



Annual Comprehensive Financial Report



**For the Fiscal Years Ended
June 30, 2021 and June 30, 2020**

Hilton Head Island, South Carolina

Hilton Head Public Service District

Hilton Head Island, South Carolina

Annual Comprehensive Financial Report

**For the Fiscal Years Ended
June 30, 2021 and June 30, 2020**

Prepared by:
Finance Department

HiltonHeadPSD

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On the cover: Hilton Head PSD's Union Cemetery Water Tower rises above the new Mid-Island Park. The Union Cemetery Tower holds approximately 300,000 gallons of drinking water and plays a key role in pressurizing the water distribution system in the mid-island area.

INTRODUCTION SECTION



Hilton Head PSD earned the 2020 Excellence in Education and Outreach Award from the U.S. Environmental Protection Agency’s WaterSense program. This national award recognized the PSD’s efforts to promote WaterSense programs, such as smart irrigation and leak repairs. In particular, the PSD was commended for its strong digital and social media promotions, using its hhpsd.com website and social media platforms such as Facebook and Instagram.

COMMISSIONERS

Bob Manne, Chair
Frank Turano, Vice-Chair
Herbert Ford, Treasurer
Jerry Cutrer, Secretary
Frank Drehwing
Patti Soltys
Stuart Bell



EXECUTIVE STAFF

J. Pete Nardi, General Manager
Amy Graybill, Finance Manager
William C. Davis, Operations Manager

HILTON HEAD PUBLIC SERVICE DISTRICT

October 13, 2021

To the Members of the Commission and Customers of Hilton Head PSD:

Letter of Transmittal

The management and staff of the Hilton Head Public Service District (PSD or District) are pleased to present the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This is the twelfth report issued as an ACFR and it will be made available to the general public via the www.hhpsd.com web site. It also can be viewed in person at the PSD's Customer Service Center at 21 Oak Park Drive off Mathews Drive, on Hilton Head Island. The District is required to publish a complete set of annual audited financial statements; this report fulfills that requirement for the fiscal year ended June 30, 2021.

The District's management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Greene Finney LLP, Certified Public Accountants, has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2021. The independent auditors' report is located at the front of the financial section of this report.

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

Profile of Hilton Head PSD

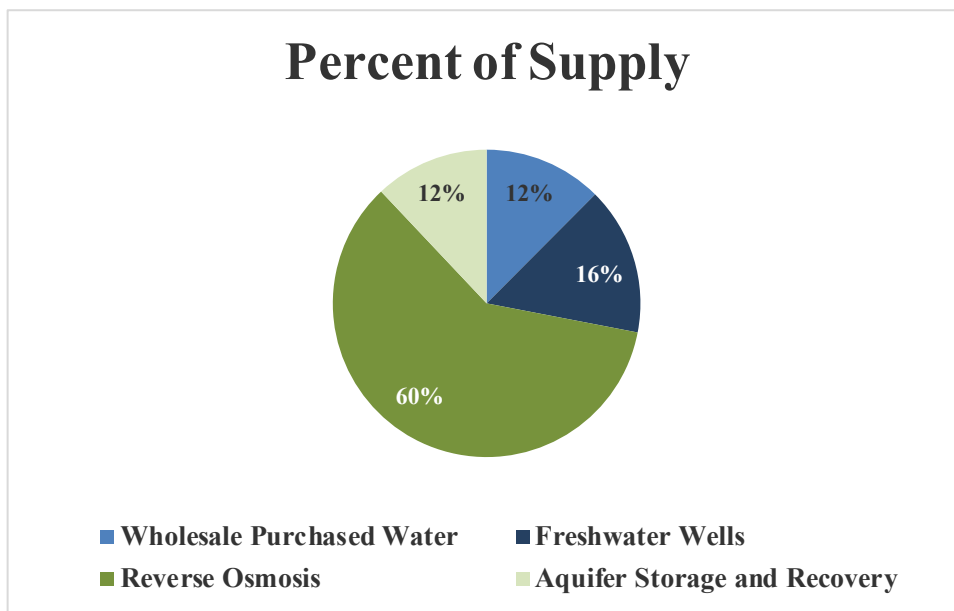
The PSD is a special purpose district created by the South Carolina General Assembly in 1969 to provide water and sewer services to Hilton Head Island. The PSD provides:

- Tap water production and treatment.
- Tap water distribution.
- Sanitary sewer collections.
- Wastewater treatment.
- Recycled water distribution.

