources
Bob Bromage	Public Safety Director
Zac Gordon	Director of Planning
Dave Byrd	Finance Director

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

ORGANIZATIONAL CHART FOR THE FISCAL YEAR ENDED JUNE 30, 2025

TOWN ORGANIZATIONAL CHART

AREAS OF RESPONSIBILITY (as of June 30, 2025)



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

GFOA CERTIFICATE OF ACHIEVEMENT



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, 2024

Christopher P. Morrill

Executive Director/CEO



FINANCIAL SECTION

Town of Hilton Head Island, South Carolina





INDEPENDENT AUDITOR'S REPORT

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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows 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.

Emphasis of Matter

We draw attention to Note 5 in the financial statements, which describes the implementation of GASB Statement No. 101, *Compensated Absences*. The Town implemented this new accounting principle for the fiscal year ended June 30, 2025, which supersedes the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*. As discussed in Note 5, the new standard establishes a unified recognition and measurement model for compensated absences, requiring the recognition of a liability for unused leave that is "more likely than not" to be used for time off or otherwise paid in cash or settled through noncash means, significantly changing the criteria previously used. This change resulted in a restatement of the beginning net position for the earliest period presented and a material increase in the reported compensated absences liability. Our opinion is not modified with respect to this matter.

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.

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

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 – South Carolina Police Officers' Retirement System, and the Schedule of Contributions – South Carolina Police Officers' Retirement System, the Schedule of Changes in the Town's Total OPEB Liability and Related Ratios, and the Schedule of Contributions – OPEB Plan, 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.

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 4, 2025 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 4, 2025

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

As management of the Town of Hilton Head Island, South Carolina (the "Town" or the "Island"), we present this narrative overview and analysis of the Town's financial statements for the fiscal year ended June 30, 2025 ("2025" or "FY 2025"), in comparison with the fiscal year ended June 30, 2024 ("2024" or "FY 2024"). The purpose of this Management's Discussion and Analysis ("MD&A") is to provide an overall assessment of the Town's financial performance. We encourage readers to consider not only the information presented in this section, but also the details provided in the letter of transmittal, financial statements and the accompanying notes to gain a comprehensive understanding of the Town's overall improved financial position.

FINANCIAL HIGHLIGHTS

- The Town's total net position increased by \$37,915,381 and decreased by \$118,081 for its governmental and business-type activities, respectively, for a total increase in net position of approximately \$37,797,300 compared to the prior year net position.
- 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 \$474,190,826 (net position), including \$460,554,199 in net position for governmental activities and \$13,636,627 in net position for business-type activities. Unrestricted net position was approximately \$56,260,871, including unrestricted net positions of approximately \$50,079,290 and \$6,181,581 for governmental and business-type activities, respectively.
- The overall increase in the Town's capital assets for the period ended June 30, 2025, was approximately \$9,742,918 (or 3%), including an increase of \$10,741,124 for its governmental activities and a decrease of \$998,206 for its business-type activities, respectively. Capital asset additions for governmental activities of \$18,510,779 exceeded depreciation and amortization expense of \$7,760,580 and net disposals of \$0. There were no capital asset additions for business-type activities – only depreciation expense of \$998,206.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$239,938,097, an increase of approximately \$23,921,339 over the prior year fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$27,911,157 (or 48%) of total General Fund expenditures for the year ended June 30, 2025.
- The Town's total liabilities, decreased by approximately \$4,245,259 during the current fiscal year, including a decrease of \$3,999,808 and \$245,451 for governmental and business-type activities, respectively.
- The Town issued new debt of \$7,584,000 for new Fire Rescue pumper trucks in governmental activities during the fiscal year and made principal and refunding payments totaling \$12,625,000. No new debt was issued for business-type activities, with principal and refunding payments amounting to \$1,260,000. Additionally, the Town recognized approximately \$220,047 in the amortization of premiums.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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*.

Financial Statements

This MD&A section serves as an introduction to the Town's financial statements, which comprise three main components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. These financial statements provide two distinct perspectives on the Town's finances through the government-wide and fund financial statements. Additionally, this report includes supplementary information designed to further enhance the reader's understanding of the Town's financial condition.

The *government-wide financial statements* provide readers with a comprehensive overview of the Town's finances in a manner similar to that of a private-sector business. In contrast, the *fund financial statements* offer a more detailed examination of the Town's financial activities.

Government-Wide Financial Statements

The ***Statement of Net Position*** provides information about the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences reported as net position. Over time, changes in net position can serve as a meaningful indicator of whether the Town's financial position is improving or deteriorating.

The ***Statement of Activities*** outlines how the Town's net position has changed during the most recent fiscal year. This statement records changes in net position as they occur, regardless of the timing of related cash flows. As a result, some revenues and expenses reported in this statement may lead to cash flows only in future fiscal periods.

The government-wide financial statements are divided into two categories:

- 1) **Governmental Activities:** These include general government, management services, community services, public safety, culture and recreation, Visitor's and Convention Bureau, and administration. The primary funding sources for these activities are taxes (including business licenses), building permits, impact assessments, other service charges, and state and federal grants.
- 2) **Business-Type Activities:** These are related to the operations of the Town's stormwater program.

The government-wide financial statements can be found in the section indicated in the table of contents.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A *fund* is a collection of related accounts used to manage and monitor resources set aside for specific activities or objectives. The Town, like all other governmental entities in South Carolina, employs fund accounting to demonstrate and ensure compliance with finance-related legal requirements, such as the general statutes or the Town's budget ordinance.

The Town's funds are classified into two main categories:

1. Governmental Funds
2. Proprietary

Governmental Funds

Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. Governmental funds emphasize assets that can be readily converted into cash, tracking cash flow (inflows and outflows) and the remaining funds at year-end that will be available for spending in the following fiscal year. These funds are reported using the *modified accrual basis of accounting*, which focuses on short-term financial resources. Consequently, the governmental fund financial statements provide a detailed short-term perspective, helping readers determine whether sufficient financial resources are available to support the Town's programs.

The relationship between *governmental activities* (as reported in the Statement of Net Position and the Statement of Activities) and the *governmental funds* is explained in a reconciliation included in the fund financial statements.

The Town manages several individual governmental funds. Key funds, considered major, are presented separately in the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. These include 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 Improvements Program Fund, Natural Disasters Fund, and Federal Grants Fund. Information for other governmental funds is combined into aggregated presentations, with individual data for nonmajor funds provided in combining schedules elsewhere in the report. The governmental fund financial statements are located as indicated in the table of contents.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds

The Town maintains one proprietary fund, specifically an *Enterprise Fund*, which is used to account for operations that:

- (a) Are financed and operated in a manner similar to private business enterprises, where the intent is to recover costs (including depreciation) primarily through user charges; or
- (b) Require periodic determination of revenues, expenses, and/or net income for purposes of 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 are listed in the table of contents.

Notes to the Financial Statements

The notes provide essential additional details that enhance understanding of the data presented in the government-wide and fund financial statements. The Notes to the Financial Statements are also referenced in the table of contents.

Other Information

In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. The Town adopts an annual budget for its General Fund, as mandated by Article 10, Section 7 of the South Carolina Constitution, as well as for the Debt Service Fund, Capital Improvements Program Fund, Stormwater Utility Fund, Housing Fund, and the Gullah Geechee Historic Neighborhoods Community Development Corporation Fund ("GGHNCDC"). 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 Improvements Program, Stormwater Utility, Housing, and GGHNCDC Funds.

Additionally, the report includes required pension schedules that offer relevant details about the Town's participation in the South Carolina Police Officers' Retirement System ("PORS"). The Required Supplementary Information can be found as referenced in the table of contents.

Supplementary information, such as combining information for the nonmajor governmental funds, and budgetary comparison schedules for the other major and nonmajor budgeted funds, is included immediately following the Required Supplementary Information. These schedules are also referenced 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, 2025 compared to June 30, 2024:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 260,445,621	\$ 233,139,718	\$ 7,663,214	\$ 6,939,479	\$ 268,108,835	\$ 240,079,197
Capital assets, net	313,559,308	302,818,184	9,442,164	10,440,370	323,001,472	313,258,554
Total assets	<u>574,004,929</u>	<u>535,957,902</u>	<u>17,105,378</u>	<u>17,379,849</u>	<u>591,110,307</u>	<u>553,337,751</u>
Deferred outflows of resources	7,698,528	7,552,631	-	89,061	7,698,528	7,641,692
Current and other liabilities	21,102,977	17,817,226	1,493,751	479,202	22,596,728	18,296,428
Long-term liabilities	76,041,772	82,523,144	1,975,000	3,235,000	78,016,772	85,758,144
Net pension liability	17,901,586	19,019,198	-	-	17,901,586	19,019,198
Total OPEB liability	4,033,824	3,720,399	-	-	4,033,824	3,720,399
Total liabilities	<u>119,080,159</u>	<u>123,079,967</u>	<u>3,468,751</u>	<u>3,714,202</u>	<u>122,548,910</u>	<u>126,794,169</u>
Deferred inflows of resources	2,069,099	834,921	-	-	2,069,099	834,921
Net position:						
Net investment in capital assets	238,218,393	226,540,130	7,455,046	7,294,431	245,673,439	233,834,561
Restricted	172,256,516	161,752,478	-	-	172,256,516	161,752,478
Unrestricted	50,079,290	31,303,037	6,181,581	6,460,277	56,260,871	37,763,314
Total net position	<u>\$ 460,554,199</u>	<u>\$ 419,595,645</u>	<u>\$ 13,636,627</u>	<u>\$ 13,754,708</u>	<u>\$ 474,190,826</u>	<u>\$ 433,350,353</u>

The Town's total assets at June 30, 2025, increased by \$37,772,556 (7%) from the prior year, consisting of an increase of \$38,047,027 (7%) in its governmental activities and a decrease of \$274,471 (2%) in its business-type activities. The increase in governmental activities was primarily due to record investment interest earnings, higher property taxes, higher business licenses and expected reimbursements from other governments, and continuing attention to cost controls.

The Town's capital assets at June 30, 2025 (net of accumulated depreciation), increased by approximately \$9,742,918 (3%), including an increase of approximately \$10,741,124 (4%) and a decrease of approximately \$998,206 (-10%) for governmental and business-type activities, respectively. Capital asset additions for governmental activities consisted of approximately \$7,142,586 in land purchases, \$4,318,558 in construction in progress additions, \$1,772,098 in buildings, \$15,043 in furniture, fixtures and equipment additions, \$5,076,846 in vehicles, \$0 in improvements other than buildings for park development and \$0 in Subscription-based Information Technology Arrangements ("SBITA") intangible assets.

The Town completed approximately \$185,648 in ongoing capital projects which were reclassified from construction in progress to infrastructure development and furniture, fixtures and equipment.

The long-term liabilities decreased by approximately \$7,741,372 (9%), including a decrease of \$6,481,372 (8%) and \$1,260,000 (39%) for governmental and business-type activities, respectively. As previously noted, the Town issued new debt for Fire Rescue pumper trucks in the amount of \$7,584,000 in governmental activities and made principal and refunding payments of \$13,885,000. The Town recognized \$220,047 in amortization of premiums. The Town issued no new debt for business-type activities and made \$1,260,000 in principal payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The net pension liability decreased by approximately \$1,117,612 (6%), entirely related to governmental activities, due to a decrease in the PORS total net pension liability. The State has faced challenges in funding the pension program, which have been addressed through increased contribution requirements and improved investment earning. As State funding for the pension program improves, the Town's net pension liability is expected to increase. However, this liability is not controlled by the Town.

Current and other liabilities increased by approximately \$4,300,300 (24%), comprising an increase of \$3,285,751 (18%) for governmental activities and an increase of \$1,014,549 (212%) for business-type activities. The change in business-type activities is primarily attributed to an increase in accounts payable and accrued expense.

Deferred inflows of resources increased by \$1,234,178 (148%), entirely related to governmental activities. This change reflects a shift in the Town's proportionate share of participation in the PORS. The Other Post-Employment Benefits ("OPEB"), increased by \$313,425. Under GASB 75, local governments are required to report for post-employment benefits other than pensions in their financial statement notes.

The Town's total net position increased by approximately \$37,915,381 and decreased \$118,081 for its governmental and business-type activities, respectively, for a total net increase in net position of \$37,797,300 compared to the prior year net position.

Assets and deferred outflows exceeded liabilities and deferred inflows of resources (net position) by \$474,190,826 with \$460,554,199 attributed to governmental activities and \$13,636,625 to business-type activities. The largest portion of the Town's net position, \$245,673,439 (52%), which includes \$238,218,393 (52%) and \$7,455,046 (55%) for governmental and business-type activities, respectively, reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure) net of any related debt used to acquire these assets. These capital assets are essential for providing services to residents and are not available for future spending. While reported net of related debt, it is important to note that resources to repay this debt must come from other sources, as the capital assets themselves cannot typically be liquidated to settle liabilities.

An additional portion of the Town's net position of approximately \$172,256,516 (37%), entirely related to governmental activities, represents resources subject to external restrictions on their use. These restricted resources are primarily allocated to special revenue programs funded by specific revenue streams such as tax increment financing, accommodations taxes, real estate transfer fees, beach preservation fees, and hospitality taxes. The remaining balance of the Town's net position, \$56,260,871 (12%), is unrestricted. This includes \$50,079,290 (11%) for governmental activities and \$6,181,581 (45%) for business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town's net position for FY 2025 compared to FY 2024:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	\$ 51,526,854	\$ 44,073,516	\$ 5,592,984	\$ 5,397,615	\$ 57,119,838	\$ 49,471,131
Operating grants and contributions	3,851,053	2,499,359	-	-	3,851,053	2,499,359
Capital grants and contributions	430,640	3,692,991	-	-	430,640	3,692,991
General revenues:						
Property taxes	29,060,955	32,431,390	-	-	29,060,955	32,431,390
Other taxes	32,568,730	30,309,233	-	-	32,568,730	30,309,233
Other	12,901,164	12,401,824	351,131	328,692	13,252,295	12,730,516
Total revenue	<u>130,339,396</u>	<u>125,408,313</u>	<u>5,944,115</u>	<u>5,726,307</u>	<u>136,283,511</u>	<u>131,134,620</u>
Expenses						
Governmental activities:						
General government	15,856,113	7,580,451	-	-	15,856,113	7,580,451
Management services	10,139,102	9,509,361	-	-	10,139,102	9,509,361
Community services	22,135,310	21,936,453	-	-	22,135,310	21,936,453
Public safety	33,260,109	25,142,426	-	-	33,260,109	25,142,426
Culture and recreation	3,521,165	4,789,146	-	-	3,521,165	4,789,146
Visitor's and Convention Bureau	3,942,797	3,829,597	-	-	3,942,797	3,829,597
Administrative	52,297	48,831	-	-	52,297	48,831
Interest and other charges	4,824,675	3,053,568	-	-	4,824,675	3,053,568
Business-type activities						
Stormwater	-	-	4,754,643	4,165,209	4,754,643	4,165,209
Total expenses	<u>93,731,568</u>	<u>75,889,833</u>	<u>4,754,643</u>	<u>4,165,209</u>	<u>98,486,211</u>	<u>80,055,042</u>
Transfers	<u>1,307,553</u>	<u>985,000</u>	<u>(1,307,553)</u>	<u>(985,000)</u>	<u>-</u>	<u>-</u>
Change in net position	37,915,381	50,503,480	(118,081)	576,098	37,797,300	51,079,578
Net position beginning, as previously presented	419,595,645	369,092,165	13,754,708		433,350,353	369,092,165
Restatement	3,043,173	-	-		3,043,173	-
Net position beginning, as restated	422,638,818	369,092,165	13,754,708	13,178,610	436,393,526	382,270,775
Net position, ending	<u>\$ 460,554,199</u>	<u>\$ 419,595,645</u>	<u>\$ 13,636,627</u>	<u>\$ 13,754,708</u>	<u>\$ 474,190,826</u>	<u>\$ 433,350,353</u>

Revenues and other financing sources exceeded expenses, and other financing uses by approximately \$37,797,300 for the year ended June 30, 2025, this included surpluses of \$37,915,381 from governmental activities and a reduction of \$118,018 from business-type activities.

Total revenues increased by approximately \$5,148,891 (4%) compared to the prior year. This change includes an increase of \$4,931,083 (4%) in governmental activities and an increase of \$217,808 (4%) in business-type activities. The increase in governmental activities revenues was primarily driven by an increase in ATAX, business licenses and investment income. In the same manner, the increase in business-type revenues was largely due to changes in investment income and stormwater fees. As a result, the Town is well-positioned to address future challenges.

Total expenses increased by \$18,431,169 (23%) compared to the prior year. This includes an increase of \$17,841,735 (24%) in governmental activities and an increase of \$589,434 (14%) in business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

For governmental activities, the increase in expenses was driven by:

- An increase of \$8,275,662 in general government expenses.
- An increase of \$629,741 in management services.
- An increase of \$198,857 in community services.
- An increase of \$8,117,683 in public safety.
- An increase of \$1,771,107 in interest and other charges.
- A decrease of \$1,267,981 in culture and recreation expenses.

For business-type activities, the increase in expenses was primarily due to an increase of \$589,434 related to stormwater repairs and maintenance.

These financial outcomes reflect the Town's continued focus on balancing revenue growth and cost management, ensuring sustainable operations while addressing infrastructure and service needs and on improving the Island experience for both residents and visitors.

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 primary focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is particularly useful for assessing the Town's current financing requirements. In particular, the unassigned fund balance serves as a key indicator of the government's net resources available for discretionary spending at the end of the fiscal year.

As of the end of FY 2025, the Town's governmental funds reported combined ending fund balance of approximately \$239,938,097, reflecting an increase of \$23,921,339 compared to the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds (Continued)

Of the total fund balance:

- Approximately 12% (\$27,911,157) constitutes the General Fund's unassigned fund balance, which is available for spending at the government's discretion.
- The remainder of fund balance is classified as nonspendable, committed, or restricted as detailed below:

Classification/Fund	Purpose	Amount
Nonspendable		
General Fund	Prepaid expenses	\$ 89,206
Capital Improvements Program	Prepaid expenses	50,000
Restricted:		
Tax Increment Financing	Economic development	4,073,041
Accommodations Tax	Tourism promotion	11,335,171
Real Estate Transfer Tax	Environmental conservation	13,976,147
Beach Preservation	Beach renourishment	43,324,862
Hospitality Fee	Public health and safety	28,803,714
Debt Service	Debt service payments	14,243,513
Capital Improvements Program	Construction of major capital facilities	9,525,904
GGHNCDC	Gullah Geechee historic neighborhoods	5,564,275
Natural Disasters	Response to natural disasters	37,543,869
Palmetto Electric Franchise	Underground electrical service	1,273,557
Operating Grants	Operating grants	321,121
HOME Grant	HOME grant	12,127
Fire Truck Lease Proceeds	Fire truck lease	1,767
Road Usage Fees	Road projects	2,268,106
Short-Term Rental Fees	Short-term rentals	324,395
Housing	Community development	2,868,190
Firemen's Fund	Firemen's fund	57,975
Committed:		
General Fund	Disaster recovery	24,370,000
Beach Preservation	Beach renourishment	12,000,000
Unassigned:		
General Fund		27,911,157
Total fund balance		<u>\$ 239,938,097</u>

This breakdown provides insight into the Town's financial position and demonstrates its ability to meet both immediate and future obligations while maintaining fiscal stability.

The General Fund serves as the primary operating fund of the Town. At the end of FY 2025, the total fund balance was \$52,370,363, including committed fund balance of approximately \$24,370,000 for disaster recovery.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds (Continued)

To assess the General Fund's liquidity, it is helpful to compare the unassigned fund balance to total General Fund expenditures. At the close of the fiscal year, the unassigned fund balance was \$27,911,157 representing (49%) of total General Fund expenditures for the year ended June 30, 2025. The total fund balance, which includes committed, non-spendable, and unassigned amounts, was \$239,938,097, or 208%, of total expenditures for the same period.

Highlights of Changes in Fund Balance

General Fund

- General Fund revenues totaled approximately \$56,163,870, reflecting an increase of \$6,850,697 (14%) over the prior year. This change was primarily due to:
 - An increase of \$280,376 in investment income and an increase of \$916,414 in real and personal property taxes.
 - An increase of \$3,062,159 in business license revenue in large part due to revenue received from the Municipal Association of South Carolina ("MASC").
- General Fund expenditures total approximately \$57,775,830, an increase of \$2,925,860 (5%) over the prior year. The key contributors to this change include:
 - An increase of \$711,766 in community services due to higher staffing and operating costs to improve and maintain beaches, parks, and landscaping on the Island.
 - An increase of \$190,195 in public safety for additional expenses to higher salary, staffing benefits and other operating costs.
 - An increase of \$928,749 in management services for additional expenses related to salaries and operating costs.
 - An increase of \$2,082,306 in non-departmental expenses including Habitat and CCDC contributions to improve the Island.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Highlights of Changes in Fund Balance (Continued)

Tax Increment Financing ("TIF") District Fund

The Tax Increment Financing ("TIF") District Fund's fund balance experienced a decrease of approximately \$5,569,560. This change was driven by revenues of approximately \$3,602,215, which was less than transfers out totaling \$9,171,775, as this TIF begins to wind down successfully.

- TIF Fund revenues decreased by approximately \$4,683,235 (56%) primarily due to:
 - Reaching the contractual cap for County revenues in real and personal property taxes.
 - A decrease of approximately \$97,408 in investment earnings due to declining balances as the TIF winds down.

Accommodations Tax Fund

The Accommodations Tax Fund's fund balance increased by \$349,973 as a result of expenditures and other financing sources totaling \$13,234,089 less than revenues of approximately \$13,584,062.

- Revenues increased by \$294,498 (2%) primarily due to an increase in ATAX of \$377,333 during the current year.
- Expenditures decreased by \$1,181,781 (13%).
- Other financing uses experienced a decrease of \$858,189 (13%).

This detailed analysis highlights the Town's ability to maintain financial stability while responding to funding requirements across key funds.

Real Estate Transfer Fee Fund

The Real Estate Transfer Fee Fund increased by \$3,573,202 due to revenues of \$6,962,055 exceeding expenditures and other financing uses of \$3,388,853. Revenues increased by \$1,557,048 due to grants of \$1,243,000 and an increase in property sales on the Island. Expenditures remained relatively flat year over year, while other financing uses decreased by \$4,996,195 (60%) as the Town made smaller dollar value land purchases during the current year than the previous year.

Beach Preservation Fee Fund

The Beach Preservation Fee Fund increased \$12,338,873 as revenues of \$19,323,072 exceeded expenditures and other financing uses of \$6,984,199. Revenues increased by \$3,621,422 (23%) primarily due to a settlement and an increase in beach collections during the current year. Expenditures and other financing uses decreased by \$1,902,756 as a result of changes in transfers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Highlights of Changes in Fund Balance (Continued)

Hospitality Fee Fund

The Hospitality Fee Fund increased by \$1,679,882, with revenues of \$11,501,999 exceeding expenditures and other financing uses. Revenues decreased by \$382,332 (3%) due to fluctuations in tourism activity and changes in investment earnings. Other financing uses of \$17,273,617 included the pumper trucks of \$7,584,000 backed by Hospitality Fees.

