

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2025 AND 2024

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**Note 8 – Long-term obligations (continued)**

**Bonds payable – Revenue – DBP (continued)**

The 2020C advance refunding met the requirements of an in-substance debt defeasance; accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2025 and 2024, the outstanding balance of the 2012A defeased bonds was \$0 and \$2,730,000, respectively, and the outstanding balance of the 2012B defeased bonds was \$0 and \$815,000, respectively. The refunding transaction resulted in a deferred amount on the refunding of \$401,233, which was recorded as a deferred outflow of resources and is being amortized over the 3.75 remaining life of the old bonds. The unamortized balance at June 30, 2025 and 2024 was \$0 and \$8,916, respectively. As a result of the refunding, the District increased its total debt service requirements by \$101,037, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$134,165. Interest on the bonds is payable semi-annually at 0.94% per annum. Principal payments are due annually on June 1st of each year beginning in 2021 and continuing through 2025. The Series 2020C revenue refunding bonds outstanding amounted to \$0 and \$850,000 at June 30, 2025 and 2024, respectively.

On February 24, 2023, the District issued \$235,000 of Series 2023 revenue bonds as a bank loan for purposes of funding sewer connections in certain previously unserved areas of the District. The bonds bear interest annually at 4.15% per annum and principal and interest payments of \$25,529 are due annually on June 1st of each year beginning in 2024 and continuing through 2035. The bonds are to be repaid by annual assessments to the owners in the areas that were connected over a 20-year period which will be collected by the county treasurer. The 2023 revenue bonds outstanding amounted to \$205,528 and \$221,851 at June 30, 2025 and 2024, respectively.

**Bonds payable – General Obligation – DBP**

On November 2, 2020, the District issued \$9,910,000 of general obligation refunding bonds as a bank loan to take advantage of favorable interest rates. Proceeds were used to refund the 2008 SRF GO loan, the 2008 SRF GO loan, the 2014 SRF GO loan, the 2007 GO bonds, the 2009 GO bonds, and the 2010 GO bonds. Proceeds in the amount of \$9,836,204 along with \$467,616 of the District's accrued debt service funds were used to pay the principal, accrued interest, and redemption premiums due on the refunded issuances as of November 2, 2020. The remaining proceeds were used to pay issuance costs. The refunding transaction resulted in a deferred amount on the refunding of (\$37,319), which was deemed immaterial to amortize and was recorded as a reduction of bond defeasance amortization expense in the year of refunding. As a result of the refunding, the District reduced its total debt service requirements by \$837,279, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$658,550. Interest on the bonds is payable semi-annually at 1.25% per annum. Principal payments are due annually on May 1st of each year beginning in 2021 and continuing through 2028. The 2020 general obligation bonds outstanding amounted to \$3,225,000 and \$4,470,000 at June 30, 2025 and 2024, respectively.

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## HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

#### Note 8 – Long-term obligations (continued)

#### Bonds payable – General Obligation – DBP (continued)

On November 5, 2024, the District issued \$20,400,000 of Series 2024B general obligation bonds as a bank loan to defray the costs of improvements and/or repairs to the District's water and wastewater systems including replacement of the Leg O Mutton booster pump, expansion of the RO plant, construction of an ASR 2 well, and replacement of three WWTP influent screw pumps. Interest on the bonds is payable semi-annually at 3.65% per annum. Principal payments are due annually on May 1st of each year beginning in 2028 and continuing through 2044. The 2024B revenue bonds outstanding amounted to \$20,400,000 and \$0 at June 30, 2025 and 2024, respectively.

Maturities and debt service costs of bonds, and notes payable are as follows:

Year Ended June 30,	Direct Borrowing/Placement		Total
	Principal	Interest	
2026	3,688,202	990,865	4,679,067
2027	3,768,547	944,042	4,712,589
2028	3,362,007	896,175	4,258,182
2029	3,139,587	845,117	3,984,704
2030	3,130,291	782,355	3,912,646
2031 - 2035	8,498,315	3,645,738	12,144,053
2036 - 2040	5,872,601	1,478,918	7,351,519
2032 - 2035	6,876,670	580,537	7,457,207
Grand Total	<u>\$ 38,336,220</u>	<u>\$ 10,163,747</u>	<u>\$ 41,042,760</u>

#### Note 9 – Non-current liabilities

The non-current liability activity during fiscal years 2025 and 2024 was as follows:

	June 30, 2024	Additions	Reductions	June 30, 2025	Amounts due within one year
Revenue bonds - DBP	12,650,096	-	(2,145,233)	10,504,863	2,136,822
GO bonds - DBP	4,470,000	20,400,000	(1,245,000)	23,625,000	1,300,000
Notes payable - Revenue/other - DBP	1,786,582	-	(144,020)	1,642,562	145,466
Notes payable - GO - DBP	-	2,589,929	(26,134)	2,563,795	105,914
Finance Purchase	80,920	-	(80,920)	-	-
Net pension liability	5,081,463	-	(310,429)	4,771,034	-
Subtotal	<u>\$ 24,069,061</u>	<u>\$ 22,989,929</u>	<u>\$ (3,951,736)</u>	<u>\$ 43,107,254</u>	<u>\$ 3,688,202</u>
Less current portion	<u>(3,615,174)</u>			<u>(3,688,202)</u>	
Noncurrent liabilities	<u>\$ 20,453,887</u>			<u>\$ 39,419,052</u>	



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## HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

#### **Note 9 – Non-current liabilities (continued)**

	June 30, 2023	Additions	Reductions	June 30, 2024	Amounts due within one year
Revenue bonds - DBP	14,761,265	-	(2,111,169)	12,650,096	2,145,233
GO bonds - DBP	5,910,000	-	(1,440,000)	4,470,000	1,245,000
Notes payable - Revenue/other - DBP	1,929,172	-	(142,590)	1,786,582	144,020
Finance Purchase	116,925	-	(36,005)	80,920	80,921
Net pension liability	5,213,073	-	(131,610)	5,081,463	-
Subtotal	\$ 27,930,435	\$ -	\$ (3,861,374)	\$ 24,069,061	\$ 3,615,174
Less current portion	(3,729,764)			(3,615,174)	
Noncurrent liabilities	<u>\$ 24,200,671</u>			<u>\$ 20,453,887</u>	

#### **Note 10 - Economic dependence**

The District has a service area that is located within the geographic boundaries of Hilton Head Island, South Carolina. A change in the overall economic conditions of this geographic area may have a significant influence upon the operating results of the District.

#### **Note 11 - Lease arrangements**

The District leases space on its water tower facilities to various cellular phone companies for attachment of antennae with agreements ranging from one year to ten years with interest rates between 3% and 5%. The District recognized \$646,058 and \$630,767 of revenue for the years ended June 30, 2025 and 2024, respectively, including lease revenue of \$614,001 and \$598,399, respectively, and interest revenue of \$32,057 and 32,368, respectively. Principal and interest payments due under non-cancellable terms are as follows:

Years ended June 30,	Principal	Interest	Total
2026	484,041	34,453	518,494
2027	321,277	27,092	348,369
2028	287,252	17,454	304,706
2029	196,781	8,837	205,618
2030	97,770	2,933	100,703
Grand Total	1,387,121	90,769	1,477,890

The District is also currently renting office space and land use to third parties. These agreements have clauses that allow either party to cancel without cause with less than a year's notice. Rental income in connection with these arrangements was \$88,564 and \$87,674 for the years ended June 30, 2025 and 2024, respectively.

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## HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

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#### **Note 12 – Risk Management, disaster recovery, and insurance recoveries**

The District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; job related injuries or illnesses to employees; natural disasters and employee health and accidents. To insure against casualty risks the District is a member of the State of South Carolina Insurance Reserve Fund (SC IRF), a public entity risk pool currently operating as a common risk management and insurance program for local governments in South Carolina. The SC IRF discontinued its coverage of underground lines in 2024. The District was unable to find a comparable policy for those assets so it is self-funding damage to these assets going forward through its operating cash reserves.

The District acquires insurance from the State Accident Fund for job related injury and illness (Workers' Compensation) to its employees. Workers' Compensation is insured under a retrospectively rated policy where premiums paid are estimated throughout the year and adjusted subsequent to the policy period based on actual experience. Medical insurance coverage, encompassing health, dental, life and other medical benefits to employees and their dependents, was obtained via the State's group insurance program.

There were no significant reductions in insurance coverage from the previous year and no settlements have exceeded insurance coverage for the fiscal years ended June 30, 2025 and 2024. During 2025 and 2024, the District did not experience any material uninsured claims. Accordingly, there was no liability or expense recorded for other actual claims and management does not believe any provision for unasserted claims is necessary.

During the year ended June 30, 2025 and 2024, \$16,677 and \$21,316, respectively, was received for non-disaster related insurance recoveries of which \$16,677, and \$15,316, respectively, were offset against the related repair expense. The remaining \$0 and \$6,000 for the years ended June 30, 2025 and 2024, respectively, is included in disaster and insurance recovery income on the statement of revenues, expenses, and changes in net position as the related asset replacement was not specifically identifiable to remove from the District's capital asset records.

On August 8, 2024, Hurricane Dorian impacted Beaufort County. There were no damages to insured assets. The District was approved for and received \$22,882 of federal FEMA and SC Emergency Management Division assistance for expenses that were not directly identifiable such as overtime payroll to operate an emergency operations center as well as per diem payments for usage of District equipment in preparation efforts. For the year ended June 30, 2025, \$22,882 has been included in disaster and insurance recovery income on the statement of revenues, expenses, and changes in net position related to this event.

#### **Note 13 - Construction and development commitments**

##### **Policy**

The District has financed a portion of its expansion through direct charges to developers and through governmental grants. Developers install the systems within a given area and/or contribute toward treatment plant or water production facilities in exchange for a portion of the capacity. All systems contributed must be approved by the District and are contributed, generally without cost to the District, once they are completed and acceptable for use.



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**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2025 AND 2024

**Note 13 - Construction and development commitments (continued)**

**Regulatory mandates**

The District, as well as some other water utilities on Hilton Head Island, South Carolina, have entered into contracts for additional water supply sources to meet its future needs due to restrictions placed on the District by the South Carolina Department of Environmental Services. The restrictions and contract for water supply have a significant financial impact on the District. During the year June 30, 2015, the District signed its current agreement with Beaufort-Jasper Water & Sewer Authority (BJWSA) to provide an additional water supply for the District's service area. Since completion of the water supply construction, the District is required under the agreement to purchase a minimum of 1 million gallons of water per day, based upon BJWSA's operation and maintenance cost for providing the water. Purchases from BJWSA amounted to \$1,674,077 and \$1,078,633 for the years ended June 30, 2025 and 2024, respectively, of which \$277,050 and \$283,544, respectively, were injected into the ASR system. Water withdrawn from the ASR system totaled \$249,076 and \$266,461 for the years ended June 30, 2025 and 2024, respectively.

**Expansion**

As part of an overall funding plan for expansion of the District's present facilities, the District has entered into various contracts with developers and others. Under these contracts, contributions of capital assets valued at \$222,500 and \$863,172 and payments of capacity fees totaling \$170,944 and \$1,381,832 were collected during the fiscal years ended June 30, 2025 and 2024, respectively. All developer contract commitments entered into prior to the current expansion program have been substantially met. The District extended its boundaries to include those undeveloped areas on the northern part of the island under developer contracts. The cost of expansion is allocated to the developers based upon capacity requested. The infrastructure necessary to connect or serve the developers' property will be constructed by the developers and contributed to the District at no cost to the District; these contributions totaled \$222,500 and \$853,392 for the years ended June 30, 2025 and 2024, respectively, and are included as part of developer contributions of systems. During the year ended June 30, 2024, the Town also contributed \$9,780 toward leasehold improvements as a part of its rental agreement with the District for office space.

**Construction commitments**

The District had outstanding engineering and construction contract commitments of \$22,895,903 and \$2,738,422 at June 30, 2025 and 2024, respectively.

**Note 14 - Deferred compensation plans**

**Section 457/401(k) Plan**

In April 2004, the District reactivated its Internal Revenue Code Section 457 retirement plan. All persons employed by the District on March 31, 2004 became eligible employees. In May 2012, the District also adopted a 401(k) Plan option. Under the Plan, all participants may make an elective deferral up to 100% of their annual compensation subject to the Internal Revenue Code maximum contribution limitations. The District makes a 6% matching contribution to each eligible participant's account who has not chosen to also participate in the South Carolina Retirement Plan. Employee contributions for the years ended June 30, 2025 and 2024 were \$119,298 and \$111,221, respectively. The matching contribution for the years ended June 30, 2025 and 2024 was \$6,789 and \$6,471, respectively. Participants are immediately vested in all contributions and earnings thereon.

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

### **Note 14 - Deferred compensation plans (continued)**

#### **South Carolina Retirement System**

Effective April 2004, the District joined the South Carolina Retirement System (SCRS).

#### **General Information about the Pension Plan**

*Plan Description.* The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election. PEBA issues a publicly available financial report that can be obtained at [www.peba.sc.gov](http://www.peba.sc.gov).

*Membership.* Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. As a condition of employment, all employees are required to become members of the SCRS. However, employees who worked for the District on the date of its admission into the Retirement System could elect non-membership within six-months. 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.

*Benefits Provided.* 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 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 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. 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 upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.



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**NOTES TO FINANCIAL STATEMENTS**  
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**Note 14 - Deferred compensation plans (Continued)**

**General Information about the Pension Plan (Continued)**

*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, SCRS 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. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS until reaching 18.41 percent. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified statute such that the employer contribution rates for SCRS to be further increased, not to exceed one-half of one percent in any one year, if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS may not be decreased until the plans are at least 85 percent funded.

Required employee contribution rates for the years ended June 30, 2025 and 2024 were 9.00%. Required employer contribution rates for the years ended June 30, 2025 and 2024 were 18.41%. The District does not participate in the incidental death benefit program. The District's required contribution for the years ended June 30, 2025 and 2024 was \$592,189 and \$518,900, respectively. For each of the years, the District contributed 100% of the required contribution to the SCRS.

**Net Pension Liability**

At June 30, 2025 and 2024, the District reported a liability of \$4,771,034 and \$5,081,463, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 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 2024 legislative session that had a material change in the benefit provisions for the SCRS. The District's proportion of the net pension liability was based on a projection of the District's contributions for the year ended June 30, 2024 to the pension plan relative to the contributions of all participating employers for the year ended June 30, 2024. At June 30, 2025 and 2024, the District's proportion was 0.0203 percent and 0.0210 percent, respectively.

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## HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

#### Note 14 - Deferred compensation plans (Continued)

##### **Deferred Outflows/Inflows of Resources**

For the year ended June 30, 2025, the District recognized pension expense of \$390,434. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 156,793	\$ 5,921
Net difference between projected and actual earnings on pension plan investments	-	183,829
Changes in proportion and differences between proportionate share of contributions	-	191,449
Assumption changes	84,112	-
District contributions subsequent to the measurement date	592,189	-
Total	<u>\$ 833,094</u>	<u>\$ 381,199</u>

For the year ended June 30, 2024, the District recognized pension expense of \$406,321. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,223	\$ 14,092
Net difference between projected and actual earnings on pension plan investments	-	6,956
Changes in proportion and differences between proportionate share of contributions	37,299	140,659
Assumption changes	77,855	-
District contributions subsequent to the measurement date	518,900	-
Total	<u>\$ 722,277</u>	<u>\$ 161,707</u>

The \$592,189 and \$518,900 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date as of June 30, 2025 and 2024, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2026 and 2025, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



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## HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

#### **Note 14 - Deferred compensation plans (Continued)**

##### **Deferred Outflows/Inflows of Resources (continued)**

As of June 30, 2025		As of June 30, 2024	
Year ended June 30,	Deferred Outflows (Inflows) of Resources	Year ended June 30,	Deferred Outflows (Inflows) of Resources
2025	\$ (165,493)	2024	\$ 67,097
2026	\$ 105,824	2025	\$ (150,784)
2027	\$ (32,350)	2026	\$ 128,339
2028	\$ (48,275)	2027	\$ (2,982)
2029	\$ -	2028	\$ -
Thereafter	\$ -	Thereafter	\$ -

##### **Actuarial Assumptions**

Actuarial valuations of the ongoing 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 period ending June 30, 2019. A more recent experience report on the Systems was issued for the period ending June 30, 2023 and will be used for future valuations.

The total pension liability as of June 30, 2024 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actual cost method	Entry age normal
Salary Increases	3.0% to 11.0% (varies by service), including inflation
Investment rate of return	7.00 %, including inflation
Inflation	2.25%
Benefit adjustments	lesser of 1% or \$500 annually

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), was 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. Assumptions used in the determination of the June 30, 2024, total pension liability are as follows:

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%

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## HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

#### Note 14 - Deferred compensation plans (Continued)

##### **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 rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2024 fiscal year. The long-term expected rate of return is produced 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 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

<b>Allocation/Exposure</b>	<b>Policy Target</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
Public Equity	46.0%	6.23%	2.87%
Bonds	26.0%	2.60%	0.68%
Private Equity <sup>1</sup>	9.0%	9.60%	0.86%
Private Debt <sup>1</sup>	7.0%	6.90%	0.48%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate <sup>1</sup>	9.0%	4.30%	0.39%
Infrastructure <sup>1</sup>	3.0%	7.30%	0.22%
Total Expected Return <sup>2</sup>	100.0%		5.49%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.74%

<sup>1</sup> Retirement System Investment Commission (RSIC) staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30 percent of the total plan assets.

<sup>2</sup> Portable Alpha Strategies, which utilize Hedge Funds and are not included in the Policy Target, will be capped at 15% of total assets.

##### **Discount Rate**

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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.



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## HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

#### **Note 14 - Deferred compensation plans (Continued)**

##### **Sensitivity Analysis**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6 percent) or 1-percentage point higher (8 percent) than the current rate:

	As of June 30, 2025			As of June 30, 2024		
	1% Decrease (6.0)%	Current Discount Rate (7.0)%	1% Increase (8.0)%	1% Decrease (6.0)%	Current Discount Rate (7.0)%	1% Increase (8.0)%
District's proportionate share of the net pension liability	\$ 6,182,721	\$ 4,771,034	\$ 3,470,982	\$ 6,565,735	\$ 5,081,463	\$ 3,847,788

##### **Pension plan fiduciary net position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued PEBA financial report.

##### **Payable to Plan**

The District reported a payable of a \$67,166 and \$62,126 to PEBA as of June 30, 2025 and 2024, respectively, representing required employer and employee contributions for the month of June 2025 and 2024, respectively, for the SCRS. These amounts are included in Accrued Payroll & Other Liabilities in the statements of net position and were paid in July 2025 and 2024, respectively.