Residents of Hilton Head Island relied on private wells for their drinking water needs until 1957. At that time, a local development firm called the Hilton Head Water Company introduced a community

waterworks system, installing water lines and drilling wells throughout the island. Ten separate utilities, both public and private, provided water and wastewater services to the residents of the island at the time of the PSD's creation. Beginning in 1995, the PSD acquired the four utilities that now comprise its current service area. In addition, the PSD acquired two small systems on the island previously served by a mainland utility. Consolidation of the remaining island utilities formed the three public service districts currently serving Hilton Head Island – Hilton Head, Broad Creek, and South Island PSDs.

The PSD serves more than 19,000 customers in the north- and mid-island areas of Hilton Head Island, from Jenkins Island to the Hilton Head Resort. The utility's service area includes many of the neighborhoods where the island's 40,000 full-time residents reside, including the traditional Native Islander neighborhoods as well as the large-scale subdivisions of Hilton Head Plantation, Indigo Run, Port Royal, and Palmetto Hall.



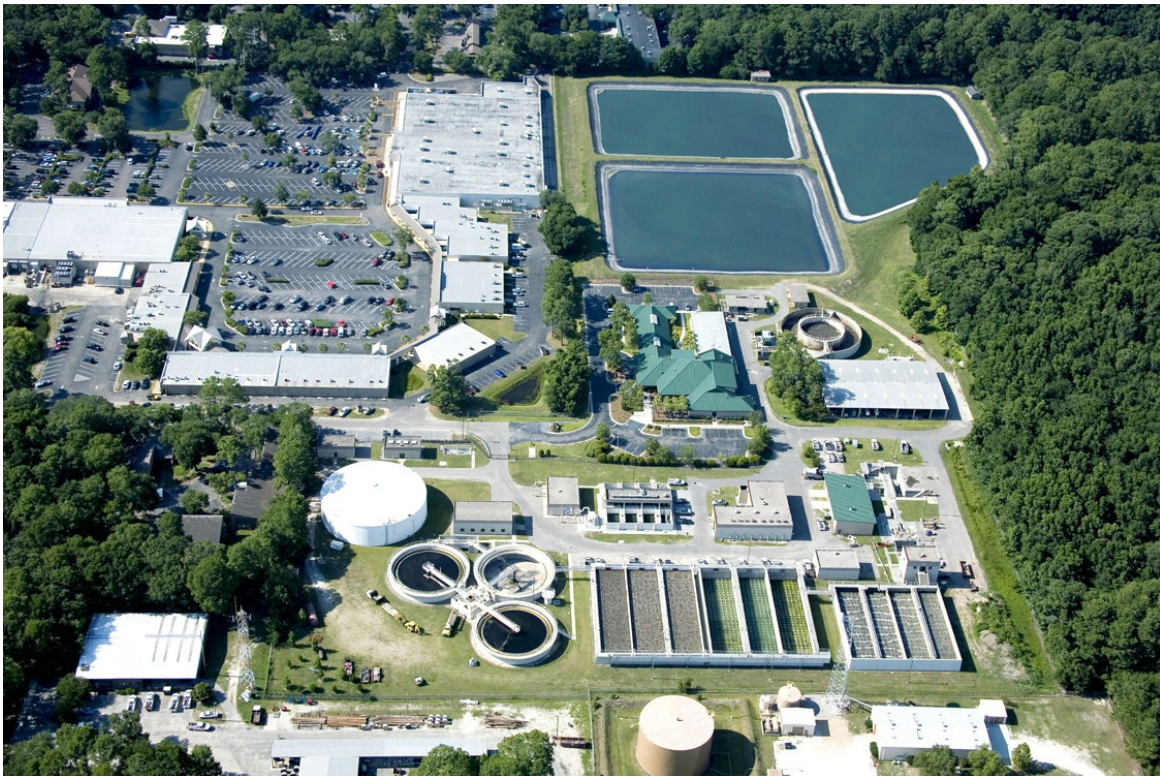
The PSD can provide a total water capacity of approximately 13 million gallons a day (mgd). It experiences an average demand of 6-7 mgd and a peak-day demand of 10-11 mgd. The PSD's Reverse Osmosis (RO) Water Treatment Facility provides 4 mgd, which is about 60% of water supplied in Fiscal Year 2021. The RO Facility's source of water is brackish groundwater from the 600-foot-deep Middle Floridan Aquifer, pumped from three wells. The brackish water is treated in the RO Facility, which began operations in 2009 in response to the loss of fresh groundwater wells caused by saltwater intrusion into the shallower Upper Floridan Aquifer.