Debt Service Fund

The Debt Service Fund increased by \$526,950 as revenues and other financing sources of \$15,573,443 exceeded expenditures of \$15,046,493. Revenues increased by \$289,780 (4%) compared to the prior year, while other financing sources decreased by \$2,094,127 (20%) due to paying off debt. Expenditures decreased \$774,090 (7%) as a result of scheduled adjustments in principal and interest payments.

Capital Projects Fund

The Capital Projects Fund increased by \$1,900,558, as revenues and other financing sources of \$32,966,667 offset expenditures and transfers out of \$31,066,109. Revenues and Other Financing Sources included grants, state shared funds and investment earnings of \$525,252. Net other financing sources increased by \$5,116,480 (19%) due to changes in current and future capital needs. Expenditures increased by \$4,017,369 (15%) as a result of new land acquisitions, fleet program fire truck purchase and beach-related projects.

Natural Disasters Fund

The Natural Disasters Fund increased by \$1,574,395 as revenues of \$2,056,298 covered expenditures, and other financing uses totaling \$481,903. Revenues increased by \$400,275 (24%) primarily by investment income, offset by a decrease in grant revenue. Expenditures increased by \$421,374 (696%) due to higher debris removal and other recovery-related costs due to tropical storms Debby and Helene.

Federal Grants Fund

The Federal Grants Fund reported no fund balance as revenues of \$1,159,149 offset expenditures and other financing uses of \$1,159,149. Revenues increased by \$540,377 (87%) as the Town recognized revenue in line with eligible expenditures incurred during the year. This activity underscores using federal dollars to stretch local efforts to improve the Island successfully and bring federal dollars to our Island.

This analysis highlights the Town's ability to manage its funds efficiently while balancing revenues, expenditures, and financing needs across various funds, ensuring fiscal responsibility and alignment with long-term goals.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Highlights of Changes in Fund Balance (Continued)

Federal Grants Fund (Continued)

The table below presents a summary of 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 fiscal years ended June 30, 2025 and 2024:

Fund	Fiscal Year Ended June 30, 2025			
	Revenue and Other Financing Sources	Expenditures and Other Financing Uses	Fund Balance	Changes in Fund Balance
General	\$ 70,609,524	\$ 57,775,830	\$ 52,370,363	\$ 12,833,694
Tax Increment Financing	3,602,215	9,171,775	4,073,041	(5,569,560)
Accommodations Tax (State)	13,584,062	13,234,089	11,335,171	349,973
Real Estate Transfer Fee	6,962,055	3,388,853	13,976,147	3,573,202
Beach Preservation Fee	19,323,072	6,984,199	55,324,862	12,338,873
Hospitality Fee	19,085,999	17,406,117	28,803,714	1,679,882
Debt Service	15,573,443	15,046,493	14,243,513	526,950
Capital Projects	32,966,667	31,066,109	9,575,904	1,900,558
Natural Disasters	2,056,298	481,903	37,543,869	1,574,395
Federal Grants	1,159,149	1,159,149	-	-
Nonmajor Governmental	8,158,990	13,445,618	12,691,513	(5,286,628)
Total governmental funds	<u>\$ 193,081,474</u>	<u>\$ 169,160,135</u>	<u>\$ 239,938,097</u>	<u>\$ 23,921,339</u>

Fund	Fiscal Year Ended June 30, 2024			
	Revenue and Other Financing Sources	Expenditures and Other Financing Uses	Fund Balance	Changes in Fund Balance
General	\$ 63,856,831	\$ 57,822,970	\$ 39,536,669	\$ 6,033,861
Tax Increment Financing	8,285,450	4,494,978	9,642,601	3,790,472
Accommodations Tax (State)	13,289,564	15,248,059	10,985,198	(1,958,495)
Real Estate Transfer Fee	5,405,007	8,381,582	10,402,945	(2,976,575)
Beach Preservation Fee	15,701,650	8,884,104	42,985,989	6,817,546
Hospitality Fee	11,884,331	9,246,221	27,123,832	2,638,110
Debt Service	17,377,790	15,820,583	13,716,563	1,557,207
Capital Projects	31,671,440	27,398,740	7,675,346	4,272,700
Natural Disasters	1,656,023	60,529	35,969,474	1,595,494
Federal Grants	618,772	618,772	-	-
Nonmajor Governmental	9,879,813	13,876,349	17,978,141	(3,996,536)
Total governmental funds	<u>\$ 179,626,671</u>	<u>\$ 161,852,887</u>	<u>\$ 216,016,758</u>	<u>\$ 17,773,784</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Highlights of Changes in Fund Balance (Continued)

Enterprise Fund

The previously discussed business-type activities pertain solely to the Stormwater Fund. Refer to the earlier discussion for detailed information regarding changes in the Stormwater Fund.

General Fund Budgetary Highlights

During the fiscal year, the Town adopted budget amendments to the General Fund budget. Typically, budget amendments fall into one of four categories:

1. Adjustments to original budget estimates once more precise information becomes available;
2. Recognition of new funding amounts from external sources, such as Federal and State grants;
3. Necessary increases in expenditures to maintain essential services due to change in circumstances from expected at budget development; and
4. Carryover of approved funds from the previous budget year as the project life spans the end of the fiscal year.

In the current year, amendments to the General Fund budget primarily addressed the carryover of funds from FY 2024 for projects and purchases that were delayed due to various factors. At the conclusion of FY 2024, there was (\$308,508) remaining in unspent operating funds from the Parking Contract and transferred into FY 2025. These funds were utilized as operating expenses. Additionally, Council authorized supplemental, mid-year appropriations under the Affiliated Agency Program for Coastal Community Development Corporation (\$600,000) and the Hilton Head Regional Habitat for Humanity (\$500,000). Unspent funding was carried forward from FY 2024 to FY 2025 in the amount of (\$522,546) to complete the projects spanning the fiscal year-end. The total increase from the original to the revised General Fund budget was \$1,622,546.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2025, the Town's capital assets for its governmental and business-type activities amounted to \$312,912,308 and \$9,442,164, respectively, net of accumulated depreciation. These capital assets include land, construction in progress, buildings, improvements, furniture, fixtures, equipment, vehicles, and infrastructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

The capital assets (net of accumulated depreciation) for June 30, 2025 and 2024 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 196,208,919	\$ 189,075,408	\$ -	\$ -	\$ 196,208,919	\$ 189,075,408
Development rights	10,734,391	10,734,391	-	-	10,734,391	10,734,391
Easements/Right-of-ways	3,602,367	3,602,367	-	-	3,602,367	3,602,367
Construction in progress	13,769,193	9,450,635	-	-	13,769,193	9,450,635
Buildings	27,879,469	27,884,272	-	-	27,879,469	27,884,272
Furniture, fixtures, and equipment	1,307,816	1,779,382	-	-	1,307,816	1,779,382
Vehicles	7,940,459	4,242,126	-	-	7,940,459	4,242,126
Improvements other than buildings:						
Park development	24,000,789	25,501,315	-	-	24,000,789	25,501,315
Infrastructure	27,468,905	29,486,551	9,442,164	10,440,370	36,911,069	39,926,921
Total	<u>\$ 312,912,308</u>	<u>\$ 301,756,447</u>	<u>\$ 9,442,164</u>	<u>\$ 10,440,370</u>	<u>\$ 322,354,472</u>	<u>\$ 312,196,817</u>

The overall increase in the Town's capital assets for the period ended June 30, 2025, was approximately \$9,742,918 (3%), consisting of an increase of \$10,741,124 for governmental activities and a decrease of \$998,206 for business-type activities. For governmental activities, capital asset additions of \$22,415,266 exceeded depreciation expense of \$7,760,580 and net disposals of \$0. In contrast, business-type activities had no capital asset additions, with only depreciation expense of approximately \$998,206.

Further details 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, 2025, the Town's total outstanding long-term debt was \$70,795,507 for governmental activities and \$1,975,000 for business-type activities. Of this total, \$41,815,000 represents general obligation debt, which is secured by the full faith and credit of the Town.

The Town's total long-term obligations as of June 30, 2025 and 2024 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General Obligation bonds	\$ 41,815,000	\$ 46,125,000	\$ -	\$ -	\$ 41,815,000	\$ 46,125,000
Tax Increment Financing bonds	-	3,860,000	-	-	-	3,860,000
Revenue/Special obligation bonds:						
Beach Preservation Fees	10,975,000	14,290,000	-	-	10,975,000	14,290,000
Hospitality Tax	9,785,000	10,925,000	-	-	9,785,000	10,925,000
Stormwater	-	-	1,975,000	3,235,000	1,975,000	3,235,000
Financed purchases	7,584,000	-	-	-	7,584,000	-
SBITAs	636,507	1,036,521	-	-	636,507	1,036,521
Total	<u>\$ 70,795,507</u>	<u>\$ 76,236,521</u>	<u>\$ 1,975,000</u>	<u>\$ 3,235,000</u>	<u>\$ 72,770,507</u>	<u>\$ 79,471,521</u>

The Town also carries a net pension liability, which is further detailed in Note 4 of the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt (Continued)

The overall decrease in the Town's debt for the current fiscal year was \$6,701,014 (8%).

Key events impacting the Town's debt during the year include:

- Principal payments totaling \$13,885,000.
- Issuance of financed purchase of Fire Rescue pumper trucks of \$7,584,000.

For additional details regarding the Town's long-term obligations, please refer to Note 3 in the notes to the financial statements.

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

The Town implemented several financial measures in response to recent tropical storms. For FY 2025, the millage rate decreased from 23.10 to 21.4, remaining flat through FY 2025, reflecting the Town's improved financial position. For FY 2026, Council lowered the millage rate from 21.4 to 19.4 further reflecting the confidence in the Town's financial structure. The foresight of Town officials in building reserves and preparing for events like Hurricane Matthew has significantly benefitted the Town. Council has demonstrated strong leadership by implementing the necessary operational and financial measures to keep the Town hurricane ready. Council has also demonstrated foresight in continuing to invest in the Island – preserving and growing property values while adding value to the Island experience for both visitors and residents alike.

The consolidated budget for fiscal year 2026, approved by the Council, totals \$174,711,350. Additional details regarding the budget can be found on the Town's website: www.hiltonheadislandsc.gov.

Real Estate Revenues

Revenues related to real estate, including construction permits and real estate transfer fees, were 7% higher than the prior year. FY 2025 Real Estate Transfer Fees increased compared to FY 2023 and FY 2024. This performance remains indicative of a strong and resilient 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
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%
2024	4,883,205	-2%	2,315,139	47%	7,198,344	10%
2025	5,228,355	7%	2,461,684	6%	7,690,039	7%

MANAGEMENT’S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES FOR THE TOWN

Tourism Revenues

Tourism-related revenues, including Accommodations Taxes and Beach Preservation Fees were up significantly while Hospitality Taxes remained relatively flat compared to the prior year. The chart below provides further details.

Fiscal Year	ATAX/Beach Preservation Fees		Hospitality Tax		Total Tourism Revenues		
	Actual	Percentage Change	Actual	Percentage Change	Actual	Dollar Change	Percentage Change
2021	\$ 26,869,181	57%	\$ 8,051,256	28%	\$ 34,920,437	\$(2,246,305)	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%
2024	33,623,903	-2%	10,574,379	2%	44,198,282	(392,362)	-1%
2025	39,277,850	17%	10,559,662	0%	49,837,512	5,639,230	13%

Council adopted a \$174,711,350 consolidated budget for FY 2026, an increase of 4% over the \$166,936,866 consolidated budget adopted for FY 2025. This new budget continued the two new funds added from the prior year: the Gullah Geechee Historic Neighborhoods Community Development Corporation and the Housing Fund, which account for \$7,264,740 (4%) of the total \$174,711,350 FY 2026 consolidated budget. Two consecutive years of strong non-property tax revenue are reflected in the FY 2026 budget, which also includes enhanced revenues from growth-related application fee adjustments.

Council structured the budget using a lower tax rate for FY 2026 than FY 2025. To further strengthen the Town’s financial preparedness for future storms, Council maintained its reserve policy. The General Fund budget for FY 2026 is balanced. The millage rate started at 21.4 mills for FY 2025, was reduced to 19.4 mills during FY 2026. Council continues to balance appropriate levels of investment and services on the Island with amounts raised from property taxes and other methods to make the Island the place of choice for both residents and visitors.

The Town’s unwavering commitment to financial stability and fiscal responsibility is evident, particularly in the prudent handling of post-hurricane expenses.

As evidence of the Town’s commitment to financial stability, the Town received the last of three AAA rating designations from the three leading rating agencies in FY 2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OTHER INFORMATION

The Governmental Accounting Standards Board adopted GASB Statement No. 101, *Compensated Absences*. The Town implemented Statement No. 101 for FY 2025. The implementation was in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, and implemented retroactively. The net result of the implementation was an increase in net position of governmental activities by \$3,043,173 to \$422,638,818. For more information on the implementation, see Note 5. Change in Accounting Principle.

REQUESTS FOR INFORMATION

This financial report aims to provide a general overview of the Town's finances for anyone with an interest in the government's financial position. If there are any questions regarding the information presented, please direct them 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



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2025

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash, Cash Equivalents and Investments	\$ 241,606,853	\$ 8,888,189	\$ 250,495,042
Accounts Receivable, Net	11,565,351	-	11,565,351
Due from Employees	6,208	-	6,208
Prepays	139,206	-	139,206
Due from Other Governments	5,886,959	16,069	5,903,028
Internal Balances	1,241,044	(1,241,044)	-
Capital Assets:			
Non-depreciable	224,314,870	-	224,314,870
Depreciable, Net of Accumulated Depreciation	89,244,438	9,442,164	98,686,602
TOTAL ASSETS	574,004,929	17,105,378	591,110,307
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Bond Refunding	933,198	-	933,198
Deferred OPEB Charges	1,714,119	-	1,714,119
Deferred Pension Charges	5,051,211	-	5,051,211
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,698,528	-	7,698,528
LIABILITIES			
Accounts Payable	8,325,863	1,484,788	9,810,651
Accrued Payroll and Related Payables	813,344	-	813,344
Due to Other Governments	10,018,672	-	10,018,672
Unearned Revenue	1,094,350	-	1,094,350
Irrigation and Pool Surety Bonds Payable	77,800	-	77,800
Performance Bonds Payable	78,817	-	78,817
Accrued Interest Payable	694,131	8,963	703,094
Noncurrent Liabilities:			
Net Pension Liability - Due in More than One Year	17,901,586	-	17,901,586
Total OPEB Liability - Due Within One Year	243,385	-	243,385
Total OPEB Liability - Due in More than One Year	3,790,439	-	3,790,439
Due Within One Year	9,601,465	1,275,000	10,876,465
Due In More Than One Year	66,440,307	700,000	67,140,307
TOTAL LIABILITIES	119,080,159	3,468,751	122,548,910
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB Credits	248,406	-	248,406
Deferred Pension Credits	1,820,693	-	1,820,693
TOTAL DEFERRED INFLOWS OF RESOURCES	2,069,099	-	2,069,099
NET POSITION			
Net investment in capital assets	238,218,393	7,455,046	245,673,439
Restricted for:			
Response to Natural Disasters	37,543,869	-	37,543,869
Debt Service	14,243,513	-	14,243,513
Capital Projects	120,469,134	-	120,469,134
Unrestricted	50,079,290	6,181,581	56,260,871
TOTAL NET POSITION	\$ 460,554,199	\$ 13,636,627	\$ 474,190,826

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, 2025

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General Government	\$ 15,856,113	\$ 2,461,684	\$ -	\$ -
Management Services	10,139,102	18,795,752	-	-
Community Services	22,135,310	22,412,122	2,725,120	430,640
Public Safety	33,260,109	2,628,941	1,125,933	-
Culture and Recreation	3,521,165	-	-	-
Visitor's and Convention Bureau	3,942,797	-	-	-
Administration	52,297	5,228,355	-	-
Interest	4,824,675	-	-	-
Total Governmental Activities	93,731,568	51,526,854	3,851,053	430,640
Business-Type Activities:				
Stormwater	4,754,643	5,592,984	-	-
Total Business-Type Activities	4,754,643	5,592,984	-	-
Total Primary Government	\$ 98,486,211	\$ 57,119,838	\$ 3,851,053	\$ 430,640

General Revenues:

Taxes:

Property Taxes
Accommodations Taxes
Hospitality Taxes
State Shared Funds
Other Revenue
Investment Income

Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

NET POSITION, Beginning of Year, As Previously Presented

Restatement (see Note 5)

NET POSITION, Beginning of Year, As Restated

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
\$ (13,394,429)	\$ -	\$ (13,394,429)
8,656,650	-	8,656,650
3,432,572	-	3,432,572
(29,505,235)	-	(29,505,235)
(3,521,165)	-	(3,521,165)
(3,942,797)	-	(3,942,797)
5,176,058	-	5,176,058
(4,824,675)	-	(4,824,675)
(37,923,021)	-	(37,923,021)
-	838,341	838,341
-	838,341	838,341
(37,923,021)	838,341	(37,084,680)
29,060,955	-	29,060,955
22,009,068	-	22,009,068
10,559,662	-	10,559,662
1,298,281	-	1,298,281
1,068,811	-	1,068,811
10,534,072	351,131	10,885,203
1,307,553	(1,307,553)	-
75,838,402	(956,422)	74,881,980
37,915,381	(118,081)	37,797,300
419,595,645	13,754,708	433,350,353
3,043,173	-	3,043,173
422,638,818	13,754,708	436,393,526
\$ 460,554,199	\$ 13,636,627	\$ 474,190,826

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2025

	General Fund	Tax Increment Financing Fund	Accommodations Tax Fund	Real Estate Transfer Fees Fund	Beach Preservation Fee Fund
ASSETS					
Cash, Cash Equivalents, and Investments	\$ 62,397,198	\$ 9,075,247	\$ 8,717,105	\$ 13,222,279	\$ 50,118,225
Accounts Receivable, Net	4,950,093	-	-	-	4,140,960
Due from Employees	6,208	-	-	-	-
Prepays	89,206	-	-	-	-
Interfund Receivables	7,249,291	-	-	250,000	1,076,227
Due from Other Governments	451,380	7,068	4,788,960	503,868	-
Total Assets	<u>\$ 75,143,376</u>	<u>\$ 9,082,315</u>	<u>\$ 13,506,065</u>	<u>\$ 13,976,147</u>	<u>\$ 55,335,412</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 2,054,895	\$ -	\$ 1,717,417	\$ -	\$ 10,550
Accrued Payroll and Other Liabilities	813,344	-	-	-	-
Due to Other Governments	10,018,672	-	-	-	-
Interfund Payables	9,654,266	5,009,274	453,477	-	-
Unearned Revenue	1,902	-	-	-	-
Irrigation and Pool Bonds	77,800	-	-	-	-
Performance Bonds	78,817	-	-	-	-
Total Liabilities	<u>22,699,696</u>	<u>5,009,274</u>	<u>2,170,894</u>	<u>-</u>	<u>10,550</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	73,317	-	-	-	-
Total Deferred Inflows of Resources	<u>73,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	89,206	-	-	-	-
Restricted	-	4,073,041	11,335,171	13,976,147	43,324,862
Committed	24,370,000	-	-	-	12,000,000
Unassigned	27,911,157	-	-	-	-
Total Fund Balances	<u>52,370,363</u>	<u>4,073,041</u>	<u>11,335,171</u>	<u>13,976,147</u>	<u>55,324,862</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 75,143,376</u>	<u>\$ 9,082,315</u>	<u>\$ 13,506,065</u>	<u>\$ 13,976,147</u>	<u>\$ 55,335,412</u>

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

Hospitality Fees Fund	Debt Service Fund	Capital Improvements Program Fund	Natural Disasters Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 23,754,584	\$ 14,204,975	\$ 13,471,100	\$ 37,587,250	\$ -	\$ 9,058,890	\$ 241,606,853
2,474,298	-	-	-	-	-	11,565,351
-	-	-	-	-	-	6,208
-	-	50,000	-	-	-	139,206
2,574,832	38,538	863,161	-	1,099,971	6,151,900	19,303,920
-	25,361	98,276	-	-	12,046	5,886,959
<u>\$ 28,803,714</u>	<u>\$ 14,268,874</u>	<u>\$ 14,482,537</u>	<u>\$ 37,587,250</u>	<u>\$ 1,099,971</u>	<u>\$ 15,222,836</u>	<u>\$ 278,508,497</u>
\$ -	\$ -	\$ 4,393,516	\$ 43,381	\$ 77,930	\$ 28,174	\$ 8,325,863
-	-	-	-	-	-	813,344
-	-	-	-	-	-	10,018,672
-	-	513,117	-	-	2,432,742	18,062,876
-	-	-	-	1,022,041	70,407	1,094,350
-	-	-	-	-	-	77,800
-	-	-	-	-	-	78,817
<u>-</u>	<u>-</u>	<u>4,906,633</u>	<u>43,381</u>	<u>1,099,971</u>	<u>2,531,323</u>	<u>38,471,722</u>
-	25,361	-	-	-	-	98,678
<u>-</u>	<u>25,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,678</u>
-	-	50,000	-	-	-	139,206
28,803,714	14,243,513	9,525,904	37,543,869	-	12,691,513	175,517,734
-	-	-	-	-	-	36,370,000
-	-	-	-	-	-	27,911,157
<u>28,803,714</u>	<u>14,243,513</u>	<u>9,575,904</u>	<u>37,543,869</u>	<u>-</u>	<u>12,691,513</u>	<u>239,938,097</u>
<u>\$ 28,803,714</u>	<u>\$ 14,268,874</u>	<u>\$ 14,482,537</u>	<u>\$ 37,587,250</u>	<u>\$ 1,099,971</u>	<u>\$ 15,222,836</u>	<u>\$ 278,508,497</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2025

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 239,938,097
Amounts reported for governmental activities in the Statement of Net Position are different because of the following:	
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.	98,678
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government funds:	
Cost of assets, including SBITAs	\$ 395,101,658
Accumulated depreciation/amortization	<u>(81,542,350)</u>
	313,559,308
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.	(14,671,068)
The Town's total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the plan are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(2,568,111)
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.	(694,131)
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.	933,198
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:	
Long-term debt and premiums	\$ (73,509,437)
Compensated absences	<u>(2,532,335)</u>
	<u>(76,041,772)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 460,554,199