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## HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 15 - Net position**

Net position represents the difference between assets, deferred inflows of resources, liabilities and deferred outflows of liabilities. The net position amounts were as follows:

	As of June 30,	
	2025	2024
Net investment in capital assets		
Net property, plant and equipment in service	72,163,689	65,276,327
Less: Debt as disclosed in Notes 7 & 8	(38,336,220)	(18,987,598)
Deferred amount on refunding, net	-	209,177
Accounts payable for capital assets	(2,369,465)	(173,974)
Unspent Bond Construction Proceeds	18,587,904	-
	<u>50,045,908</u>	<u>46,323,932</u>
Restricted for debt service & capital grants		
Restricted cash and cash equivalents	20,014,014	2,329,079
Less: Unspent Bond Construction Proceeds	(18,587,904)	-
Less: Unearned Grant Revenue	-	(1,000,000)
Less: Accrued Debt Interest Payable	<u>(155,320)</u>	<u>(27,255)</u>
	<u>1,270,790</u>	<u>1,301,824</u>
Unrestricted	<u>16,016,806</u>	<u>12,918,466</u>
Total net position	<u>\$ 67,333,504</u>	<u>\$ 60,544,222</u>



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**REQUIRED SUPPLEMENTARY  
INFORMATION**

**Schedule of the District's South Carolina Retirement System Contributions**  
**For the fiscal year ended June 30, 2025 - Last ten years**

	South Carolina Retirement System									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 592,189	\$ 518,900	\$ 466,620	\$ 424,042	\$ 387,521	\$ 370,538	\$ 352,212	\$ 307,158	\$ 272,562	\$ 222,257
Contributions in relation to the contractually required contribution	592,189	518,900	466,620	424,042	387,521	370,538	352,212	307,158	272,562	222,257
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Hilton Head No. 1 PSD's covered payroll	\$ 3,216,671	\$ 2,818,576	\$ 2,680,184	\$ 2,584,048	\$ 2,514,738	\$ 2,404,535	\$ 2,444,222	\$ 2,290,514	\$ 2,388,802	\$ 2,037,186
Contributions as a percentage of covered payroll	18.41%	18.41%	17.41%	16.41%	15.41%	15.41%	14.41%	13.41%	11.41%	10.91%
<i>Note: For last 10 fiscal years, there should be a zero amount for contribution deficiency (excess) because all required contributions were made per South Carolina Retirement System's previous reports.</i>										

**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**For the fiscal year ended June 30, 2025 - Last ten years**

	South Carolina Retirement System									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Measurement date	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Hilton Head No. 1 PSD's proportion of the net pension liability	0.020345%	0.021017%	0.021504%	0.022032%	0.021345%	0.022686%	0.021859%	0.023369%	0.020752%	0.023400%
Hilton Head No. 1 PSD's proportionate share of the net pension liability	\$ 4,771,034	\$ 5,081,463	\$ 5,213,073	\$ 4,767,968	\$ 5,454,096	\$ 5,180,120	\$ 4,897,854	\$ 5,260,737	\$ 4,432,597	\$ 4,437,923
Hilton Head No. 1 PSD's covered payroll	\$ 2,818,576	\$ 2,680,184	\$ 2,584,048	\$ 2,514,738	\$ 2,404,535	\$ 2,444,222	\$ 2,290,514	\$ 2,388,802	\$ 2,037,186	\$ 2,224,629
Hilton Head No. 1 PSD's proportionate share of the net pension liability as a percentage of its covered payroll during the measurement period	169.27108%	189.59381%	201.74056%	189.60101%	226.82539%	211.93329%	213.83209%	220.22491%	217.58429%	199.49048%
Plan fiduciary net position as a percentage of the total pension liability	61.80000%	58.60000%	57.10000%	60.70000%	50.70000%	54.40000%	54.10000%	53.30000%	52.90000%	57.00000%
<i>Source - South Carolina Retirement System</i>										



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**SUPPLEMENTAL FINANCIAL  
INFORMATION**

# DRAFT

## HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

### *Budgetary Comparison Schedule*

#### FOR THE YEAR ENDING JUNE 30, 2025

	Fiscal Year 2025		FY 25 Actual to FY 25 Budget	
			Comparison	
	Actual	Budget	Dollars Favorable (Unfavorable)	%
<b>Operating Revenues</b>				
Water Service	\$ 8,718,132	\$ 8,618,900	\$ 99,232	1.2%
Sewer Service	6,760,202	6,700,700	59,502	0.9%
Tap In Fees - Water	227,067	187,800	39,267	20.9%
Connection Fees - Sewer	188,584	315,600	(127,016)	-40.2%
Golf Course Irrigation	194,753	185,000	9,753	5.3%
Disaster recovery, net	22,882	-	22,882	100.0%
Service Fees	19,281	20,100	(819)	-4.1%
Other Operating Revenues	26,695	27,300	(605)	-2.2%
<b>Total Operating Revenues</b>	<b>16,157,596</b>	<b>16,055,400</b>	<b>102,196</b>	<b>0.6%</b>
<b>Departmental Expenses</b>				
Payroll & Related	4,960,426	5,285,400	324,974	6.1%
Administrative Expenses	1,061,189	1,143,600	82,411	7.2%
Operations	3,551,136	3,426,900	(124,236)	-3.6%
Maintenance	1,380,618	1,595,700	215,082	13.5%
Purchased Water	1,646,103	1,273,200	(372,903)	-29.3%
Water Tap In Expenses	178,412	141,000	(37,412)	-26.5%
Sewer Connection Expenses	162,378	297,600	135,222	45.4%
Professional Fees	182,378	214,500	32,122	15.0%
<b>Total Departmental Expenses</b>	<b>13,122,640</b>	<b>13,377,900</b>	<b>255,260</b>	<b>1.9%</b>
<b>Depreciation</b>	<b>5,420,424</b>	<b>5,250,000</b>	<b>(170,424)</b>	<b>-3.2%</b>
<b>Total Operating Expenses</b>	<b>18,543,064</b>	<b>18,627,900</b>	<b>84,836</b>	<b>0.5%</b>
<b>Operating income (loss)</b>	<b>(2,385,468)</b>	<b>(2,572,500)</b>	<b>187,032</b>	<b>7.3%</b>
<b>Non-operating revenues</b>				
Property taxes-G.O. Debt Levy	1,877,746	1,763,100	114,646	6.5%
Property taxes-Operations Levy	1,372,970	1,290,000	82,970	6.4%
Rental Income	88,564	88,400	164	0.2%
Tower Lease Income	614,001	605,100	8,901	1.5%
Interest Income - Leases	32,057	32,100	(43)	-0.1%
Interest Income	1,458,176	439,500	1,018,676	231.8%
Gain (Loss) of disposal of equipment	(19,820)	15,000	(34,820)	-232.1%
<b>Total Non-operating Revenues</b>	<b>5,423,694</b>	<b>4,233,200</b>	<b>1,190,494</b>	<b>28.1%</b>
<b>Non-operating Expenses</b>				
Interest expense	755,068	263,700	(491,368)	-186.3%
Bond Defeasance Amortization	209,177	209,200	23	0.0%
Bond Issuance Costs	175,243	42,500	(132,743)	-312.3%
<b>Total Non-operating Expenses</b>	<b>1,139,488</b>	<b>515,400</b>	<b>(624,088)</b>	<b>-121.1%</b>
<b>Total Non-operating Revenues/Exp.</b>	<b>4,284,206</b>	<b>3,717,800</b>	<b>566,406</b>	<b>15.2%</b>
<b>Increase (decrease) in net position, before capital contributions</b>	<b>1,898,738</b>	<b>1,145,300</b>	<b>753,438</b>	<b>65.8%</b>
Water Capacity Fee	47,520	114,000	(66,480)	-58.3%
Sewer Capacity Fee	123,424	156,000	(32,576)	-20.9%
Capital Grant Income	4,497,100	6,000,000	(1,502,900)	-25.0%
Developer Contributions of Systems	222,500	1,550,000	(1,327,500)	-85.6%
<b>Total Capital Contributions</b>	<b>4,890,544</b>	<b>7,820,000</b>	<b>(2,929,456)</b>	<b>-37.5%</b>
<b>Change in net position</b>	<b>\$ 6,789,282</b>	<b>\$ 8,965,300</b>	<b>\$ (2,176,018)</b>	<b>-24.3%</b>
<b>Net position, beginning of the fiscal year</b>	<b>\$ 60,544,222</b>			
<b>Net position, June 30, 2025</b>	<b>\$ 67,333,504</b>			



## Notes to Budgetary Comparison Schedule

### *Budgetary Highlights*

**Operating Revenues:** Actual operating revenues are \$16,157,596 versus budgeted operating revenues of \$16,055,400 which results in a variance of \$102,196 or 0.6% over budget. The following is a summary of material/selected variances<sup>4</sup> for the Operating Revenue categories:

- Water Service revenues are above budget by \$99,232 or 1.2% and Sewer Service revenues are above budget by \$59,502 or 0.9%. Billed consumption increased from the prior year which is the basis for budgeted consumption levels. Billed water consumption for fiscal year (FY) 2025 increased 115 million gallons from 1,916 million gallons billed during FY 2024 to 2,031 million gallons billed during FY 2025.
- Connection Fees – Sewer are under budget due to the makeup of sewer connection requests. There were more Low Pressure Sewer (LPS) connections in FY 2024 than in FY 2025; FY 2025 had more gravity sewer connections which have a lower up-front cost. Accordingly, this lower Connection Fee - Sewer revenue is offset by lower Sewer Connection Expenses.

**Total Operating Expenses:** Total operating expenses are \$84,836 or 0.5% under budget. The following is a summary of material/selected variances for the Operating Expenses categories:

- Payroll & Related is under budget by \$324,974 or 6.1%. Of this amount, \$201,754 is the non-cash year end adjustment necessary to bring the actuarially determined net pension liability accounts to their required year end reporting total. The remaining underage is due to the timing of filling open positions.
- Operations expense is over budget by \$124,236 or 3.6% which is mainly related to the electricity rate increase that went into effect January 1st.
- Maintenance expense is under budget by \$215,082 or 13.5%. Well, RO, lift station, distribution system, and collection system maintenance came in lower than anticipated. This line item should be viewed in conjunction with capital additions as items greater than \$5,000 that increase the life of an asset are included in those areas.
- Purchased Water is over budget by \$372,903 or 29.3% due to more gallons purchased than estimated during budget preparation. Budgeted purchased water is based on prior year purchases. The District purchased 158 million more gallons FY 2025 than FY 2024. This increase was partially attributable to the 115 million gallon increase in billed consumption during FY 2025. Additionally, the District located and repaired a leaking air relief valve on the 24" line during May 2025. A satellite leak detection study was done in June 2025 (included in professional fees) to further the District's efforts to monitor and reduce non-revenue water.
- Depreciation is over budget by \$170,424 or 3.2%. Depreciation is budgeted using general estimates regarding the useful life of additions in the upcoming year and the timing of their purchase. Actual additions were purchased earlier in the year and with shorter estimated useful lives than projected at the time of budget preparation.

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<sup>4</sup> In most cases, a variance of more than \$100,000 or 10% constitutes a material variance for quarterly reports. Water and Sewer Variances are typically discussed regardless of their variances given that they are the two main drivers for the District's overall revenue.

**Non-Operating Revenues and Expenses:** Actual non-operating revenues are \$5,423,694 versus budgeted non-operating revenues of \$4,233,200 which results in a variance of \$1,190,494 or 28.1% over budget. This is mostly related to Interest Income which is \$1,018,676 over budget in line with continued higher market interest rates as well as interest earned on the 2024B GO Bond Proceed Funds which was not budgeted. Staff endeavors to keep all cash not needed for current operations in the SC Local Government Investment Pool which is still seeing rates around 4.5%. Interest was conservatively budgeted at 3.25%. Additionally, the value of a mill came in higher than anticipated during budget preparation which led to Property taxes coming in over budget. The overage in non-operating revenues is partially offset by an overage in non-operating interest expense and bond issuance costs related to the 2024B GO Bond issuance which were not budgeted.

**Capital Contributions:** Capacity fees, capital grant income, and developer contributions of systems came in \$2,929,456 under budget. Capital Grant Income came in \$1,502,900 under budget due to the timing of reimbursable construction expenditures; this is expected to only be a timing difference as the grant revenue will be received in upcoming years. The \$1,550,000 budgeted Developer Contribution of Systems was primarily related to the US 278 bridge project and associated SCDOT reimbursement which did not commence during the fiscal year as expected. The \$222,500 reported as Developer Contributions of Systems relates to a non-cash transfer of a water and sewer systems from its developer to the District at the completion of those systems.

The change in net position for the period was \$6,789,282, which was \$2,176,018 lower than the budgeted change in net position of \$8,965,300. Capital grant income and developer contributions of systems came in approximately \$2.8 million under budget due to the timing of grant reimbursable construction expenditures and the US 278 bridge project not moving forward in FY 2025 as expected. Operating income was around \$187,000 over budget. Non-operating income was around \$566,000 over budget with stronger interest earnings than budgeted (including unbudgeted 2024B bond proceeds fund interest earnings) offsetting unbudgeted interest expense and bond issuance costs related to the 2024B GO Bond Issuance completed in November 2024.



# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## Summary Schedule of Debt

JUNE 30, 2025

Description	Rate	6/30/2023	Addition	Reduction	6/30/2024	Addition	Reduction	6/30/2025	Current
<b>Revenue Bonds - DBP</b>									
Series 2017A	2.69%	331,265	-	(33,021)	298,244	-	(33,909)	264,335	34,822
Series 2020B	1.21%	12,505,000	-	(1,225,000)	11,280,000	-	(1,245,000)	10,035,000	2,085,000
Series 2020C	0.94%	1,690,000	-	(840,000)	850,000	-	(850,000)	-	-
Series 2023	4.15%	235,000	-	(13,149)	221,851	-	(16,323)	205,528	17,000
<b>Total Revenue Bonds - DBP</b>		<u>14,761,265</u>	-	<u>(2,111,170)</u>	<u>12,650,095</u>	-	<u>(2,145,232)</u>	<u>10,504,863</u>	<u>2,136,822</u>
<b>Notes Payable - Revenue/Other - DBP</b>									
SIRF Series 2014 Revenue Bonds	1.00%	1,929,172	-	(142,590)	1,786,582	-	(144,020)	1,642,562	145,466
<b>Total Notes Payable - Revenue/Other</b>		<u>1,929,172</u>	-	<u>(142,590)</u>	<u>1,786,582</u>	-	<u>(144,020)</u>	<u>1,642,562</u>	<u>145,466</u>
<b>Total Revenue /Other Debt</b>		<u>16,690,437</u>			<u>14,436,677</u>			<u>12,147,425</u>	
<b>General Obligation Bonds - DBP</b>									
Series 2020	1.25%	5,910,000	-	(1,440,000)	4,470,000	-	(1,245,000)	3,225,000	1,300,000
Series 2024B	3.65%	-	-	-	-	20,400,000	-	20,400,000	-
<b>Total General Obligation Bonds - DBP</b>		<u>5,910,000</u>	-	<u>(1,440,000)</u>	<u>4,470,000</u>	<u>20,400,000</u>	<u>(1,245,000)</u>	<u>23,625,000</u>	<u>1,300,000</u>
<b>Notes Payable General Obligation - DBP</b>									
SIRF Series 2024A General Obligation Bonds	2.10%	-	-	-	-	2,589,929	(26,134)	2,563,795	105,914
<b>Total Notes Payable - Revenue/Other</b>		<u>-</u>	-	-	-	<u>2,589,929</u>	<u>(26,134)</u>	<u>2,563,795</u>	<u>105,914</u>
<b>Total General Obligation Debt</b>		<u>5,910,000</u>			<u>4,470,000</u>			<u>26,188,795</u>	
<b>Finance Purchase Liabilities</b>									
Various		116,926	-	(36,005)	80,921	-	(80,921)	-	-
<b>Total Long-Term Debt Liability</b>		<u>22,717,363</u>	-	<u>(3,729,765)</u>	<u>18,987,598</u>	<u>22,989,929</u>	<u>(3,641,307)</u>	<u>38,336,220</u>	<u>3,688,202</u>
Less current portion		<u>(3,729,764)</u>			<u>(3,615,174)</u>			<u>(3,688,202)</u>	
<b>Total Long Term Debt</b>		<u>\$ 18,987,599</u>			<u>\$ 15,372,424</u>			<u>\$ 34,648,018</u>	

# HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

## Schedule of Bond & Note Principal and Interest Payments

JUNE 30, 2025

For the Year ending June 30,	\$515,000 Revenue Bond 2017 A			\$14,925,000 Revenue Bond 2020 B			\$9,910,000 GO Bond Dated November 2, 2020			\$235,000 Revenue Bond 2023 FFA			\$20,400,000 GO Bond 2024 B Dated November 5, 2024			BOND TOTALS		
	Dated August 21, 2017	Interest	Principal	Dated November 2, 2020	Interest	Principal	Dated November 2, 2020	Interest	Principal	Dated Feb 24, 2023	Interest	Principal	Dated November 5, 2024	Interest	Principal	Total	Interest	Principal
2026	7,110	34,822	121,423	2,085,000	8,529	17,000	40,313	1,300,000	8,529	17,000	744,600	-	-	744,600	-	921,975	3,436,822	4,358,797
2027	6,174	35,760	96,194	2,105,000	7,824	17,705	24,062	1,355,000	7,824	17,705	744,600	-	-	744,600	-	878,854	3,513,465	4,392,319
2028	5,212	36,721	70,725	2,135,000	7,089	18,440	7,125	570,000	7,089	18,440	744,600	343,000	-	744,600	343,000	834,751	3,103,161	3,937,912
2029	4,224	37,709	44,891	1,880,000	6,324	19,205	-	-	6,324	19,205	732,080	940,000	-	732,080	940,000	787,519	2,876,914	3,664,433
2030	3,210	38,723	22,143	1,830,000	5,527	20,003	-	-	5,527	20,003	697,770	975,000	-	697,770	975,000	728,650	2,863,726	3,592,376
2031	2,168	39,765	-	-	4,697	20,833	-	-	4,697	20,833	662,183	1,011,000	-	662,183	1,011,000	669,048	1,071,598	1,740,646
2032	1,098	40,835	-	-	3,832	21,697	-	-	3,832	21,697	625,282	1,049,000	-	625,282	1,049,000	630,212	1,111,532	1,741,744
2033	-	-	-	-	2,932	22,598	-	-	2,932	22,598	586,993	1,088,000	-	586,993	1,088,000	589,925	1,110,598	1,700,523
2034	-	-	-	-	1,994	23,535	-	-	1,994	23,535	547,281	1,128,000	-	547,281	1,128,000	549,275	1,151,535	1,700,810
2035	-	-	-	-	1,017	24,512	-	-	1,017	24,512	-	1,170,000	-	-	1,170,000	507,126	1,194,512	1,701,638
2036	-	-	-	-	-	-	-	-	-	-	-	1,214,000	-	-	1,214,000	463,404	1,214,000	1,677,404
2037	-	-	-	-	-	-	-	-	-	-	-	1,259,000	-	-	1,259,000	419,093	1,259,000	-
2038	-	-	-	-	-	-	-	-	-	-	-	1,305,000	-	-	1,305,000	373,140	1,305,000	-
2039	-	-	-	-	-	-	-	-	-	-	-	1,354,000	-	-	1,354,000	325,507	1,354,000	-
2040	-	-	-	-	-	-	-	-	-	-	-	1,404,000	-	-	1,404,000	276,086	1,404,000	-
2041	-	-	-	-	-	-	-	-	-	-	-	1,457,000	-	-	1,457,000	224,840	1,457,000	-
2042	-	-	-	-	-	-	-	-	-	-	-	1,511,000	-	-	1,511,000	171,660	1,511,000	-
2043	-	-	-	-	-	-	-	-	-	-	-	1,567,000	-	-	1,567,000	86,508	1,567,000	-
2044	-	-	-	-	-	-	-	-	-	-	-	1,625,000	-	-	1,625,000	59,312	1,625,000	-
2045	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current	\$ 29,196	\$ 264,335	\$ 355,376	\$ 10,035,000	\$ 49,765	\$ 71,500	\$ 71,500	\$ 3,225,000	\$ 49,765	\$ 205,528	\$ 8,991,048	\$ 20,400,000	-	\$ 8,991,048	\$ 20,400,000	\$ 9,496,885	\$ 34,129,863	\$ 30,208,602
Noncurrent	\$ -	\$ (34,822)	\$ -	\$ (2,085,000)	\$ -	\$ (1,300,000)	\$ (1,300,000)	\$ -	\$ -	\$ (17,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,436,822)	\$ -	\$ -
	\$ -	\$ 229,513	\$ -	\$ 7,950,000	\$ -	\$ 1,925,000	\$ 1,925,000	\$ -	\$ -	\$ 188,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,693,041	\$ -	\$ -

For the Year ending June 30,	\$2,921,430 SRF Revenue Note Dated July 23, 2014			\$2,589,929 SRF GO Note Dated August 30, 2024			NOTE TOTALS			BOND & NOTE TOTALS		
	Dated July 23, 2014	Interest	Principal	Dated August 30, 2024	Interest	Principal	Total	Interest	Principal	Total	Interest	Principal
2026	15,881	145,466	53,009	105,914	68,890	251,380	320,270	990,865	3,688,202	4,679,067	990,865	3,688,202
2027	14,421	146,926	50,767	108,156	65,188	255,082	320,270	944,042	3,768,547	4,712,589	944,042	3,768,547
2028	12,946	148,401	48,478	110,445	61,424	258,846	320,270	896,175	3,362,007	4,258,182	896,175	3,362,007
2029	11,457	149,890	46,141	112,783	57,598	262,673	320,271	845,117	3,139,587	3,984,704	845,117	3,139,587
2030	9,952	151,395	43,753	115,170	53,705	266,565	320,270	782,355	3,130,291	3,912,646	782,355	3,130,291
2031	8,433	152,914	41,316	117,608	49,749	270,522	320,271	718,797	1,342,120	2,060,917	718,797	1,342,120
2032	6,898	154,449	38,826	120,097	45,724	274,546	320,270	675,936	1,386,078	2,062,014	675,936	1,386,078
2033	5,347	156,000	36,285	122,639	41,632	278,639	320,271	631,557	1,389,237	2,020,794	631,557	1,389,237
2034	3,782	157,566	33,689	125,235	37,471	282,801	320,272	586,746	1,434,336	2,021,082	586,746	1,434,336
2035	2,200	159,147	31,038	127,885	33,238	287,032	320,270	540,364	1,481,544	2,021,908	540,364	1,481,544
2036	603	120,408	28,331	130,592	28,934	251,000	279,934	492,338	1,465,000	1,957,338	492,338	1,465,000
2037	-	-	25,567	133,356	25,567	133,356	158,923	444,660	1,392,356	1,837,016	444,660	1,392,356
2038	-	-	22,744	136,179	22,744	136,179	158,923	395,884	1,441,179	1,837,063	395,884	1,441,179
2039	-	-	19,862	139,061	19,862	139,061	158,923	345,369	1,493,061	1,838,430	345,369	1,493,061
2040	-	-	16,919	142,005	16,919	142,005	158,924	293,005	1,546,005	1,839,010	293,005	1,546,005
2041	-	-	13,913	145,010	13,913	145,010	158,923	238,753	1,602,010	1,840,763	238,753	1,602,010
2042	-	-	10,844	148,080	10,844	148,080	158,924	182,504	1,659,080	1,841,584	182,504	1,659,080
2043	-	-	7,710	151,214	7,710	151,214	158,924	94,218	1,718,214	1,812,432	94,218	1,718,214
2044	-	-	4,509	154,414	4,509	154,414	158,923	63,821	1,779,414	1,843,235	63,821	1,779,414
2045	-	-	1,241	117,952	1,241	117,952	119,193	1,241	117,952	119,193	1,241	117,952
Current	\$ 91,920	\$ 1,642,562	\$ 574,942	\$ 2,563,795	\$ 543,553	\$ 3,072,442	\$ 3,482,639	\$ 10,163,747	\$ 38,336,220	\$ 48,499,967	\$ 10,163,747	\$ 38,336,220
Noncurrent	\$ -	\$ (145,466)	\$ -	\$ (105,914)	\$ -	\$ (251,380)	\$ -	\$ -	\$ (3,688,202)	\$ -	\$ -	\$ (3,688,202)
	\$ -	\$ 1,497,096	\$ -	\$ 2,457,881	\$ -	\$ 2,821,062	\$ -	\$ -	\$ 34,648,018	\$ -	\$ -	\$ 34,648,018



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# **STATISTICAL SECTION**

## Statistical Section

The purpose of the statistical section is to provide additional information useful in assessing a government's financial condition. The statistical section provides information on financial trends, revenue capacity, debt capacity, operating information as well as demographic and economic information.