About 12% of water supplied in fiscal year 2021 was purchased on a wholesale basis from the Beaufort-Jasper Water & Sewer Authority (BJWSA) on the mainland. The treated drinking water is conveyed to the PSD via its 24" pipeline buried under the Intracoastal Waterway. Fresh groundwater from the PSD's remaining Upper Floridan wells provided about 16% of water supplied in Fiscal Year 2021.

The remaining 12% of water supplied in fiscal year 2021 came from the PSD's Aquifer Storage & Recovery (ASR) Facility. It is the island's first-ever ASR facility and began operations in 2011. In the winter months of lower demand, the facility stores approximately 250 million gallons of treated tap water in the Middle Floridan Aquifer. It then withdraws and re-treats the water during the summer months of higher demand, providing 2 mgd of supply. The stored water is purchased at a reduced, "off-peak" rate from BJWSA. The PSD's ASR Facility recovers the stored water in the summer months of

higher demand when the full wholesale rate from BJWSA is in effect, saving customers' money. The United Nations Educational, Scientific and Cultural Organization (UNESCO) in 2020 recognized the PSD's ASR Facility as an outstanding worldwide example of a managed aquifer recharge program.

In addition to its RO plant, ASR, and Upper Floridan wells, the PSD maintains over 220 miles of water distribution mains, 200 miles of sewer collection mains, 5 elevated storage tanks, 3 ground-level storage tanks, 1,500 hydrants, 120 sewer lift stations, 13,000 customer water meters, 250 customer Low Pressure Sewer (LPS) systems, and a tertiary-treatment, return activated sludge (RAS) recycled water wastewater treatment plant. The recycled water wastewater treatment plant can treat 6.4 mgd of wastewater. Average flow into the treatment plant is under 3 mgd. The PSD is a 100% recycled water utility. All treated wastewater is recycled for golf course irrigation or interior wetlands nourishment – no treated wastewater is discharged to any receiving bodies of water.



The PSD Customer Service Center and Recycled Water Plant

Local Economy

Tourism is the largest industry in Hilton Head Island's economy. In addition to being a premier vacation destination, the island is also known as a retirement destination. Maintaining and preserving the natural environment has been a key component in the island's strategy to attract visitors and residents to the area and the island is well-known for its beaches, waterways, bike paths, golf courses, and other natural and outdoor amenities.

Despite the COVID pandemic, the District continued to see new growth, redevelopment, and development in its service area and warm, dry weather conditions kept the District's consumption slightly higher than the previous fiscal year. The PSD's water and irrigation customer count grew by 1.8% during fiscal year 2021, which was higher than its average customer growth rate of 1.1% per year over the last ten years.

Long Term Financial Planning

The District has developed and adopted a comprehensive set of financial policies that are consistent with the District's goals and objectives. Financial policies are an integral part of the development of service, providing of capital, and establishing of financial plans and the annual budget. They provide the basis for decision-making and ensure the District's ongoing financial stability. The financial policies of the District provide the structure and direction for financial reporting, planning, and decision making by management and the Board. The District's financial accounting system is based on the full accrual basis in accordance with generally accepted accounting principles in the United States of America (GAAP). The accounts of the District are organized on the basis of a proprietary fund type enterprise fund. The fund is accounted for by a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenues and expenses. The fund is established to account for water and sewer operations that are financed and operated in a manner similar to private business enterprises, where the intent is to provide goods and services to the general public on a continuing basis with costs recovered primarily through user charges.

The District operates on a current funding basis and is required by state law to adopt a balanced operating budget by June 30 of each year. Expenditures are budgeted and controlled so as not to exceed current revenues plus the planned use of Fund Balances accumulated through prior years. In addition to its annual operating budget, the District also prepares a five year capital improvement program, cash flow projection, and debt coverage projection to bring a longer term perspective into the current financial planning.