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, 2025

	General Fund	Tax Increment Financing Fund	Accommodations Tax Fund	Real Estate Transfer Fees Fund	Beach Preservation Fee Fund
Revenues					
Real and Personal Property Tax	\$ 19,190,794	\$ 3,258,859	\$ -	\$ -	\$ -
Accommodations Tax	8,841,406	-	13,167,662	-	-
Hospitality Tax	-	-	-	-	-
Business License and Franchise Fees	18,647,405	-	-	-	-
Permits	2,461,684	-	-	-	-
Impact Fees	-	-	-	-	-
Real Estate Transfer Fees	-	-	-	5,228,355	-
Beach Preservation Fees	-	-	-	-	17,268,782
Short-Term Rental Fees	-	-	-	-	-
Electric Franchise Fees	-	-	-	-	-
State Shared Funds	981,781	-	-	-	-
Grants	-	-	-	1,243,000	-
Road Usage Fees	-	-	-	-	-
EMS Revenue	2,627,171	-	-	-	-
Public Safety Revenue	1,770	-	-	-	-
One Percent Revenue	-	-	-	-	-
Miscellaneous Revenue	908,988	-	-	-	-
Investment Income	2,502,871	343,356	416,400	490,700	2,054,290
Total Revenues	56,163,870	3,602,215	13,584,062	6,962,055	19,323,072
Expenditures					
Current:					
General Government	1,836,708	-	-	-	-
Management Services	9,549,647	-	-	-	-
Community Services	14,110,787	-	-	-	-
Public Safety	22,261,138	-	-	-	-
Non-Departmental	9,655,436	-	-	-	38,350
Culture and Recreation	-	-	3,521,165	-	-
Visitor's and Convention Bureau	-	-	3,942,797	-	-
Administration	-	-	-	52,297	-
Capital Outlay:					
Community Services	-	-	-	-	-
Debt Service:					
Administrative Charges	-	-	-	-	-
Principal	335,213	-	-	-	-
Interest	26,901	-	-	-	-
Total Expenditures	57,775,830	-	7,463,962	52,297	38,350
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,611,960)	3,602,215	6,120,100	6,909,758	19,284,722
Other Financing Sources (Uses)					
Transfers In	14,357,026	-	-	-	-
Transfers Out	-	(9,171,775)	(5,770,127)	(3,336,556)	(6,945,849)
Financed Purchases	-	-	-	-	-
Proceeds From Sale of Capital Assets	88,628	-	-	-	-
Total Other Financing Sources (Uses)	14,445,654	(9,171,775)	(5,770,127)	(3,336,556)	(6,945,849)
Net Change in Fund Balances	12,833,694	(5,569,560)	349,973	3,573,202	12,338,873
Fund Balances, Beginning of Year	39,536,669	9,642,601	10,985,198	10,402,945	42,985,989
Fund Balances, End of Year	\$ 52,370,363	\$ 4,073,041	\$ 11,335,171	\$ 13,976,147	\$ 55,324,862

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

Hospitality Fees Fund	Debt Service Fund	Capital Improvements Program Fund	Natural Disasters Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 6,619,129	\$ -	\$ -	\$ -	\$ -	\$ 29,068,782
-	-	-	-	-	-	22,009,068
10,559,662	-	-	-	-	-	10,559,662
-	-	-	-	-	-	18,647,405
-	-	-	-	-	-	2,461,684
-	-	148,347	-	-	-	148,347
-	-	-	-	-	-	5,228,355
-	-	-	-	-	-	17,268,782
-	-	-	-	-	1,883,995	1,883,995
-	-	-	-	-	3,258,395	3,258,395
-	-	316,500	-	-	-	1,298,281
-	-	430,640	36,215	1,159,149	286,756	3,155,760
-	-	-	-	-	950	950
-	-	-	-	-	-	2,627,171
-	-	-	-	-	-	1,770
-	-	-	-	-	1,125,933	1,125,933
-	-	62,120	-	-	-	971,108
942,337	635,822	525,252	2,020,083	-	602,961	10,534,072
11,501,999	7,254,951	1,482,859	2,056,298	1,159,149	7,158,990	130,249,520
-	-	-	-	-	277,025	2,113,733
-	-	-	-	-	-	9,549,647
-	-	-	-	1,159,149	280,402	15,550,338
-	-	-	481,903	-	1,543,417	24,286,458
-	-	-	-	-	-	9,693,786
-	-	-	-	-	-	3,521,165
-	-	-	-	-	-	3,942,797
-	-	-	-	-	-	52,297
-	-	30,998,369	-	-	-	30,998,369
132,500	17,526	-	-	-	-	150,026
-	12,625,000	64,801	-	-	-	13,025,014
-	2,403,967	2,939	-	-	-	2,433,807
132,500	15,046,493	31,066,109	481,903	1,159,149	2,100,844	115,317,437
11,369,499	(7,791,542)	(29,583,250)	1,574,395	-	5,058,146	14,932,083
-	8,318,492	31,474,733	-	-	1,000,000	55,150,251
(17,273,617)	-	-	-	-	(11,344,774)	(53,842,698)
7,584,000	-	-	-	-	-	7,584,000
-	-	9,075	-	-	-	97,703
(9,689,617)	8,318,492	31,483,808	-	-	(10,344,774)	8,989,256
1,679,882	526,950	1,900,558	1,574,395	-	(5,286,628)	23,921,339
27,123,832	13,716,563	7,675,346	35,969,474	-	17,978,141	216,016,758
\$ 28,803,714	\$ 14,243,513	\$ 9,575,904	\$ 37,543,869	\$ -	\$ 12,691,513	\$ 239,938,097

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, 2025

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 23,921,339
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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.	(7,827)
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.	240,496
Changes in the Town's proportionate shares of the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(274,840)
Changes in the Town's compensated absences liability are not reported in the governmental funds but are reported in the Statement of Activities.	(125,130)
Issuance of a financed purchase 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.	(7,584,000)
Repayments of principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	13,025,014
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.	(249,750)
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.	(1,877,685)
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.	106,640
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.	(9,075)
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 depreciation expense.	

Capital outlay	\$ 18,510,779	
Depreciation/amortization expense	(7,760,580)	
	10,750,199	

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 37,915,381
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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, 2025**

		Stormwater Utility Fund
ASSETS		
CURRENT ASSETS		
Cash, cash equivalents, and investments		\$ 8,888,189
Due from other governments		16,069
Total current assets		<u>8,904,258</u>
NONCURRENT ASSETS		
Capital assets		
Depreciable, net of accumulated depreciation		9,442,164
Total noncurrent assets		<u>9,442,164</u>
Total assets		<u>18,346,422</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		1,484,788
Interfund payables		1,241,044
Accrued interest payable		8,963
Current portion of bond payable		1,275,000
Total current liabilities		<u>4,009,795</u>
LONG-TERM LIABILITIES		
Bonds payable		700,000
Total long-term liabilities		<u>700,000</u>
Total liabilities		<u>4,709,795</u>
NET POSITION		
Net investment in capital assets		7,455,046
Unrestricted		6,181,581
Total net position		<u>\$ 13,636,627</u>

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, 2025

	<u>Stormwater Utility Fund</u>
OPERATING REVENUE	
Stormwater Fees	\$ 5,384,264
Permit Fees	208,720
Total operating revenues	<u>5,592,984</u>
OPERATING EXPENSES	
Maintenance and Repair	2,660,498
Administrative - Salary and Benefits	770,240
Administrative - Operating	188,291
Depreciation	998,206
Total operating expenses	<u>4,617,235</u>
Operating income	975,749
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	351,131
Amortization of Loss on Refunding	(89,061)
Interest Expense	(48,347)
Total non-operating revenues (expenses)	<u>213,723</u>
Income before transfers	1,189,472
Transfers out - Capital Projects Fund	(1,182,553)
Transfers out - General Fund	(125,000)
Total transfers	<u>(1,307,553)</u>
Change in net position	(118,081)
Net position, beginning of year	13,754,708
Net position, end of year	<u>\$ 13,636,627</u>

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, 2025**

	Stormwater Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Charges for Fees and Services	\$ 5,588,285
Payments to Suppliers	(1,830,075)
Payments to Employees	(770,240)
	<u>2,987,970</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,987,970</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers to Other Funds for Non-Capital Purposes	(1,307,553)
Change in Interfund Payable	1,195,496
	<u>(112,057)</u>
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	<u>(112,057)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond and Note Payments	(1,260,000)
Interest and Fiscal Charges Paid on Bonds	(52,512)
	<u>(1,312,512)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,312,512)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	351,131
	<u>351,131</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>351,131</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,914,532
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,973,657</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,888,189</u>
 Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating income	\$ 975,749
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	998,206
(Increase) decrease in Assets:	
Accounts Receivable	(4,699)
Increase (decrease) in Liabilities:	
Accounts Payable	1,018,714
	<u>1,018,714</u>
Net Cash Provided by Operating Activities	<u>\$ 2,987,970</u>

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, 2025

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 (the "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 to 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

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 Improvements Program Fund of the Town. Separate financial statements for the Corporation are not issued.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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:

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.

The **Debt Service Fund, a major fund** and a budgeted fund, is 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 Improvements Program Fund, a major fund and a budgeted fund, is 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Enterprise 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 an Enterprise 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. Enterprise Fund types include the following fund:

The Stormwater Utility 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.

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 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- 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 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.
- 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.
- 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 and the Housing Fund and the Gullah Geechee Historic Neighborhoods Community Development Corporation ("GGHNCDC") Fund as budgeted nonmajor special revenue funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

During the fiscal year ended June 30, 2025, the Town decided to change the names in the financial statements of the Capital Projects Fund to the Capital Improvements Program Fund, the Stormwater Fund to the Stormwater Utility Fund, and the Community Development Fund to the Gullah Geechee Historic Neighborhoods Community Development Corporation ("GGHNCDC") Fund. This change was made to improve comparability between the fund-level budgets and the financial statements. All financial activity and balances for these funds have been presented under their new names.

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.
- (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.

NOTES TO FINANCIAL STATEMENTS

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)*

- (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.
- (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.

NOTES TO FINANCIAL STATEMENTS

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)

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 SCLGIP 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 SCLGIP participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the SCLGIP may be obtained by writing:

Office of State Treasurer
Local Government Investment Pool
P.O. Box 11778
Columbia, SC 29211-1960

- 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. Taxes are levied and billed in October on all property other than motor vehicles and watercraft and are payable without penalty until January 15th of the following year. After that date, penalties begin to accrue on the dates listed below, up to 15% of the original balance due. However, an account does not become delinquent, as defined by South Carolina State Law, until March 19. Penalties are assessed on unpaid taxes on the following dates: January 16 – 3%, February 4 – an additional 7%, and March 18 – an additional 5%. April 1 – A fee of \$250 is applied and delinquent tax bills are generated in accordance with South Carolina State Statute 12-51-40(a). September 5 – A fee of \$150 is applied to the current year taxes due. After a property becomes delinquent, it is assigned to a delinquent collections program based on the type of property and entity owning the property, among other criteria.

For motor vehicle (or car) and watercraft taxes, the taxes are due in the month that your registration expires. If the taxes are not paid by the due date, they will accrue a delinquent collections fee and may be turned over to a collection agency, and registration is suspended until payment is received.

Property tax and EMS 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 costs \$5,000 or more and have an estimated useful life of at least two 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 SBITAs 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

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. In accordance with GASB Statement No. 101, *Compensated Absences*, the Town has accrued all compensated absences that are more likely than not to be used by employees or paid out upon termination. Thus, all vacation time is accrued as it is paid out upon termination, and the portion of sick leave expected to be used is accrued as it is not paid out upon retirement. The entire compensated absence liability and expense is reported on the government-wide financial statements.

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

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 Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", 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 three 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, 2) the Town also reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina PORS. 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, and 3) the Town reports deferred items related to the Other Post-Employment Benefit ("OPEB") Plan, the details of this balance are disclosed in footnote 4.F.

NOTES TO FINANCIAL STATEMENTS

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 four 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; 3) the Town also reports deferred items in its Statement of Net Position in connection with its participation in the South Carolina PORS. The details of these items are disclosed in footnote 4.B; and 4) the Town reports deferred items related to the Other Post-Employment Benefit ("OPEB") Plan, the details of this balance are disclosed in footnote 4.F.

8. *Fund Balance*

In accordance with GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*", 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

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, 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

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

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Fair Value (Continued)

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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual appropriated budgets are adopted for the General Fund, Debt Service Fund, Capital Improvements Program Fund, Stormwater Utilities Fund, Housing Fund, and the Gullah Geechee Historic Neighborhoods Community Development Corporation 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 Improvements Program Fund, Debt Service Fund, Stormwater Utility Fund, Housing Fund, and the Gullah Geechee Historic Neighborhoods Community Development Corporation ("GGHNCD") 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 Improvements Program Fund, Debt Service Fund, Stormwater Utility Fund, Housing Fund, and the GGHNCD Fund budgets.
3. The budgets are legally enacted and adopted by Council.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

4. The Town Manager has budgetary transfer authority that individually addresses the appropriate levels that are needed to effectively administer a particular Fund.
 - A. General Fund: The General Fund budgetary authority is to be adopted at the departmental level with the exception that the Town Manager, or designee, shall have the authority to transfer funds across departmental accounts to implement staff reorganizations and salary adjustments. Additionally, the Town Manager, or designee, shall have the authority to transfer up to \$100,000 within this Fund as may be necessary to achieve the goals of the budget; larger transfers will require Council approval.
 - B. Capital Improvements Program Fund: The Capital Improvements Program Fund is to be adopted at the program level. The Town Manager, or designee, shall have the authority to transfer appropriated funds between projects within each program category identified in the Capital Improvement Program Fund if the project(s) fall under the same functional program category. The appropriated projects under the Capital Improvements Program Fund are on a multi-year project basis and are effective as of July 1 each fiscal year and shall be reappropriated each new fiscal year until the project is complete but said appropriations are subject to cancellation or amendment by the Council as may be in the best interest of the Town.
 - C. Debt Service Fund: The Debt Service Fund is to be adopted at the Fund level and does not contain additional provisions for the transfers of budgeted funds within this Fund.
 - D. Stormwater Utility Fund: The Stormwater Utility Fund is to be adopted at the Fund level. Additionally, the Town Manager, or designee, shall have the authority to transfer up to \$100,000 within this Fund as may be necessary to achieve the goals of the budget; larger transfers will require Council approval.
 - E. Housing Fund: The Housing Fund is to be adopted at the Fund level and does not contain additional provisions for the transfers of budgeted funds within this Fund.
 - F. Gullah Geechee Historic Neighborhoods Community Development Corporation ("GGHNCD") Fund: The GGHNCD Fund is to be adopted at the Fund level. Additionally, the Town Manager, or designee, shall have the authority to transfer up to \$100,000 within this Fund as may be necessary to achieve the goals of the budget; larger transfers will require Council approval.

NOTES TO FINANCIAL STATEMENTS

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, 2025, none of the Town's bank balances of approximately \$2,552,000 (with a carrying value of approximately \$1,327,000) were exposed to custodial credit risk.

Investments

As of June 30, 2025, the Town had the following investments and maturities:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating [^]	Fair Value	Investment Maturity in Years
SC Local Government Investment Pool	N/A ⁽²⁾	NR, NR	\$ 135,770,793	< 1 year
Open-Ended Mutual Fund Investing in Governmental Securities	Level 1	AAAm, Aaa-mf	66,866	< 1 year
Open-Ended Mutual Fund Investing in Governmental Securities	Level 1	NA, NA	5,128	< 1 year
United States Treasury and Agencies	Level 1	*	85,789,732	< 1 year
United States Treasury	Level 1	*	27,535,075	1 – 3 years
Total			<u>\$ 249,167,594</u>	

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

⁽²⁾ 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.

[^] 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.

NOTES TO FINANCIAL STATEMENTS

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

A. Deposits and Investments (Continued)

Investments (Continued)

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, 2025, none of the Town's investments were exposed to custodial credit risk.

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, 2025 were: (a) those imposed by the revenue source (i.e., hospitality tax, accommodations 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	\$ 1,327,448
Investments	<u>249,167,594</u>
Total Cash, Cash Equivalents, and Investments per the Statement of Net Position	<u><u>\$ 250,495,042</u></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 2025 real and business personal property taxes (which were for tax year 2024) were levied on September 30, 2024, and were due beginning on this date based on the assessed valuation as of January 1, 2024. Property taxes are considered late on January 16, 2025. 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 15.90 mills, and 5.50 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, 2025 consisted of the following:

Government-wide Financial Statements - Governmental Activities				
Governmental Fund Financial Statements				
	General Fund	Beach Preservation Fee Fund	Hospitality Fee Fund	Total
Receivables:				
EMS fees	\$ 1,251,891	\$ -	\$ -	\$ 1,251,891
Local accommodations taxes	2,070,480	-	-	2,070,480
Other receivables	2,043,722	-	-	2,043,722
Due from employees	6,208	-	-	6,208
Beach preservation fees	-	4,140,960	-	4,140,960
Hospitality fees	-	-	2,474,298	2,474,298
Less: EMS allowance	(416,000)	-	-	(416,000)
Total receivables	<u>\$ 4,956,301</u>	<u>\$ 4,140,960</u>	<u>\$ 2,474,298</u>	<u>\$ 11,571,559</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

The amounts due from other governments to the Town as of June 30, 2025 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 Improvements Program Fund	Natural Disasters	Nonmajor Governmental Funds	Total
Due from other governments:									
Beaufort County:									
Property Taxes	\$ 275,003	\$ -	\$ -	\$ -	\$ 38,791	\$ 374	\$ 2,227	\$ -	\$ 316,395
Other	214,357	-	-	-	-	-	-	-	214,357
Real Estate Transfer Fees	-	-	-	503,868	-	-	-	-	503,868
Tax Increment Financing	-	7,068	-	-	-	-	-	-	7,068
Grants	-	-	-	-	-	-	-	12,046	12,046
Less: Property Tax Allowance	(37,980)	-	-	-	(13,430)	(374)	(2,227)	-	(54,011)
State of South Carolina:									
Sunday Liquor Fees	-	-	-	-	-	34,350	-	-	34,350
Accommodations Taxes	-	-	4,788,960	-	-	-	-	-	4,788,960
Federal Government	-	-	-	-	-	63,926	-	-	63,926
Total	\$ 451,380	\$ 7,068	\$ 4,788,960	\$ 503,868	\$ 25,361	\$ 98,276	\$ -	\$ 12,046	\$ 5,886,959

The amounts due from other governments to the Town's Enterprise Fund as of June 30, 2025 are as follows:

	Stormwater Utility Fund
Beaufort County:	
Stormwater Fees	\$ 16,069
Total	\$ 16,069

NOTES TO FINANCIAL STATEMENTS

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

B. Receivables and Unavailable and Unearned Revenues (Continued)

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, 2025, the various components of unavailable and unearned revenues were as follows:

	Fund	Deferred Inflows of Resources	Liabilities	Total
		Unavailable	Unearned	
Advance - Miscellaneous	General	\$ -	\$ 1,902	\$ 1,902
Advance - Grants	Federal Grants	-	1,022,041	1,022,041
Advance - Revolving Fund Loans	Nonmajor Governmental	-	70,407	70,407
Delinquent Taxes Receivable	General	73,317	-	73,317
Delinquent Taxes Receivable	Debt Service	25,361	-	25,361
Total		<u>\$ 98,678</u>	<u>\$ 1,094,350</u>	<u>\$ 1,193,028</u>

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, 2025 consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Major Governmental Funds:</u>		
General Fund	\$ 7,249,291	\$ 9,654,266
Tax Increment Financing Fund	-	5,009,274
Accommodations Tax Fund	-	453,477
Real Estate Transfer Fees Fund	250,000	-
Beach Preservation Fees Fund	1,076,227	-
Hospitality Fees Fund	2,574,832	-
Debt Service Fund	38,538	-
Capital Improvements Program Fund	863,161	513,117
Federal Grants Fund	1,099,971	-
<u>Other Nonmajor Governmental Funds:</u>		
Palmetto Electric Franchise Fees Fund	289,505	-
Operating Grants Fund	326,190	-
Home Grant Fund	82,534	-
Road Usage Fee Fund	2,268,106	-
Short-Term Rentals Fund	314,132	-
Housing Fund	2,871,433	-
GGHNCDC Fund	-	15,847
Firemen's Fund	-	16,530
Fire Truck Lease Proceeds Fund	-	2,400,365
<u>Proprietary Funds:</u>		
Stormwater Utility Fund	-	1,241,044
	<u>\$ 19,303,920</u>	<u>\$ 19,303,920</u>

Amounts due from/to funds resulted from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30, 2025. 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, 2025 consisted of the following:

Fund	Transfers In	Transfers Out	Purpose
<u>Major Governmental Funds:</u>			
General Fund	\$ 14,357,026	\$ -	Funding from various funds for tourism-related expenditures
Tax Increment Financing Fund	-	9,171,775	Fund Capital Improvement Program
Accommodations Tax Fund	-	5,770,127	Fund tourism-related expenditures
Real Estate Transfer Fees Fund	-	3,336,556	Fund purchase of Council approved property
Beach Preservation Fees Fund	-	6,945,849	Fund tourism-related expenditures and Debt Service payments
Hospitality Fees Fund	-	17,273,617	Fund tourism-related expenditures and Debt Service payments
Debt Service Fund	8,318,492	-	Funding from various funds for Debt Service payments
Capital Improvements Program Fund	31,474,733	-	Funding from various funds for Capital Improvement Program
<u>Other Nonmajor Governmental Funds:</u>			
Short-Term Rentals Fund	-	1,825,000	Fund personnel and software expenditures in the General Fund
Housing Fund	1,000,000	-	Funding from various funds for housing-related expenditures
Road Usage Fee Fund	-	481,323	Fund Capital Improvement Program
Palmetto Electric Franchise Fees Fund	-	9,038,451	Fund Capital Improvement Program
<u>Proprietary Funds:</u>			
Stormwater Utility Fund	-	1,307,553	Transfers In to fund tourism-related expenditures and transfers out to fund Capital Improvement Program
	<u>\$ 55,150,251</u>	<u>\$ 55,150,251</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, 2025 were distributed as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
General Fund	Prepaid items	\$ 89,206
Capital Improvements Program	Prepaid items	50,000
Restricted:		
Tax Increment Financing District	Economic development	4,073,041
Accommodations Tax	Tourism promotion	11,335,171
Real Estate Transfer Fee	Environmental conservation	13,976,147
Beach Preservation Fee	Beach renourishment	43,324,862
Hospitality Fee	Public health and safety	28,803,714
Debt Service	Debt service payments	14,243,513
Capital Improvements Program	Construction of major capital facilities	9,525,904
Natural Disasters	Response to natural disasters	37,543,869
Palmetto Electric	Underground electrical service	1,273,557
Operating Grants	Operating grants	321,121
HOME Grant	HOME grant program	12,127
Fire Truck Lease Proceeds	Fire truck lease	1,767
Road Usage Fee	Road projects	2,268,106
Short-Term Rental Fee	Short-term rentals	324,395
Housing Fund	Community development	2,868,190
GGHNCDC	Gullah Geechee historic neighborhoods	5,564,275
Firemen's Fund	One Percent Firemen's Fund	57,975
Committed:		
General	Disaster recovery	24,370,000
Beach Preservation Fee	Beach renourishment	12,000,000
Unassigned:		
General		27,911,157
Total Fund Balance		<u>\$ 239,938,097</u>

NOTES TO FINANCIAL STATEMENTS

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

D. Fund Balances (Continued)

In relation to fund balance committed for Disaster Planning, the Council has established the following reserves:

- **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 Program Fund – subject to Council appropriations for usage from the CIP fund.