### Statistical Section Table of Contents

#### Pages

#### **Financial Trends**

76-79

*These schedules contain trend information to help the reader understand how the District's financial performance and position have changed over time*

#### **Revenue Capacity**

80-85

*These schedules contain information identifying the factors affecting the District's ability to generate revenue*

#### **Debt Capacity**

86-89

*These schedules present information to help the reader assess the affordability of the District's current level of outstanding debt and the District's ability to issue additional debt in the future*

#### **Demographic and Economic Information**

90-91

*These schedules offer demographic and economic indicators showing the environment in which the District operates*

#### **Other Operational and Capital Information**

92-95

*These schedules contain operational, capital, and service information to convey how the District's financial reports relate to its service*

# Financial Trends

## Statements of Revenues, Expenses, and Debt Service per Bond Covenants<sup>5</sup>

### Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Operating Revenues</b>										
Water Service	\$6,009,410	\$6,680,175	\$6,586,002	\$7,148,606	\$7,735,802	\$7,746,340	\$7,817,334	\$7,774,846	\$8,020,935	\$8,718,132
Water Service	5,056,081	5,143,168	5,226,965	5,408,090	5,719,313	5,852,395	6,013,685	6,051,117	6,295,468	6,760,202
Water Tap In Fees	96,427	137,423	213,517	180,487	240,179	247,227	243,227	239,996	159,173	227,067
Sewer Connection Fees	109,984	219,483	229,355	242,418	272,737	212,488	216,468	344,630	420,091	188,584
Availability Fees	525,302	506,930	491,474	445,190	452,602	420,187	27,279	-	-	-
Golf Course Irrigation	164,344	284,937	175,015	182,516	155,676	207,233	155,994	167,553	218,906	194,753
Service Fees	39,113	29,105	34,059	38,391	23,015	14,662	26,118	19,913	20,908	19,281
Disaster Recovery, net	-	58,691	115,466	3,342	86,502	44,828	7,854	1,700	6,000	22,882
Other Operating Revenues	284,775	28,676	53,566	48,281	91,432	265,862	51,992	90,288	29,628	26,695
<b>Total Operating Revenues</b>	<b>\$12,285,435</b>	<b>\$13,088,589</b>	<b>\$13,125,419</b>	<b>\$13,734,340</b>	<b>\$14,746,939</b>	<b>\$15,011,222</b>	<b>\$14,531,067</b>	<b>\$14,690,043</b>	<b>\$15,171,109</b>	<b>\$16,157,596</b>
<b>Operating Expenses</b>										
Payroll and Related Expenses	\$3,294,097	\$3,689,699	\$3,951,862	\$3,889,589	\$4,062,153	\$4,203,335	\$3,952,377	\$4,251,569	\$4,669,436	\$4,960,426
Administrative Expenses	767,276	877,410	961,211	957,919	1,006,662	1,020,574	1,026,137	1,091,603	1,028,890	1,061,189
Operations Expenses	2,308,426	2,509,332	2,570,764	2,500,471	2,608,108	2,657,074	2,865,270	3,259,419	3,384,179	3,551,136
Maintenance Expenses	1,343,199	1,163,384	1,490,531	1,416,172	1,216,813	1,322,787	1,529,491	1,409,057	1,505,505	1,380,618
Purchased Water	746,550	1,238,997	1,343,588	1,387,939	892,181	899,685	1,031,270	1,004,551	1,061,550	1,646,103
Water Tap In Expenses	115,995	191,120	116,109	171,891	152,870	171,909	166,639	173,700	109,607	178,412
Sewer Connection Expenses	150,570	174,722	221,696	247,232	215,867	200,934	198,236	325,863	402,999	162,378
Professional Fees	229,387	99,701	146,084	127,011	342,116	205,678	246,536	287,305	126,256	182,378
Depreciation	4,482,776	4,576,123	4,733,613	4,946,397	5,044,727	5,188,028	5,215,476	5,140,534	5,215,476	5,420,424
<b>Total Operating Expenses</b>	<b>\$13,438,276</b>	<b>\$14,520,488</b>	<b>\$15,595,458</b>	<b>\$15,644,621</b>	<b>\$15,541,497</b>	<b>\$15,868,004</b>	<b>\$16,160,839</b>	<b>\$16,943,601</b>	<b>\$17,403,898</b>	<b>\$18,543,064</b>
<b>Operating Income (Loss)</b>	<b>(1,152,841)</b>	<b>(1,431,899)</b>	<b>(2,470,040)</b>	<b>(1,910,381)</b>	<b>(794,558)</b>	<b>(856,782)</b>	<b>(1,629,772)</b>	<b>(2,253,558)</b>	<b>(2,232,789)</b>	<b>(2,385,468)</b>
<b>Non-Operating Revenues (Expenses)</b>										
Property Taxes-Debt Service	\$1,396,680	\$1,403,497	\$1,441,325	\$1,371,933	\$1,414,091	\$1,499,844	\$1,522,142	\$1,583,535	\$1,793,232	\$1,877,746
Property Taxes-Operations Levy	931,507	973,607	984,296	1,011,176	1,034,553	1,071,896	1,086,204	1,155,522	1,305,973	1,372,970
Rental Income	78,552	79,115	79,068	79,757	79,758	78,156	83,965	86,094	87,674	88,564
Tower Leases Income	471,540	531,964	462,986	485,678	625,067	537,442	571,437	584,104	598,399	614,001
Interest Income - Leases	-	-	-	-	-	15,992	18,881	33,092	32,368	32,057
Interest Income	92,713	99,041	108,346	156,389	184,093	102,306	604,314	900,541	1,458,176	1,458,176
Gain (Loss) on Disposal	1,500	3,500	95,716	15,000	-	2,500	38,540	49,240	34,205	(19,820)
Bond Issuance Costs	(119,950)	0	(69,609)	-	(42,056)	(225,690)	-	(37,500)	-	(175,243)
Amortization of Bond Costs	(243,693)	(256,428)	(256,428)	(256,428)	(256,428)	(265,132)	(325,462)	(325,462)	(325,462)	(209,177)
Interest Expense	(1,230,078)	(1,091,811)	(1,030,789)	(941,525)	(841,047)	(511,229)	(350,625)	(312,317)	(277,038)	(755,068)
<b>Total Non-Operating Income (Loss)</b>	<b>\$1,378,770</b>	<b>\$1,742,486</b>	<b>\$1,814,909</b>	<b>\$1,921,980</b>	<b>\$2,198,031</b>	<b>\$2,306,125</b>	<b>\$2,754,687</b>	<b>\$3,420,622</b>	<b>\$4,149,912</b>	<b>\$4,284,206</b>
<b>Net Income (loss) before Capital per Financial Statements</b>	<b>\$225,930</b>	<b>\$310,587</b>	<b>\$344,869</b>	<b>\$1,011,599</b>	<b>\$1,403,473</b>	<b>\$1,449,343</b>	<b>\$1,124,915</b>	<b>\$1,167,064</b>	<b>\$1,917,123</b>	<b>\$1,898,738</b>
Capacity Fees	585,744	565,093	565,672	878,264	864,478	1,157,787	1,396,743	356,520	1,381,832	170,944
Add: Depreciation	4,482,776	4,576,123	4,733,613	4,946,397	5,044,727	5,188,028	5,140,534	5,140,534	5,215,476	5,420,424
Net Pension Expense	298,810	251,759	514,614	382,374	560,016	613,324	290,852	408,173	406,321	390,435
SCRS Retirement Contributions	(222,257)	(272,562)	(307,158)	(352,212)	(367,120)	(387,521)	(424,042)	(466,620)	(518,900)	(592,189)
Amortization	243,693	247,787	256,428	256,428	256,428	265,132	325,462	325,462	325,462	209,177
Bond Issuance Costs	119,950	-	69,609	-	42,056	225,690	-	37,500	-	175,243
Interest Expense (Bonds)	1,230,078	1,100,452	1,030,789	941,525	841,047	509,935	347,001	308,748	275,469	752,731
Assessments - Debt Service	452,658	157,973	190,300	190,184	188,409	200,485	209,221	222,184	237,137	208,524
<b>Less: Property Taxes - Debt Service</b>	<b>(1,396,680)</b>	<b>(1,403,497)</b>	<b>(1,441,325)</b>	<b>(1,371,933)</b>	<b>(1,414,091)</b>	<b>(1,499,844)</b>	<b>(1,522,142)</b>	<b>(1,583,535)</b>	<b>(1,793,232)</b>	<b>(1,877,746)</b>
<b>Net Earnings Available for Debt Service</b>	<b>\$6,020,702</b>	<b>\$5,533,715</b>	<b>\$4,957,413</b>	<b>\$5,882,626</b>	<b>\$7,419,423</b>	<b>\$7,722,320</b>	<b>\$6,890,792</b>	<b>\$5,916,030</b>	<b>\$7,444,668</b>	<b>\$6,756,081</b>
<b>Debt Service on Revenue Bonds</b>	<b>\$3,441,323</b>	<b>\$3,923,462</b>	<b>\$4,008,312</b>	<b>\$4,040,662</b>	<b>\$4,048,243</b>	<b>\$2,686,001</b>	<b>\$2,440,269</b>	<b>\$2,437,980</b>	<b>\$2,461,000</b>	<b>\$2,468,287</b>
<b>Required per Bond Covenants (120%)</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>
<b>Coverage of Debt Service by Net</b>	<b>175%</b>	<b>141%</b>	<b>124%</b>	<b>146%</b>	<b>183%</b>	<b>288%</b>	<b>282%</b>	<b>243%</b>	<b>303%</b>	<b>274%</b>
<b>Debt Coverage without Capacity Fees</b>	<b>158%</b>	<b>127%</b>	<b>110%</b>	<b>124%</b>	<b>162%</b>	<b>244%</b>	<b>225%</b>	<b>228%</b>	<b>246%</b>	<b>267%</b>

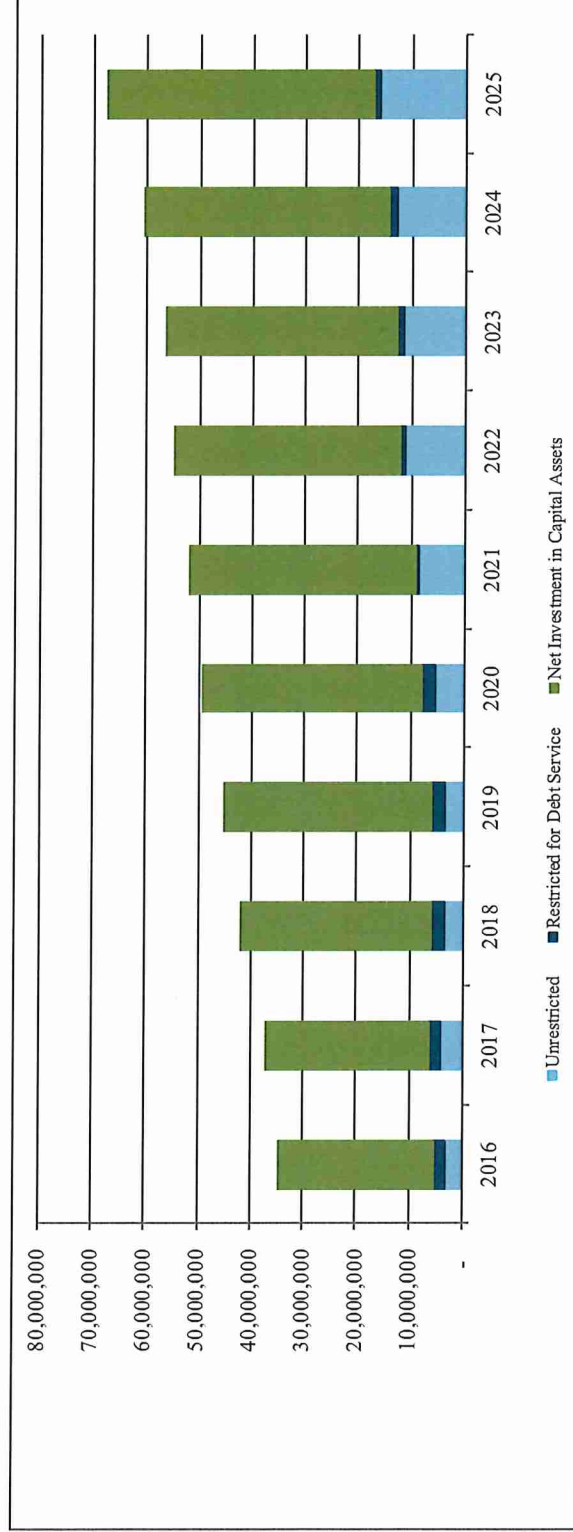
<sup>5</sup> Please note that fiscal years 2022 and onward reflect implementation of GASB 87.



## Schedule of Changes in Net Position<sup>6</sup>

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Income (Loss from operations)	\$ (1,152,841)	\$ (1,431,899)	\$ (2,470,040)	\$ (1,910,381)	\$ (794,558)	\$ (856,782)	\$ (1,629,772)	\$ (2,253,558)	\$ (2,232,789)	\$ (2,385,468)
Total Non-Operating Income (Loss)	1,378,770	1,742,486	1,814,909	1,921,980	2,198,031	2,306,125	2,754,687	3,420,622	4,149,912	4,284,206
Capital Contributions and Assessments	1,404,843	2,334,412	5,452,120	3,213,568	2,528,490	1,157,787	1,891,418	482,566	2,245,004	4,890,544
Changes in net position	1,630,773	2,644,999	4,796,990	3,225,167	3,931,963	2,607,130	3,016,333	1,649,630	4,162,127	6,789,282
Net position at beginning of year	32,879,110	34,509,883	37,154,881	41,951,871	45,177,038	49,109,001	51,716,131	54,732,465	56,382,095	60,544,222
Net position at end of year	\$ 34,509,883	\$ 37,154,881	\$ 41,951,871	\$ 45,177,038	\$ 49,109,001	\$ 51,716,131	\$ 54,732,465	\$ 56,382,095	\$ 60,544,222	\$ 67,333,504

### Net Position at End of Year



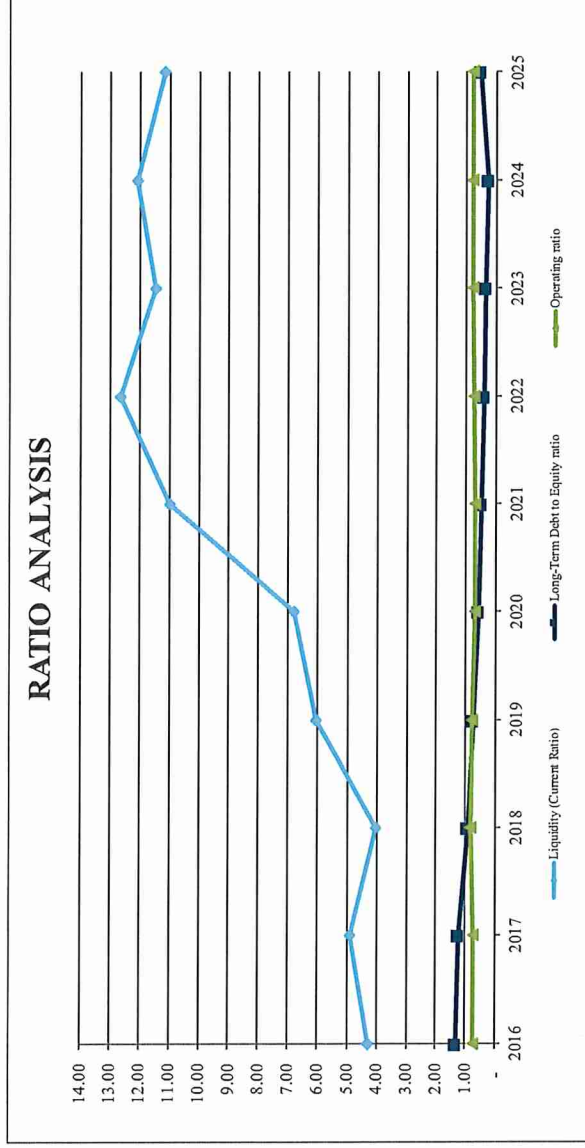
<sup>6</sup> Please note that fiscal years 2022 and onward reflect implementation of GASB 87.