Rates and Charges

The District maintains and administers a revenue system that assures a reliable, equitable and sufficient revenue stream to support the District's services. Since the principal revenue stream for the District is comprised of the fees and charges established by the Commission, the governing body of the District, it is important that the District adopts policies that identify the manner in which fees and charges are set and the extent to which they cover the cost of the service provided.

As stated in the District's financial policies, all user charges and fees are set at levels related to the costs (operating, direct, indirect and capital) of providing its services. The District reviews these fees and charges annually during the budget process and targets rates that are expected to produce revenues sufficient to fully fund the costs of providing services – particularly in the District's key businesses (water and wastewater).

Cost of service includes direct and indirect costs such as operating and maintenance costs, overhead, and charges for use of capital. The District may choose not to recover all costs, but it must identify such costs. Reasons for not recovering full costs are identified and explained. The District also examines rates and charges levied by other water and sewer systems for like services in establishing rates, fees and charges. These fees (water and sewer user fees, capacity fees, tap fees, tower revenues, etc.) are reviewed through the District's annual cost of service process. In projecting revenues - and where judgment is required - conservatism is the rule.

Millage

Pursuant to Act No. 596 of 1969, the District is authorized to impose ad valorem property taxes not to exceed ten mills to defray a portion of its operational costs; however, the District's operational ad valorem millage is now capped by statute at 3 mills. As of July 1, 2007, millage rates for operations may increase only at a rate equal to the sum of (a) the increase in the consumer price index, plus (b) the

rate of population growth of the political subdivision or school district. This limitation may be overridden by a vote of two-thirds of the governing body of the political subdivision, but only for a certain number of specific, prescribed purposes.

The limitations described above do not apply to the levy of debt service millage. Therefore, the District is also authorized to impose ad valorem property taxes, without limit as to rate or amount, to defray the debt service on general obligation bonds of the District. All of such general obligation bonds are approved by the Beaufort County Council pursuant to South Carolina general law. Absent a referendum, the outstanding par amount of general obligation bonds issued by the PSD shall not exceed eight percent (8%) of the assessed value of all taxable property in the PSD.

Major Initiatives

Long Term Water Supply Planning & Modeling

During the year, the PSD has continued work on its long-term water supply planning. This initiative aims to ensure that the District is in a position to meet its peak demand at build out of the District's service area and also considers the potential effects of the future loss of groundwater wells to saltwater intrusion. The planning includes an evaluation of the future supply options based on areas such as source-water quality and availability, treatment requirements, regulatory requirements, and capital costs. In fiscal year 2020, the District updated its Geographic Information System (GIS) computerized water model, which aids in scenario-based analysis of the impact of current and future peak demand periods on water pressure and fire flow capabilities. This type of planning allows the utility to evaluate strategic locations for future water production and supply assets, as well as to identify future distribution system improvements. In fiscal year 2021, the District initiated a groundwater hydrogeologic modeling effort to determine current and future quality and capacity in the island's underground aquifers, as well as a cost versus benefit analysis of differing future water supply options. In conjunction with this effort, the PSD is closely monitoring the U.S. 278 Hilton Head Island Bridge Replacement project being led by the South Carolina Department of Transportation (SCDOT). The PSD's 24" water pipeline, which is the sole delivery mechanism of its purchased water supply from BJWSA, is expected to be required to be relocated as a part of this project. While the District believes the majority of the cost of the basic relocation will be covered by the SCDOT under the Utility Relocation Act, the PSD will be considering various options relating to relocating the line, including implications for increased wholesale water capacity and disaster resiliency.

Asset Management Planning

During fiscal year 2020, the District completed an Asset Management Plan to accompany its five-year Capital Improvement Program (CIP) that is presented annually as a part of the District's budget. The plan ranks approximately 100 major assets of the District on the basis of probability and consequence of failure, condition, replacement value, and expected useful life, among other categories. It includes assets such as the RO and ASR facilities, multiple features and equipment within the wastewater treatment plant, sewer lift stations, drinking water production wells, ground-level water storage tanks and elevated water towers, and many more. During fiscal year 2021, the District developed an in house tracking and field inspection program aimed at capturing additional operational and financial data for the District's 120+ sewer lift stations. The goal of the Asset Management Plan is to provide predictability in the District's long-term CIP, avoid unanticipated repairs and outages, and maintain appropriate levels of service. Asset Management planning aids the District in designing stable rates and in managing financial burdens. It is an ongoing process that involves continuous updating and honing of asset condition assessments, and multi-year capital planning to ensure that the District's infrastructure, facilities, and equipment are operating effectively and efficiently.