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. As of June 30, 2025, the Town had approximately \$24,370,000 committed in fund balance. This represents 41% of the Town's adopted fiscal year budget, which is above the policy minimum of 40%.

- **Assigned 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. 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, 2025, the balance was approximately \$12,000,000.

NOTES TO FINANCIAL STATEMENTS

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

D. Fund Balances (Continued)

Effective July 1, 2025, Council has established the following Fund Reserve Policy:

- **General Fund Reserves (Operating)** – The Town establishes and maintains an operating balance based on a range with a minimum of 40% and a maximum of 55% of the Town's adopted fiscal year budget. The General Fund balance reserve may be utilized for emergency purposes in pre-disaster and 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, to cushion the effects of an economic downturn, to provide for emergency expenditures or to offset a revenue shortfall from unforeseen circumstances. The Director of Finance has the discretion to transfer the amount of unassigned fund balance above the 55% maximum balance 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 debt 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 Program Fund, subject to Council appropriations for usage from the CIP Fund.
- **Assigned for Advertising Account** – The Town shall maintain an Assigned Advertising Account for the purpose of having ready access to funds for special advertising needs in cases of: (a) a near miss of a hurricane, (b) for advertising in response to a declared disaster, (c) for other such targeted advertising needs as determined by Council on a case-by-case basis, and (d) for supplemental annual tourism advertising. The Town shall maintain a balance of \$1.0 million in this account. Once the reserve balance is utilized, the Town shall restore it to \$1.0 million by transferring 2% of the current year's approved local hospitality tax revenues and 5% of the local accommodations tax revenues. The Town may distribute the funds in the following manner: 1) The Council may authorize advertising expenditures associated with responding to a near miss or declared disaster and are the only expenditures authorized to take the account below \$1 million, or 2) Following a vote of Council, funds may be distributed for other such targeted advertising needs as approved.
- **Long-Term General Obligations Debt Limit** – General statutes limit the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The Town may incur the General Obligation Debt over the 8% limit when approved by a majority vote in a referendum as authorized by law. In addition, Council has imposed an 80% cap on this amount. The remaining 20% is reserved for additional bonding associated with disaster recovery.

NOTES TO FINANCIAL STATEMENTS

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

D. Fund Balances (Continued)

- **Real Estate Transfer Fee Reserve** – The Town shall maintain a minimum of \$1 million of real estate transfer fees. The funds will be used to fund debt service payments during a disaster or financial crisis. The Town Manager has the discretion to allocate this reserve balance for emergency purposes.
- **Beach Preservation Fee Reserve** – The Town shall maintain a reserve of \$20 million. An additional \$2.6 million will be allocated in fiscal year 2026 from the Airbnb Settlement. The goal is to allocate funds equivalent to the projected cost of the fiscal year 2025-2026 Beach Renourishment project in preparation for the next scheduled renourishment effort. Funds held in the reserve account may be used for the following items: 1) Direct expenditures to pay costs of any project of purposes identified in the Municipal Section 4-9-70 as such may be amended of the Municipal Code and in Section 6-1-50 of the Code of Laws of South Carolina 1976 as amended; 2) To pledge as security for or to use as debt service for any debt or financial obligation of the Town; or 3) To advance monies needed by the Town to meet extenuating circumstances created by a storm or natural disaster, provided that the Council shall have reasonable expectation that such amounts would be reimbursed, at least in part, from a local, state, or federal source. Authorization to utilize reserve funds shall require a resolution duly adopted by the Council, provided that circumstances allow for a Council meeting to be convened. If circumstances do not permit the convening of a Council meeting, the Town Manager may authorize the use of reserve funds, with the understanding that such action must be presented to the Council for ratification at the earliest practicable opportunity.
- **Hospitality Tax Reserve** – The Town shall maintain a reserve of \$5 million. This reserve calculation represents six months of revenue from the prior fiscal year. Funds held in the reserve account may be used for the following items: 1) Direct expenditures to pay costs of any project of purposes identified in the Municipal Section 4-9-70 as such may be amended of the Municipal Code and in Section 6-1-50 of the Code of Laws of South Carolina 1976 as amended; 2) To pledge as security for or to use as debt service for any debt or financial obligation of the Town; or 3) To advance monies needed by the Town to meet extenuating circumstances created by a storm or natural disaster, provided that the Council shall have reasonable expectation that such amounts would be reimbursed, at least in part, from a local, state, or federal source. Authorization to utilize reserve funds shall require a resolution duly adopted by the Council, provided that circumstances allow for a Council meeting to be convened. If circumstances do not permit the convening of a Council meeting, the Town Manager may authorize the use of reserve funds, with the understanding that such action must be presented to the Council for ratification at the earliest practicable opportunity.

NOTES TO FINANCIAL STATEMENTS

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

D. Fund Balances (Continued)

- **Stormwater Utility Fund Reserve** – The Town shall maintain a reserve of \$5 million. This reserve calculation represents twelve months of revenue from the prior fiscal year. Funds held in the reserve account may be used for the following items: 1) Direct expenditures to pay costs of any project of purposes identified in the Municipal Section 4-9-70 as such may be amended of the Municipal Code and in Section 6-1-50 of the Code of Laws of South Carolina 1976 as amended; 2) To pledge as security for or to use as debt service for any debt or financial obligation of the Town; or 3) To advance monies needed by the Town to meet extenuating circumstances created by a storm or natural disaster, provided that the Council shall have reasonable expectation that such amounts would be reimbursed, at least in part, from a local, state, or federal source. Authorization to utilize reserve funds shall require a resolution duly adopted by the Council, provided that circumstances allow for a Council meeting to be convened. If circumstances do not permit the convening of a Council meeting, the Town Manager may authorize the use of reserve funds, with the understanding that such action must be presented to the Council for ratification at the earliest practicable opportunity.
- **Natural Disasters Fund Reserve** – The Town shall maintain a minimum reserve fund of \$36 million, which may be increased to account for the potential for greater damage and higher costs associated with unpredictable natural disasters.

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 \$56,261,000, which includes approximately \$17,902,000 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.

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Net capital assets	\$ 313,559,308	\$ 9,442,164
Less:		
Outstanding long-term debt	(73,509,437)	(1,975,000)
Construction related AP and retainage	(2,831,542)	(12,118)
Add:		
Deferred charges on refunding	933,198	-
Unspent bond proceeds	66,866	-
Subtotal Net investment in Capital Assets	<u>238,218,393</u>	<u>7,455,046</u>
Restricted for:		
Economic development	4,073,041	-
Tourism promotion	11,335,171	-
Environmental conservation	13,976,147	-
Beach renourishment	43,324,862	-
Public health and safety	28,803,714	-
Debt service payments	14,243,513	-
Construction of major capital facilities	9,459,038	-
Gullah Geechee Historic Neighborhoods		
Community Development Corporation	5,564,275	-
Natural disasters	37,543,869	-
Underground electrical service	1,273,557	-
Operating grants	321,121	-
HOME grant	12,127	-
Road projects	2,268,106	-
One Percent	57,975	-
Subtotal Restricted	<u>172,256,516</u>	<u>-</u>
Unrestricted	50,079,290	6,181,581
Total net position	<u>\$ 460,554,199</u>	<u>\$ 13,636,627</u>

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 \$3,943,000) and five percent (approximately \$657,000) 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's 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.

NOTES TO FINANCIAL STATEMENTS

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

F. Accommodations Tax Fund (Continued)

Council has approved amounts for calendar year 2025 as follows:

Grantee	Appropriations
Art League of Hilton Head	\$ 80,000
Arts Center of Coastal Carolina	447,000
David M. Carmine Foundation	185,000
Gullah Museum of Hilton Head	180,000
Harbour Town Merchants Association	29,000
Hilton Head Audubon Society	21,400
Hilton Head Choral Society	20,000
Hilton Head Concours d'Elegance	350,000
Hilton Head Dance Theater	23,000
Hilton Head Island Airport	150,000
Hilton Head Island Bridge Association	15,000
Hilton Head Island Land Trust	47,000
Hilton Head Island Recreation Association	75,000
Hilton Head Island St. Patrick's Day Parade	80,000
Hilton Head MLK Committee for Justice	2,980
Hilton Head Island Wine and Food Festival	130,000
Hilton Head Island Wine and Food - Craft Beer Fest	30,000
Hilton Head Symphony Orchestra	350,000
Lean Ensemble Theater	55,000
Lowcountry Golf Course Owners	150,000
Long Cove Club - Intercollegiate	61,897
Lowcountry Gullah	100,000
Mitchelville Preservation Project	190,000
Native Island Business and Community	225,000
Rotary Club of Hilton Head	40,000
Sea Turtle Patrol Hilton Head Island	70,000
Shelter Cove Harbour Company	293,800
Tedx Hilton Head	10,000
Boys and Girls Club - Pedal Hilton Head Island	40,000
Coastal Discovery Museum	400,000
The First Tee of the Lowcountry	50,000
The Heritage Library Foundation	143,000
The Outside Foundation	72,000
The Sandbox	64,000
	\$ 4,180,077

NOTES TO FINANCIAL STATEMENTS

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

G. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital Assets, Non-Depreciable:					
Land	\$ 189,075,408	\$ -	\$ (9,075)	\$ 7,142,586	\$ 196,208,919
Development Rights	10,734,391	-	-	-	10,734,391
Easements/Right-of-Ways	3,602,367	-	-	-	3,602,367
Construction In Progress	9,450,635	18,495,736	-	(14,177,178)	13,769,193
Total Capital Assets, Non-Depreciable	212,862,801	18,495,736	(9,075)	(7,034,592)	224,314,870
Capital Assets, Depreciable:					
Buildings	49,854,890	-	-	1,772,098	51,626,988
Furniture, Fixtures and Equipment	5,054,171	15,043	-	-	5,069,214
Vehicles	11,519,896	-	(763,829)	5,076,846	15,832,913
Improvements Other Than Buildings:					
Park Development	37,513,151	-	-	-	37,513,151
Infrastructure	58,755,819	-	-	185,648	58,941,467
SBITA Assets	1,803,055	-	-	-	1,803,055
Total Capital Assets, Depreciable	164,500,982	15,043	(763,829)	7,034,592	170,786,788
Less Accumulated Depreciation for:					
Buildings	21,970,618	1,776,901	-	-	23,747,519
Furniture, Fixtures and Equipment	3,274,789	486,609	-	-	3,761,398
Vehicles	7,277,770	1,378,513	(763,829)	-	7,892,454
Improvements Other Than Buildings:					
Park Development	12,011,836	1,500,526	-	-	13,512,362
Infrastructure	29,269,268	2,203,294	-	-	31,472,562
SBITA Assets	741,318	414,737	-	-	1,156,055
Total Accumulated Depreciation	74,545,599	7,760,580	(763,829)	-	81,542,350
Total capital assets, depreciable, net	89,955,383	(7,745,537)	-	7,034,592	89,244,438
Governmental activities capital assets, net including SBITAs	\$ 302,818,184	\$ 10,750,199	\$ (9,075)	\$ -	\$ 313,559,308

NOTES TO FINANCIAL STATEMENTS

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

G. Capital Assets (Continued)

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

Functions/Programs	
General Government	\$ 850,241
Management Services	606,244
Community Services	3,994,697
Public Safety	2,309,398
Total	<u>\$ 7,760,580</u>

Capital asset activity for the Town's business-type activities for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type activities					
Capital Assets, Depreciable:					
Infrastructure	\$ 26,200,717	\$ -	\$ -	\$ -	\$ 26,200,717
Total Capital Assets, Depreciable	<u>26,200,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,200,717</u>
Less Accumulated Depreciation for:					
Infrastructure	15,760,347	998,206	-	-	16,758,553
Total Accumulated Depreciation	<u>15,760,347</u>	<u>998,206</u>	<u>-</u>	<u>-</u>	<u>16,758,553</u>
Total Capital Assets, Depreciable, Net	<u>\$ 10,440,370</u>	<u>\$ (998,206)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,442,164</u>

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

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. 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.

NOTES TO FINANCIAL STATEMENTS

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

H. Long-Term Obligations (Continued)

Details on the Town's outstanding debt issues as of June 30, 2025 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. Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds. These bonds were paid off during the fiscal year ended June 30, 2025.

\$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. Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds. These bonds were paid off during the fiscal year ended June 30, 2025.

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 is as follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
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	2.000	78,938	485,000	563,938
2030	2.000	69,238	495,000	564,238
2031 – 2035	various	187,025	2,660,000	2,847,025
		<u>\$ 637,415</u>	<u>\$ 5,040,000</u>	<u>\$ 5,677,415</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)

\$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
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	2.125	682,719	885,000	1,567,719
2030	3.000	663,913	905,000	1,568,913
2031 – 2035	various	2,896,713	4,930,000	7,826,713
2036 – 2040	various	2,109,994	5,720,000	7,829,994
2041 – 2045	various	1,150,988	6,685,000	7,835,988
2046 and 2047	3.250	146,250	2,985,000	3,131,250
		<u>\$ 9,904,934</u>	<u>\$ 24,555,000</u>	<u>\$ 34,459,934</u>

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

\$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:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
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	5.000	102,650	250,000	352,650
2030	3.000	90,150	260,000	350,150
2031 – 2035	3.000	328,200	1,435,000	1,763,200
2036 – 2039	3.000	99,450	1,310,000	1,409,450
		<u>\$ 997,650</u>	<u>\$ 3,935,000</u>	<u>\$ 4,932,650</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)

\$5,830,000 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:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
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
		<u>\$ 348,800</u>	<u>\$ 3,185,000</u>	<u>\$ 3,533,800</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)

\$6,285,000 General Obligation Bonds

On December 3, 2020, the Town issued \$6,285,000 in general obligation taxable bonds (Series 2020B) with a net interest rate of 1.647% to advance refund \$5,585,000 general obligation bonds (Series 2013A) 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.

The Series 2013A Bonds included \$4 million of bonds applicable to the debt limit and \$5 million in referendum bonds. The Town changed its accounting treatment of the repayment of the Series 2013A and Series 2020B bonds so the bonds applicable to the debt limit are paid first, followed by payment of the referendum bonds. As of the fiscal year ended June 30, 2025, the portion of the Series 2013A and Series 2020B bonds applicable to the debt limit have been fully paid, and only the referendum portion of the Series 2020B bonds remain outstanding.

A schedule of 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
2026	0.950	\$ 79,308	\$ 480,000	\$ 559,308
2027	1.100	74,748	485,000	559,748
2028	1.200	69,413	490,000	559,413
2029	1.400	63,533	500,000	563,533
2030	1.650	56,533	500,000	556,533
2031 – 2035	various	154,248	2,645,000	2,799,248
		<u>\$ 497,783</u>	<u>\$ 5,100,000</u>	<u>\$ 5,597,783</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:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
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>\$ 841,125</u>	<u>\$ 10,975,000</u>	<u>\$ 11,816,125</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 \$28,530,000 in special obligation bonds (tax increment financing) to fund TIF projects within the Capital Improvement Plans. TIF revenues are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds. These bonds were paid off during the year ended June 30, 2025.

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:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
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	2.700	185,503	700,000	885,503
2030	2.840	166,603	720,000	886,603
2031 – 2035	various	506,320	3,925,000	4,431,320
2036	3.200	27,358	855,000	882,358
		<u>\$ 1,627,330</u>	<u>\$ 9,785,000</u>	<u>\$ 11,412,330</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)

Business-Type Activities - Bonds

\$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:

For the Year Ending June 30,	Interest Rate by Year (%)	Business-Type Activities		
		Interest	Principal	Total
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>\$ 56,640</u>	<u>\$ 1,035,000</u>	<u>\$ 1,091,640</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:

For the Year Ending June 30,	Interest Rate by Year (%)	Business-Type Activities		
		Interest	Principal	Total
2026	0.830	\$ 7,802	\$ 940,000	\$ 947,802
		<u>\$ 7,802</u>	<u>\$ 940,000</u>	<u>\$ 947,802</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)

Financed Purchases

On June 24, 2025, the Town entered into a financed purchase agreement for the purchase of pumper fire trucks in the amount of \$7,584,000, with an interest rate of 3.62%. Payments are due annually on June 1 beginning in 2026 with the final payment being in 2035. A schedule of the amounts due for this agreement are as follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2026	3.620	\$ 257,001	\$ 658,000	\$ 915,001
2027	3.620	250,721	665,000	915,721
2028	3.620	226,648	689,000	915,648
2029	3.620	201,706	714,000	915,706
2030	3.620	175,860	739,000	914,860
2031 – 2035	3.620	457,930	4,119,000	4,576,930
		<u>\$ 1,569,866</u>	<u>\$ 7,584,000</u>	<u>\$ 9,153,866</u>

SBITAs

The Town implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (“SBITAs”), as of July 1, 2022. As such, the Town has recognized a liability for all significant SBITAs. These arrangements have terms that range from three through five years and the Town utilized its incremental borrowing rate of 3.5% to compute the net present value of the SBITAs. A schedule of the amounts due for these arrangements is as follows:

For the Year Ending June 30,	Governmental Activities		
	Interest	Principal	Total
2026	\$ 16,561	\$ 352,297	\$ 368,858
2027	5,750	263,351	269,101
2028	314	20,859	21,173
	<u>\$ 22,625</u>	<u>\$ 636,507</u>	<u>\$ 659,132</u>

NOTES TO FINANCIAL STATEMENTS

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

H. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the Town's governmental activities for the year ended June 30, 2025:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
GOB - September 2009 (\$5.005M)	\$ 480,000	\$ -	\$ 480,000	\$ -	\$ -
GOB - September 2016 (\$13.08M)	840,000	-	840,000	-	-
GOB - September 2016 (\$9.035M)	5,705,000	-	665,000	5,040,000	465,000
GOB - September 2017 (\$27.31M)	25,495,000	-	940,000	24,555,000	780,000
GOB - May 2019 (\$5.0M)	4,140,000	-	205,000	3,935,000	215,000
GOB - December 2020 (\$5.83M)	3,890,000	-	705,000	3,185,000	740,000
GOB - December 2020 (\$6.285M)	5,575,000	-	475,000	5,100,000	480,000
Total General Obligation Bonds	46,125,000	-	4,310,000	41,815,000	2,680,000
Special Obligation Bonds					
SOB - September 2017 (\$30.075M)	14,290,000	-	3,315,000	10,975,000	3,480,000
SOB - October 2019 (\$16.520M)	10,925,000	-	1,140,000	9,785,000	1,165,000
Total Special Obligation Bonds	25,215,000	-	4,455,000	20,760,000	4,645,000
Tax Increment Financing Bonds:					
TIFB - July 2017 (\$28.53M)	3,860,000	-	3,860,000	-	-
Total Tax Increment Financing Bonds	3,860,000	-	3,860,000	-	-
Financed Purchases:					
Pumper Fire Trucks, 2025 (\$7.584M)	-	7,584,000	-	7,584,000	658,000
Total Financed Purchases	-	7,584,000	-	7,584,000	658,000
SBITAs	1,036,521	-	400,014	636,507	352,297
Subtotal	76,236,521	7,584,000	13,025,014	70,795,507	8,335,297
Premiums on Bonds	836,245	2,097,732	220,047	2,713,930	-
Total Debt	77,072,766	9,681,732	13,245,061	73,509,437	8,335,297
Compensated Absences	2,407,205	125,130	-	2,532,335	1,266,168
Total Long-Term Obligations	\$ 79,479,971	\$ 9,806,862	\$ 13,245,061	\$ 76,041,772	\$ 9,601,465

The beginning balance of compensated absences has been restated in accordance with GASB Statement No. 101.

NOTES TO FINANCIAL STATEMENTS

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

H. Long-Term Obligations (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, 2025:

Business-type

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt:					
Revenue Bonds:					
January 2018 (\$3.2M)	\$ 1,365,000	\$ -	\$ 330,000	\$ 1,035,000	\$ 335,000
January 2021 (\$5.63M)	1,870,000	-	930,000	940,000	940,000
Total Revenue Bonds	3,235,000	-	1,260,000	1,975,000	1,275,000
Total Long-Term Obligations	<u>\$ 3,235,000</u>	<u>\$ -</u>	<u>\$ 1,260,000</u>	<u>\$ 1,975,000</u>	<u>\$ 1,275,000</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, 2025:

For the Year Ended June 30,	Governmental Activities			Business-Type Activities		
	Interest	Principal	Total	Interest	Principal	Total
2026	\$ 2,258,234	\$ 7,983,000	\$ 10,241,234	\$ 35,851	\$ 1,275,000	\$ 1,310,851
2027	1,935,126	8,285,000	10,220,126	18,970	345,000	363,970
2028	1,595,721	8,619,000	10,214,721	9,621	355,000	364,621
2029	1,349,049	4,384,000	5,733,049	-	-	-
2030	1,222,297	3,619,000	4,841,297	-	-	-
2031 – 2035	4,530,436	19,714,000	24,244,436	-	-	-
2036 – 2040	2,236,802	7,885,000	10,121,802	-	-	-
2041 – 2045	1,150,988	6,685,000	7,835,988	-	-	-
2046 and 2047	146,250	2,985,000	3,131,250	-	-	-
Total	<u>\$ 16,424,903</u>	<u>\$ 70,159,000</u>	<u>\$ 86,583,903</u>	<u>\$ 64,442</u>	<u>\$ 1,975,000</u>	<u>\$ 2,039,442</u>

NOTES TO FINANCIAL STATEMENTS

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

H. Long-Term Obligations (Continued)

Legal Debt Limit

Article Ten (X), Section Fourteen (14) of the South Carolina Constitution of 1895 as amended provides that a City or Town shall incur General Obligation Debt over the 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
- 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.

In addition, Hilton Head Island's 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, 2025:

Assessed Value		\$ 1,327,265,610
Debt Limit - 8% of Assessed Value, without voter's approval		<u>106,181,249</u>
Council Imposed 80% Cap or Minimum of \$20,000,000		84,944,999
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds 2017A	(24,555,000)	
General Obligation Bonds 2019	<u>(3,935,000)</u>	
Total Amount Applicable to Debt Limit		<u>(28,490,000)</u>
Legal Debt Margin without a Referendum		<u>\$ 56,454,999</u>

NOTES TO FINANCIAL STATEMENTS

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

H. Long-Term Obligations (Continued)

Debt from Direct Placement/Borrowing

The Town's outstanding 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.

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 \$5,332 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, 2025.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

A. Contingencies (Continued)

Lawsuits – The Town has been named in several lawsuits concerning zoning enforcement of Town ordinances and use of local accommodations tax proceeds. One of these suits includes claims seeking damages against individual Town employees, which are insured claims covered through the South Carolina Insurance Reserve Fund.

The Town has been named in several lawsuits concerning other matters asserting monetary damages. There are cases alleging personal injuries which are insured claims, but one claim seeks a refund of road maintenance fees paid to the Town, which is not an insured claim. These 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 seeking a refund of road maintenance fees, are covered. The financial statement impact of the road maintenance fees claim cannot be determined at this time.