## Net Position by Component

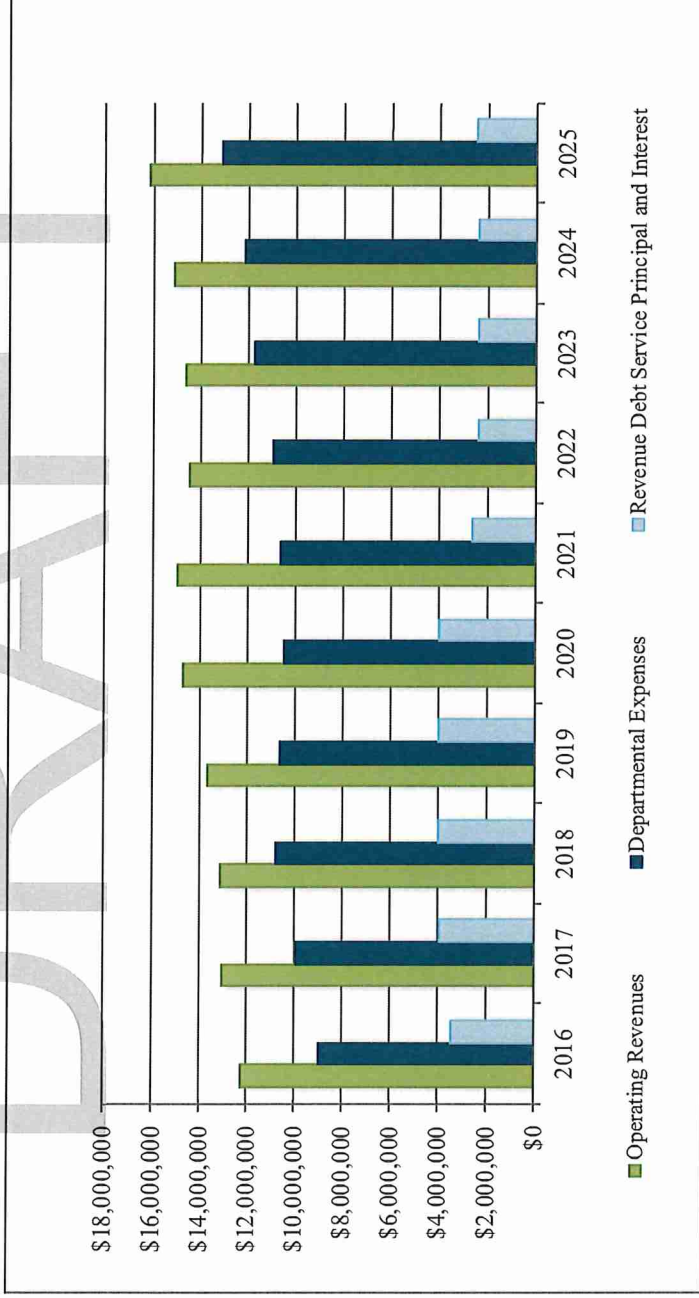
Net position	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net investment in capital assets	\$28,981,560	\$30,631,424	\$36,023,464	\$39,248,405	\$41,211,563	\$42,457,546	\$42,602,561	\$43,634,968	\$46,323,932	\$50,045,908
Restricted for debt service	2,482,528	2,406,220	2,425,274	2,412,700	2,570,882	680,403	887,721	1,161,690	1,301,824	1,270,790
Unrestricted	3,045,794	4,117,237	3,503,133	3,515,934	5,326,557	8,578,183	11,242,183	11,585,437	12,918,466	16,016,806
Net position	\$34,509,882	\$37,154,881	\$41,951,871	\$45,177,039	\$49,109,002	\$51,716,132	\$54,732,465	\$56,382,095	\$60,544,222	\$67,333,504

## Ratio Analysis

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Liquidity (Current Ratio)	4.30	4.89	4.05	6.05	6.79	10.97	12.65	11.48	12.08	11.16
Long-Term Debt to Equity ratio	1.31	1.22	0.90	0.74	0.59	0.51	0.41	0.34	0.25	0.51
Operating ratio	0.73	0.76	0.83	0.78	0.71	0.71	0.76	0.80	0.80	0.81



**Operating Revenues, Expenses Excluding Depreciation, and Revenue Debt Service (P&I)**





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*Revenue Capacity*  
**Customer Statistics at Fiscal Year-End<sup>7</sup>**

Number of Water vs. Wastewater Customers at Fiscal Year-end

Year	Water	Percent Increase	Wastewater	Percent Increase	Ratio of Customers with Both Services
2016	16,899	0.2%	15,758	0.8%	93.25%
2017	17,076	1.0%	15,961	1.3%	93.47%
2018	17,345	1.6%	16,258	1.9%	93.73%
2019	17,503	0.9%	16,473	1.3%	94.12%
2020	17,693	1.1%	16,693	1.3%	94.35%
2021	18,033	1.9%	17,075	2.3%	94.69%
2022	18,424	2.2%	17,566	2.9%	95.34%
2023	18,549	0.7%	17,726	0.9%	95.56%
2024	18,653	0.6%	17,863	0.8%	95.76%
<b>2025</b>	<b>18,805</b>	<b>0.8%</b>	<b>18,049</b>	<b>1.0%</b>	<b>95.98%</b>

## ***Water & Irrigation Customer Statistics at Fiscal Year-End***

Water & Irrigation Customer Growth at Fiscal Year-end

Year	Residential	Master Metered Residential	Commercial	Total	Percent Increase
2016	11,060	4,907	2,009	17,976	0.49%
2017	11,226	4,907	2,022	18,155	1.00%
2018	11,492	4,907	2,029	18,428	1.50%
2019	11,627	4,907	2,054	18,588	0.87%
2020	11,812	4,907	2,064	18,783	1.05%
2021	12,186	4,907	2,026	19,119	1.79%
2022	12,073	5,397	2,054	19,524	2.12%
2023	12,158	5,400	2,098	19,656	0.68%
2024	12,249	5,399	2,118	19,766	0.56%
<b>2025</b>	<b>12,401</b>	<b>5,403</b>	<b>2,122</b>	<b>19,926</b>	<b>0.81%</b>

## ***Wastewater Customer Statistics at Fiscal Year-End***

Wastewater Customer Growth at Fiscal Year-end

Year	Residential	Master Metered Residential	Commercial	Total	Percent Increase
2016	9,431	4,907	1,420	15,758	0.80%
2017	9,588	4,907	1,466	15,961	1.29%
2018	9,882	4,907	1,469	16,258	1.86%
2019	10,097	4,907	1,469	16,473	1.32%
2020	10,311	4,907	1,475	16,693	1.34%
2021	10,699	4,907	1,469	17,075	2.29%
2022	10,739	5,351	1,476	17,566	2.88%
2023	10,859	5,354	1,513	17,726	0.91%
2024	10,976	5,353	1,534	17,863	0.77%
<b>2025</b>	<b>11,147</b>	<b>5,357</b>	<b>1,545</b>	<b>18,049</b>	<b>1.04%</b>

<sup>7</sup> These totals do not include irrigation meters.

## DRAFT

### **Billings at Fiscal Year-End (Just Water, No Irrigation Meters)**

Reported in kgals (thousands of gallons)

Year	Just Water Meters	Percent Increase	Wastewater	% Inc
2016	1,475,858	2.5%	1,275,251	0.0%
2017	1,819,663	23.3%	1,573,203	23.4%
2018	1,640,939	-9.8%	1,402,469	-10.9%
2019	1,680,080	2.4%	1,474,373	5.1%
2020	1,740,042	3.6%	1,526,212	3.5%
2021	1,789,282	2.8%	1,582,591	3.7%
2022	1,786,118	-0.2%	1,595,976	0.8%
2023	1,692,614	-5.2%	1,532,388	-4.0%
2024	1,644,421	-2.8%	1,511,998	-1.3%
<b>2025</b>	<b>1,756,852</b>	<b>6.8%</b>	<b>1,594,622</b>	<b>5.5%</b>

### **Billings at Fiscal Year-End (Water and Irrigation Meters)**

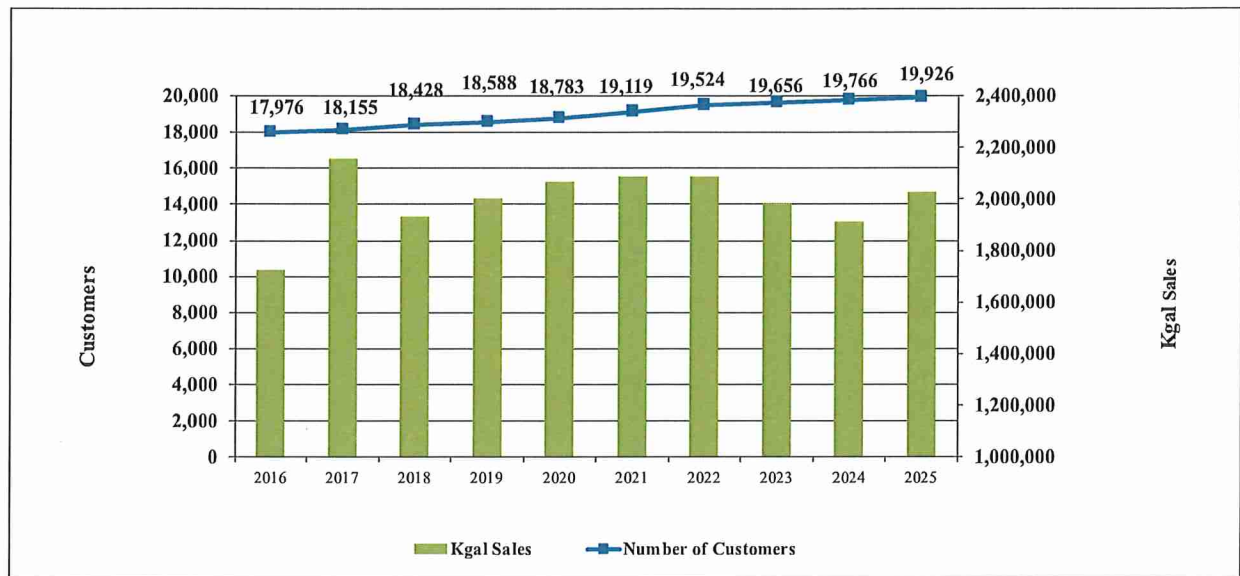
Reported in kgals (thousands of gallons)

Year	Water & Irrigation Meters	Percent Increase	Wastewater	% Inc
2016	1,724,451	1.9%	1,275,251	0.0%
2017	2,159,321	25.2%	1,573,203	23.4%
2018	1,933,031	-10.5%	1,402,469	-10.9%
2019	2,006,513	3.8%	1,474,373	5.1%
2020	2,068,280	3.1%	1,526,212	3.5%
2021	2,087,714	0.9%	1,582,591	3.7%
2022	2,087,003	0.0%	1,595,976	0.8%
2023	1,986,576	-4.8%	1,532,388	-4.0%
2024	1,915,867	-3.6%	1,511,998	-1.3%
<b>2025</b>	<b>2,031,048</b>	<b>6.0%</b>	<b>1,594,622</b>	<b>5.5%</b>

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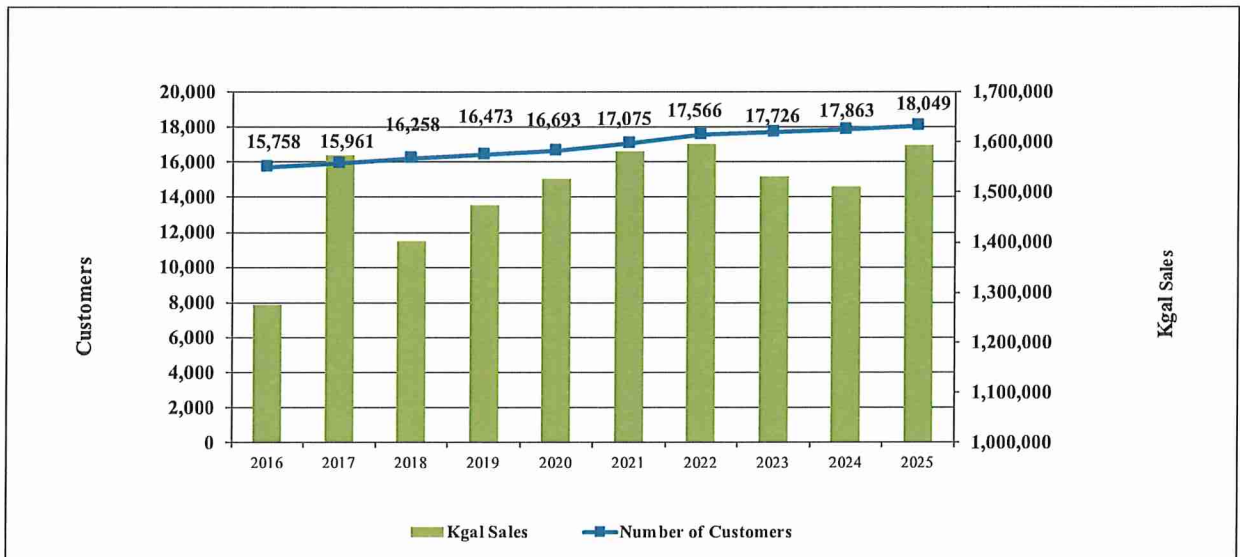
## Water/Irrigation Customers vs. Water/Irrigation Kgal Sales

Last Ten Fiscal Years



## Sewer Customers vs. Wastewater Kgal Sales

Last Ten Fiscal Years



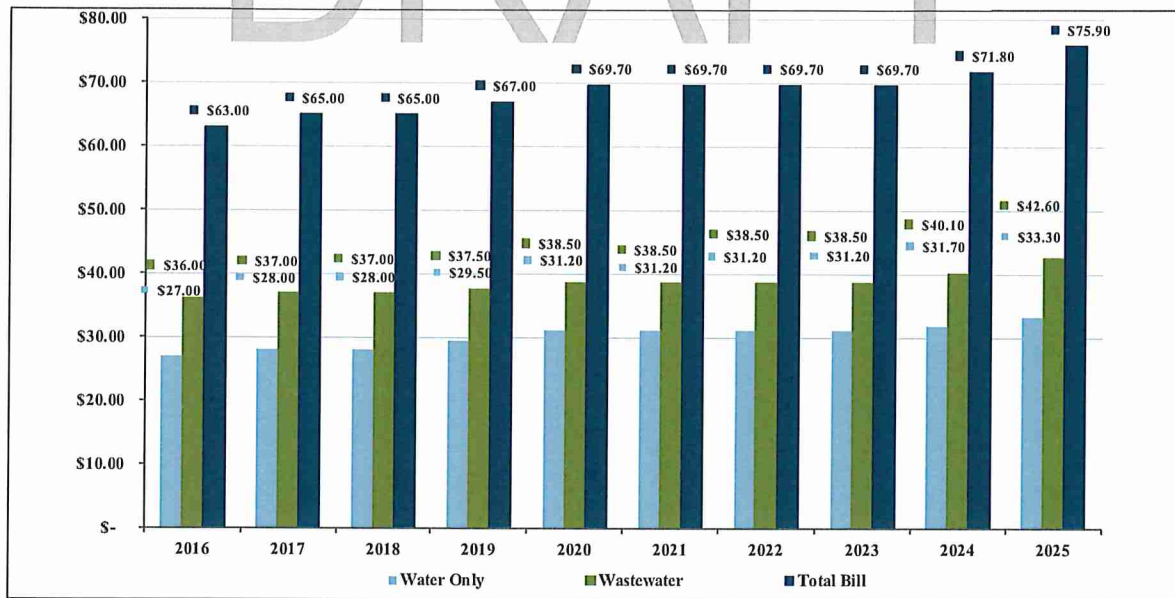


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## Water and Wastewater Rate Comparisons

Water Rate Comparison											
Effective Date											
		FY'16	FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25
Residential Water	Base Charge	\$ 13.00	\$ 14.00	\$ 14.00	\$ 15.50	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50	\$ 17.50
	First 10,000 Gallons	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.47	\$ 1.47	\$ 1.47	\$ 1.47	\$ 1.52	\$ 1.58
	Next 10,001 to 20,000 gallons	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.72	\$ 1.82	\$ 1.82	\$ 1.82	\$ 1.91	\$ 2.11	\$ 2.24
	Next 20,001 to 30,000 gallons	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.18	\$ 2.27	\$ 2.27	\$ 2.27	\$ 2.36	\$ 2.54	\$ 2.79
	Over 30,000 gallons	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.60	\$ 2.79	\$ 2.79	\$ 2.79	\$ 2.98	\$ 3.38	\$ 3.72
Residential Irrigation	Base Charge	\$ 13.00	\$ 14.00	\$ 14.00	\$ 15.50	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50	\$ 17.50
	First 10,000 Gallons Irrigation	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.72	\$ 1.82	\$ 1.82	\$ 1.82	\$ 1.91	\$ 2.11	\$ 2.24
	Next 10,001 to 20,000 gallons	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.72	\$ 1.82	\$ 1.82	\$ 1.82	\$ 1.91	\$ 2.11	\$ 2.24
	Next 20,001 to 30,000 gallons	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.18	\$ 2.27	\$ 2.27	\$ 2.27	\$ 2.36	\$ 2.54	\$ 2.79
	Over 30,000 gallons	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.60	\$ 2.79	\$ 2.79	\$ 2.79	\$ 2.98	\$ 3.38	\$ 3.72
Commercial Water and Irrigation	Base Charge	\$ 18.00	\$ 19.00	\$ 19.00	\$ 20.50	\$ 21.50	\$ 21.50	\$ 21.50	\$ 21.50	\$ 21.50	\$ 22.50
	First 10,000 Gallons	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69	\$ 1.69
	Next 10,001 to 20,000 gallons	\$ 1.99	\$ 1.99	\$ 1.99	\$ 2.01	\$ 2.04	\$ 2.04	\$ 2.04	\$ 2.06	\$ 2.11	\$ 2.24
	Next 20,001 to 30,000 gallons	\$ 2.51	\$ 2.51	\$ 2.51	\$ 2.52	\$ 2.52	\$ 2.52	\$ 2.52	\$ 2.53	\$ 2.54	\$ 2.79
	Over 30,000 gallons	\$ 2.87	\$ 2.87	\$ 2.87	\$ 2.97	\$ 3.07	\$ 3.07	\$ 3.07	\$ 3.18	\$ 3.38	\$ 3.72
Wastewater Rate Comparison											
Effective Date											
		FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24	FY'24	FY'25
Residential	Base Charge	\$ 16.00	\$ 17.00	\$ 17.00	\$ 17.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 19.50
	Per 1,000 gallons with 10 kgal Cap	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.16	\$ 2.31
Commercial	Base Charge	\$ 16.00	\$ 17.00	\$ 17.00	\$ 17.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 18.50	\$ 19.50
	Per 1,000 gallons (No Cap)	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.16	\$ 2.31

## Water/Wastewater Bill History (Residential Customers Using 10 Kgals/Month)



## Water and Sewer Installation Fees

Water meter installation fees (existing service lines)		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
3/4" Meter		\$ 640	\$ 640	\$ 640	\$ 640	\$1,020	\$1,020	\$1,020	\$1,180	\$1,180	\$1,180
1" Meter		850	850	850	850	1,280	1,280	1,280	1,500	1,500	1,500
2" Meter with meter box and backflow		2,330	2,330	2,330	2,330	2,720	2,720	2,720	3,440	3,440	3,440
3" Meter with meter box and backflow (Time and Material)*		T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M
Water meter installation fees (no existing service lines)		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
3/4" Meter		\$ 1,020	\$ 1,020	\$ 1,020	\$1,020	\$1,210	\$1,210	\$1,210	\$1,390	\$1,390	\$1,390
1" Meter		1,080	1,080	1,080	1,080	1,450	1,450	1,450	1,710	1,710	1,710
2" Meter with meter box and backflow		T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M
3" Meter with meter box and backflow (Time and Material)*		T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M
Sewer Installation Fees		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Sewer Connection Fee		\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 150	\$ 150
Sewer Installation Costs		T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M
* T&M equals Time and Materials											
More information is available at: <a href="http://www.hhpsd.com/about-hhpsd/customer-service/">http://www.hhpsd.com/about-hhpsd/customer-service/</a>											

## Capacity Fees

The District requires developers to pay capacity fees in order to defray the cost of providing expanded service to the area to be developed per residential equivalency unit.

Capacity Fee (per unit)	
Water Capacity (House)	\$2,400.00
Water Capacity (Mobile Home)	\$1,800.00
Sewer Capacity	\$3,040.00

\* The same water and sewer capacity fees have been in effect since 2005.