Awards and Acknowledgements

Organizational Awards

The District has earned the Directors Award from the Partnership for Safe Water for completing a rigorous self-assessment and peer-reviewed program for the optimization of our drinking water distribution system.

The District has earned the South Carolina Department of Health and Environmental Control (DHEC) Facility of Excellence award for the outstanding operation of our wastewater treatment plant, as well as DHEC's Laboratory of Excellence recognition for our in-house Water Quality Laboratory.

The District earned the 2021 Excellence in Promoting WaterSense on Social Media Award from the U.S. Environmental Protection Agency (EPA). The award recognizes the District's efforts in using digital and social media to promote WaterSense programs such as smart irrigation and fixing leaks. The District earned the 2020 Excellence in Education and Outreach Award from the EPA's WaterSense program. The PSD earned the award for its efforts to inform and educate customers about water efficiency and environmental sustainability programs. The PSD earned a WaterSense Honorable Mention Award in 2019.

Financial Awards

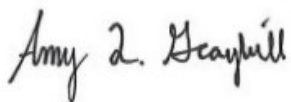
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Hilton Head Public Service District for its annual comprehensive financial report for the fiscal year ended June 30, 2020 (reference the following page). This was the eleventh year that the District achieved this prestigious award. To be awarded a Certificate of Achievement, a government must establish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Management believes that the current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report could not be accomplished without the dedicated service of the entire staff of the Finance Department. We also want to thank all PSD team members for their service, and our customers and Board of Commissioners for their support of our utility and its mission.

Respectfully Submitted,



Amy Graybill, CPA, Finance Manager



Pete Nardi, General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Hilton Head Public Service District #1
South Carolina**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

Board of Commissioners

Hilton Head No.1 Public Service District is governed by a seven-member Board of Commissioners. Commissioners are elected by registered voters of the District during general elections. Commissioners serve four-year terms and represent four different voting districts within the PSD service area.

The Commission establishes policies for the PSD and employs the General Manager. The Commission reviews and adopts the utility's annual operating budget and conducts an annual Cost of Service Analysis in order to determine the utility's consumption rates and user fees.

The Commission normally meets on the fourth Wednesday of each month in the PSD Community Room at 21 Oak Park Drive off Mathews Drive on Hilton Head Island. Public comment is welcome at all Commission meetings.