Beaufort County Sheriff's Fees – The Town has accrued \$2,000,000 per year for fiscal years ended June 30, 2021, 2022, 2023, 2024, and 2025 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 \$10,000,000 is the appropriate liability for Sheriff's services provided by Beaufort County for the fiscal years ended June 30, 2021, 2022, 2023, 2024, and 2025 and has properly accrued a liability equal to that amount. The Town has stopped this accrual and will no longer accrue for this expense going forward. This liability is included in Due to Other Governments on the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

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/her designee.

For the years ended June 30, 2025, 2024, and 2023, employer contributions were based on a total payroll of approximately \$13,683,000, \$12,945,000, and \$11,388,000, respectively. The amount contributed by the employer for the year ended June 30, 2025 was approximately \$1,580,000, or 11.5%, of covered payroll. During the years ended June 30, 2024 and 2023, approximately \$1,502,000 and \$1,305,000 were contributed to the Plan by the employer, respectively. Employee contributions to the Plan were approximately \$1,226,000, or 9.0%, of covered payroll for the year ended June 30, 2025.

State Retirement Plan

The Town 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

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.

The PEBA issues an Annual Comprehensive Financial Report ("ACFR") containing financial statements and Required Supplementary Information for the Systems' Pension Trust Funds. The ACFR is publicly available through the PEBA's website at 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 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Plan Membership (Continued)

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.

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

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, 2025 are as follows:

	PORS Rates
	2025
Employer Contribution Rate: [^]	
Retirement	20.84%
Incidental Death Benefit	0.20%
Accidental Death Contributions	0.20%
	21.24%
Employee Contribution Rate [^]	9.75%

[^] 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 \$2,600,000 for the year ended June 30, 2025 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, 2025. 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, 2025 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, 2024 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, 2023. The TPL was rolled-forward from the valuation date to the Plans' fiscal year-end, June 30, 2024, using generally accepted actuarial principles. There was no legislation enacted during the 2025 legislative session that had a material change in the benefit provisions for any of the Systems. In fiscal year 2024, 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, 2024 (measurement date) for the PORS.

	PORS
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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Long-Term Expected Rate of Return (Continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2024 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.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.23%	2.86%
Bonds	26.0%	2.60%	0.68%
Private Equity	9.0%	9.60%	0.86%
Private Debt	7.0%	6.90%	0.48%
Real Assets	12.0%		
Real estate	9.0%	4.30%	0.39%
Infrastructure	3.0%	7.30%	0.22%
	100.0%		
		Total expected real return	5.49%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	7.74%

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, 2024 measurement date, for the PORs, are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employer's Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PORS	\$10,177,904,231	\$ 7,178,118,865	\$ 2,999,785,366	70.5%

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)

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.

At June 30, 2025, the Town reported a liability of approximately \$17,902,000 for its proportionate share of the NPL for the PORS. The NPL was measured as of June 30, 2024, and the TPL for the Plans used to calculate the NPL were measured based on the most recent actuarial valuation report of July 1, 2023, 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, 2024 measurement date, the Town's PORS proportion was 0.596762%, which was a decrease of 0.028028% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of approximately \$2,403,000 PORS. At June 30, 2025, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PORS		
Differences between expected and actual experience	\$ 1,681,191	\$ 102,633
Assumption changes	389,749	-
Net difference between projected and actual earnings on pension plan investments	-	1,003,634
Changes in proportion and differences between employer contributions and proportionate share of contributions	383,799	714,426
Employer contributions subsequent to the measurement date	2,596,472	-
Total PORS	\$ 5,051,211	\$ 1,820,693

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 \$2,596,000 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 ending June 30, 2026. 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	Fiscal Year	PORS
Ending June 30,	Ending June 30,	
2025	2026	\$ (187,721)
2026	2027	1,111,037
2027	2028	(23,908)
2028	2029	(265,362)
	Total	<u>\$ 634,046</u>

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	Current	1% Increase
	(6.00%)	Discount Rate	(8.00%)
		(7.00%)	
Town's proportionate share of the net pension liability of the PORS	\$ 25,935,971	\$ 17,901,586	\$ 11,321,010

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, 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 \$630,000 to the PEBA as of June 30, 2025, representing required employer and employee contributions for the months of May and June 2025 for the PORS. This amount is included in Accounts Payable on the financial statements and was paid in July 2025.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

C. Health Plans

The Town has an integrated health reimbursement account ("HRA") plan available to full-time and part-time employees who work a minimum of 20 hours per week and who are enrolled in a group health plan that provides minimum essential coverage ("MEC") and offers minimum value ("MV"). This plan provides a reimbursement of medical and dental expenses incurred by an employee or a qualified dependent as described in Internal Revenue Service ("IRS") Section 213 guidelines.

This plan is administered by Aviben, and the annual contribution is \$1,150 per eligible employee. The health reimbursement accounts were fully funded, therefore, there is no liability under this plan as of June 30, 2025.

D. Contract Commitments

Commitments

At June 30, 2025, the Town had remaining construction commitments of approximately \$14,330,000 related to ongoing capital activities, including infrastructure improvements, enhancements to Town-owned facilities, fleet enhancements, software upgrades, park construction and improvements, beach and beach park 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

NOTE 4. OTHER INFORMATION (CONTINUED)

F. Post-employment Benefits Other than Pensions

Retirement Health Savings Plan

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 is 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

NOTE 4. OTHER INFORMATION (CONTINUED)

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

Retirement Health Savings Plan (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 \$246,000, including both the retirement and annual contributions, to the trust during the year ended June 30, 2025. The Town has a liability of approximately \$18,000 related to the defined contribution plan as of June 30, 2025. No contributions other than employer contributions are required or accepted.

Retiree Health Care Plan

Plan Description

In February 2002, the Town instituted a single employer defined benefit other post-employment benefit plan, the Town of Hilton Head Island Retiree Health Care Plan ("OPEB Plan"). Employees hired prior to April 7, 2009 are eligible to retire and continue medical coverage if they retire with benefits under the Town's Retirement Plan either: 1) upon reaching at least age 62 with ten years of service, 2) as a disability retirement (at least age 50 with ten years of service and permanent and total disability), or 3) with unreduced benefits commencing on or after age 55 until the rule of 80. Retiree coverage is provided for the lifetime of the participant. Upon death of an eligible retiree with a covered dependent, the surviving dependent may extend coverage for up to 36 months at the COBRA rate. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the OPEB Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

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

Retiree Health Care Plan (Continued)

Contributions

The General Fund pays the total monthly cost of the post-retirement coverage. The single coverage rates in effect at June 30, 2025, were \$625 per month for health. The insurance premiums are paid by the Town on a pay-as-you-go basis. The cost to the Town for the health insurance premiums for the year ended June 30, 2025, was \$305,184.

Plan Membership

Membership in the OPEB Plan as of the most recent actuarial valuation date of June 30, 2024 is as follows:

Active members	284
Retired members	37
Total	<u>321</u>

Total OPEB Liability of the Town

The Town's total OPEB liability was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2024, with the actuary using standard techniques to roll forward the liability to the measurement date.

Actuarial Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continued revision as results are compared to the past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

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

Retiree Health Care Plan (Continued)

Actuarial Assumptions (Continued)

The assumptions used in the June 30, 2024 actuarial valuation are as follows:

Discount rate	4.21%
Healthcare cost trend rate	4.50% - 8.00%
Inflation rate	3.00% non PORS and 3.50% PORS employees
Participation rate	20.00%

Total OPEB Liability of the Town

Changes in the total OPEB liability of the Town for the year ended June 30, 2025 was as follows:

	Total OPEB Liability
Beginning balance	\$ 3,720,399
Service cost	115,590
Interest	153,825
Changes in assumptions	277,470
Differences between expected and actual experience	(8,359)
Benefit payments	(225,101)
Net change	313,425
Ending balance	<u>\$ 4,033,824</u>

The required schedule of changes in the Town's total OPEB liability and related ratios immediately following the notes to the financial statements presents multi-year trend information about the total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.21%) or 1-percentage-point higher (5.21%) than the current discount rate:

	1% Decrease (3.21%)	Current Rate (4.21%)	1% Increase (5.21%)
Total OPEB liability	\$ 4,389,824	\$ 4,033,824	\$ 3,714,980

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

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

Retiree Health Care Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 3,638,370	\$ 4,033,824	\$ 4,495,754

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2025, and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the Town recognized OPEB expense of \$518,225. At June 30, 2025, the Town reported deferred outflows of resources related to OPEB from the following source:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 722,071	\$ 7,314
Changes in assumptions	748,663	241,092
Contributions subsequent to the measurement date	243,385	-
Total PORS	<u>\$ 1,714,119</u>	<u>\$ 248,406</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

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

Retiree Health Care Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Contributions subsequent to the measurement date in the amount of \$243,385 will be recognized as a deferred outflow of resources in the year ending June 30, 2026. The remaining amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2026	\$ 257,930
2027	255,650
2028	219,661
2029	201,651
2030	107,705
Thereafter	179,731
Total	<u>\$ 1,222,328</u>

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 recording assets when it incurs costs that meet the capitalization criteria, which there were none in the fiscal year ended June 30, 2025.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

I. Subsequent Events

In July 2025, the Town paid off the \$10,975,000 in Special Obligation Bonds – Beach Preservation Fee that were originally scheduled for retirement in August 2027.

On December 3, 2025, the Town issued \$19 million in Special Obligation Bonds – Beach Preservation Fee to support the Beach Renourishment project, which is expected to be completed within the fiscal year ending June 30, 2026.

NOTE 5. CHANGE IN ACCOUNTING PRINCIPLE

The Town implemented the provisions of GASB Statement No. 101, *Compensated Absences* (“GASB 101”), effective July 1, 2024. GASB 101 establishes a unified recognition and measurement model for compensated absences, superseding the previous guidance in GASB Statement No. 16. The principal impact of the adoption is the required recognition of a liability for sick leave that is more likely than not to be used for time off or otherwise paid/settled, which was not previously required for non-vesting sick leave. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the Town applied the new standard retroactively by restating the beginning net position of the earliest period presented.

Net position of governmental activities, as of July 1, 2024, as previously reported	\$ 419,595,645
To record implementation of GASB Statement No. 101	<u>3,043,173</u>
Net position of governmental activities, as of July 1, 2024, as restated	<u><u>\$ 422,638,818</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final		
Revenues				
Real and Personal Property Taxes	\$ 18,076,000	\$ 18,076,000	\$ 19,190,794	\$ 1,114,794
Accommodations Tax	6,880,890	6,880,890	8,841,406	1,960,516
Business License and Franchise Fees	13,530,924	13,530,924	18,647,405	5,116,481
Permits	1,800,000	1,800,000	2,461,684	661,684
State Shared Funds	973,093	973,093	981,781	8,688
EMS Revenue	2,036,000	2,036,000	2,627,171	591,171
Public Safety Revenue	-	-	1,770	1,770
Miscellaneous Revenue	530,936	530,936	908,988	378,052
Investment Income	1,500,000	1,500,000	2,502,871	1,002,871
Total Revenues	45,327,843	45,327,843	56,163,870	10,836,027
Expenditures				
Current:				
General Government	1,734,903	1,849,186	1,836,708	12,478
Management Services	10,536,165	10,479,596	9,549,647	929,949
Community Services	15,720,601	16,304,296	14,110,787	2,193,509
Public Safety	23,907,796	23,907,796	22,261,138	1,646,658
Non-Departmental	9,024,916	10,006,053	9,655,436	350,617
Debt service:				
Principal	-	-	335,213	(335,213)
Interest	-	-	26,901	(26,901)
Total Expenditures	60,924,381	62,546,927	57,775,830	4,771,097
Deficiency of Revenues Under Expenditures	(15,596,538)	(17,219,084)	(1,611,960)	15,607,124
Other Financing Sources (Uses)				
Transfers In	14,357,026	14,357,026	14,357,026	-
Proceeds From Sale of Capital Assets	-	-	88,628	88,628
Total Other Financing Sources (Uses)	14,357,026	14,357,026	14,445,654	88,628
Net Change in Fund Balances	(1,239,512)	(2,862,058)	12,833,694	15,695,752
Fund Balances, Beginning of Year	39,536,669	39,536,669	39,536,669	-
Fund Balances, End of Year	\$ 38,297,157	\$ 36,674,611	\$ 52,370,363	\$ 15,695,752

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, 2025**

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 Improvements Program Fund, Debt Service Fund, Stormwater Utility Fund, Housing Fund, and the Gullah Geechee Historic Neighborhoods Community Development Corporation ("GGHNCD") 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 Improvements Program Fund, Debt Service Fund, Stormwater Utility Fund, Housing Fund, and the GGHNCD Fund budgets.
- C. The budgets are legally enacted and adopted by Council.
- D. The Town Manager has budgetary transfer authority that individually addresses the appropriate levels that are needed to effectively administer a particular Fund.
 - I. General Fund: The General Fund budgetary authority is to be adopted at the departmental level with the exception that the Town Manager, or designee, shall have the authority to transfer funds across departmental accounts to implement staff reorganizations and salary adjustments. Additionally, the Town Manager, or designee, shall have the authority to transfer up to \$100,000 within this Fund as may be necessary to achieve the goals of the budget; larger transfers will require Council approval.
 - II. Capital Improvements Program Fund: The Capital Improvements Program Fund is to be adopted at the program level. The Town Manager, or designee, shall have the authority to transfer appropriated funds between projects within each program category identified in the Capital Improvement Program Fund if the project(s) fall under the same functional program category. The appropriated projects under the Capital Improvement Program Fund are on a multi-year project basis and are effective as of July 1, each fiscal year and shall be reappropriated each new fiscal year until the project is complete but said appropriations are subject to cancellation or amendment by the Council as may be in the best interest of the Town.

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, 2025

NOTE 2. BUDGETARY INFORMATION (CONTINUED)

- III. Debt Service Fund: The Debt Service Fund is to be adopted at the Fund level and does not contain additional provisions for the transfers of budgeted funds within this Fund.
- IV. Stormwater Utility Fund: The Stormwater Utility Fund is to be adopted at the Fund level. Additionally, the Town Manager, or designee, shall have the authority to transfer up to \$100,000 within this Fund as may be necessary to achieve the goals of the budget; larger transfers will require Council approval.
- V. Housing Fund: The Housing Fund is to be adopted at the Fund level and does not contain additional provisions for the transfers of budgeted funds within this Fund.
- VI. Gullah Geechee Historic Neighborhoods Community Development Corporation ("GGHNCD") Fund: The GGHNCD Fund is to be adopted at the Fund level. Additionally, the Town Manager, or designee, shall have the authority to transfer up to \$100,000 within this Fund as may be necessary to achieve the goals of the budget; larger transfers will require Council approval.

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,			
	2016	2017	2018	2019
Town's Proportion of the Net Pension Liability	0.55035%	0.62151%	0.64589%	0.59288%
Town's Proportionate Share of the Net Pension Liability	\$ 11,994,845	\$ 15,764,333	\$ 17,694,659	\$ 16,799,396
Town's Covered Payroll	\$ 7,762,118	\$ 8,204,054	\$ 8,698,094	\$ 8,206,297
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	154.53%	192.15%	203.43%	204.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.57%	60.44%	60.94%	61.73%

Notes to Schedule:

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

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.

There are no assets accumulated in a trust to pay related benefits for the pension plan.

Fiscal Year Ended June 30,					
2020	2021	2022	2023	2024	2025
0.58238%	0.57427%	0.61783%	0.59927%	0.62479%	0.59676%
\$ 16,690,570	\$ 19,044,080	\$ 15,896,250	\$ 17,971,849	\$ 19,019,198	\$ 17,901,586
\$ 8,447,139	\$ 8,675,225	\$ 9,252,397	\$ 9,483,951	\$ 10,943,394	\$ 11,770,997
197.59%	219.52%	171.81%	189.50%	173.80%	152.08%
62.69%	58.79%	70.37%	66.45%	67.79%	70.53%

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

	Fiscal Year Ended June 30,			
	2016	2017	2018	2019
Contractually Required Contributions	\$ 1,127,237	\$ 1,238,850	\$ 1,332,703	\$ 1,456,287
Contributions in Relation to the Contractually Required Contributions				
Contributions from the Town	1,127,237	1,238,850	1,251,705	1,375,289
Contributions from the State	-	-	80,998	80,998
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 8,204,054	\$ 8,698,094	\$ 8,206,297	\$ 8,447,139
Contributions as a Percentage of Covered Payroll	13.74%	14.24%	16.24%	17.24%

Fiscal Year Ended June 30,						
2020	2021	2022	2023	2024	2025	
\$ 1,582,361	\$ 1,687,637	\$ 1,824,712	\$ 2,214,943	\$ 2,500,160	\$ 2,646,308	
1,501,363	1,606,639	1,743,714	2,133,945	2,419,162	2,565,310	
80,998	80,998	80,998	80,998	80,998	80,998	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ 8,675,225	\$ 9,252,397	\$ 9,483,951	\$ 10,943,394	\$ 11,770,997	\$ 12,459,076	
18.24%	18.24%	19.24%	20.24%	21.24%	21.24%	

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB SCHEDULES SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS LAST EIGHT FISCAL YEARS

	Fiscal Year Ended June 30,			
	2018	2019	2020	2021
Total OPEB liability, beginning of year	\$ 1,822,293	\$ 1,757,062	\$ 1,798,603	\$ 2,117,516
Service cost	73,513	68,086	80,814	90,120
Interest	52,862	61,924	64,531	65,566
Changes in assumptions	(94,212)	(8,455)	110,906	114,192
Differences between expected and actual experience	-	23,313	175,428	36,034
Benefit payments	(97,394)	(103,327)	(112,766)	(135,638)
Net change in total OPEB liability	(65,231)	41,541	318,913	170,274
Total OPEB liability, end of year	\$ 1,757,062	\$ 1,798,603	\$ 2,117,516	\$ 2,287,790
Covered employee payroll	\$ 17,450,775	\$ 17,318,365	\$ 17,509,882	\$ 18,223,142
Total OPEB liability as a percentage of covered payroll	10.1%	10.4%	12.1%	12.6%

Notes to Schedule:

This schedule will present ten years of information once it is accumulated.

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

There are no assets accumulated in a trust to pay related benefits for the OPEB plan.

Fiscal Year Ended June 30,			
2022	2023	2024	2025
\$ 2,287,790	\$ 3,099,152	\$ 2,790,523	\$ 3,720,399
91,744	167,262	89,286	115,590
55,475	59,354	103,297	153,825
627,990	(386,435)	161,104	277,470
174,885	34,079	738,521	(8,359)
(138,732)	(182,889)	(162,332)	(225,101)
811,362	(308,629)	929,876	313,425
\$ 3,099,152	\$ 2,790,523	\$ 3,720,399	\$ 4,033,824
\$ 19,014,727	\$ 19,157,292	\$ 21,656,902	\$ 22,785,270
16.3%	14.6%	17.2%	17.7%

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB SCHEDULES SCHEDULE OF CONTRIBUTIONS - OPEB PLAN LAST EIGHT FISCAL YEARS

	Fiscal Year Ended June 30,			
	2018	2019	2020	2021
Contractually Required Contributions	\$ 103,327	\$ 112,766	\$ 135,638	\$ 138,732
Contributions in Relation to the Contractually Required Contributions	103,327	112,766	135,638	138,732
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 17,318,365	\$ 17,509,882	\$ 18,223,142	\$ 19,014,727
Contributions as a Percentage of Covered Payroll	0.60%	0.64%	0.74%	0.73%

Note to Schedule:

This schedule will present ten years of information once it is accumulated.

Fiscal Year Ended June 30,				
2022	2023	2024	2025	
\$ 182,889	\$ 162,332	\$ 225,101	\$ 243,385	
182,889	162,332	225,101	243,385	
\$ -	\$ -	\$ -	\$ -	
\$ 19,157,292	\$ 21,656,902	\$ 22,785,270	\$ 26,142,121	
0.95%	0.75%	0.99%	0.93%	

SUPPLEMENTAL FINANCIAL INFORMATION



Town of Hilton Head Island, South Carolina



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

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

		Special Revenue Funds				
		Palmetto Electric Franchise Fees	Operating Grants	HOME Grant	Fire Truck Lease Proceeds	Road Usage Fee
ASSETS						
Cash and Cash Equivalents		\$ 984,052	\$ -	\$ -	\$ 2,402,132	\$ -
Interfund Receivables		289,505	326,190	82,534	-	2,268,106
Due from other Governments		-	12,046	-	-	-
Total assets		<u>\$ 1,273,557</u>	<u>\$ 338,236</u>	<u>\$ 82,534</u>	<u>\$ 2,402,132</u>	<u>\$ 2,268,106</u>
TOTAL LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable		\$ -	\$ 17,115	\$ -	\$ -	\$ -
Interfund Payables		-	-	-	2,400,365	-
Unearned Revenue		-	-	70,407	-	-
Total liabilities		<u>-</u>	<u>17,115</u>	<u>70,407</u>	<u>2,400,365</u>	<u>-</u>
FUND BALANCES						
Restricted:						
Underground Electrical Service		1,273,557	-	-	-	-
Federal and Operating Grants		-	321,121	-	-	-
HOME Grant Program		-	-	12,127	-	-
Fire Truck Lease		-	-	-	1,767	-
Road Improvements		-	-	-	-	2,268,106
Short-Term Rentals		-	-	-	-	-
Community Development		-	-	-	-	-
One Percent		-	-	-	-	-
Total fund balances		<u>1,273,557</u>	<u>321,121</u>	<u>12,127</u>	<u>1,767</u>	<u>2,268,106</u>
Total liabilities and fund balances		<u>\$ 1,273,557</u>	<u>\$ 338,236</u>	<u>\$ 82,534</u>	<u>\$ 2,402,132</u>	<u>\$ 2,268,106</u>

Special Revenue Funds				
Short-Term Rental Fee Fund	Housing Fund	GGHNCDC Fund	Firemen's Fund	Total Nonmajor Governmental Funds
\$ 10,263	\$ -	\$ 5,580,419	\$ 82,024	\$ 9,058,890
314,132	2,871,433	-	-	6,151,900
-	-	-	-	12,046
<u>\$ 324,395</u>	<u>\$ 2,871,433</u>	<u>\$ 5,580,419</u>	<u>\$ 82,024</u>	<u>\$ 15,222,836</u>
\$ -	\$ 3,243	\$ 297	\$ 7,519	\$ 28,174
-	-	15,847	16,530	2,432,742
-	-	-	-	70,407
-	3,243	16,144	24,049	2,531,323
-	-	-	-	1,273,557
-	-	-	-	321,121
-	-	-	-	12,127
-	-	-	-	1,767
-	-	-	-	2,268,106
324,395	-	-	-	324,395
-	2,868,190	5,564,275	-	8,432,465
-	-	-	57,975	57,975
<u>324,395</u>	<u>2,868,190</u>	<u>5,564,275</u>	<u>57,975</u>	<u>12,691,513</u>
<u>\$ 324,395</u>	<u>\$ 2,871,433</u>	<u>\$ 5,580,419</u>	<u>\$ 82,024</u>	<u>\$ 15,222,836</u>