# DRAFT

## **District Top Ten Water/Irrigation Customers**

Fiscal year ended June 30, 2025

User Name	Type	2025 Billed Revenues	% of Total 2025 Billed Revenues
Hilton Head Beach & Tennis	Resort	\$ 232,753	2.67%
Cypress of Hilton Head Association	Residential Homes	198,034	2.27%
Westin Resort	Resort	163,203	1.87%
Marriott Surfwatch	Resort	116,761	1.34%
Hilton Head Resort/Four Seasons	Resort	110,977	1.27%
Marriott Vacation Club	Resort	103,296	1.18%
Fiddler's Cove	Condo Complex	86,812	1.00%
Marshside Owner's Association	Apartment Complex	76,953	0.88%
Spa at Port Royal	Resort	71,860	0.82%
Aquatera Hilton Head	Apartment Complex	70,319	0.81%
Remaining Customers		<u>7,487,164</u>	<u>85.88%</u>
		<u>\$ 8,718,132</u>	100.00%

## **District Top Ten Wastewater Customers**

Fiscal year ended June 30, 2025

User Name	Type	2025 Billed Revenues	% of Total 2025 Billed Revenues
Hilton Head Beach & Tennis	Resort	\$ 248,378	3.67%
Westin Resort	Resort	138,605	2.05%
Hilton Head Resort/Four Seasons	Resort	126,764	1.88%
Cypress of Hilton Head Association	Residential Homes	122,983	1.82%
Fiddler's Cove	Condo Complex	98,054	1.45%
Marriott Vacation Club	Resort	91,067	1.35%
Marriott Surfwatch	Resort	90,373	1.34%
Marshside Owner's Association	Apartment Complex	81,815	1.21%
Spa at Port Royal	Resort	77,949	1.15%
Aquatera Hilton Head	Apartment Complex	73,663	1.09%
Remaining Customers		<u>5,610,552</u>	<u>82.99%</u>
		<u>\$ 6,760,202</u>	100.00%



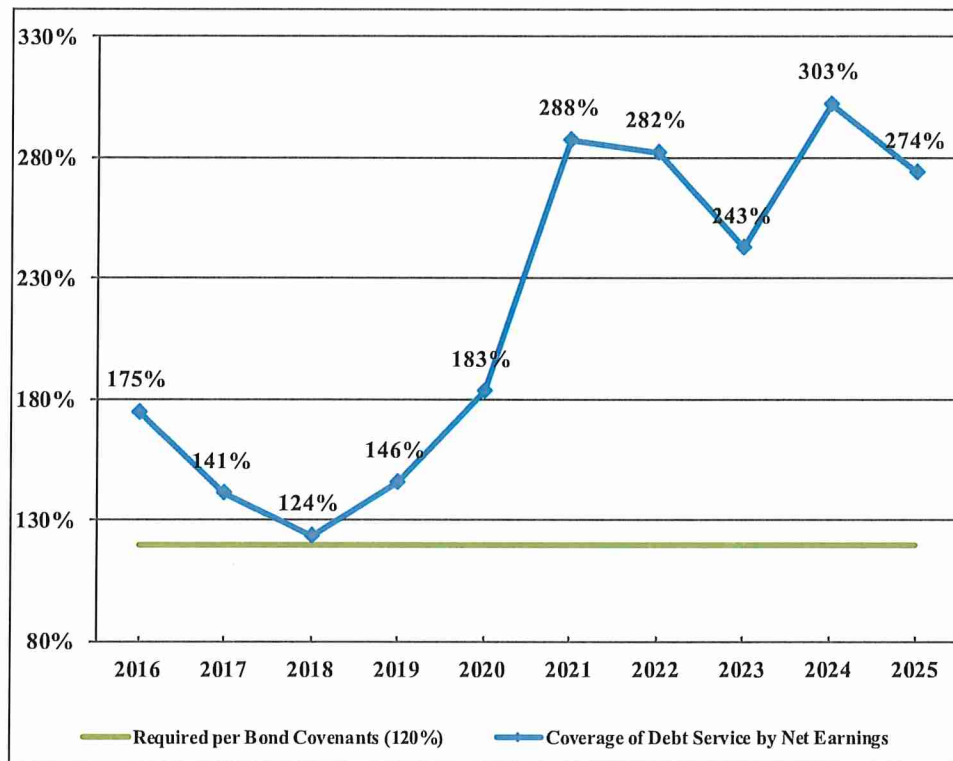
# DRAFT

## Debt Capacity

### Total Outstanding Debt by Debt Type

Fiscal Year	GO Bonds	Revenue Bonds	SRF Revenue Loans*	SRF GO Loans	Notes Payable	Finance Purchase Payable	Total Outstanding Debt	Bond Premiums / discounts	Total Outstanding Debt Net of Amortization	Average Debt Per Customer
2016	8,887,829	31,888,358	2,888,397	5,528,734	115,939	-	49,309,257	80,774	49,390,031	2,748
2017	8,222,841	28,770,617	2,755,436	5,237,548	97,939	-	45,084,381	72,133	45,156,514	2,487
2018	7,533,001	26,078,181	3,769,233	4,924,110	79,939	-	42,384,464	63,492	42,447,956	2,303
2019	6,823,102	22,811,429	3,692,024	4,603,642	61,939	-	37,992,136	54,851	38,046,987	2,047
2020	6,087,937	19,911,323	3,500,050	4,275,983	43,939	-	33,819,232	46,210	33,865,442	1,803
2021	8,630,000	18,659,736	2,210,113	-	25,939	188,937	29,714,725	-	29,714,725	1,554
2022	7,295,000	16,603,422	2,070,344	-	7,939	152,931	26,129,636	-	26,129,636	1,338
2023	5,910,000	14,761,265	1,929,172	-	-	116,926	22,717,363	-	22,717,363	1,156
2024	4,470,000	12,650,095	1,786,582	-	-	80,921	18,987,598	-	18,987,598	961
2025	23,625,000	10,504,863	1,642,562	2,563,795	-	-	38,336,220	-	38,336,220	1,924

### Debt Service Coverage Analysis<sup>8</sup>



### The District's Millage History

Debt Type	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operations	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Debt Service	4.31	4.40	4.05	4.10	4.20	4.20	4.20	4.10	4.10	4.10
Total	7.31	7.40	7.05	7.10	7.20	7.20	7.20	7.10	7.10	7.10

<sup>8</sup> Bond covenants require that the District maintain and collect rates and charges which together with income are reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of annual principal and interest requirements for all revenue bonds outstanding.

## Ratio of (net) General Obligation Bonded Debt

Fiscal Year	Tax Year	General Obligation Debt	Real Property		Motor Vehicle & Other		Total Estimated Appraised Values	Ratio of (net) General bonded debt
			Assessed Taxable Value at 4% & 6%	Estimated Appraised Value	Assessed Value Various Rates	Estimated Appraised Value		
2016	2015	\$ 14,416,563	\$ 276,766,480	\$ 6,374,778,755	\$ 40,419,860	\$ 527,077,690	\$ 6,901,856,445	0.21%
2017	2016	13,460,389	280,372,310	6,463,470,955	46,618,080	578,551,170	7,042,022,125	0.19%
2018	2017	12,457,111	286,061,400	6,593,162,755	47,799,978	597,464,630	7,190,627,385	0.17%
2019	2018	11,426,744	305,078,770	7,236,129,455	47,973,493	587,625,970	7,823,755,425	0.15%
2020	2019	10,363,920	311,484,940	7,345,163,455	42,889,611	547,543,940	7,892,707,395	0.13%
2021	2020	8,630,000	316,904,720	7,456,241,055	44,538,724	559,478,160	8,015,719,215	0.11%
2022	2021	7,295,000	325,289,700	7,639,145,155	43,972,915	560,692,390	8,199,837,545	0.09%
2023	2022	5,910,000	344,885,780	8,026,850,455	48,577,413	640,616,090	8,667,466,545	0.07%
2024	2023	4,470,000	402,924,340	12,178,128,655	48,453,145	654,145,300	12,832,273,955	0.03%
2025	2024	26,188,795	422,003,695	12,455,414,910	57,611,499	772,269,670	13,227,684,580	0.20%

Source: Beaufort County Treasurer.

(1) The County implemented its county-wide reassessment in tax years 2018 and 2023.

## General Obligation Outstanding Debt

Fiscal Year	Tax Year	Taxable Assessed Value of Real Property	Taxable Assessed Value of Personal Property	Total Taxable Assessed Value of the District	8% Debt Limit Value	Total Outstanding GO Debt	Available Debt Limit	Percent of Debt Limit	Average Debt Per Customer	Number of Customers
2016	2015	\$ 276,766,480	\$ 40,419,860	\$ 317,186,340	\$ 25,374,907	\$ 14,416,563	\$ 10,958,344	57%	802	17,976
2017	2016	280,372,310	46,618,080	326,990,390	26,159,231	13,460,389	12,698,842	51%	741	18,155
2018	2017	286,061,400	47,799,978	333,861,378	26,708,910	12,457,111	14,251,799	47%	676	18,428
2019	2018	305,078,770	47,973,493	353,052,263	28,244,181	11,426,744	16,817,437	40%	615	18,588
2020	2019	311,484,940	42,889,611	354,374,551	28,349,964	10,363,920	17,986,044	37%	552	18,783
2021	2020	316,904,720	44,538,724	361,443,444	28,915,476	8,630,000	20,285,476	30%	451	19,119
2022	2021	325,289,700	43,972,915	369,262,615	29,541,009	7,295,000	22,246,009	25%	374	19,524
2023	2022	344,885,780	48,577,413	393,463,193	31,477,055	5,910,000	25,567,055	19%	301	19,656
2024	2023	402,924,340	48,453,145	451,377,485	36,110,199	4,470,000	31,640,199	12%	226	19,766
2025	2024	422,003,695	57,611,499	479,615,194	38,369,216	26,188,795	12,180,421	68%	1,314	19,926

Source: Beaufort County Treasurer's Office

The above table shows the then outstanding principal, authorized debt limit, available debt limit and other information regarding the District's general obligation indebtedness from FY 2016 through FY 2025.

### General Obligation Debt Limit

Section 14 of Article X of the Constitution of the State of South Carolina (the "State") provides that subsequent to November 30, 1977, the special purpose districts of the State may issue bonded indebtedness in an amount not exceeding eight percent (8%) of the assessed value of all taxable property therein. The assessed value of all taxable property located within the District for the year 2025, which is the last completed assessment thereof, exclusive of properties subject to a fee in lieu of tax, is a sum of not less than \$479,615,194 and thus the eight percent (8%) debt limit of the District is not less than \$38,369,216. The District presently has the following bonded indebtedness chargeable against this limit:

Originally Issued	Date	Original Amount	Outstanding Balance as of June 30, 2025
Series 2020	November 2, 2020	\$ 9,910,000	\$ 3,225,000
SRF - Series 2024A	August 30, 2024	2,589,929	2,563,795
Series 2024B	November 4, 2024	20,400,000	20,400,000
	Total Indebtedness - GO Bonds	\$ 32,899,929	\$ 26,188,795

# DRAFT

## Assessed Values of Taxable Property of the District

Fiscal Year	Tax Year	Real Property	Personal Property	Total
2016	2015	\$ 276,766,480	\$ 40,419,860	317,186,340
2017	2016	280,372,310	46,618,080	326,990,390
2018	2017	286,061,400	47,799,978	333,861,378
2019	2018	305,078,770	47,973,493	353,052,263
2020	2019	311,484,940	42,889,611	354,374,551
2021	2020	316,904,720	44,538,724	361,443,444
2022	2021	325,289,700	43,972,915	369,262,615
2023	2022	344,885,780	48,577,413	393,463,193
2024	2023	402,924,340	48,453,145	451,377,485
2025	2024	422,003,695	57,611,499	479,615,194
Source: Beaufort County Treasurer's Office				
The County implemented its county-wide reassessment in tax years 2018 and 2023				

### Tax Year 2024 Market Value for the District

Classification	Assessed Value of Taxable Property	Assessment Ratio	Appraised Value
1. Real Property and Mobile Homes	\$ 206,436,840	4.00%	\$ 7,352,310,399
2. Real Property and Mobile Homes	215,566,855	6.00%	5,103,104,511
3. Business Personal Property	3,971,360	10.50%	37,052,740
4. Merchant's Furniture, Fixtures and Equipment	1,765,070	10.50%	16,395,310
5. Motor Vehicles <sup>(1)</sup>	29,320,350	Various	460,336,880
6. Marine Equipment <sup>(2)</sup>	4,554,178	Various	76,411,550
7. Airplanes	1,469,628	4.00%	24,844,360
8. Manufacturing Property	551,980	10.50%	5,256,890
9. Public Utilities	7,148,680	10.50%	68,082,670
10. Rental Property and Signs <sup>(3)</sup>	8,830,253	Various	83,889,270
Total	\$ 479,615,194		\$ 13,227,684,580
<p>Figures do not include Merchant's Inventory, motor carrier reimbursement or manufacturer's depreciation reimbursement. There is presently no property in multi-county industrial parks or property otherwise subject to fee in lieu of taxes in the District.</p> <p>Source: Beaufort County Treasurer's Office</p> <p>(1) Includes personal automobiles and commercial vehicles, which are assessed at different ratios.</p> <p>(2) Includes personal watercraft and commercial fishing boats, which are assessed at different ratios.</p> <p>(3) Includes residential rental property and commercial signs, which are assessed at different ratios.</p>			



# DRAFT

## Tax Collection Record for the District

Fiscal Year	Taxes Subject to Collection	Current Collections	Current % Collected	Delinquent Taxes Collected	Total Collections	Total % Collected
2015-2016	2,359,833	2,259,929	95.8%	\$ 73,254	\$ 2,333,183	98.9%
2016-2017	2,347,367	2,253,133	96.0%	65,734	2,318,867	98.8%
2017-2018	2,436,930	2,348,903	96.4%	61,866	2,410,769	98.9%
2018-2019	2,463,280	2,377,954	96.5%	62,786	2,440,740	99.1%
2019-2020	2,497,764	2,403,056	96.2%	69,007	2,472,063	99.0%
2020-2021	2,566,458	2,469,818	96.2%	74,939	2,544,757	99.2%
2021-2022	2,645,453	2,571,183	97.2%	35,099	2,606,282	98.5%
2022-2023	2,787,199	2,721,177	97.6%	28,304	2,749,481	98.6%
2023-2024	3,191,775	3,105,585	97.3%	38,966	3,144,551	98.5%
2024-2025	3,377,812	3,242,698	96.0%	50,670	3,293,368	97.5%

Source: Beaufort County Treasurer's Office

### Tax Year 2024 - District Largest Taxpayers

Employer	Type of Business	2024 Assessed Value	2024-25 Amounts Paid
Marriot Ownership Resort Inc	Real Estate	\$ 6,760,480	\$ 1,718,685
Palmetto Electric Cooperative	Utility	4,672,360	1,150,078
SCG Hilton Head Property LLC	Real Estate	4,458,110	1,133,857
AB PR QOZB II Property LLC.	Real Estate	2,980,190	775,693
Andrick Development	Real Estate	2,305,190	584,336
Bayshore Hilton Head LLC	Real Estate	2,227,460	572,434
Hilton Head Health System LP	Medical	2,165,570	563,858
Barnwell Family Associates LLC	Real Estate	2,191,710	553,737
Foiles William M Esquire Trustee	Real Estate	1,884,940	477,056
Blue Water Investments	Real Estate	1,791,880	457,359

Source: Beaufort County Treasurer's Office.

# DRAFT

## Demographic and Economic Information

### Population per Capita Income

	<i>Hilton Head</i>		<i>Beaufort County</i>		<i>South Carolina</i>	
Year	Population	Per Capita	Population	Per Capita	Population	Per Capita
2015	40,456	46,091	175,852	32,290	4,896,146	25,951
2016	40,512	44,869	179,859	32,401	4,961,119	27,016
2017	40,500	47,454	183,149	33,877	5,024,369	25,521
2018	39,639	50,289	186,844	34,966	5,084,127	27,909
2019	39,861	51,773	188,715	36,306	5,148,714	27,986
2020	37,661	56,942	187,117	38,946	5,118,425	29,426
2021	38,076	60,988	191,748	41,070	5,190,705	30,727
2022	38,069	61,752	196,371	43,463	5,282,634	32,823
2023	38,097	66,506	198,979	48,132	5,373,555	36,072
2024	37,805	72,304	193,749	47,303	5,317,212	37,334

Source: U.S. Census Bureau

### Town of Hilton Head Island Top Employers 2024

Employer	Employees	Type of Business
SERG Group Restaurants	797	Food Services
Sea Pines Resort LLC	731	Hospitality
Coastal Restaurants and Bars	715	Food Services
Marriott Vacation Club International	521	Hospitality
Hilton Head Medical Center and Clinics	483	Health Services
Beaufort County School District	440	Educational
Greenwood Communities & Resorts (Palmetto Dunes)	407	Hospitality
Cypress of Hilton Head	315	Health Services
Publix Super Markets Inc.	310	Grocery
Omni Hilton Head Oceanfront Resort	159	Hospitality
<b>Total</b>	<b>4,878</b>	

Source: Town of Hilton Head Island 06/30/2024 Annual Comprehensive Financial Report

## Beaufort County Labor Force and Employment

Category	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Civilian Labor Force	71,661	72,535	74,104	75,517	79,798	77,127	73,502	76,398	79,850	84,267
Employment	67,748	69,081	71,113	73,082	77,165	72,961	70,873	73,997	77,626	81,047
Unemployment	3,913	3,454	2,991	2,435	2,633	4,166	2,629	2,401	2,224	3,220
Unemployment Rate	5.6%	5.0%	4.0%	3.4%	3.3%	5.4%	3.5%	3.1%	2.8%	3.8%

Source: South Carolina Department of Employment and Workforce

### Unemployment Rate Comparison

Year	Beaufort County	South Carolina	United States
2015	5.6%	6.0%	5.3%
2016	5.0%	5.0%	4.9%
2017	4.0%	4.3%	4.4%
2018	3.4%	3.4%	3.9%
2019	3.3%	2.9%	3.7%
2020	5.4%	6.2%	8.1%
2021	3.5%	4.0%	5.3%
2022	3.1%	3.2%	3.6%
2023	2.8%	3.0%	3.6%
2024	3.8%	4.1%	4.0%

Source: South Carolina Department of Employment and Workforce.



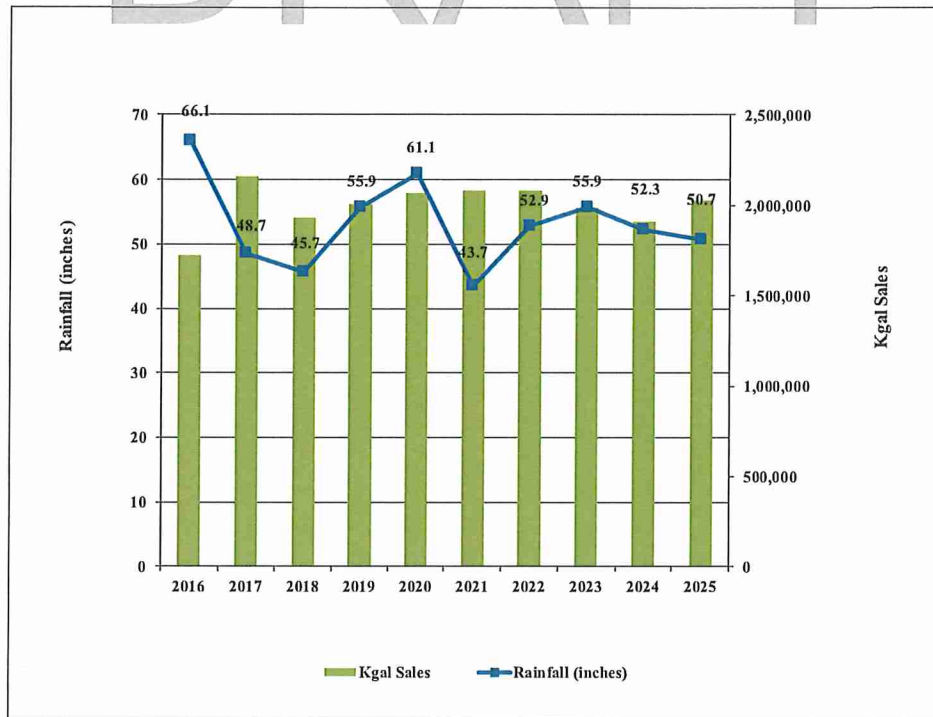
# DRAFT

*Other Operational and Capital Information*  
**Full Time Equivalent Employees by Function**

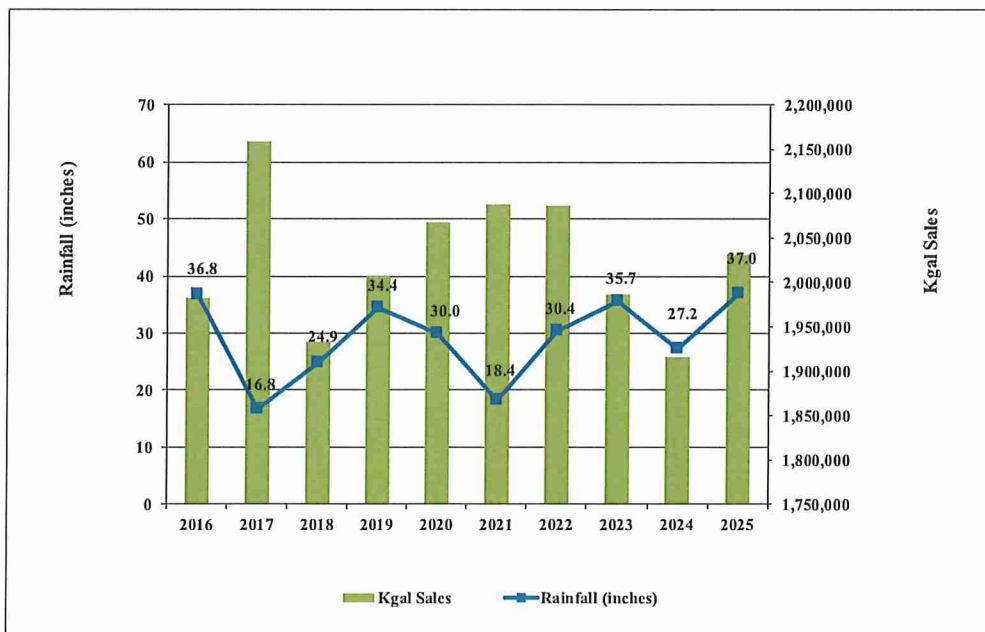
<b>Fiscal Year</b>	<b>Executive Staff</b>	<b>Finance &amp; Customer Service Staff</b>	<b>Operations Staff</b>	<b>Total</b>
2016	7	9	19	35
2017	6	8	22	36
2018	6	8	22	36
2019	6	8	21	35
2020	5	8	23	36
2021	5	8	24	37
2022	5	9	24	38
2023	5	9	24	38
2024	5	9	26	40
2025	5	9	27	41

# DRAFT

**Rainfall (inches) vs. Water/Irrigation Kgal Sales<sup>9</sup>**



**Summer Rainfall (Inches) vs. Water/Irrigation Kgal Sales<sup>10</sup>**



<sup>9</sup> Rainfall measurements were recorded at the wastewater treatment plant.