The 2020-21 Hilton Head Public Service District Commission



W. Robert "Bob" Manne, Chair, District 4
Current Term: 2020-2024



Frank Turano, Vice Chair, District 3
Current Term: 2018-2022



Herbert Ford, Treasurer, District 1
Current Term: 2018-2022



Jerry Cutrer, Secretary, District 4
Current Term: 2020-2024



Frank Drehwing, District 4
Current Term: 2018-2022



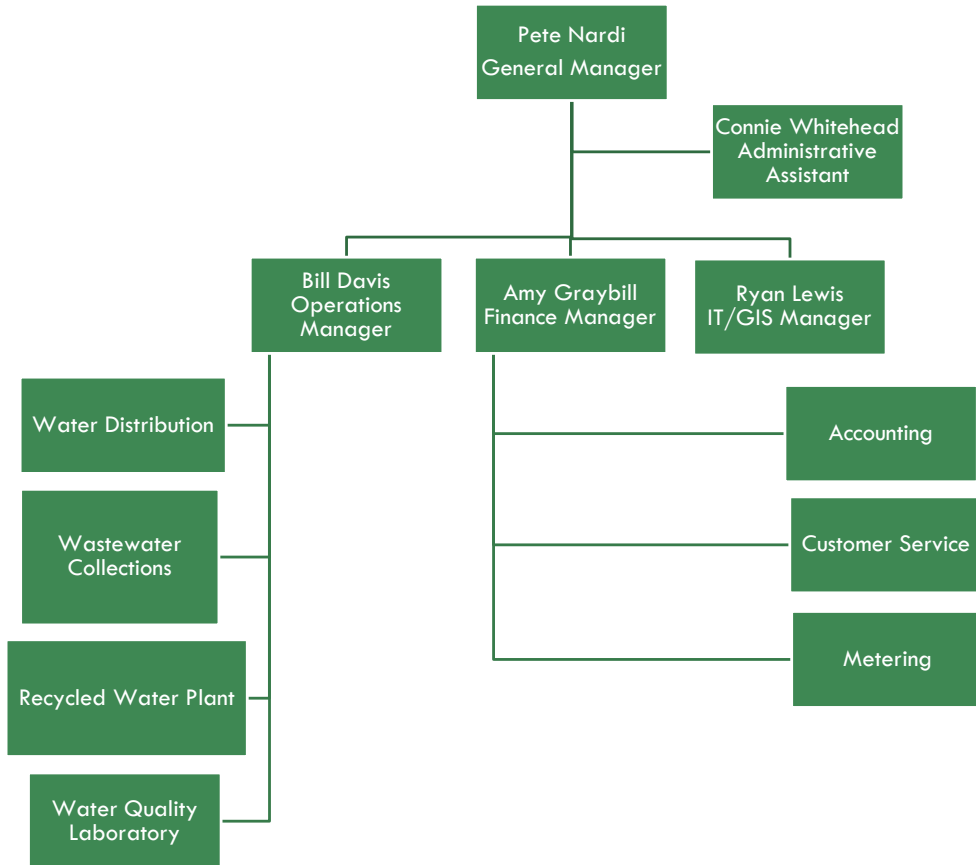
Patti Soltys, District 3
Current Term: 2020-2024



Stuart Bell, District 2
Current Term: 2020-2024



Organizational Chart



FINANCIAL SECTION

For Fiscal Years Ended June 30, 2021 and June 30, 2020



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Hilton Head No.1 Public Service District
21 Oak Park Drive
Hilton Head Island, SC 29926

Report on the Financial Statements

We have audited the accompanying financial statements of the Hilton Head No.1 Public Service District (the "District") as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hilton Head No.1 Public Service District as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of Hilton Head No.1 PSD SCRS Contributions, and the Schedule of Hilton Head No.1 PSD's Proportionate Share of the NPL be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental financial information, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



Greene Finney, LLP
Mauldin, South Carolina
October 13, 2021

Management's Discussion and Analysis

This section of the Hilton Head No. 1 Public Service District's (the "District") annual financial statements presents management's analysis of the District's financial performance during the fiscal years ending June 30, 2021, 2020 and 2019. To enhance the reader's understanding, management encourages considering the information contained in the MD&A in conjunction with the financial statements as presented in the financial section of this report, the transmittal letter, and statistical information.

Overview of the Financial Statements

The basic financial statements are presented on the full accrual basis of accounting and include statements of net position; statements of revenues, expenses, and changes in net positions; statements of cash flows; and notes to the financial statements.

The **Statements of Net Position** present the District's financial position and provide information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The **Statements of Revenues, Expenses, and Changes in Net Position** present the business activity and results of operations for the fiscal year. These statements present the change in net position during the fiscal year. The statements can be used to evaluate the profitability of the District and to assess whether it has recovered all of its costs through user fees and charges.

The **Statements of Cash Flows** present the cash activities of the District segregated in the following four major categories: operating, investing, noncapital financing, and capital and related financing activities. These statements provide information as to the sources and uses of cash, where the cash was derived from, what cash was used for, and what the change in cash balance was during the reported periods.

The **Notes to the Financial Statements** provide required disclosures and other information essential to fully understand the data provided in the statements. **Required supplementary information** presents schedules concerning progress in funding the District's obligation to provide pension benefits to its employees. **Supplementary information** contains additional financial data, such as budgetary comparisons and detailed debt schedules. Although not a required part of the financial statements, the supplementary data enhances information provided to users.