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, 2025**

	Special Revenue Funds				
	Palmetto Electric Franchise Fees	Operating Grants	HOME Grant	Fire Truck Lease Proceeds	Road Usage Fee
Revenues					
Short-Term Rental Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Electric Franchise Fees	3,258,395	-	-	-	-
Grants	-	286,756	-	-	-
Road Usage Fees	-	-	-	-	950
One Percent Revenue	-	-	-	-	-
Interest Income	314,076	-	-	1,767	7,568
Total Revenues	3,572,471	286,756	-	1,767	8,518
Expenditures					
Current:					
General Government	-	-	-	-	-
Community Services	-	115	-	-	-
Public Safety	-	400,734	-	-	-
Total Expenditures	-	400,849	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,572,471	(114,093)	-	1,767	8,518
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers Out	(9,038,451)	-	-	-	(481,323)
Total Other Financing Sources (Uses)	(9,038,451)	-	-	-	(481,323)
Net Change in Fund Balances	(5,465,980)	(114,093)	-	1,767	(472,805)
Fund Balances, Beginning of Year	6,739,537	435,214	12,127	-	2,740,911
Fund Balances, End of Year	\$ 1,273,557	\$ 321,121	\$ 12,127	\$ 1,767	\$ 2,268,106

Special Revenue Funds				
Short-Term Rental Fee Fund	Housing Fund	GGHNCDC Fund	Firemen's Fund	Total Nonmajor Governmental Funds
\$ 1,883,995	\$ -	\$ -	\$ -	\$ 1,883,995
-	-	-	-	3,258,395
-	-	-	-	286,756
-	-	-	-	950
-	-	-	1,125,933	1,125,933
86	-	279,404	60	602,961
1,884,081	-	279,404	1,125,993	7,158,990
-	-	277,025	-	277,025
-	280,287	-	-	280,402
-	-	-	1,142,683	1,543,417
-	280,287	277,025	1,142,683	2,100,844
1,884,081	(280,287)	2,379	(16,690)	5,058,146
-	1,000,000	-	-	1,000,000
(1,825,000)	-	-	-	(11,344,774)
(1,825,000)	1,000,000	-	-	(10,344,774)
59,081	719,713	2,379	(16,690)	(5,286,628)
265,314	2,148,477	5,561,896	74,665	17,978,141
\$ 324,395	\$ 2,868,190	\$ 5,564,275	\$ 57,975	\$ 12,691,513

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, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Real and Personal Property Taxes	\$ 18,076,000	\$ 18,076,000	\$ 19,190,794	\$ 1,114,794
Accommodations Tax - Local 1%	6,880,890	6,880,890	8,841,406	1,960,516
Business License and Franchise Fees:				
Business License - Town	8,396,593	8,396,593	9,268,139	871,546
Business License - MASC	4,294,331	4,294,331	8,317,463	4,023,132
Cable Television Franchise Fee	785,000	785,000	953,289	168,289
Beach Franchise Fee	55,000	55,000	108,514	53,514
Total Business License and Franchise Fees	13,530,924	13,530,924	18,647,405	5,116,481
Permits:				
Construction	724,336	724,336	1,198,596	474,260
Development	8,500	8,500	13,596	5,096
Other	1,067,164	1,067,164	1,249,492	182,328
Total Permits	1,800,000	1,800,000	2,461,684	661,684
State Shared Funds	973,093	973,093	981,781	8,688
Public Safety:				
EMS Revenue	2,036,000	2,036,000	2,627,171	591,171
County D/T Revenue	-	-	1,770	1,770
Total Public Safety	2,036,000	2,036,000	2,628,941	592,941
Miscellaneous Revenue:				
Beach Services	236,232	236,232	520,770	284,538
Other	294,704	294,704	388,218	93,514
Total Miscellaneous Revenue	530,936	530,936	908,988	378,052
Investment Income	1,500,000	1,500,000	2,502,871	1,002,871
TOTAL REVENUES	45,327,843	45,327,843	56,163,870	10,836,027
EXPENDITURES				
Current:				
General Government:				
Council:				
Salaries and Benefits	182,464	182,464	171,636	10,828
Operating	287,600	353,100	363,633	(10,533)
Total Council	470,064	535,564	535,269	295
Town Manager:				
Salaries and Benefits	1,167,439	1,211,222	1,220,870	(9,648)
Operating	97,400	102,400	80,569	21,831
Total Town Manager	1,264,839	1,313,622	1,301,439	12,183
Total General Government	1,734,903	1,849,186	1,836,708	12,478
Management Services:				
Finance - Administration:				
Salaries and Benefits	2,759,983	2,955,545	2,699,548	255,997
Operating	286,358	287,608	260,186	27,422
Total Finance - Administration	3,046,341	3,243,153	2,959,734	283,419
Human Resources:				
Salaries and Benefits	664,787	672,014	699,624	(27,610)
Operating	197,656	197,656	127,499	70,157
Total Human Resources	862,443	869,670	827,123	42,547
Administration - Legal:				
Salaries and Benefits	540,896	352,896	320,982	31,914
Operating	17,865	17,865	14,010	3,855
Total Administration - Legal	558,761	370,761	334,992	35,769
Community Engagement:				
Salaries and Benefits	317,875	243,965	244,648	(683)
Operating	22,902	22,902	15,434	7,468
Total Community Engagement	340,777	266,867	260,082	6,785
Administrative Services - Office of Cultural Affairs:				
Salaries and Benefits	237,072	238,374	240,509	(2,135)
Operating	149,950	149,950	147,814	2,136
Total Administrative Services - Office of Cultural Affairs	387,022	388,324	388,323	1

(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, 2025

	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL	AMOUNTS	VARIANCE
EXPENDITURES (CONTINUED)				
Current (Continued):				
Management Services (Continued):				
Administrative Services - Information Technology:				
Salaries and Benefits	\$ 1,893,998	\$ 2,041,169	\$ 2,035,471	\$ 5,698
Operating	2,553,415	2,562,150	2,074,768	487,382
Total Administrative Services - Information Technology	4,447,413	4,603,319	4,110,239	493,080
Communications:				
Salaries and Benefits	814,908	667,737	621,773	45,964
Operating	78,500	69,765	47,381	22,384
Total Communications	893,408	737,502	669,154	68,348
Subtotal Administrative Services	6,627,381	6,366,773	5,762,790	603,983
Total Management Services	10,536,165	10,479,596	9,549,647	929,949
Community Services:				
Planning - Operations				
Salaries and Benefits	-	241,593	228,611	12,982
Operating	-	2,500	694	1,806
Total Planning - Operations	-	244,093	229,305	14,788
Planning - Administration				
Salaries and Benefits	-	346,645	318,462	28,183
Operating	-	106,284	57,120	49,164
Total Planning - Administration	-	452,929	375,582	77,347
Subtotal Planning	-	697,022	604,887	92,135
Community Development - Administration:				
Salaries and Benefits	1,612,061	-	-	-
Operating	146,343	-	-	-
Total Community Development - Administration	1,758,404	-	-	-
Community Development - CD Services:				
Salaries and Benefits	593,047	987,119	895,936	91,183
Operating	5,984	5,984	3,327	2,657
Total Community Development - CD Services	599,031	993,103	899,263	93,840
Community Development - Inspection/Compliance:				
Salaries and Benefits	1,318,581	1,079,586	915,169	164,417
Operating	105,195	105,195	141,593	(36,398)
Total Community Development - Inspection/Compliance	1,423,776	1,184,781	1,056,762	128,019
Community Development - Development, Review, Zoning:				
Salaries and Benefits	614,151	614,151	618,529	(4,378)
Operating	23,682	23,682	3,026	20,656
Total Community Development - Development, Review, Zoning	637,833	637,833	621,555	16,278
Community Development - Comprehensive Planning:				
Salaries and Benefits	673,106	568,106	440,582	127,524
Operating	503,153	906,749	222,377	684,372
Total Community Development - Comprehensive Planning	1,176,259	1,474,855	662,959	811,896
Subtotal Community Development	5,595,303	4,290,572	3,240,539	1,050,033
Public Facilities - Administration:				
Salaries and Benefits	-	205,797	186,754	19,043
Operating	-	24,109	22,613	1,496
Total Public Facilities - Administration	-	229,906	209,367	20,539
Public Facilities - Engineering and Projects:				
Salaries and Benefits	-	508,403	487,107	21,296
Total Public Facilities - Engineering and Projects	-	508,403	487,107	21,296
Public Facilities - Engineering:				
Salaries and Benefits	530,537	530,537	382,707	147,830
Operating	88,785	88,785	45,607	43,178
Total Public Facilities - Engineering	619,322	619,322	428,314	191,008

(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, 2025

	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL	AMOUNTS	VARIANCE
EXPENDITURES (CONTINUED)				
Current (Continued):				
Community Services (Continued):				
Public Facilities - Facilities Management:				
Salaries and Benefits	\$ 763,589	\$ 527,782	\$ 505,231	\$ 22,551
Operating	834,191	933,903	764,900	169,003
Capital	1,631,622	1,655,860	1,670,809	(14,949)
Total Public Facilities - Facilities Management	3,229,402	3,117,545	2,940,940	176,605
Public Facilities - Capital Projects:				
Salaries and Benefits	1,176,089	593,519	576,461	17,058
Operating	674,250	11,800	2,483	9,317
Total Public Facilities - Capital Projects	1,850,339	605,319	578,944	26,375
Subtotal Public Facilities	5,699,063	5,080,495	4,644,672	435,823
Public Services - Workforce Housing:				
Salaries and Benefits	194,311	194,311	163,660	30,651
Operating	5,696	5,696	3,284	2,412
Total Public Services - Workforce Housing	200,007	200,007	166,944	33,063
Public Services - Beach Operations:				
Salaries and Benefits	-	393,526	305,849	87,677
Operating	-	706,034	793,711	(87,677)
Total Public Services - Beach Operations	-	1,099,560	1,099,560	-
Public Services - General:				
Salaries and Benefits	360,825	382,846	243,664	139,182
Operating	3,865,403	3,865,403	3,498,597	366,806
Total Public Services - General	4,226,228	4,248,249	3,742,261	505,988
Public Services - Facilities Admin:				
Salaries and Benefits	-	684,941	609,942	74,999
Operating	-	3,450	1,982	1,468
Total Public Services - Facilities Admin	-	688,391	611,924	76,467
Subtotal Public Services	4,426,235	6,236,207	5,620,689	615,518
Total Community Services	15,720,601	16,304,296	14,110,787	2,193,509
Public Safety:				
Fire Rescue - Executive:				
Salaries and Benefits	1,246,230	1,246,230	1,168,414	77,816
Operating	767,751	1,609,933	682,023	927,910
Capital	842,182	-	-	-
Total Fire Rescue - Executive	2,856,163	2,856,163	1,850,437	1,005,726
Fire Rescue - Operations:				
Salaries and Benefits	16,479,032	16,479,032	16,072,181	406,851
Operating	350,270	350,270	357,210	(6,940)
Total Fire Rescue - Operations	16,829,302	16,829,302	16,429,391	399,911
Fire Rescue - Support Services:				
Salaries and Benefits	3,109,254	3,109,254	2,927,225	182,029
Operating	213,440	213,440	182,549	30,891
Total Fire Rescue - Support Services	3,322,694	3,322,694	3,109,774	212,920
Subtotal Fire Rescue:				
Salaries and Benefits	20,834,516	20,834,516	20,167,820	666,696
Operating	1,331,461	2,173,643	1,221,782	951,861
Capital	842,182	-	-	-
Subtotal Fire Rescue	23,008,159	23,008,159	21,389,602	1,618,557
Sheriff/Other Public Safety:				
Office of Public Safety - Salaries and Benefits	823,432	823,432	789,992	33,440
Office of Public Safety - Operating	20,205	20,205	7,677	12,528
Police Services/Contract	56,000	56,000	73,867	(17,867)
Total Sheriff/Other Public Safety	899,637	899,637	871,536	28,101
Total Public Safety	23,907,796	23,907,796	22,261,138	1,646,658

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, 2025**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
EXPENDITURES (CONTINUED)				
Non-Departmental - Town-Wide Expenditures:				
Non-Grant Expenditures:				
Personnel	\$ 402,817	\$ 402,817	\$ 421,501	\$ (18,684)
Operating	5,422,596	5,303,733	5,074,115	229,618
Community Events	648,862	648,862	550,881	97,981
Total Non-Departmental - Town-Wide Expenditures	6,474,275	6,355,412	6,046,497	308,915
Operating Grants:				
Recreation Center - Operating Grant	1,167,366	1,167,366	1,167,366	-
Coastal Discovery Grant - Operating Grant	107,700	107,700	107,700	-
Coastal Discovery Grant - Mitchellville Grant	105,000	105,000	105,000	-
Event Management and Hospitality Training	235,000	235,000	193,298	41,702
LTRA Grant	253,595	253,595	253,595	-
Multidisciplinary Court	50,000	50,000	50,000	-
Solicitor Career Criminal Program	118,500	118,500	118,500	-
Heritage Classic Foundation	400,000	400,000	400,000	-
Beaufort County EDC	40,000	40,000	40,000	-
Habitat	-	500,000	500,000	-
Sea Turtle	73,480	73,480	73,480	-
CCDC	-	600,000	600,000	-
Subtotal Non-Departmental - Town-Wide Operating Grants	2,550,641	3,650,641	3,608,939	41,702
Total Non-Departmental - Town-Wide Expenditures	9,024,916	10,006,053	9,655,436	350,617
Debt Service	-	-	362,114	(362,114)
TOTAL EXPENDITURES	60,924,381	62,546,927	57,775,830	4,771,097
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(15,596,538)	(17,219,084)	(1,611,960)	15,607,124
OTHER FINANCING SOURCES				
Transfers in:				
Beach Preservation Fee Fund	1,983,508	1,983,508	1,983,508	-
Hospitality Tax Fund	6,257,894	6,257,894	6,257,894	-
Tax Increment Financing Fund	110,000	110,000	110,000	-
State Accommodations Tax Fund	3,515,021	3,515,021	3,515,021	-
Electricity Franchise Fee Fund	540,603	540,603	540,603	-
Short-Term Rental Fund	1,825,000	1,825,000	1,825,000	-
Stormwater Utility Fund	125,000	125,000	125,000	-
Proceeds From Sale of Capital Assets	-	-	88,628	88,628
TOTAL OTHER FINANCING SOURCES	14,357,026	14,357,026	14,445,654	88,628
NET CHANGE IN FUND BALANCES	(1,239,512)	(2,862,058)	12,833,694	15,695,752
FUND BALANCES - Beginning of Year	39,536,669	39,536,669	39,536,669	-
FUND BALANCES - End of Year	\$ 38,297,157	\$ 36,674,611	\$ 52,370,363	\$ 15,695,752

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
HOUSING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
REVENUES				
Other Income	\$ 3,000,000	\$ 3,000,000	\$ -	\$ (3,000,000)
TOTAL REVENUES	3,000,000	3,000,000	-	(3,000,000)
EXPENDITURES				
Operating	89,206	89,206	86,559	2,647
Capital	3,910,794	3,910,794	193,728	3,717,066
TOTAL EXPENDITURES	4,000,000	4,000,000	280,287	3,719,713
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,000,000)	(1,000,000)	(280,287)	719,713
OTHER FINANCING SOURCES				
Transfers in	1,000,000	1,000,000	1,000,000	-
TOTAL OTHER FINANCING SOURCES	1,000,000	1,000,000	1,000,000	-
NET CHANGES IN FUND BALANCES	-	-	719,713	719,713
FUND BALANCES - Beginning of Year	2,148,477	2,148,477	2,148,477	-
FUND BALANCES - End of Year	\$ 2,148,477	\$ 2,148,477	\$ 2,868,190	\$ 719,713

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
GULLAH GEECHEE HISTORIC NEIGHBORHOODS COMMUNITY DEVELOPMENT CORPORATIONS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
REVENUES				
Grants	\$ 5,216,434	\$ 5,216,434	\$ -	\$ (5,216,434)
Interest Income	125,000	125,000	279,404	154,404
TOTAL REVENUES	5,341,434	5,341,434	279,404	(5,062,030)
EXPENDITURES				
Salaries and Benefits	200,376	200,376	201,588	(1,212)
Operating	1,955,125	1,955,125	75,437	1,879,688
Capital	1,250,000	1,250,000	-	1,250,000
TOTAL EXPENDITURES	3,405,501	3,405,501	277,025	3,128,476
EXCESS OF REVENUES OVER EXPENDITURES	1,935,933	1,935,933	2,379	(1,933,554)
NET CHANGES IN FUND BALANCES	1,935,933	1,935,933	2,379	(1,933,554)
FUND BALANCES - Beginning of Year	5,561,896	5,561,896	5,561,896	-
FUND BALANCES - End of Year	\$ 7,497,829	\$ 7,497,829	\$ 5,564,275	\$ (1,933,554)

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, 2025**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
REVENUES				
Real and Personal Property Taxes	\$ 5,843,144	\$ 5,843,144	\$ 6,619,129	\$ 775,985
Investment Income	338,365	338,365	635,822	297,457
TOTAL REVENUES	6,181,509	6,181,509	7,254,951	1,073,442
EXPENDITURES				
Administrative	71,032	71,032	15,026	56,006
Debt service:				
New Debt	1,600,000	1,600,000	2,500	1,597,500
Principal	12,625,000	12,625,000	12,625,000	-
Interest	2,403,968	2,403,968	2,403,967	1
TOTAL EXPENDITURES	16,700,000	16,700,000	15,046,493	1,653,507
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(10,518,491)	(10,518,491)	(7,791,542)	2,726,949
OTHER FINANCING SOURCES				
Transfers in:				
Beach Preservation Fees	4,346,625	4,346,625	3,946,626	(399,999)
Hospitality Tax	1,843,158	1,843,158	1,443,158	(400,000)
TIF Taxes	3,928,708	3,928,708	2,928,708	(1,000,000)
Real Estate Transfer Fees	400,000	400,000	-	(400,000)
TOTAL OTHER FINANCING SOURCES	10,518,491	10,518,491	8,318,492	(2,199,999)
NET CHANGES IN FUND BALANCES	-	-	526,950	526,950
FUND BALANCES - Beginning of Year	13,716,563	13,716,563	13,716,563	-
FUND BALANCES - End of Year	\$ 13,716,563	\$ 13,716,563	\$ 14,243,513	\$ 526,950

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS CAPITAL IMPROVEMENTS PROGRAM FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Grants	\$ 500,000	\$ 500,000	\$ 430,640	\$ (69,360)
Sunday Permit Fees	1,455,811	1,455,811	316,500	(1,139,311)
Impact Fees	947,601	947,601	148,347	(799,254)
Other Revenue	554,702	554,702	62,120	(492,582)
Investment Income	-	-	525,252	525,252
TOTAL REVENUES	3,458,114	3,458,114	1,482,859	(1,975,255)
EXPENDITURES				
Park Development:				
Public Art Program	35,375	35,375	35,372	3
Chaplin Linear Park and Boardwalk	350,000	350,000	-	350,000
Crossing Park	5,000,000	5,000,000	848,730	4,151,270
Chaplin Community Park	1,907,797	1,907,797	665,025	1,242,772
Mid-Island Track	2,500,000	2,500,000	619,815	1,880,185
Patterson Family Property Park	2,740,583	2,752,103	188,564	2,563,539
Island Recreation CIP	520,000	520,000	510,992	9,008
Shelter Cover Parking Expansion	500,000	500,000	211,138	288,862
Park Upgrades	500,000	500,000	437,320	62,680
Taylor Family Property Park	2,911,416	2,920,670	287,735	2,632,935
Barker Field	1,500,000	1,500,000	169,753	1,330,247
Ford Shell Ring	50,102	50,102	33,226	16,876
Greens Shell Park Enhancements	250,000	250,000	65,726	184,274
Old Schoolhouse Park Enhancements	350,000	350,000	73,453	276,547
Park Project	100,000	79,226	3,530	75,696
Coligny Circle Quadrant Pocket Park	500,000	500,000	42,822	457,178
Jarvis Creek Park Enhancements	100,000	100,000	88,136	11,864
Total Park Development	19,815,273	19,815,273	4,281,337	15,533,936
Land Acquisition:				
Miscellaneous	250,000	9,142,904	9,049,966	92,938
Total Land Acquisition	250,000	9,142,904	9,049,966	92,938
Beach Maintenance:				
Island-wide Beach Renourishment	16,800,000	16,700,000	664,114	16,035,886
Beach Wheelchair Storage	99,000	99,000	38,661	60,339
Islanders Beach Park Improvements	3,750,000	3,850,000	205,646	3,644,354
Beach Park Maintenance and Improvement	350,000	350,000	341,385	8,615
Harbour Town Dredge	600,000	600,000	600,000	-
Total Beach Maintenance	21,599,000	21,599,000	1,849,806	19,749,194
Facilities Improvements:				
Town Hall Renovations	1,745,589	1,745,589	281,922	1,463,667
Honey Horn Improvements	628,500	632,508	632,507	1
Computer Software Equipment	1,582,000	1,544,822	1,390,761	154,061
Fire/Medical Systems and Equipment	493,000	493,000	207,789	285,211
Security Cameras - Shelter Cove	266,500	266,500	215,438	51,062
Fire Hydrant Expansion	50,000	50,000	-	50,000
BCSO Renovations	50,000	45,992	-	45,992
Historic Mitchelville Freedom Park	1,054,702	1,054,702	146,384	908,318
Toll Plaza Building Demolition	-	-	(4,935)	4,935
Facilities and Equipment Contingency	100,000	65,300	-	65,300
Wild Wing Café Demo	500,000	500,000	454,448	45,552
Tree Planting/Forest Management	500,000	500,000	461,220	38,780
Fire Station Replacements	1,127,000	1,138,650	976,123	162,527
Fire Training Center Replacements	10,000	10,000	10,000	-
Fire Rescue HQ Replacements	85,000	85,000	78,592	6,408
EOC Replacements	35,000	35,000	29,973	5,027
Security Access Upgrades	175,000	175,584	129,813	45,771
Fire Apparatus, Vehicle Replacement and Shed	7,031,677	11,484,707	4,517,048	6,967,659
Town Vehicle Replacements	266,000	325,644	280,942	44,702
Total Facilities Improvements	15,699,968	20,152,998	9,808,025	10,344,973

(Continued)