<sup>10</sup> Months included for each year are March through August.

# DRAFT

## Schedule of Changes in Capital Assets

Last Ten Fiscal Years

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>June 30, 2025</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 1,299,193	-	-	-	\$ 1,299,193
Construction in Progress	785,002	25,705,249	-	(15,378,945)	11,111,306
Total Capital Assets not being depreciated	2,084,195	25,705,249	-	(15,378,945)	12,410,499
<u>Capital assets being depreciated:</u>					
Waterworks system	62,262,581	4,220,079	(1,723,301)	1,109,717	65,869,076
Sewage disposal system	39,645,717	5,334,139	(1,308,316)	13,109,478	56,781,018
Buildings	4,339,091	173,941	(22,871)	-	4,490,161
Sewage treatment facilities	34,727,539	3,659,965	(2,177,817)	698,001	36,907,688
Transportation equipment	1,098,157	1,441,979	(958,104)	-	1,582,032
Operations furniture and equipment	2,198,499	557,380	(715,273)	108,803	2,149,409
Office furniture and equipment	776,042	103,162	(266,095)	-	613,109
Sub Total	145,047,626	15,490,645	(7,171,777)	15,025,999	168,392,493
Less Accumulated depreciation	(70,288,692)	(45,408,102)	7,057,491	-	(108,639,303)
Total capital assets being depreciated, net	74,758,934	(29,917,457)	(114,286)	15,025,999	59,753,190
Year End Totals	\$ 76,843,129	(4,212,208)	(114,286)	(352,946)	\$ 72,163,689

## Schedule of Net Property, Plant, & Equipment (PP&E)

Last Ten Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
PP&E	\$ 146,346,818	\$ 147,901,161	\$ 155,357,839	\$ 156,261,306	\$ 161,887,889	\$ 162,767,990	\$ 164,543,832	\$ 166,709,011	\$ 169,220,692	\$ 169,691,686
Accumulated Depreciation	(70,288,692)	(74,619,859)	(78,115,155)	(82,552,877)	(87,488,189)	(91,731,711)	(96,661,563)	(101,642,020)	(106,051,157)	(108,639,303)
Net PP&E in Service	76,058,126	73,281,302	77,242,684	73,708,429	74,399,700	71,036,279	67,882,269	65,066,991	63,169,535	61,052,383
Construction in Progress	785,002	1,457,297	513,974	2,802,108	57,707	45,310	37,206	1,049,989	2,106,792	11,111,306
Net PP&E	\$ 76,843,128	\$ 74,738,599	\$ 77,756,658	\$ 76,510,537	\$ 74,457,407	\$ 71,081,589	\$ 67,919,475	\$ 66,116,980	\$ 65,276,327	\$ 72,163,689



# **Beaufort-Jasper Water and Sewer Authority (BJWSA)-Purchased Water Expense Summary**

Water Purchased from BJWSA Summary (Whole Dollars)											
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	
All District Purchases from BJWSA	\$ 812,457	\$ 1,555,262	\$ 1,460,476	\$ 1,472,872	\$ 981,138	\$ 1,030,216	\$ 1,222,325	\$ 1,158,859	\$ 1,270,500	\$ 1,952,859	
Broad Creek Purchases	(73,259)	(320,129)	(127,776)	(82,490)	(71,933)	(126,719)	(171,492)	(105,489)	(191,866)	(278,782)	
Capitalized Purchased Water	-	-	-	-	-	-	-	-	-	-	
Prepaid Purchased Water Expense	(195,537)	(217,652)	(216,031)	(220,013)	(234,031)	(249,583)	(254,677)	(283,417)	(283,545)	(277,050)	
<b>Purchased Water Expense</b>	<b>\$ 543,661</b>	<b>\$ 1,017,482</b>	<b>\$ 1,116,669</b>	<b>\$ 1,170,368</b>	<b>\$ 675,174</b>	<b>\$ 653,914</b>	<b>\$ 796,156</b>	<b>\$ 769,953</b>	<b>\$ 795,089</b>	<b>\$ 1,397,027</b>	

Water Purchased from BJWSA Summary (KGalS)											
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	
All KgalS Purchased from BJWSA	538,925	1,125,264	1,039,001	985,829	603,904	638,084	754,288	672,322	661,653	898,358	
Reclaimed Water Adjustment	-	-	-	-	-	-	-	-	-	-	
Broad Creek Purchases	(44,304)	(251,213)	(80,844)	(49,207)	(44,896)	(70,811)	(92,463)	(61,000)	(96,705)	(151,458)	
Capitalized Purchased Water	-	-	-	-	-	-	-	-	-	-	
Prepaid Purchased Water Expense	(232,782)	(256,061)	(251,199)	(250,015)	(262,894)	(279,977)	(279,685)	(265,565)	(254,025)	(252,250)	
<b>Purchased Water (KGalS)</b>	<b>261,839</b>	<b>617,990</b>	<b>706,958</b>	<b>686,607</b>	<b>296,114</b>	<b>287,296</b>	<b>382,140</b>	<b>345,757</b>	<b>310,923</b>	<b>494,650</b>	
Total Peak Purchases	391,043	643,858	590,557	617,696	435,925	442,909	505,588	446,256	472,715	599,171	
Total Off-peak Purchases <sup>1</sup>	147,882	481,406	448,444	368,133	167,979	195,175	248,700	226,066	188,938	299,187	
<b>Total Off-peak and Peak Purchases</b>	<b>538,925</b>	<b>1,125,264</b>	<b>1,039,001</b>	<b>985,829</b>	<b>603,904</b>	<b>638,084</b>	<b>754,288</b>	<b>672,322</b>	<b>661,653</b>	<b>898,358</b>	

BJWSA Rates Per Kgal Summary											
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	
Rates Charged by BJWSA											
Peak Rate <sup>2</sup>	\$ 1.76	\$ 1.78	\$ 1.82	\$ 1.86	\$ 1.91	\$ 1.95	\$ 1.97	\$ 2.07	\$ 2.26	\$ 2.71	
Off Peak Rate	\$ 0.84	\$ 0.85	\$ 0.86	\$ 0.88	\$ 0.89	\$ 0.90	\$ 0.91	\$ 1.04	\$ 1.07	\$ 1.10	
District Cost/Kgal Prior to Broad Creek Purchases <sup>3</sup>	\$ 1.51	\$ 1.38	\$ 1.41	\$ 1.49	\$ 1.62	\$ 1.61	\$ 1.62	\$ 1.72	\$ 1.92	\$ 2.17	
Effective District Cost/Kgal After Broad Creek Purchases <sup>4</sup>	\$ 1.49	\$ 1.41	\$ 1.39	\$ 1.48	\$ 1.63	\$ 1.59	\$ 1.59	\$ 1.72	\$ 1.91	\$ 2.24	

<sup>1</sup> Off-peak rate agreement signed on September, 2009 and the rate increases every fiscal year based on CPI.

<sup>2</sup> The FY 2021 peak rate did not go into effect until January 1, 2021. All other peak rates were effective the entire fiscal year.

<sup>3</sup> Combined peak and off-peak purchases calculated as all District purchases from BJWSA divided by all KgalS purchased from BJWSA.

<sup>4</sup> During off-peak months, the District pays the peak rate for the first 1 million gallons purchased from BJWSA and the off-peak rate for any amount purchased over one million gallons. However, the District charges the Broad Creek PSD the off-peak rate for all of the water that they purchase during off-peak months. During peak months Broad Creek PSD is charged the peak price. As such, this calculation backs out Broad Creek PSD payments to the District and the KgalS that Broad Creek purchased to arrive at the District's Effective Cost/Kgal for its own water usage.

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## **COMPLIANCE SECTION**



# **Greene Finney Cauley, LLP**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## **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 *GOVERNMENTAL AUDITING STANDARDS***

To the Board of Commissioners  
Hilton Head No.1 Public Service District  
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 Hilton Head No.1 Public Service District (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 3, 2025.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Greene Finney Cauley, LLP*

Greene Finney Cauley, LLP  
Mauldin, South Carolina  
November 3, 2025



# Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

To the Board of Commissioners  
Hilton Head No.1 Public Service District  
Hilton Head Island, South Carolina

### Report on Compliance for Each Major Federal Program

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

We have audited the Hilton Head No.1 Public Service District's (the "District") 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 each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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 ("GAAS"); 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 District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District'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 District's federal programs.

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## ***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 District'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 GAAS, *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 District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design 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 District'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 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 may exist that were not identified.



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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.

*Greene Finney Cauley, LLP*

Greene Finney Cauley, LLP  
Mauldin, South Carolina  
November 3, 2025

**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 FOR THE YEAR ENDED JUNE 30, 2025

<b>Federal Granor/Pass-through Grantor/Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Grant Identification Number</b>	<b>Expenditures</b>
<b>U.S. Department of the Treasury</b>			
<i>Passed Through - South Carolina Rural Infrastructure Authority</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	A-23-C095	\$ 3,497,100
<i>Passed Through - Beaufort County</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	2023-6e	<u>1,000,000</u>
<b>Total U.S. Department of the Treasury</b>			<u><b>4,497,100</b></u>
<b>U.S. Department of Homeland Security</b>			
<i>Passed Through - South Carolina Emergency Management Division</i>			
Disaster Grants - Public Assistance - Tropical Storm Debby	97.036	FEMA-4835-DR-SC	22,882
<b>Total U.S. Department of Homeland Security</b>			<u><b>22,882</b></u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 4,519,982</b></u>

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**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
FOR THE YEAR ENDED JUNE 30, 2025

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**Note 1 - General**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of the Hilton Head No. 1 Public Service District (the “District”) for the year ended June 30, 2025. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

**Note 2 – Basis of Accounting**

The accompanying Schedule is presented using the full accrual basis of accounting.

**Note 3 - Relationship to Financial Statements**

Federal award expenditures are reported in the District’s financial statements as expenditures in the District’s proprietary fund.

**Note 4 – Matching Costs**

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

**Note 5 - Sub-Recipients**

The District did not provide any federal awards to sub-recipients during fiscal year 2025.

**Note 6 – Indirect Cost Rate**

The amount expended does not include any amounts claimed as an indirect cost recovery, as the District elected not to use the *de minimis* cost rate.



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**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
FOR THE YEAR ENDED JUNE 30, 2025

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**SECTION I - SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	<u>  X  </u> No
Significant deficiencies identified?	_____ Yes	<u>  X  </u> None Reported
Noncompliance material to financial statements noted?	_____ Yes	<u>  X  </u> No

**Federal Awards**

Internal Control over major programs:

Material weaknesses identified?	_____ Yes	<u>  X  </u> No
Significant deficiencies?	_____ Yes	<u>  X  </u> No

Type of auditor's report issued on compliance for major programs: Unmodified

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

\_\_\_\_\_ Yes   X   No

Identification of major program:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	U.S. Department of the Treasury COVID-19 – Coronavirus State and Local Fiscal Recovery Fund

Dollar threshold used to distinguish between Type A and Type B programs:   \$750,000  

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

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**HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
FOR THE YEAR ENDED JUNE 30, 2025

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS**

Not applicable.

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**Hilton Head No. 1 Public Service District**

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# **FY'26 First Quarter Financial Report**



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PO Box 21264  
Hilton Head Island, SC 29925  
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**To:** Commissioners  
Pete Nardi, General Manager

**From:** Amy Graybill, Finance Manager

**Subject:** Financial Highlights – Fiscal Year Unaudited Financial Statements and Results,  
Period Ending September 30, 2025

**Date:** November 19, 2025

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## Introduction

Staff has prepared the following unaudited financial statements and highlights for September 30, 2025 for discussion at the Commission Meeting on November 19, 2025.

No Commission action is required.

## Statement of Revenues, Expenses, and Changes in Net Position

Table A-1 on the following page contains the District's Statement of Revenues, Expenses, and Changes in Net Position as of September 30, 2025 compared to budget.

The change in net position for the period was \$2,267,226, which was \$665,951 higher than the budgeted change in net position of \$1,601,275. Operating income is right on budget with lower operating revenues than budgeted being offset by lower operating expenses than budgeted. On the non-operating side, interest earnings remain stronger than budgeted and grant revenue is higher than budgeted.

**Table A-1**  
**Hilton Head PSD**  
**Budgetary Comparison Schedule**  
Fiscal Year to Date as of September 30, 2025

	Fiscal Year 2026		FY 26 Actual to FY 26 Budget	
			Comparison	
	Actual	Budget	Dollars Favorable (Unfavorable)	%
<b>Operating Revenues</b>				
Water Service	\$ 2,528,407	\$ 2,675,300	\$ (146,893)	-5.5%
Sewer Service	1,968,219	1,969,900	(1,681)	-0.1%
Tap In Fees - Water	77,902	55,200	22,702	41.1%
Connection Fees - Sewer	48,589	67,500	(18,911)	-28.0%
Golf Course Irrigation	70,280	71,400	(1,120)	-1.6%
Disaster recovery, net	-	-	-	100.0%
Service Fees	6,929	5,025	1,904	37.9%
Other Operating Revenues	685	1,575	(890)	-56.5%
<b>Total Operating Revenues</b>	<b>4,701,011</b>	<b>4,845,900</b>	<b>(144,889)</b>	<b>-3.0%</b>
<b>Departmental Expenses</b>				
Payroll & Related	1,412,754	1,471,675	58,921	4.0%
Administrative Expenses	326,523	326,850	327	0.1%
Operations	989,311	914,000	(75,311)	-8.2%
Maintenance	367,966	416,475	48,509	11.6%
Purchased Water	498,032	582,000	83,968	14.4%
Water Tap In Expenses	74,157	41,250	(32,907)	-79.8%
Sewer Connection Expenses	43,789	63,000	19,211	30.5%
Professional Fees	23,839	53,250	29,411	55.2%
<b>Total Departmental Expenses</b>	<b>3,736,371</b>	<b>3,868,500</b>	<b>132,129</b>	<b>3.4%</b>
<b>Depreciation</b>	<b>1,377,671</b>	<b>1,387,500</b>	<b>9,829</b>	<b>0.7%</b>
<b>Total Operating Expenses</b>	<b>5,114,042</b>	<b>5,256,000</b>	<b>141,958</b>	<b>2.7%</b>
<b>Operating income (loss)</b>	<b>(413,031)</b>	<b>(410,100)</b>	<b>(2,931)</b>	<b>-0.7%</b>
<b>Non-operating revenues</b>				
Property taxes-G.O. Debt Levy	43,988	46,700	(2,712)	-5.8%
Property taxes-Operations Levy	31,941	28,900	3,041	10.5%
Rental Income	65,755	65,775	(20)	0.0%
Tower Lease Income	155,764	153,975	1,789	1.2%
Interest Income - Leases	8,309	8,625	(316)	-3.7%
Interest Income	403,230	234,400	168,830	72.0%
Gain (Loss) of disposal of equipment	-	3,750	(3,750)	-100.0%
<b>Total Non-operating Revenues</b>	<b>708,987</b>	<b>542,125</b>	<b>166,862</b>	<b>30.8%</b>
<b>Non-operating Expenses</b>				
Interest expense	246,296	248,250	1,954	0.8%
Bond Issuance Costs	-	-	-	0.0%
<b>Total Non-operating Expenses</b>	<b>246,296</b>	<b>248,250</b>	<b>1,954</b>	<b>0.8%</b>
<b>Total Non-operating Revenues/Exp.</b>	<b>462,691</b>	<b>293,875</b>	<b>168,816</b>	<b>57.4%</b>
<b>Increase (decrease) in net position, before capital contributions</b>	<b>49,660</b>	<b>(116,225)</b>	<b>165,885</b>	<b>142.7%</b>
Water Capacity Fee	10,800	28,500	(17,700)	-62.1%
Sewer Capacity Fee	36,480	39,000	(2,520)	-6.5%
Capital Grant Income	2,170,286	1,650,000	520,286	31.5%
Developer Contributions of Systems	-	-	-	0.0%
<b>Total Capital Contributions</b>	<b>2,217,566</b>	<b>1,717,500</b>	<b>500,066</b>	<b>29.1%</b>
<b>Change in net position</b>	<b>\$ 2,267,226</b>	<b>\$ 1,601,275</b>	<b>\$ 665,951</b>	<b>41.6%</b>
<b>Net position, beginning of the fiscal year</b>	<b>\$ 67,333,504</b>			
<b>Net position, September 30, 2025</b>	<b>\$ 69,600,730</b>			



## Budget to Actual Highlights

**Operating Revenues:** Actual operating revenues are \$4,701,011 versus budgeted operating revenues of \$4,845,900 which results in a variance of \$144,889 or 3.0% under budget. The following is a summary of material/selected variances<sup>1</sup> for the Operating Revenue categories:

- Water Service revenues are under budget by \$146,893 or 5.5% and Sewer Service revenues are under budget by \$1,681 or 0.1%. Billed water consumption for the first quarter of fiscal year (FY) 2026 decreased 38 million gallons from 630 million gallons billed during the first quarter of FY 2025 to 592 million gallons billed during the first quarter of FY 2026 which may be partially attributable to increased rainfall. During the first quarter of FY 2026, rainfall increased 9.5 inches over the prior year with 30.7 inches recorded at the treatment plant during the first quarter of FY 2026 versus 21.2 inches recorded during the same period in FY 2025. Sewer service revenues are not adversely affected by reduced consumption due the residential sewer cap.

**Total Operating Expenses:** Total operating expenses are \$141,958 or 2.7% under budget. The following is a summary of material/selected variances for the Operating Expenses categories:

- Payroll & Related is under budget by \$58,921 or 4.0% due to the timing of filling open positions.
- Operations expense is over budget by \$75,311 or 8.2% which is mostly related to overages in chemicals and fuel and power. A portion of this overage is currently expected to be related to the timing of chemical deliveries. Additionally, more water and chemicals were used in relation to maintenance activities at the WWTP during the quarter.
- Purchased Water is under budget by \$83,968 or 14.4% due to less water purchased related to lower billed water consumption.

**Non-Operating Revenues and Expenses:** Actual non-operating revenues are \$708,987 versus budgeted non-operating revenues of \$542,125 which results in a variance of \$166,862 or 30.8% over budget. This is mostly related to Interest Income which is \$168,830 over budget in line with continued higher market interest rates. Staff endeavors to keep all cash not needed for current operations in the SC Local Government Investment Pool which is still seeing rates over 4.3%. Interest was conservatively budgeted at 3.25%.

**Capital Contributions:** Capacity fees, capital grant income, and developer contributions of systems came in \$500,066 over budget. This is mostly related to the timing of grant reimbursement income.

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<sup>1</sup> In most cases, a variance of more than \$100,000 or 10% constitutes a material variance for quarterly reports. Water and Sewer Variances are typically discussed regardless of their variances given that they are the two main drivers for the District's overall revenue.

## Statements of Net Position

Table A-2 below and on the following page contains the District's Statement of Net Position as of September 30, 2025, compared to the end of the prior fiscal year, June 30, 2025.