General Trends and Significant Events

- The District continued to see growth from development and redevelopment in its service area.
 - Water Customer Growth: The District added 336 new water/irrigation customers to the system in fiscal year (FY) 2021. As of June 30, 2021, the District has a total of 19,119 equivalent dwelling units (EDUs). This is a 1.79% increase for FY 2021. For FY 2020 there was a 1.05% increase in total EDUs. The current EDUs include 18,033 water service units, 1,039 irrigation service units, and 47 miscellaneous water units such as dock meters, hydrants, pool meters, and golf course water coolers.

- Sewer Customer Growth: The District added 382 new sewer customers to the system in fiscal year 2021. As of June 30, 2021, sewer service EDUs total 17,075. This is a 2.29% increase for FY 2021 as compared to the FY 2020 increase of 1.34%.
- During FY 2021, the sewer to water customer percentage has increased from 94.35% to 94.69% percent since the beginning of fiscal year 2020.¹ This increase is related to the District’s Master Sewer Plan construction projects and Project SAFE funded connections as well as general development in the District.
- Despite the continued effects COVID pandemic, billed consumption for FY 2021 was 2.088 billion gallons which was 0.9% higher than the 2.068 billion gallons billed during FY 2020. This may be partially attributable to dry, warm weather conditions. Total rainfall in fiscal year 2021 decreased 17.41 inches to 43.65 inches compared to 61.06 inches in fiscal year 2020.² Spring/Summer³ rainfall totaled 18.0 inches in fiscal year 2021 compared to 30.0 inches in fiscal year 2020. (See the Rainfall Comparison tables on page 90 in the Statistical section of this report for further data).
- In response to the COVID pandemic, the District suspended shut-offs, late payment fees, and returned check fees through December 31, 2020. Although shut-offs have been resumed, District staff are still endeavoring to work with delinquent customers when possible to avoid shut-offs. While there was an increase in the number of unpaid balances, it did not result in a significant increase in delinquent accounts receivable. The District incurred additional cleaning and PPE expenditures; which were partially reimbursed through Federal Emergency Management Agency (FEMA) and Coronavirus Aid, Relief, and Economic Security (CARES) Act funds. As noted above, the District has not seen a decrease in consumption or revenues during the pandemic.
- On November 2, 2020, the District refinanced all of its GO debt and the majority of its revenue debt to take advantage of the low interest rate environment and to restructure the payback period of the debt. All of the District’s GO debt was refunded at a rate of 1.25% over 8 years; this saved the District around \$835,000 and shortened the payback period on this debt. The majority of the District’s revenue debt was refinanced at rates of 0.94% and 1.21% over 5 year and 10 year periods. While this increased the District’s overall revenue debt service by around \$690,000, it reduced the annual revenue debt service payments over the next four years from around \$4 million to around \$2.4 million, freeing up approximately \$1.6 million in cash flow in each of these years to reinvest in the system in coordination with its asset management planning efforts. This also led to a reduction in the number of issuances outstanding which reduces the annual bond administration fees on these accounts. Additional details can be found in the long term obligation section of the notes to the financial statements beginning on page 42.

Financial Highlights and Analysis of the District

The District’s financial position improved during the past fiscal year; continued growth and development combined with the effects of the November 2020 debt restructuring led to strong year-over-year increases in net position, cash, and debt coverage ratios.

¹ This percentage is based solely on water customers and does not include irrigation, dock meters, hydrants, pool meters, and golf course water coolers etc.

² Rainfall measurements were recorded at the wastewater treatment plant.

³ Months included for each year are March through August.

Condensed Statements of Net Position

The comparative condensed statements of net position below show changes in financial position from previous fiscal years as of June 30, 2021, 2020, and 2019.

Hilton Head Public Service District Condensed Statements of Net Position As of June 30, 2021, 2020, and 2019