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

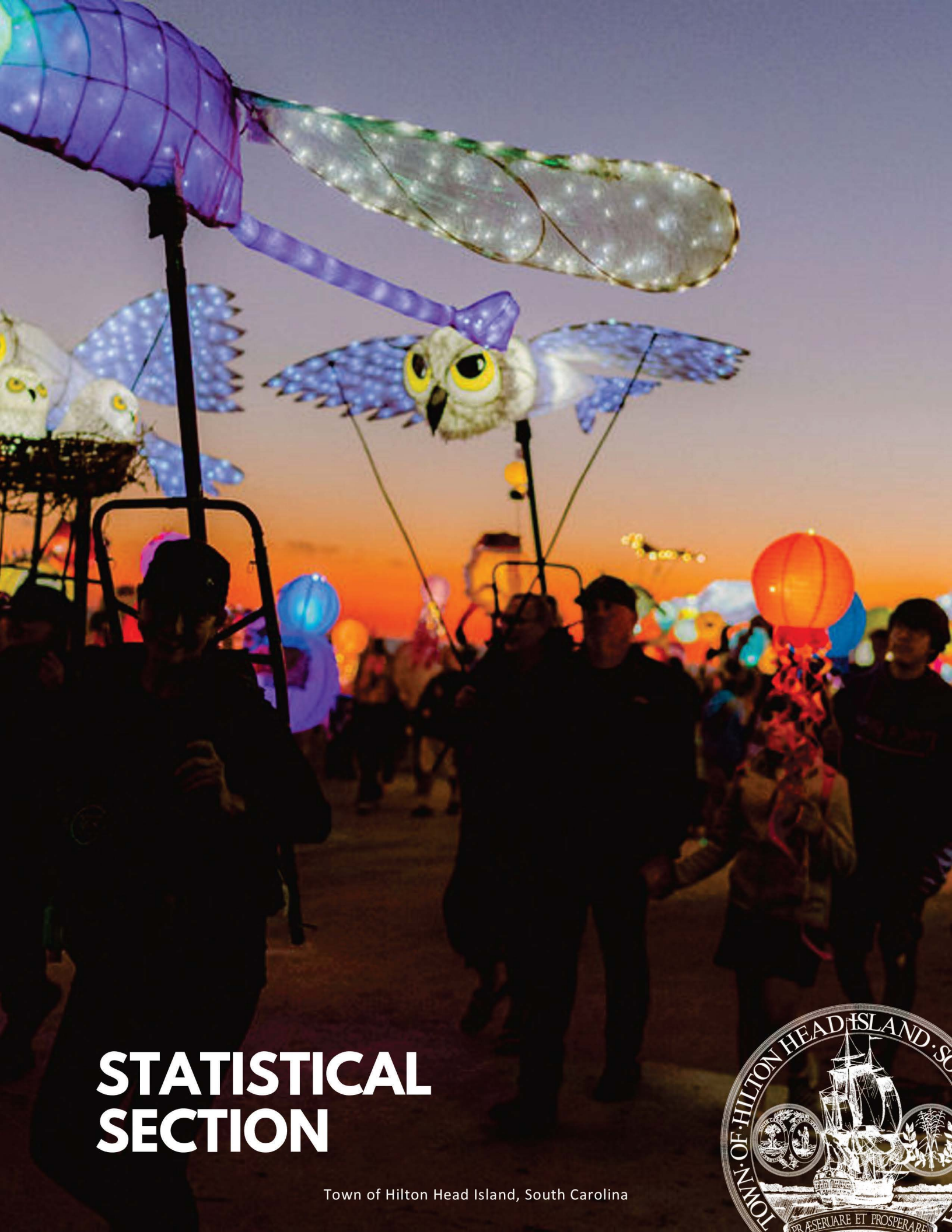
**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
CAPITAL IMPROVEMENTS PROGRAM FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
EXPENDITURES (CONTINUED)				
Roadway Improvements:				
Dirt Road Acquisition and Paving Program	\$ 2,723,500	\$ 2,723,500	\$ 141,546	\$ 2,581,954
William Hilton Parkway Enhancements	1,900,000	2,750,000	2,278,308	471,692
Pope Avenue, Palmetto Bay Road, Arrow Road and New Orleans Road Streetscape Enhancements	1,133,718	1,133,718	343,832	789,886
Main Street Enhancements	2,000,000	1,350,000	61,634	1,288,366
Other Roadway Enhancements	2,560,000	2,360,000	1,630,083	729,917
Total Roadway Improvements	10,317,218	10,317,218	4,455,403	5,861,815
Stormwater Projects:				
Wexford	500,000	1,332,220	578,305	753,915
Sea Pines	-	198,710	198,710	-
Palmetto Hall	100,000	80,000	-	80,000
Non-PUD	600,000	582,380	79,612	502,768
Total Stormwater Projects	1,200,000	2,193,310	856,627	1,336,683
Pathway Improvements:				
Pathway Improvements	5,500,000	5,500,000	697,207	4,802,793
Total Pathway Improvements	5,500,000	5,500,000	697,207	4,802,793
Total Capital Outlay	74,381,459	88,720,703	30,998,371	57,722,332
Debt service	-	-	67,740	(67,740)
TOTAL EXPENDITURES	74,381,459	88,720,703	31,066,111	57,654,592
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(70,923,345)	(85,262,589)	(29,583,252)	55,679,337
OTHER FINANCING SOURCES (USES)				
Sale of Land	1,283,020	1,283,020	9,075	(1,273,945)
Transfers in:				
Beach Preservation Fees	21,275,174	21,275,174	1,015,716	(20,259,458)
State Accommodations Tax	3,200,000	3,200,000	1,255,106	(1,944,894)
Hospitality Tax	25,532,803	29,985,833	9,572,566	(20,413,267)
Tax Increment Financing	8,285,717	14,160,717	6,133,067	(8,027,650)
Road Usage Fee	762,871	762,871	481,323	(281,548)
Electric Franchise Fee	8,497,848	8,497,848	8,497,848	-
Real Estate Transfer Fee	885,912	3,903,816	3,336,557	(567,259)
Stormwater Utility Fee	1,200,000	2,193,310	1,182,552	(1,010,758)
TOTAL OTHER FINANCING SOURCES (USES)	70,923,345	85,262,589	31,483,810	(53,778,779)
NET CHANGE IN FUND BALANCES	-	-	1,900,558	1,900,558
FUND BALANCES - Beginning of Year	7,675,346	7,675,346	7,675,346	-
FUND BALANCES - End of Year	\$ 7,675,346	\$ 7,675,346	\$ 9,575,904	\$ 1,900,558

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
STORMWATER UTILITY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL	AMOUNTS	VARIANCE
OPERATING REVENUES				
Stormwater Utility Fees	\$ 5,067,000	\$ 5,067,000	\$ 5,384,264	\$ 317,264
Permit Fees	112,420	112,420	208,720	96,300
TOTAL OPERATING REVENUES	5,179,420	5,179,420	5,592,984	413,564
OPERATING EXPENSES				
Planned Unit Developments:				
Hilton Head Plantation	-	-	122,684	(122,684)
Palmetto Dunes	-	-	89,988	(89,988)
Palmetto Hall Plantation	-	17,253	14,317	2,936
Shipyard Plantation	-	-	93,244	(93,244)
Sea Pines Plantation	-	55,770	515,886	(460,116)
Spanish Wells Plantation	-	403,000	234,921	168,079
Wexford Plantation	-	492,175	470,059	22,116
Total Planned Unit Developments	-	968,198	1,541,099	(572,901)
Non-Planned Unit Developments:				
Stormwater Maintenance	559,000	977,652	528,285	449,367
Inventory and Modeling	670,000	676,742	201,493	475,249
Pump Station	-	116,022	188,076	(72,054)
Total Non-Planned Unit Developments	1,229,000	1,770,416	917,854	852,562
Other Non-Classified Expenses:				
Contingency - PUD	1,177,000	1,177,000	-	1,177,000
Contingency - Maintenance	500,000	500,000	-	500,000
Contingency - Non-PUD	680,000	680,000	201,545	478,455
Contingency - Pump Stations	390,000	390,000	-	390,000
Total Other Non-Classified Expenses	2,747,000	2,747,000	201,545	2,545,455
Other Operating Expenses:				
Administrative Salaries/Benefits	842,381	842,381	770,240	72,141
Administrative Operating	205,570	205,570	188,291	17,279
Depreciation	1,100,000	1,100,000	998,206	101,794
Total Other Operating Expenses	2,147,951	2,147,951	1,956,737	191,214
TOTAL OPERATING EXPENSES	6,123,951	7,633,565	4,617,235	3,016,330
OPERATING INCOME (EXPENSE)	(944,531)	(2,454,145)	975,749	3,429,894
NON-OPERATING INCOME (EXPENSES):				
Investment Income	150,000	150,000	351,131	201,131
Loss on Refunding	(89,061)	(89,061)	(89,061)	-
Interest Expense	(52,513)	(52,513)	(48,347)	4,166
TOTAL NON-OPERATING INCOME (EXPENSES)	8,426	8,426	213,723	205,297
INCOME BEFORE TRANSFERS	(936,105)	(2,445,719)	1,189,472	3,635,191
Transfers Out - General Fund	(125,000)	(125,000)	(125,000)	-
Transfers Out - CIP	(1,135,000)	(1,182,553)	(1,182,553)	-
Total Transfers	(1,260,000)	(1,307,553)	(1,307,553)	-
NET CHANGE IN FUND NET POSITION	(2,196,105)	(3,753,272)	(118,081)	3,635,191
NET POSITION - Beginning of Year	13,754,708	13,754,708	13,754,708	-
NET POSITION - End of Year	\$ 11,558,603	\$ 10,001,436	\$ 13,636,627	\$ 3,635,191



STATISTICAL SECTION

Town of Hilton Head Island, South Carolina



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATISTICAL SECTION (UNAUDITED)

This part of the Town of Hilton Head Island, South Carolina (the “Town”) Annual Comprehensive Financial Report (“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>
Financial Trends	130 – 135
<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>	
Revenue Capacity	136 – 141
<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>	
Debt Capacity	142 – 146
<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>	
Demographic and Economic Information	147 and 148
<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>	
Operating Information	149 – 151
<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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
Net investment in capital assets	\$ 169,753,952	\$ 135,840,935	\$ 123,118,927	\$ 125,075,197	\$ 144,351,204	\$ 160,928,772	\$ 171,793,112	\$ 193,206,220	\$ 226,540,130	\$ 238,218,393
Restricted	31,347,375	49,430,348	73,002,476	90,782,943	90,551,046	110,004,264	142,438,709	152,740,166	161,752,478	172,256,516
Unrestricted	13,639,863	(1,278,494)	12,993,432	7,012,374	7,245,410	10,094,542	13,350,215	25,214,064	34,346,210	50,079,290
Total Governmental activities net position	<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>	<u>\$ 422,638,818</u>	<u>\$ 460,554,199</u>
Business-Type activities										
Net investment in capital assets	\$ 4,759,203	\$ 4,478,605	\$ 4,911,086	\$ 4,660,533	\$ 4,896,777	\$ 6,847,044	\$ 7,003,964	\$ 7,141,697	\$ 7,294,431	\$ 7,455,046
Unrestricted	2,395,261	2,308,143	3,402,531	4,739,679	4,982,778	3,191,779	3,536,776	6,036,913	6,460,277	6,181,581
Total Business-Type activities net position	<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>	<u>\$ 13,754,708</u>	<u>\$ 13,636,627</u>
Total	<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>	<u>\$ 436,393,526</u>	<u>\$ 474,190,826</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

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

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental Activities:										
General Government	\$ 6,119,293	\$ 9,177,681	\$ 5,182,132	\$ 6,041,666	\$ 2,543,044	\$ 487,594	\$ 7,125,075	\$ 7,975,006	\$ 7,580,451	\$ 15,856,113
Management Services	5,240,408	5,030,374	5,682,232	5,410,617	5,575,062	6,087,358	7,227,923	8,020,828	9,509,361	10,139,102
Community Services	18,658,764	28,419,138	38,440,753	24,884,430	21,948,681	25,648,683	19,554,577	22,647,879	21,936,453	22,135,310
Public Safety	19,802,724	63,979,026	25,913,844	21,377,534	20,793,073	18,983,033	21,344,565	24,258,123	25,142,426	33,260,109
Culture and Recreation	2,652,668	2,583,815	2,729,719	2,984,245	3,344,738	2,144,683	4,451,959	3,996,869	4,789,146	3,521,165
Visitor's and Convention Bureau	1,709,995	1,831,924	1,888,500	2,056,508	1,939,622	3,047,544	4,063,286	3,995,971	3,829,597	3,942,797
Administration	212,356	517,130	34,635	33,801	35,540	71,279	69,575	49,756	48,831	52,297
Interest on debt	3,042,722	2,312,765	6,725,441	4,796,359	4,751,574	3,321,054	3,056,276	2,621,386	3,053,568	4,824,675
Total Governmental Activities expenses	57,438,930	113,851,853	86,597,256	67,585,160	60,931,334	59,791,228	66,893,236	73,565,818	75,889,833	93,731,568
Business-Type Activities:										
Stormwater	2,755,139	2,856,923	3,143,464	3,759,466	4,410,846	4,768,127	2,429,938	2,963,497	4,165,209	4,754,643
Total Business-Type Activities expenses	2,755,139	2,856,923	3,143,464	3,759,466	4,410,846	4,768,127	2,429,938	2,963,497	4,165,209	4,754,643
Total Primary Governmental Expenses	<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>	<u>\$ 80,055,042</u>	<u>\$ 98,486,211</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 3,168,940	\$ 1,943,264	\$ 2,045,077	\$ 1,586,816	\$ 1,619,639	\$ 2,125,382	\$ 2,001,045	\$ 1,570,126	\$ 2,315,139	\$ 2,461,684
Management Services	8,224,310	9,289,682	11,196,245	10,692,146	9,695,618	11,265,459	15,246,918	13,531,475	15,821,918	18,795,752
Community Services	10,016,676	10,806,905	11,385,333	11,696,013	11,114,700	15,332,256	17,385,766	18,372,448	18,799,267	22,412,122
Public Safety	1,486,087	1,480,903	1,731,897	1,769,028	1,491,532	1,778,174	2,019,553	2,253,124	2,253,987	2,628,941
Administration	2,887,147	2,780,312	3,463,489	3,380,107	3,552,965	7,127,885	6,957,245	4,975,631	4,883,205	5,228,355
Operating Grants and Contributions	838,915	12,923,774	32,450,642	73,867	820,896	2,985,776	2,568,077	8,645,141	2,499,359	3,851,053
Capital Grants and Contributions	19,956	1,330,261	194,510	111,000	890,000	151,926	193,187	213,166	3,692,991	430,640
Total Governmental Activities Program Revenues	26,642,031	40,555,101	62,467,193	29,308,977	29,185,350	40,766,858	46,371,791	49,561,111	50,265,866	55,808,547
Business-Type Activities:										
Charges for Services:										
Stormwater	3,551,400	3,583,005	4,775,637	4,895,801	4,928,623	5,043,167	5,081,075	5,066,598	5,397,615	5,592,984
Operating Grants and Contributions	44,272	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	3,595,672	3,583,005	4,775,637	4,895,801	4,928,623	5,043,167	5,081,075	5,066,598	5,397,615	5,592,984
Total Primary Governmental Program Revenues	<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>	<u>55,663,481</u>	<u>61,401,531</u>
Total Governmental Activities Net (Expense) Revenue	(30,796,899)	(73,296,752)	(24,130,063)	(38,276,183)	(31,745,984)	(19,024,370)	(20,521,445)	(24,004,707)	(25,623,967)	(37,923,021)
Total Business-Type Activities Net (Expense) Revenue	840,533	726,082	1,632,173	1,136,335	517,777	275,040	2,651,137	2,103,101	1,232,406	838,341
Total Primary Government Net (Expense) Revenue	<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>	<u>\$ (24,391,561)</u>	<u>\$ (37,084,680)</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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General revenues and other changes in Net position										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 22,576,837	\$ 23,111,039	\$ 29,312,409	\$ 29,772,468	\$ 30,556,573	\$ 31,500,198	\$ 32,604,260	\$ 29,539,637	\$ 32,431,390	\$ 29,060,955
Other taxes	15,447,140	16,223,664	16,731,696	18,165,865	16,316,483	23,796,636	30,502,844	30,693,713	30,309,233	32,568,730
Intergovernmental Revenue	1,131,882	1,185,671	1,128,623	1,181,437	1,133,664	1,185,499	939,654	1,204,689	1,210,055	1,298,281
Investment Earnings	48,922	57,785	763,029	2,090,240	2,038,353	206,983	213,524	5,643,495	10,370,776	10,534,072
Miscellaneous Revenue	1,206,601	875,192	1,191,352	696,852	853,057	1,037,378	657,007	865,587	820,993	1,068,811
Transfers	-	1,095,000	125,000	125,000	125,000	125,000	2,159,614	(365,000)	985,000	1,307,553
Total Governmental Activities General Revenues	40,411,382	42,548,351	49,252,109	52,031,862	51,023,130	57,851,694	67,076,903	67,582,121	76,127,447	75,838,402
Business-Type Activities:										
Investment earnings	443	1,202	19,696	75,260	86,566	9,228	10,394	169,769	328,692	351,131
Transfers	(94,258)	(1,095,000)	(125,000)	(125,000)	(125,000)	(125,000)	(2,159,614)	365,000	(985,000)	(1,307,553)
Total Business-Type Activities General Revenues	(93,815)	(1,093,798)	(105,304)	(49,740)	(38,434)	(115,772)	(2,149,220)	534,769	(656,308)	(956,422)
Total Primary Government General Revenues	40,317,567	41,454,553	49,146,805	51,982,122	50,984,696	57,735,922	64,927,683	68,116,890	75,471,139	74,881,980
Change in Net Position										
Governmental Activities	9,614,483	(30,748,401)	25,122,046	13,755,679	19,277,146	38,827,324	46,555,458	43,577,414	50,503,480	37,915,381
Business-Type Activities	746,718	(367,716)	1,526,869	1,086,595	479,343	159,268	501,917	2,637,870	576,098	(118,081)
Cumulative Change in Accounting Principle	-	-	-	-	-	52,594	-	-	-	-
Total Primary Government	\$ 10,361,201	\$ (31,116,117)	\$ 26,648,915	\$ 14,842,274	\$ 19,756,489	\$ 39,039,186	\$ 47,057,375	\$ 46,215,284	\$ 51,079,578	\$ 37,797,300

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

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

(accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 3,168,940	\$ 1,943,264	\$ 2,045,077	\$ 1,586,816	\$ 1,619,639	\$ 2,125,382	\$ 2,001,045	\$ 1,570,126	\$ 2,315,139	\$ 2,461,684
Management Services	8,224,310	9,289,682	11,196,245	10,692,146	9,695,618	11,265,459	15,246,918	13,531,475	15,821,918	18,795,752
Community Services	10,016,676	10,806,905	11,385,333	11,696,013	11,114,700	15,332,256	17,385,766	18,372,448	18,799,267	22,412,122
Public Safety	1,486,087	1,480,903	1,731,897	1,769,028	1,491,532	1,778,174	2,019,553	2,253,124	2,253,987	2,628,941
Administration	2,887,147	2,780,312	3,463,489	3,380,107	3,552,965	7,127,885	6,957,245	4,975,631	4,883,205	5,228,355
Operating Grants and Contributions	838,915	12,923,774	32,450,642	73,867	820,896	2,985,776	2,568,077	8,645,141	2,499,359	3,851,053
Capital Grants and Contributions	19,956	1,330,261	194,510	111,000	890,000	151,926	193,187	213,166	3,692,991	430,640
Total Governmental Activities Program Revenues	<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>	<u>50,265,866</u>	<u>55,808,547</u>
Business-Type Activities:										
Charges for Services:										
Stormwater	3,551,400	3,583,005	4,775,637	4,895,801	4,928,623	5,043,167	5,081,075	5,066,598	5,397,615	5,592,984
Operating Grants and Contributions	44,272	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	<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>	<u>5,397,615</u>	<u>5,592,984</u>
Total Primary Governmental Program Revenues	<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>	<u>\$ 55,663,481</u>	<u>\$ 61,401,531</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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,475	\$ 28,585	\$ 89,206
Restricted	66,025	66,025	66,129	66,593	-	-	-	-	-	-
Committed	15,171,715	11,515,420	13,278,518	17,939,891	18,750,207	17,593,863	26,741,992	23,192,000	24,370,000	24,370,000
Assigned	2,013,643	821,728	2,144,266	1,023,117	930,589	424,261	-	-	-	-
Unassigned	3,700,049	3,700,049	3,352,382	2,071,086	2,430,688	7,657,894	2,320,873	10,292,333	15,138,084	27,911,157
Total General Fund	<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>	<u>\$ 39,536,669</u>	<u>\$ 52,370,363</u>
All Other Governmental Funds:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
Restricted	31,282,350	49,364,323	109,296,730	116,113,844	102,963,099	114,907,038	144,935,948	152,740,166	164,430,089	175,517,734
Committed	12,000,000	5,080,403	11,873,362	5,080,403	5,080,403	5,080,403	5,080,403	12,000,000	12,000,000	12,000,000
Assigned	2,273,000	-	-	-	-	-	-	-	-	-
Unassigned	6,677	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<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>	<u>\$ 176,480,089</u>	<u>\$ 187,567,734</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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes (see Schedule 6) ^a	\$ 38,023,977	\$ 39,334,703	\$ 45,826,550	\$ 47,989,888	\$ 46,825,220	\$ 55,308,751	\$ 63,192,901	\$ 60,377,328	\$ 62,736,335	\$ 61,637,512
Licenses, Fees and Permits	23,738,338	24,465,801	28,015,121	27,181,697	25,989,119	36,189,732	41,286,600	38,603,676	41,817,805	48,896,963
Fines and Penalties	210,243	245,826	164,849	73,665	-	-	-	-	-	-
Charges for Services	1,556,125	1,536,927	1,786,657	1,790,359	1,531,033	1,819,579	2,374,603	2,261,679	2,254,271	2,628,121
Intergovernmental	1,295,538	15,492,218	29,157,777	5,485,057	3,034,774	4,325,031	3,992,829	10,065,186	7,403,845	5,581,744
Investment Earnings	48,922	57,783	763,029	2,090,240	2,038,356	206,984	213,524	5,643,495	10,370,776	10,534,072
Other Revenues	1,242,066	858,358	993,434	720,238	735,477	655,395	603,420	663,485	882,501	971,108
Total Revenues	<u>\$ 66,115,209</u>	<u>\$ 81,991,616</u>	<u>\$ 106,707,417</u>	<u>\$ 85,331,144</u>	<u>\$ 80,153,979</u>	<u>\$ 98,505,472</u>	<u>\$ 111,663,877</u>	<u>\$ 117,614,849</u>	<u>\$ 125,465,533</u>	<u>\$ 130,249,520</u>
Expenditures										
General Government	\$ 1,203,788	\$ 4,419,410	\$ 1,348,800	\$ 1,619,103	\$ 1,909,225	\$ 1,923,342	\$ 1,726,570	\$ 2,203,343	\$ 2,477,777	\$ 2,113,733
Management Services	4,947,486	4,990,115	5,604,443	5,218,339	5,411,725	5,779,364	7,080,011	7,778,093	9,020,898	9,549,647
Community Services	7,804,951	8,730,949	9,553,266	10,323,707	10,754,044	9,942,318	11,408,989	13,178,837	14,236,270	15,550,338
Public Safety	17,926,916	62,181,211	23,450,584	19,714,618	20,153,939	21,362,118	20,147,211	22,812,861	23,772,914	24,286,458
Non-departmental	4,350,151	4,358,634	3,827,008	3,790,863	4,063,621	4,925,733	4,665,487	5,012,848	7,608,629	9,693,786
Accommodations Tax Grants	2,652,668	2,583,815	2,729,719	2,984,245	3,344,738	2,144,683	4,451,959	3,996,869	4,789,146	3,521,165
Visitor's and Convention Bureau	1,709,995	1,831,924	1,888,500	2,056,508	1,939,622	3,047,544	4,063,286	3,995,971	3,829,597	3,942,797
Administration	28,871	27,817	34,635	33,801	35,540	71,279	69,575	49,756	48,831	52,297
Capital outlay	13,839,880	25,222,144	34,458,285	21,722,195	23,720,347	14,204,129	7,554,151	20,574,360	26,950,600	30,998,369
Debt service:										
Principal	7,420,000	8,040,000	56,830,000	15,830,000	15,335,000	15,655,000	15,545,000	16,358,114	13,458,420	13,025,014
Interest	3,278,425	2,432,746	5,109,591	5,109,046	4,436,262	4,138,637	3,769,566	3,333,296	2,854,804	2,433,807
Fiscal charges	11,025	17,125	14,175	243,869	519,267	408,206	16,100	18,850	15,852	150,026
Issuance costs	-	472,186	2,086,419	-	-	-	-	-	-	-
Total expenditures	<u>\$ 65,174,156</u>	<u>\$ 125,308,076</u>	<u>\$ 146,935,425</u>	<u>\$ 88,646,294</u>	<u>\$ 91,623,330</u>	<u>\$ 83,602,353</u>	<u>\$ 80,497,905</u>	<u>\$ 99,313,198</u>	<u>\$ 109,063,738</u>	<u>\$ 115,317,437</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 941,053	\$ (43,316,460)	\$ (40,228,008)	\$ (3,315,150)	\$ (11,469,351)	\$ 14,903,119	\$ 31,165,972	\$ 18,301,651	\$ 16,401,795	\$ 14,932,083
Other financing sources (uses)										
Transfers In	\$ 24,374,977	37,140,890	19,020,874	25,724,979	26,088,860	28,876,843	24,460,585	35,257,575	53,774,149	55,150,251
Transfers Out	(24,280,719)	(36,045,890)	(18,895,874)	(25,599,979)	(25,963,860)	(28,751,843)	(22,300,971)	(35,622,575)	(52,789,149)	(53,842,698)
Sale of Capital Assets	1,078,410	-	11,001	3,691	326,182	19,160	90,171	38,656	36,048	97,703
Financed Purchases	-	-	-	-	-	-	-	-	-	7,584,000
SBITAs	-	-	-	-	-	-	-	1,188,451	350,941	-
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)	-	-	-	-
Total Other Financing Sources (Uses)	1,172,668	47,350,949	109,691,447	5,598,697	(670,597)	552,761	2,249,785	862,107	1,371,989	8,989,256
Net Change in Fund Balance	<u>\$ 2,113,721</u>	<u>\$ 4,034,489</u>	<u>\$ 69,463,439</u>	<u>\$ 2,283,547</u>	<u>\$ (12,139,948)</u>	<u>\$ 15,455,880</u>	<u>\$ 33,415,757</u>	<u>\$ 19,163,758</u>	<u>\$ 17,773,784</u>	<u>\$ 23,921,339</u>
Capitalized Capital Outlay Expenditures	\$ 4,602,059	\$ 7,876,100	\$ 11,904,432	\$ 10,506,785	\$ 20,395,803	\$ 12,836,863	\$ 3,965,048	\$ 15,046,169	\$ 25,354,477	\$ 18,510,779
Debt Service as a Percentage of										
Non-Capital Expenditures ^b	17.7%	8.9%	45.9%	26.8%	27.8%	28.0%	25.2%	23.4%	19.5%	16.0%