**Table A-2**  
**Hilton Head PSD**  
**Statements of Net Position**

	September 30	June 30
	2025	2025
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents Available for Operations	\$ 16,914,107	\$ 15,873,800
Cash and Cash Equivalents in Banks (Restricted)	17,049,084	19,208,123
Cash and Cash Equivalents Held by Beaufort County Treasurer (Restricted)	839,902	805,891
Accounts Receivable - Trade, net	1,814,182	1,813,834
Accounts Receivable - Grants (Restricted)	2,170,286	1,241,109
Accounts Receivable - Connection Grants	28,327	18,089
Accrued Interest Receivable	17,214	17,214
Lease Receivable, due within one year	229,951	484,041
Sewer and Capacity Assessments, due within one year	203,705	207,894
Inventory	539,906	582,825
Prepaid Expenses	520,497	418,651
<b>Total current assets</b>	40,327,161	40,671,471
<b>Noncurrent Assets</b>		
Property, Plant and Equipment		
Nondepreciable Assets	16,255,991	12,410,499
Depreciable Assets, net	58,457,945	59,753,190
<b>Total Property, Plant and Equipment</b>	74,713,936	72,163,689
Lease Receivable, due after one year	903,080	903,080
Sewer and Capacity Assessments, due after one year	1,774,375	1,752,864
<b>Total Noncurrent Assets</b>	77,391,391	74,819,633
<b>Total Assets</b>	117,718,552	115,491,104
<b>Deferred Outflows of Resources</b>		
Deferred Outflows Related to Pensions	833,094	833,094
Deferred Outflows from Refinancing Debt	-	-
<b>Total Deferred Outflows of Resources</b>	833,094	833,094
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 118,551,646</u>	<u>\$ 116,324,198</u>

**Table A-2**  
**Hilton Head PSD**  
**Statements of Net Position (continued)**

	September 30	June 30
	2025	2025
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payable from Unrestricted Assets:		
Accounts Payable-Trade	\$ 571,280	\$ 523,576
Accounts Payable-Construction	50,285	470,761
Customer Deposits	226,080	226,028
Unearned Revenue	48,567	17,341
Accrued Payroll & Other Liabilities	480,371	612,989
<b>Total Current Liabilities Payable from Unrestricted Assets</b>	1,376,583	1,850,695
Payable from Restricted Assets:		
Accounts Payable - Construction	2,319,967	1,898,704
Interest Payable	384,050	155,320
Notes Payable, due within one year	188,879	251,380
Bonds Payable, due within one year	3,436,822	3,436,822
<b>Total Current Liabilities Payable from Restricted Assets</b>	6,329,718	5,742,226
<b>Total Current Liabilities</b>	7,706,301	7,592,921
<b>Noncurrent Liabilities</b>		
Notes Payable, due after one year	3,954,978	3,954,978
Bonds Payable, due after one year	30,693,040	30,693,040
Net Pension Liability	4,771,034	4,771,034
<b>Total Noncurrent Liabilities</b>	39,419,052	39,419,052
<b>Total Liabilities</b>	47,125,353	47,011,973
<b>Deferred Inflows of Resources</b>		
Deferred Inflows Related to Pensions	381,199	381,199
Deferred Inflows Related to Lease Revenue	1,444,364	1,597,522
<b>Total Deferred Inflows of Resources</b>	1,825,563	1,978,721
<b>Total Liabilities and Deferred Inflows of Resources</b>	48,950,916	48,990,694
<b>Net Position</b>		
Net Investment in Capital Assets	50,000,932	50,045,908
Restricted for Debt Service & Grants	1,573,969	1,270,790
Unrestricted	18,025,829	16,016,806
<b>Total Net Position</b>	69,600,730	67,333,504
<b>Total Liabilities, Deferred Inflows of Resources &amp; Net Position</b>	<u>\$ 118,551,646</u>	<u>\$ 116,324,198</u>



## **Statement of Net Position Highlights**

As of September 30, 2025, total assets and deferred outflows of resources are \$118.6 million, exceeding liabilities and deferred inflows of resources by approximately \$69.6 million (See Table A-2, Pages 4-5).

### **Current Assets/Liabilities/Debt**

The increase and decreases in unrestricted cash, grants receivable, lease receivable, prepaid expenses, accounts payable, and accrued payroll and other liabilities are all expected to be timing related. Unrestricted cash may decline later in the year as capital projects are completed. Grants receivable are dependent upon the monthly construction expenditures eligible for reimbursement and how quickly the granting agency makes reimbursement payments. Lease receivable decreases throughout the year as regularly scheduled tower lease payments are received. Prepaid expenses includes the annual insurance premium which is due in July of each year. Accounts payable fluctuates based on the timing of purchases and the final check run of the reporting period. Accrued payroll decreased due to the timing of the last pay check date in the reporting period which resulted in fewer days to accrue in the reporting period.

The large increases in nondepreciable assets (which includes construction in progress) and decreases in restricted cash are mainly related to the continuation of the construction phase of the grant projects.

### **Net Position**

Changes in net position resulting from operating and non-operating revenues, expenses and capital contributions increased \$2,267,226 since June 30, 2025. Net position invested in capital assets has decreased \$44,976 due to asset activity (including depreciation) and related debt activity, while net position restricted for debt service and grants has increased \$303,179 related to the timing of debt payments. Unrestricted net position has increased \$2,009,023.

### **Capital Assets**

Table A-3 on the following page presents a comparison of capital expenditures to date against the FY 2026 capital budget. The table only shows work for which the District has been invoiced through September. Planning and preliminary work has been started on many of these projects that will be completed, invoiced, and reported in upcoming quarters.

Net property, plant and equipment has increased by \$2,550,247 during the first quarter of FY 2026. Total additions of \$3,927,918 were offset by depreciation of \$1,377,671.

Table A-3

**CIP Projects - Capital**

		Expended as of 9/30/2025	2026 Approved Amount	Remaining/ Variance
<b>WWTP</b>				
WWTP Switch Gear for generator	Replace generator switch gear	\$ -	\$ 255,500	\$ (255,500)
Influent Screen	Backup to band screen	-	750,000	(750,000)
Reuse Water System	Upgrades/improvements to reuse system	22,783	100,000	(77,217)
Return Activated Sludge Building	Electrical cabinet improvements	-	85,000	(85,000)
Clarifier	Clarifier #2-replace sweeper arm/suction line	-	150,000	(150,000)
Filter Building Blowers	6 new actuator (air) valves	-	75,000	(75,000)
CROM Tank	Install isolation valve on CROM tank line	-	55,000	(55,000)
Holding Ponds	Install 2 aerators in Pond #3	18,960	50,000	(31,040)
System Rehab	Replace equipment, valves and actuators	5,858	225,000	(219,142)
<b>TOTAL WWTP</b>		<b>47,601</b>	<b>1,745,500</b>	<b>(1,697,899)</b>
<b>Collection System</b>				
Gravity Main Refurbishment	Gravity main line repairs and relining	-	400,000	(400,000)
Lift Stations - Control Panels	Replace lift station control panels	29,288	175,000	(145,712)
Lift Stations - Rehab	Rehab and pumps	44,980	425,000	(380,020)
District Funded MSP Projects	District Funded MSP Projects	-	62,500	(62,500)
System Rehab	Replace pipes, manholes, laterals, etc.	-	225,000	(225,000)
LPS Changeouts	LPS Changeouts	9,631	65,000	(55,369)
Old House Creek Sewer Main	Sewer Collector Main	275,791	-	275,791
<b>TOTAL COLLECTION SYSTEM</b>		<b>359,690</b>	<b>1,352,500</b>	<b>(992,810)</b>
<b>Distribution System</b>				
Water Line Replacement	Replace 12" Ribaut Island Rd line	-	170,000	-
Metering System	Changing out meters & base stations	99,987	600,000	(500,013)
RO Plant	Replace actuator-booster pump #3	-	40,000	(40,000)
Fire Hydrants	New and replacement hydrants	19,234	90,000	(70,766)
System Rehab	Replace valves/equipmt/RO membranes etc	6,705	200,000	(193,296)
<b>TOTAL DISTRIBUTION SYSTEM</b>		<b>125,926</b>	<b>1,100,000</b>	<b>(804,074)</b>
<b>Facilities and Equipment</b>				
SCADA Improvements	Wildhorse, Seabrook, & Ashmore upgrades	5,037	267,000	(261,963)
Admin Building	Building improvements, furniture, etc.	-	50,000	(50,000)
Technology	General computer equipment	8,886	30,000	(21,114)
Vehicles	Fleet replacements	-	260,000	(260,000)
Ops Equipment - Water	Line locator equipment	-	18,000	(18,000)
Ops Equipment - Sewer	Camera to inspect gravity sewer lines	-	115,000	(115,000)
Operations Equipment	Enclosed trailer for safety equipment	-	10,000	(10,000)
<b>TOTAL FACILITIES AND EQUIPMENT</b>		<b>13,923</b>	<b>750,000</b>	<b>(736,077)</b>
<b>TOTAL NON GRANT RATE FUNDED CIP PROJECTS</b>		<b>\$ 547,140</b>	<b>\$ 4,948,000</b>	<b>\$ (4,230,860)</b>
Grant Projects - See recap on following page		3,380,778	6,500,000	
Less: Projects carried over from FY 2024			\$ (1,598,000)	
<b>Total FY 2026 Additions/Budgeted Amount</b>		<b>\$ 3,927,918</b>	<b>\$ 9,850,000</b>	



## Capital Assets(continued)

### SCIIP/ARPA Projects

The District is also moving forward with capital projects that will utilize the Beaufort County ARPA allocation, the SCIIP Grant, and the RIA State Grant. Please find below a recap of the status of those projects through September 30, 2025 as well as a recap of the project totals and funding sources to date. Staff will update the schedules below for any necessary change orders or miscellaneous project costs necessary as the projects progress. District staff will also be monitoring bond proceed funds for potential arbitrage earnings and may make recommendations to use bond proceeds for larger rate funded budgeted items such as the gravity sewer relining and influent screen projects depending upon the timing of grant project invoicing. Currently, the District is on track to spend down the bond funds on grant projects in accordance with the arbitrage deadlines.

<b>SCIIP/ARPA Projects</b>	<b>Spent As Of 06/30/2025</b>	<b>FY 2026 to date</b>	<b>Grand Total</b>	<b>Project Total</b>	<b>Remaining/ Variance</b>
LOM Booster Pump	\$ 1,798,227	\$ 303,007	\$ 2,101,234	\$ 2,337,336	\$ (236,102)
RO Plant Expansion	2,467,888	1,800,422	4,268,310	12,242,000	(7,973,690)
RO Wells	3,142,722	785,438	3,928,160	7,083,840	(3,155,680)
ASR 2	3,428,878	414,759	3,843,637	10,680,454	(6,836,817)
Screw Pump	58,215	77,152	135,367	4,736,000	(4,600,633)
<b>Grand Total</b>	<b>\$ 10,895,930</b>	<b>\$ 3,380,778</b>	<b>\$ 14,276,708</b>	<b>\$ 37,079,630</b>	<b>\$ (22,802,922)</b>

<b>Projects</b>	<b>Misc. Admin, Esmt, Legal, Etc. Expenses</b>	<b>Preliminary Engineering Contract</b>	<b>Construction Engineering Contract</b>	<b>Construction Contract</b>	<b>Construction C/O Contracts</b>	<b>Project Total</b>
LOM Booster Pump	\$ 150	\$ 197,000	\$ 140,000	\$ 1,999,807	\$ 379	\$ 2,337,336
Water Supply Planning	226,126	-	-	-	-	226,126
RO Plant Expansion	-	693,000	1,026,000	10,523,000	-	12,242,000
RO Wells	26,005	401,000	799,450	5,857,385	-	7,083,840
ASR 2	516	723,000	860,550	9,096,388	-	10,680,454
Screw Pumps	-	178,000	188,000	4,370,000	-	4,736,000
<b>Total</b>	<b>\$ 252,796</b>	<b>\$ 2,192,000</b>	<b>\$ 3,014,000</b>	<b>\$ 31,846,580</b>	<b>\$ 379</b>	<b>\$ 37,305,755</b>
<b>External Funding Sources</b>						
SRF Loan, net	(252,796)	(1,823,204)	(296,429)	-	-	(2,372,429)
SCIIP Grant	-	-	-	(10,000,000)	-	(10,000,000)
BC ARPA	-	-	-	(1,000,000)	-	(1,000,000)
SC RIA Grant	-	-	-	(1,500,000)	-	(1,500,000)
<b>Net of Grants/SRF</b>	<b>\$ -</b>	<b>\$ 368,796</b>	<b>\$ 2,717,571</b>	<b>\$ 19,346,580</b>	<b>\$ 379</b>	<b>\$ 22,433,326</b>
2024B Bond Proceeds, net of closing costs						(20,268,791)
2024B Bond Proceeds Interest Income through 09-30-25						(787,513)
<b>Remaining local match to be funded via interest income and cash</b>						<b>\$ 1,377,022</b>

## Statement of Cash Flow

The cash flow statement presents cash flows from operating, investing and financing activities. The statement of cash flows provides the preparers and users of the statements the following:

- ✓ Enables the assessment of the amounts, timing and uncertainty surrounding future cash flows.
- ✓ Furnishes reconciliation between net income and cash flows from operations.
- ✓ Indicates the impact on the District's financial status of its investing, debt, and financing transactions.
- ✓ Provides information about the District's cash receipts and cash payments for the period.
- ✓ Provides the change in cash and cash equivalents for the period.
- ✓ Ties to page 4, Statements of Net Position under current assets and restricted assets.

Unrestricted cash available for operations increased \$1,040,307 from \$15,873,800 as of June 30, 2025 to \$16,914,107 as of September 30, 2025.

Restricted cash in banks for grants and debt service has increased \$497,898 from \$620,219 as of June 30, 2025, to \$1,118,117 as of September 30, 2025, in accordance with revenue debt payment activity.

Restricted cash held at the SC Local Government Investment Pool has decreased \$2,656,937 from \$18,587,904 as of June 30, 2025, to \$15,930,967 as of September 30, 2025, due to construction payments from the 2024B bond proceeds account.

Restricted cash held by Beaufort County has increased \$34,011 from \$805,891 on June 30, 2025, to \$839,902 as of September 30, 2025, in accordance with GO debt activity.

Total combined unrestricted and restricted cash has decreased \$1,084,721 since June 30, 2025.



**TABLE A-4**  
**Hilton Head PSD**  
**Statement of Cash Flows**

	September 30 2025	June 30 2025
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 4,689,791	\$ 16,329,803
Cash Paid to Suppliers	(2,952,886)	(10,415,342)
Cash Paid to Employees	(927,326)	(2,919,547)
Other Revenues	685	49,577
<b>Net Cash Provided by Operating Activities</b>	<b>810,264</b>	<b>3,044,491</b>
<b>Cash Flows from Investing Activities</b>		
Interest Income	403,230	1,440,962
<b>Net Cash Provided by Investing Activities</b>	<b>403,230</b>	<b>1,440,962</b>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Property Taxes Collected - Operations Levy	31,941	1,372,970
Sewer Assessments Collected	4,042	143,460
Sewer Assessments Financed	(21,509)	(62,871)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>14,474</b>	<b>1,453,559</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Capacity Fees	47,280	170,944
Capacity Fee Assessments	146	64,864
Property Taxes Collected - G.O. Debt Levy	43,988	1,877,746
Interest Paid	(17,566)	(627,003)
Proceeds from Series 2024A GO SRF Loan	-	2,589,929
Proceeds from Series 2024B GO Bonds	-	20,400,000
Bond Issuance Costs	-	(175,243)
Principal Payments on Financed Purchase, Bonds and Notes	(62,501)	(3,641,308)
Rental and Tower Lease Income	361,986	737,165
Proceeds from Capital Grant	1,241,109	2,255,991
Proceeds from Sale of Property, Plant and Equipment	-	48,559
Purchases of Property, Plant and Equipment	(3,927,131)	(9,958,173)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(2,312,689)</b>	<b>13,743,471</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(1,084,721)</b>	<b>19,682,483</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>\$ 35,887,814</b>	<b>\$ 16,205,331</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>34,803,093</b>	<b>\$ 35,887,814</b>

**TABLE A-4**  
**Hilton Head PSD**  
**Statement of Cash Flows**

<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>	<b>September 30 2025</b>	<b>June 30 2025</b>
Operating Income (Loss)	\$ (413,031)	\$ (2,385,468)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:</i>		
Depreciation	1,377,671	5,420,424
Decrease in Allowance for Doubtful Accounts	-	-
Difference Between GASB 68 and Actual Contributions	-	(201,754)
<i>Changes in Assets and Liabilities</i>		
Accounts Receivable - Trade	(348)	71,748
Accounts Receivable - Project SAFE	(10,238)	108,704
Inventories	42,919	(87,236)
Prepaid Assets	(101,846)	(74,198)
Accounts Payable - Trade	47,704	113,329
Customer Deposits	52	41,332
Accrued Payroll & Other Liabilities	(132,619)	37,610
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 810,264</b>	<b>\$ 3,044,491</b>
 <b>Schedule of Cash and Cash Equivalents</b>		
<i>Available for Operations</i>		
Demand Deposits (interest and non-interest bearing)	\$ 1,574,643	\$ 1,475,132
Certificate of Deposit Cash Equivalent	3,000,000	3,000,000
SC Local Government Investment Pool	12,282,283	11,311,985
Held by Beaufort County Treasurer	57,181	86,683
<b>Total Available for Operations</b>	<b>\$ 16,914,107</b>	<b>\$ 15,873,800</b>
 <i>Restricted</i>		
Cash in Banks	\$ 1,118,117	\$ 620,219
SC Local Government Investment Pool	15,930,967	18,587,904
Held by Beaufort County Treasurer	839,902	805,891
<b>Total Restricted</b>	<b>\$ 17,888,986</b>	<b>\$ 20,014,014</b>
 <b>Total Cash and Cash Equivalents</b>	<b>34,803,093</b>	<b>\$ 35,887,814</b>
 <b>Supplemental Disclosures</b>		
<i>Noncash Financing Activities:</i>		
Developer Contribution of Systems	\$ -	\$ 222,500

## Financial Ratio Analysis

The analysis of financial statement ratios can be a useful tool when evaluating the financial performance of a business entity. Specifically, ratio analysis can identify a business's strengths and weaknesses.

The following table contains ratio benchmarks as determined by the District's financial advisors and the District's financial ratios for the current fiscal year, prior fiscal year to date, and the end of the past fiscal year. The ratios examined below are some of the metrics most commonly examined by the District's rating agencies.

Financial Ratios					
Benchmarks		Sept 2025 to Sept 2024	September 2025	September 2024	June 2025
Current Ratio	> 6.00	Benchmark Met	14.72	11.58	11.10
Operating Ratio	< 0.60	Benchmark not met	0.81	0.81	0.81
Days Cash on Hand	>120	Benchmark Met	467	404	442
Accounts Receivable (days of revenue)	< 35	Benchmark Met	25	24	25
Long-Term Debt to Net Position	< 0.75	Benchmark Met	0.50	0.25	0.51
Debt Coverage Ratio Projection	>150%	Complies with Bond Covenants	262%	227%	274%

## Liquidity Ratios

Liquidity ratios indicate the ability of a company to meet current financial obligations as they become due. As calculated in this section, a higher ratio indicates more of an ability to meet these obligations.

### *The Current Ratio*

The Current Ratio (current non-restricted assets over current liabilities to be paid from non-restricted assets) was 14.72 at September 30, 2025 which is greater than the benchmark of 6.0. Current non-restricted assets increased by \$3,167,091 and current liabilities to be paid from non-restricted assets decreased by \$100,484 since September 30, 2024. The increase in current assets is mostly related to increases in cash due to 2024A SRF GO loan reimbursements and higher interest income than budgeted during FY 2025.

### *The Operating Ratio*

The operating ratio, total operating expenses less depreciation to operating revenues, indicates a company's level of operating expenses in comparison to operating revenue. As calculated in this section, a higher ratio indicates a higher level of expense in comparison to operating revenue. The current operating ratio is 0.81 compared to the September 30, 2024 ratio of 0.81 and is higher than the established benchmark of less than 0.60. Total operating expenses less depreciation increased \$609,719 while total operating revenues increased \$776,427. While this benchmark has not been met, any value less than 1.0 indicates that operating expenses less depreciation are being fully covered by operating revenues. Movement towards the benchmark would allow more operating funds on an annual basis to fund CIP projects.

### ***Days Cash on Hand***

The days cash on hand ratio measures how many days a company can pay its expenses. The formula for this ratio is current unrestricted cash and investments plus any restricted cash and investments available for general system purposes divided by operating expenditures minus depreciation, divided by 365. A higher days of cash on hand ratio is more desirable as it indicates that an entity has more cash to cover its expenses. The days cash on hand ratio exceeds its benchmark and is 467 as of September 30, 2025, compared to 404 as of September 30, 2024. This increase is expected to be partially timing related as the District carries out its CIP projects for FY 2026.

### ***The Accounts Receivable (Days of Revenue) Ratio***

The Accounts Receivable (Days of Revenue) ratio indicates the level of accounts receivable in comparison to the level of revenues being collected over a 12-month period (last 12 months or LTM). As calculated in this section, a higher ratio may indicate that receivables are growing in disproportion to revenues. The ratio is calculated by dividing accounts receivable by the average days' operating revenues.<sup>2</sup> This ratio was 25 at September 30, 2025 and 24 at September 30, 2024. Both years meet the benchmark of lower than 35 and indicate that the District is carrying less than one month's worth of receivables which is in line with its monthly billing schedule.

### **Leverage Ratios**

The following leverage ratio indicates how much debt the District has in relationship to its net position. As calculated in this section, a higher ratio indicates a higher level of debt in comparison to the net position.

### ***The Long-term Debt to Net Position Ratio***

The Long-term Debt to Net Position ratio, long term debt divided by the net position, is 0.50 and has increased from the September 30, 2024, ratio of 0.25. While the issuance of the new 2024 GO debt increased this ratio, it still meets the benchmark of less than 0.75. Long-term debt was increased by \$19,275,594 while the net position has increased by \$9,124,994.

### ***Debt Coverage***

Bond covenants require that the District maintain and collect rates and charges that together with income are reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of annual principal and interest requirements for all revenue bonds outstanding. As of September 30, 2025, the debt service projection calculation is 262% which exceeds the fiscal year 2026 budgeted debt coverage ratio of 256%, the required ratio of 120%, and the target rate of 150%.

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<sup>2</sup> For purposes of this analysis, accounts receivable is defined as those trade receivables excluding extraordinary receivables, unbilled revenue, tower lease revenue, and notes receivable. This ratio is derived using the LTM revenues.



## Customer Growth

Total water/irrigation service EDUs have increased by 37 since June 30, 2025, for a total of 19,963 EDUs. This is a 0.19% increase for fiscal year 2026 compared to the 0.21% increase experienced during last fiscal year. The current EDUs include 18,839 water service units, 1,036 irrigation service units, and 88 miscellaneous water units such as dock meters, hydrants, pool meters, and golf course water coolers.

<i>Water / Sewer Connection Growth 06/30/26</i>						
<u>Date</u>	<u>Water &amp; Irr. EDU's</u>	<u>Only Water EDU's</u>	<u>Change in Water EDU's</u>	<u>Sewer EDU's</u>	<u>Change in Sewer EDU's</u>	<u>% Sewer to Water EDU's</u>
06/30/24	19,926	18,805	N/A	18,049	N/A	95.98%
09/30/25	19,963	18,839	37	18,084	35	95.99%
<b>Change in EDU's</b>			<u><b>37</b></u>		<u><b>35</b></u>	

Sewer service EDUs have increased by 35 since June 30, 2025, for a total of 18,084 EDUs. This is a 0.19% increase for fiscal year 2026 compared to 0.29% for fiscal year 2025. As shown in the above table, the sewer to water customer percentage has increased to 95.99%.

## Fiscal Outlook

As of September 30, 2025, the District's financial condition is stable.

Staff looks forward to discussing the first quarter fiscal year 2026 review of the District's financial condition at the November 19, 2025 Commission Meeting.



# **GM Monthly Report**



To: Hilton Head PSD Commission  
From: Pete Nardi, General Manager  
Re: PSD Updates

November 14, 2025

Dear Commissioners, please see below the following updates:

- We are experiencing current demand of approximately 6 million gallons a day mgd.
- S.C. Infrastructure Investment Program (SCIIP) Projects Update:
  - **RO Plant Expansion:**
    - Concrete work is complete.
    - Electrical and piping work continuing.
    - RO Filter Skids delivered Nov. 4.
    - Tariffs came in at \$13,160. The supplier, Veolia, was able to get most of the equipment certified as duty-free under the U.S.-Mexico-Canada Agreement, thereby avoiding significant tariff expense.
    - Current RO Plant Expansion Project Finish Date: Nov. 2, 2026.
  - **RO Well #4:**
    - Reaming of 28" borehole continuing.
    - Driller is past 500 feet.
    - Current RO Well #4 Finish Date: Sept. 1, 2026.
  - **ASR Well #2:**
    - The original attempt at the Middle Floridan Monitoring Well is being abandoned due to driller error. A new site has been established and drilling will begin imminently. No cost to PSD.
    - Awaiting completion of RO Well #4 to bring drill rig to ASR #2 site.
    - Palmetto Electric has informed the PSD that there will be an expense of \$37,600 in their "aid to construction" in order to provide power to the site. This will be a direct payment from the PSD to Palmetto Electric and will be funded in the same manner as any project change orders or additional expenses.
    - Current ASR #2 Finish Date: Dec. 9, 2027.
  - **Leg O'Mutton Water Booster Station:**
    - Project is substantially complete.
    - Asphalt driveway work and site restoration work remaining.
- **Purchased Water Pipeline Relocation:**
  - Awaiting utility coordination from S.C. DOT.
- **WWTP Screw Pump Replacement Project:**
  - Awaiting S.C. Rural Infrastructure Authority (RIA) approval of construction bid prior to finalizing construction contract and generating contractor notice to proceed.
- **Purchased Water Agreement:**



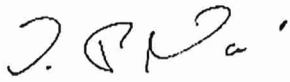
- Commission Chair Frank Turano and Vice Chair Jerry Cutrer met with BJWSA Chair Jeff Padgett, BJWSA HHI board rep Jimmy Baker, and the general managers and finance managers to discuss the purchased water agreement on Nov. 14.
- **Old House Creek Sewer Project:**
  - Collector main install is complete.
  - Connections have begun.
- **Workplace Alignment & Employee Engagement Training:**
  - Pete Nardi and Amy Graybill completed an S.C. Assoc. of CPAs training on Workplace Alignment & Employee Engagement. The training covered team-building and organizational structure strategies, communicating corporate values/vision, recognizing team efforts and obtaining feedback, and creating success via coaching and team development.
- **OLLI Presentation and Recycled Water Plant Tour:**
  - Participants in Osher Lifelong Learning Institute visited the PSD on Nov. 12 for a presentation on our water resources and a tour of the Recycled Water Plant. OLLI said the PSD visit is one of their top-requested and has a waiting list!
- **S.C. DES Environmental Assistance Conference :**
  - Pete Nardi attended the first-ever S.C. Department of Environmental Services' Environmental Assistance Conference on Nov. 3. The conference covered DES' new Office of Compliance Assistance, PFAS assessments, environmental emergency response, the ePermitting program, coastal permitting issues, hazmat disposal, among other topics. DES officials are working to bolster economic development in the state while balancing resource management and regulatory compliance.
- **PSD competes in first-ever HHI Mac & Cheese Festival:**
  - The PSD team of Lorie Chisolm, Sarah Hickman, Pam Driskell, and Tim Ryan and family competed in the first-ever HHI Mac & Cheese Festival on Nov. 1. The event, which was organized by the PSD's own Jim Hewitt, drew more than 800 attendees and raised thousands of dollars for hearing-impaired assistance and Island Rec. Great job, team!



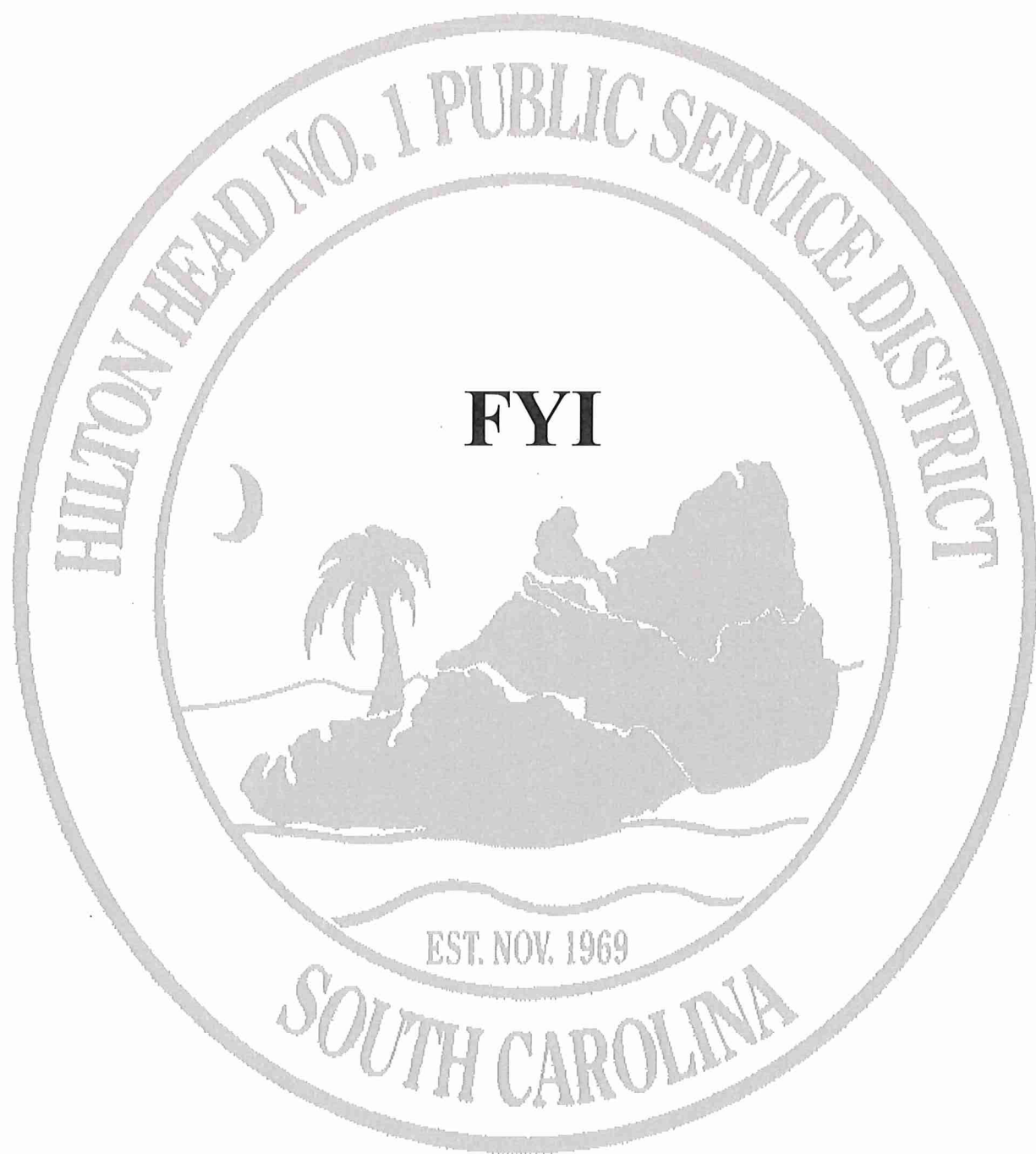


As always, please do not hesitate to contact me if you have any questions.

All my best,

A handwritten signature in black ink, appearing to read "P. Nardi". The signature is stylized with a large, looped "P" and a cursive "Nardi".

Pete Nardi  
General Manager  
Hilton Head PSD





**Hilton Head PSD Commission  
Proposed 2026 Meeting Calendar**

**2026 Commission Meeting Dates:**

Jan. 28  
Feb. 25  
March 25  
April 22  
May 27  
June 17\*  
July 22  
Aug. 26  
Sept. 23  
Oct. 28  
Nov. 18  
Dec. 16

\*Moved due to AWWA ACE

**2026 PSD Holiday Closings**

Jan. 1	New Year's Day
Jan. 19	MLK Day
Feb. 16	President's Day
April 3	Good Friday
May 25	Memorial Day
June 19	Juneteenth
July 3	Independence Day
Sept. 7	Labor Day
Nov. 11	Veterans Day
Nov. 26 and 27	Thanksgiving
Dec. 24 and 25	Christmas

# 2026

January						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

February						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

March						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

April						
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			1	2	3	4
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12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

May						
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					1	2
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10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

June						
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14	15	16	17	18	19	20
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28	29	30				

July						
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12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

August						
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						1
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23	24	25	26	27	28	29
30	31					

September						
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20	21	22	23	24	25	26
27	28	29	30			

October						
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11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

November						
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1	2	3	4	5	6	7
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15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

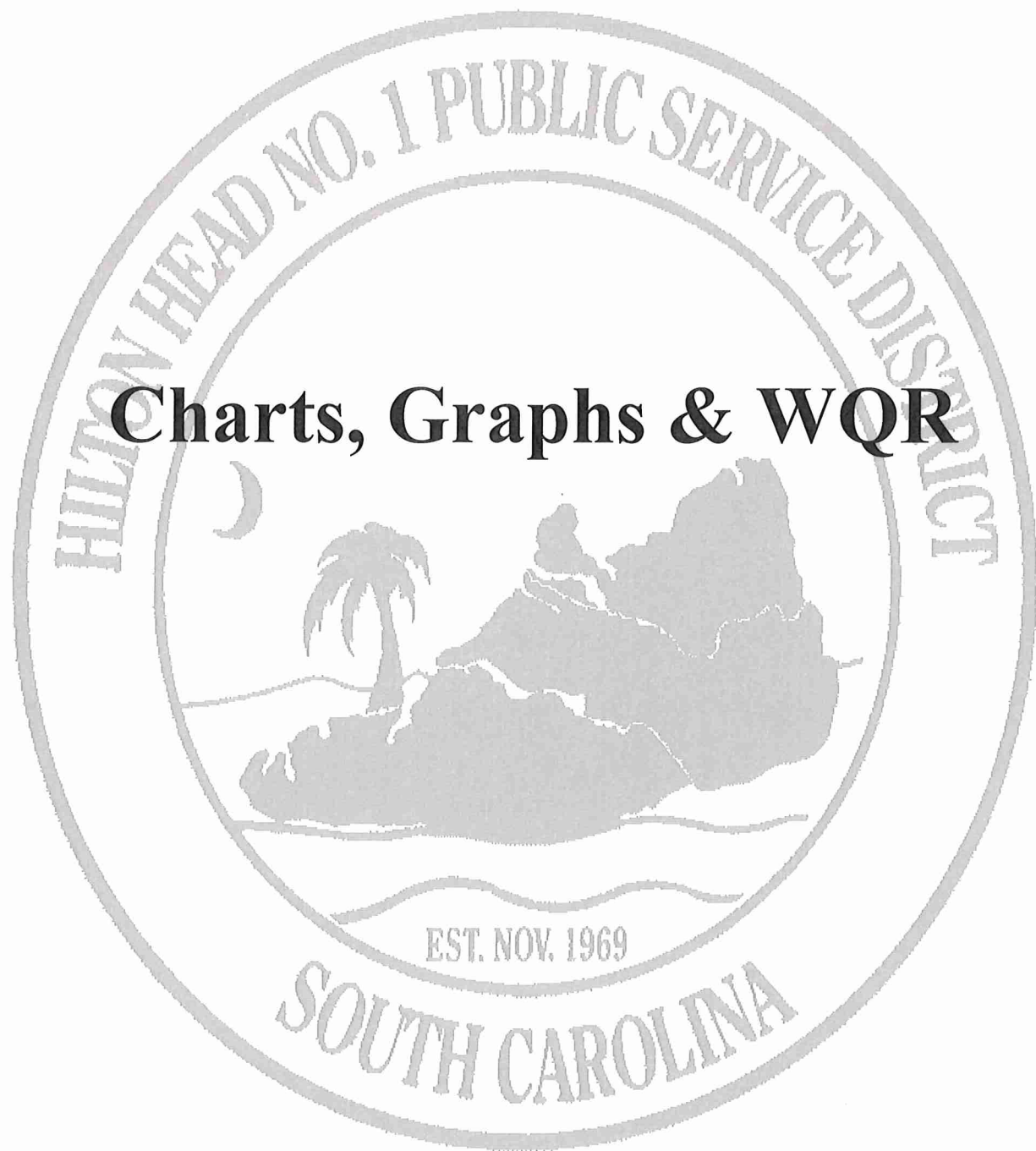
December						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Board mtg

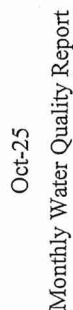
PSD Holiday

Awwa ACE





## **Charts, Graphs & WQR**



Source	MG Per Month												% of Supply YTD
	Jan.	Feb.	March	April	May	June	July	Aug	Oct.	Nov.	Dec.	YTD	
Purchased	4.25	3.46	29.75	42.03	35.92	42.09	45.16	39.18	45.11			318.79	16.0%
RO Plant	119.26	107.59	116.48	118.30	122.58	116.30	120.15	122.27	122.31			1183.65	60.0%
UFA Wells	18.28	20.24	28.67	31.47	33.28	33.40	35.84	23.35	27.42			280.07	14.0%
ASR Recovery	0.00	0.00	0.00	29.30	36.70	38.91	42.51	18.46	1.67			202.16	10.0%
Total	141.79	131.29	174.90	221.10	228.48	230.70	243.66	203.26	196.51			1984.67	100.0%

Type of Test	Results by Month											
	Jan.	Feb.	March	April	May	June	July	Aug.	Oct.	Nov.	Dec.	
Bacteriological	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS			
Chlorine (avg)	2.2	2.39	2.16	2.05	1.90	1.43	1.24	1.26	1.17			
Ph (avg)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
Disinfection By-products (DBPs) (qtrly.)	In Compliance			In Compliance			In Compliance			In Compliance		
Hardness (range)	11 - 121 (WINTER – NO WELLS)			14 – 260 (SUMMER – WELLS/ASR ON)			(WINTER)					

Supply-specific Water Quality Ranges for This Month				
Supply	Average Chlorine Residual	Within Acceptable Range? (Y/N)	Average Chloride Level (ppm)	Average Hardness (ppm)
BJWSA (supply)	1.36	Y		
RO Raw Water MFA Wells (range)	n/a	Y	148 - 469	101 - 202
Finished RO Water	3.14	Y		
Fire Station UFA	1.38	Y	61	142
Leg O' Mutton UFA	2.28	Y	107	216
Wild Horse UFA	1.45	Y	73	189
Seabrook UFA	1.76	Y	146	273
Union Cemetery UFA	1.25	Y		
ASR (recovery)	1.87	Y	148	106

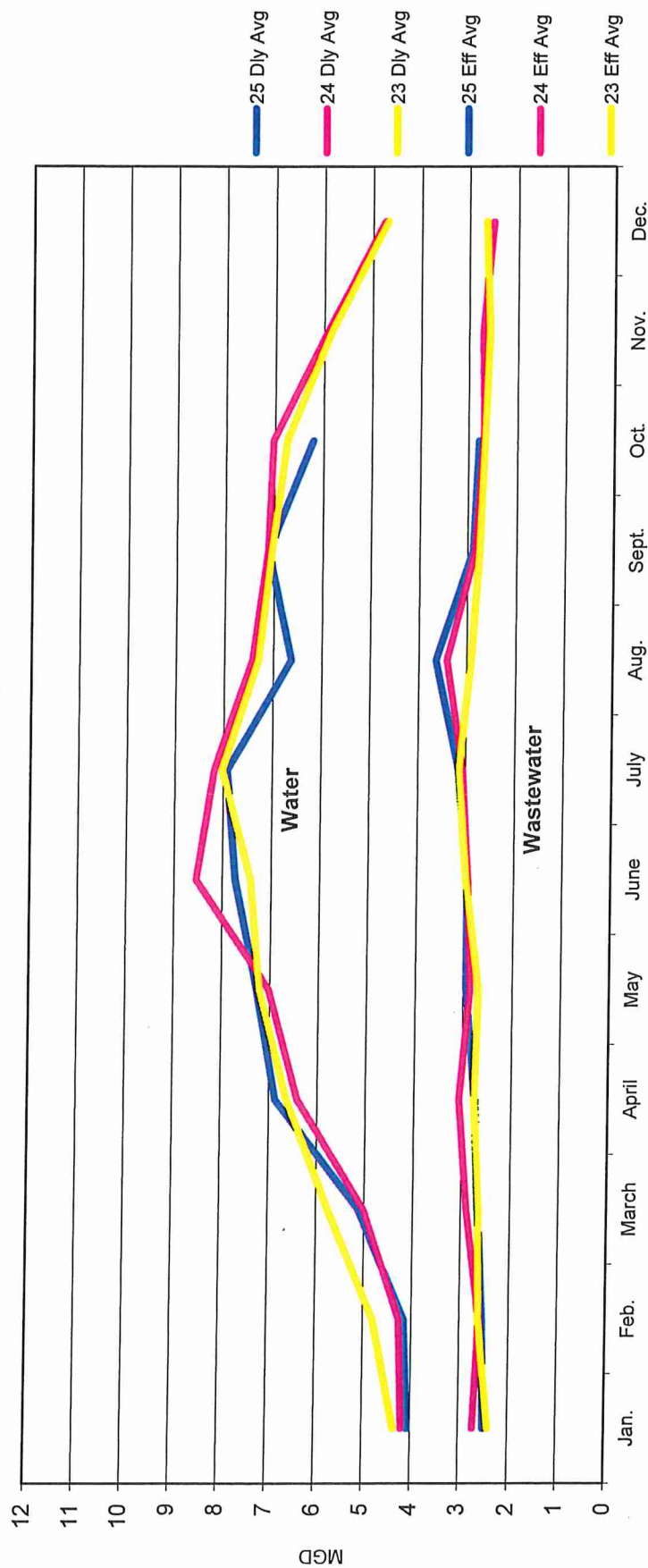
## Customer Inquiries

Type of Inquiry	Number of Inquiries	Resolved?	Comments
Low Pressure	4	y	
Customer break/leak	22	y	
PSD break/leak	22	y	
Water Outage	5	y	
Odor/Taste/Color	2	y	
Miscellaneous	156	y	
Sewer issues & Inspections	63	y	
<b>Total</b>	<b>274</b>		

Other Water Quality Notes for This Month  
 10/6/2025 - Changed cartridge filters



# Water and Wastewater Average Flows



# Water and Wastewater Peak Flow