Notes:

^aProperty Tax Reassessments performed in 2018.

^bRatio calculated by dividing total debt service expenditures (principal and interest) by total noncapital expenditures (the difference between total expenditures and capitalized capital outlay expenditures).

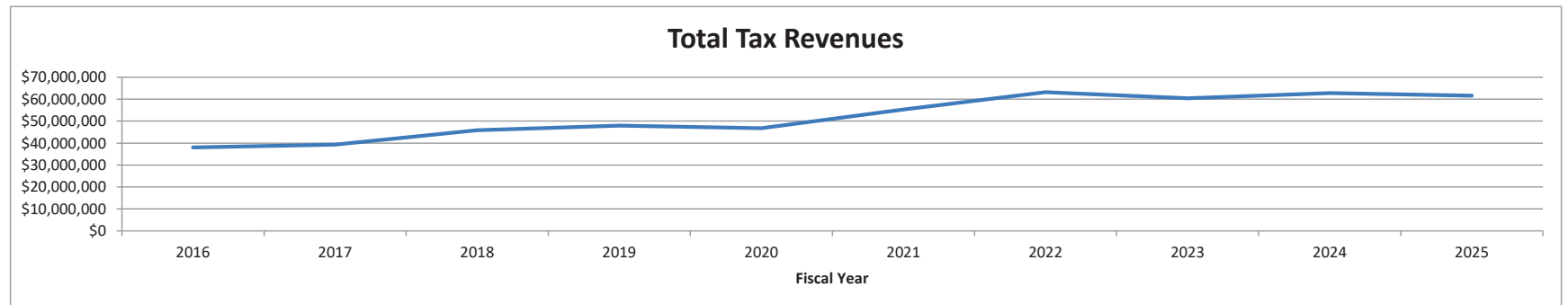
TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

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

(modified accrual basis of accounting)

Fiscal Year Ended June 30,	Property Tax	Accommodations Tax	Hospitality Tax	Total
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
2024	32,427,102	19,734,854	10,574,379	62,736,335
2025	29,068,782	22,009,068	10,559,662	61,637,512

Change				
2016 – 2025	28.75%	146.16%	62.30%	62.10%



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

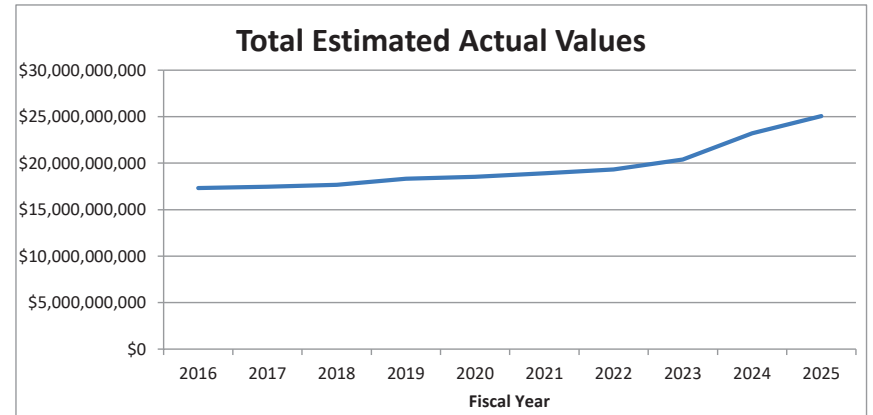
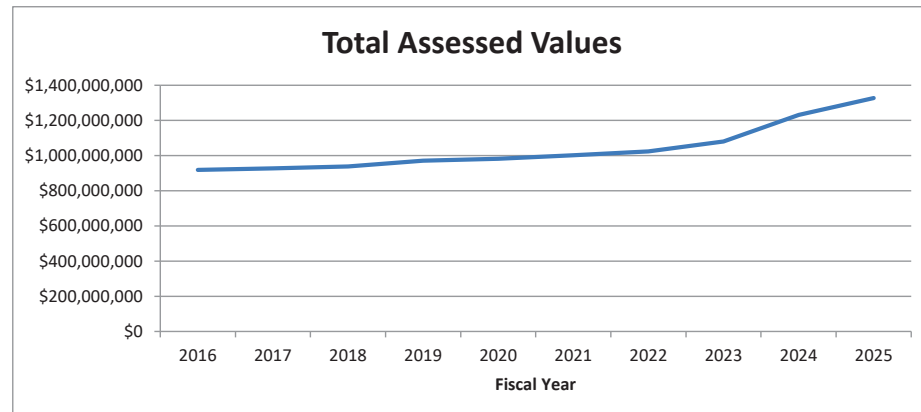
SCHEDULE 7 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS UNAUDITED

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		
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%
2024	2023	1,186,389,670	22,541,987,923	44,297,680	684,571,849	1,230,687,350	23,226,559,772	21.40	5.30%
2025	2024	1,282,996,970	24,377,574,194	44,268,640	684,123,068	1,327,265,610	25,061,697,262	21.40	5.30%

Source:
Beaufort County Assessor's Office and 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 ^a			Direct and 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 ¹	
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
2024	15.90	5.50	-	-	21.40	59.50	158.10	8.55	247.55
2025	15.90	5.50	-	-	21.40	59.50	158.10	8.55	247.55

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 citizens.

Rates for debt service are set based on each year's requirements. The South Carolina legislature has also created laws that limit the millage rate increase for general operating purposes for Jan. - Dec. of the prior year average CPI for the region plus estimated population growth.

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

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

¹Water and sewage services are provided to the Town by Public Service Districts. The rates reported represent an average of the millage charges from 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 2025 Tax Year 2024			Fiscal Year 2016 Tax Year 2015		
	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	\$ 18,555,900	1	1.40%	\$ 19,149,210	1	2.08%
Palmetto Electric Co-op, Inc	5,986,040	2	0.45%	5,723,900	2	0.62%
Columbia Properties Hilton Head, LLC	5,720,240	3	0.43%	4,764,090	3	0.52%
Sea Pines Resort, LLC	5,487,670	4	0.41%	4,603,270	4	0.50%
SCG Hilton Head Property, LLC	4,458,110	5	0.34%	4,260,000	5	0.46%
Summitt Title Agency	3,832,670	6	0.29%	-		0.00%
Shelter Cove II, LLC	3,458,360	7	0.26%	-		0.00%
Shelter Cove III, LLC	3,101,900	8	0.23%	-		0.00%
AB PR QOZB II Property LLC	2,980,190	9	0.22%	-		0.00%
Beach House Resort Owner, LLC	2,618,800	10	0.20%	-		0.00%
Hargray Telephone Company Inc	-		0.00%	2,976,910	6	0.32%
Shelter Cove Towne Center, LLC	-		0.00%	2,060,260	7	0.22%
HPT IHG-2 Properties Trust	-		0.00%	1,440,000	8	0.16%
Hilton Head Health System LP	-		0.00%	1,423,500	9	0.15%
Publix Super Market INC	-		0.00%	1,244,060	10	0.14%
Total	\$ 56,199,880		4.23%	\$ 47,645,200		5.19%

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 Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2024	33,090,050	32,256,181	97.48%	170,921	32,427,102	98.00%
2025	29,701,889	28,703,906	96.64%	364,877	29,068,783	97.87%

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**

Fiscal Year	Town Direct Rate	Beaufort County	South Carolina
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%
2024	0%	1%	6%
2025	0%	0%	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 and ended February 28, 2025.

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 ¹	Per Capita ¹
	General Obligation Bonds	Special Obligation/TIF Bonds	Bond Anticipation Notes	Bond Premium	Financed Purchases	SBITAs	Total	Revenue Bonds			
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
2024	46,125,000	29,075,000	-	836,245	-	1,036,521	77,072,766	3,235,000	80,307,766	3.17%	2,108
2025	41,815,000	20,760,000	-	2,713,930	7,584,000	636,507	73,509,437	1,975,000	75,484,437	2.76%	1,978

¹See 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

Fiscal Year	General Obligation Bonds	Restricted Net Position for Debt Service	Net Bonded Debt	Percentage of Actual Taxable Value ¹ of Property	Per Capita ²
2016	\$ 51,606,596	\$ -	\$ 51,606,596	0.30%	\$ 1,274
2017	92,457,411	-	92,457,411	0.52%	2,283
2018	87,741,233	-	87,741,233	0.48%	2,191
2019	86,497,396	-	86,497,396	0.47%	2,182
2020	78,364,596	-	78,364,596	0.41%	1,966
2021	70,264,563	-	70,264,563	0.36%	1,763
2022	61,971,559	-	61,971,559	0.30%	1,628
2023	52,168,524	-	52,168,524	0.26%	1,370
2024	46,961,244	13,716,563	33,244,681	0.14%	873
2025	44,528,930	14,243,513	30,285,417	0.12%	794

Note 1:

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

Note 2:

Net bonded debt used for calculation beginning in fiscal year 2025 instead of total bonded debt.

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

²See 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

Government Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Beaufort County School District	\$ 520,046,600	43.37%	\$ 225,519,279
Beaufort County	180,025,000	43.37%	78,068,212
Broad Creek Public Service District	8,171,290	100.00%	8,171,290
Hilton Head No. 1 Public Service District	26,188,795	96.00%	25,141,243
Subtotal, overlapping debt	734,431,685		336,900,024
Town of Hilton Head Island direct debt	73,509,437	100.00%	73,509,437
Total direct and overlapping debt	<u>\$ 807,941,122</u>		<u>\$ 410,409,461</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.

¹The 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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt limit	\$ 73,499	\$ 74,132	\$ 75,074	\$ 77,684	\$ 78,527	\$ 80,140	\$ 81,957	\$ 86,479	\$ 98,455	\$ 106,181
Total net debt applicable to limit	7,268	51,767	50,216	51,483	47,538	44,442	39,601	34,727	30,115	28,490
Legal debt margin	\$ 66,231	\$ 22,365	\$ 24,858	\$ 26,201	\$ 30,989	\$ 35,698	\$ 42,356	\$ 51,752	\$ 68,340	\$ 77,691
Total net debt applicable to the limit as a percentage of debt limit	9.89%	69.83%	66.89%	66.27%	60.54%	55.46%	48.32%	40.16%	30.59%	26.83%
Legal Debt Margin Calculation										
Assessed value										\$ 1,327,266
Debt Limit (8% of total assessed value)										106,181
Council-imposed limit for disasters (20%) - minimum \$20 million										(21,236)
Total Debt Limit										84,945
Debt applicable to limit:										
General Obligation Bonds:										
2017A										24,555
2019										3,935
Total Net Debt Applicable to Limit										28,490
Legal Debt Margin										\$ 56,455

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 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:

- Those restrictions and limitations imposed in the authorization to incur such indebtedness;
- 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.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 16 PLEDGED REVENUE COVERAGE LAST TEN FISCAL YEARS UNAUDITED

Hospitality Tax Bonds						Tax Increment Financing ("TIF") Bonds					
Fiscal Year	Collections	Principal	Debt Service Interest	Total	Coverage	Collections	Principal	Debt Service Interest	Total	Coverage	
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	
2024	10,574,379	1,110,000	327,134	1,437,134	7.36	7,844,686	3,795,000	136,259	3,931,259	2.00	
2025	10,559,662	1,140,000	303,158	1,443,158	7.32	3,258,859	3,860,000	68,708	3,928,708	0.83	

Stormwater Revenue Bonds						Beach Preservation Fee Revenue Bonds					
Fiscal Year	Collections	Principal	Debt Service Interest	Total	Coverage	Collections	Principal	Debt Service Interest	Total	Coverage	
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	
2024	5,275,035	1,240,000	68,821	1,308,821	4.03	13,889,049	3,155,000	793,375	3,948,375	3.52	
2025	5,384,264	1,260,000	52,513	1,312,513	4.10	17,268,782	3,315,000	631,625	3,946,625	4.38	

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 17 DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN CALENDAR YEARS UNAUDITED

Calendar Year	Population ¹	Personal Income (in thousands)	Per Capita Personal Income ²	Annual Unemployment Rate ³
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%
2024	38,097	2,533,679	66,506	3.1%
2025	38,158	2,739,287	71,788	4.0%

Source:

¹Provided by the U.S. Census Bureau, Quick Facts.

²Provided by the U.S. Census Bureau.

³Provided 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

Employer	2025		2016	
	Number of Employees	Rank	Number of Employees	Rank
SERG Group Restaurants	841	1	822	1
Coastal Restaurants and Bars	715	2	N/A	N/A
Sea Pines Resort	687	3	693	2
Hilton Head Medical Ctr and Clinics	533	4	546	3
Marriott Vacation Club Intl	514	5	500	4
Beaufort County School District	444	6	500	5
Greenwood Communities & Resorts (Palmetto Dunes)	415	7	N/A	N/A
Cypress of Hilton Head	339	8	340	8
Publix Super Markets	328	9	N/A	N/A
Town of Hilton Head Island	300	10	242	N/A
TOTAL	5,116		3,643	

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,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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	5.0	5.0	7.0	8.0	8.0	7.0	8.0
Management Services										
Finance	15.6	17.6	20.3	20.7	19.7	19.2	19.2	21.2	24.0	26.6
Administration	21.0	22.1	23.3	20.7	20.7	24.2	23.2	28.2	35.2	33.6
Human Resources	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.8	4.8
Community Services										
Community Development	25.0	27.7	30.1	30.5	33.0	29.1	29.1	34.1	36.9	33.7
Public Projects and Facilities	22.0	23.0	23.0	25.0	26.0	29.0	29.0	29.0	35.6	33.8
Public Safety										
Fire and Rescue	143.7	140.9	144.3	141.3	142.5	142.5	142.5	146.8	153.6	152.8
Total	242.3	246.3	256.0	254.2	257.9	262.0	262.0	278.3	304.1	300.3

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).

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

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

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Management Services										
Business license accounts issued	5,908	6,507	6,944	6,689	6,529	7,177	12,574	16,310	13,720	14,148
Business license inspections	293	391	521	503	199	194	370	359	282	52
Business license audits	66	28	82	349	359	411	733	862	424	105
Hospitality tax accounts	461	380	374	379	377	368	396	405	438	440
Bed tax accounts	1,399	1,472	1,461	1,504	1,519	1,262	1,126	1,277	1,490	1,495
Beach passes issued	2,850	3,287	3,110	3,170	4,304	4,417	4,288	6,029	7,440	7,220
Number of court cases docketed ¹	3,862	4,886	3,858	-	-	-	-	-	-	-
Number of court cases disposed ¹	3,860	5,004	3,858	-	-	-	-	-	-	-
Number of search warrants issued ¹	6	5	7	-	-	-	-	-	-	-
Number of arrest warrants issued ¹	307	284	199	-	-	-	-	-	-	-
Number of bench warrants issued ¹	312	390	117	-	-	-	-	-	-	-
Community Services										
Community Development										
Building inspections conducted	15,647	16,957	21,124	21,063	20,470	18,942	21,410	26,069	20,329	21,861
Building permits issued	144	206	257	200	220	307	236	103	106	166
Miscellaneous permits issued	5,015	5,641	5,316	5,091	4,625	5,337	5,089	4,443	4,352	4,816
Public Projects and Facilities										
# of capital improvement projects to manage	22	34	41	35	31	35	87	67	85	87
# of beach access/parks to maintain	8	7	7	7	7	7	7	7	7	7
Miles of pathways to maintain	64	64	64	64	65	65	65	65	65	69
Maintenance work orders	5,100	5,000	5,000	5,000	5,502	6,404	5,952	12,426	10,015	9,877
Public Safety										
Fire and Rescue service calls	7,119	7,576	7,498	7,520	7,551	8,213	9,282	9,608	9,812	10,161
Actual fires extinguished	105	146	119	97	17	37	43	93	53	71
Inspections	3,196	1,960	2,594	2,636	3,042	3,874	2,031	2,843	3,091	5,095
Telephone requests	49,842	52,981	48,064	55,496	58,375	75,520	70,307	75,260	66,978	55,633
Public training programs	418	352	500	420	304	196	113	148	191	163

Source:

Various Town departments

Notes:

¹The 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									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
Town-owned parcels	224	221	145	146	146	147	147	152	159	159
Town-owned property acreage	1,307	1,307	1,307	1,303	1,293	1,295	1,294	1,315	1,349	1,349
Town-owned development rights	8	8	8	8	8	8	8	8	8	8
Town-owned easements	51	51	65	53	60	60	60	60	60	65
Management Services										
Town vehicles	38	38	40	43	42	42	42	50	55	57
Public Safety										
Emergency Apparatus Vehicles	28	29	29	30	30	28	30	30	30	42
General Vehicles	19	20	20	21	21	22	23	24	30	17
Fire Stations	7	7	7	7	7	7	7	7	7	7
Public Projects and Facilities*										
Traffic signals	23	23	23	23	29	29	26	26	26	27
Pathways (miles)	64	64	64	64	65	65	65	65	65	65
Beach access/parks	8	7	7	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 and Fire Codes function.

*All Town Roads are deeded to Beaufort County.

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**

**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, 2025, 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 4, 2025.

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.

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.

Mauldin & Jenkins, LLC

Savannah, Georgia
December 4, 2025



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

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 the Major Federal Program

Opinion on the 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, 2025. 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, 2025.

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 the 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 the 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.

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 4, 2025

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-through Grantor/Program Title	Federal AL Number	Grant Identification Number	Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
Direct Awards:				
Community Development Block Grant	14.218	B-20-MW-45-0014	\$ 188,564	\$ -
Community Development Block Grant	14.218	B-20-MW-45-0014	287,735	-
Community Development Block Grant	14.218	B-23-MC-45-0014	33,226	-
Total U.S. Department of Housing and Urban Development			509,525	-
<u>U.S. Department of Transportation</u>				
Passed Through - South Carolina Department of Transportation				
Emergency Planning	20.703	N/A	57,549	-
Hazardous Materials Training and Planning	20.703	23SHSP17	28,643	-
Total U.S. Department of Transportation			86,192	-
<u>U.S. Department of Treasury</u>				
Direct Awards:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	1,159,149	-
Total U.S. Department of Treasury			1,159,149	-
<u>U.S. Department of Homeland Security</u>				
Direct Awards:				
Assistance to Firefighters Grant - FD1014	97.025	22SHSP33	100	-
Assistance to Firefighters Grant - FD1014	97.025	23SHSP33	5,118	-
Assistance to Firefighters Grant	97.025	EMW-2021-FG-01767	137,612	-
BRIC Grant	97.047	EMA-2021-BR-158-0005	56,250	-
Passed through - SC Emergency Management Division				
Disaster Grants - Public Assistance - Hurricane Debby	97.036	4835	312,569	-
Disaster Grants - Public Assistance - Hurricane	97.036	4829	133,120	-
Total U.S. Department of Homeland Security			644,769	-
Total Expenditures of Federal Awards			\$ 2,399,635	\$ -

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards ("SEFA") includes the federal award activity of the Town of Hilton Head, South Carolina (the "Town") under programs of the federal government for the year ended June 30, 2025. 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, 2025.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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?

___ Yes X No

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

2024-001 Error Correction – GASB 75 Compliance

Criteria: Governmental Accounting Standards Board (“GASB”) Statement No. 75 requires entities with Other Post-Employment Benefit (“OPEB”) plans to record the actuarially determined deferred outflows of resources, deferred inflows of resources, and total OPEB liability in their financial statements.

Condition/Cause: The Town failed to report their OPEB plan in the prior year financial statements in accordance with GASB Statement No. 75.

Auditee Response/Status: Resolved.