As of June 30,	2021	2020	2019	2020 to 2021	%	2019 to 2020	%
Assets				Increase (decrease)		Increase (decrease)	
Current assets	\$ 12,416,886	\$ 9,005,307	\$ 7,205,863	\$ 3,411,579	37.9%	\$ 1,799,444	25.0%
Restricted assets	680,403	2,570,882	2,412,700	(1,890,479)	-73.5%	158,182	6.6%
Net Property Plant & Equipment	71,081,589	74,457,407	76,510,537	(3,375,818)	-4.5%	(2,053,130)	-2.7%
Sewer Assessments, Long-term	2,228,589	2,295,863	1,886,679	(67,274)	-2.9%	409,184	21.7%
Total Assets	<u>86,407,467</u>	<u>88,329,459</u>	<u>88,015,779</u>	<u>(1,921,992)</u>	<u>-2.2%</u>	<u>313,680</u>	<u>0.4%</u>
Deferred outflows of resources							
Deferred outflows related to pensions	955,687	789,558	890,804	166,129	21.0%	(101,246)	-11.4%
Deferred outflows from refunding debt	1,185,563	724,588	981,017	460,975	63.6%	(256,429)	-26.1%
Total Deferred outflows of resources	<u>2,141,250</u>	<u>1,514,146</u>	<u>1,871,821</u>	<u>627,104</u>	<u>41.4%</u>	<u>(357,675)</u>	<u>-19.1%</u>
Total assets and deferred outflows of resources	<u>\$ 88,548,717</u>	<u>\$ 89,843,605</u>	<u>\$ 89,887,600</u>	<u>(1,294,888)</u>	<u>-1.4%</u>	<u>(43,995)</u>	<u>0.0%</u>
Liabilities							
Current Liabilities	4,922,152	6,229,830	5,974,263	(1,307,678)	-21.0%	255,567	4.3%
Noncurrent Liabilities, net of amortization	31,583,733	34,296,029	38,336,938	(2,712,296)	-7.9%	(4,040,909)	-10.5%
Total Liabilities	<u>36,505,885</u>	<u>40,525,859</u>	<u>44,311,201</u>	<u>(4,019,974)</u>	<u>-9.9%</u>	<u>(3,785,342)</u>	<u>-8.5%</u>
Deferred inflows of resources							
Deferred inflows related to pensions	326,700	208,744	399,360	117,956	56.5%	(190,616)	-47.7%
	36,832,585	40,734,603	44,710,561	(3,902,018)	-9.6%	(3,975,958)	-8.9%
Net Position							
Net investment in capital assets	42,457,546	41,211,563	39,248,405	1,245,983	3.0%	1,963,158	5.0%
Restricted for debt service	680,403	2,570,882	2,412,700	(1,890,479)	-73.5%	158,182	6.6%
Unrestricted	8,578,183	5,326,557	3,515,934	3,251,626	61.0%	1,810,623	51.5%
Total Net Position	<u>51,716,132</u>	<u>49,109,002</u>	<u>45,177,039</u>	<u>2,607,130</u>	<u>5.3%</u>	<u>3,931,963</u>	<u>8.7%</u>
Total Liabilities and Net Position	<u>\$ 88,548,717</u>	<u>\$ 89,843,605</u>	<u>\$ 89,887,600</u>	<u>\$ (1,294,888)</u>	<u>-1.4%</u>	<u>\$ (43,995)</u>	<u>0.0%</u>

Total assets and deferred outflows of resources were \$88.5 million, exceeding liabilities and deferred inflows of resources by \$51.7 million (net position). Of the total net position, \$8.6 million was unrestricted. Total Net Position increased by \$2.6 million or 5.3% compared to a \$3.9 million or 8.7% increase in fiscal year 2020. Unrestricted net position increased \$3.3 million or 61.0% compared to a \$1.8 million or 51.5% increase in fiscal year 2020.

Current and Restricted Assets

Of the total net position, \$12.4 million are current non-restricted assets available to support short-term operations. This current asset balance is \$3.4 million higher than the June 30, 2020 balance of \$9.0 million which was \$1.8 million higher than the June 30, 2019 balance of \$7.2 million; these increases are mostly attributable to an increase in cash and cash equivalents. Total unrestricted and restricted cash balances consisted of the following:

Cash Balances As of June 30,	2021	2020	2019	2020 to 2021	%	2019 to 2020	%
Unrestricted cash and cash equivalents	\$ 9,609,015	\$ 6,404,660	\$4,361,258	\$ 3,204,355	50.0%	\$ 2,043,402	46.9%
Cash and cash equivalents restricted for debt service	680,403	2,570,882	2,412,700	(1,890,479)	-73.5%	158,182	6.6%
Total Cash	<u>\$ 10,289,418</u>	<u>\$ 8,975,542</u>	<u>\$6,773,958</u>	<u>\$ 1,313,876</u>	<u>14.6%</u>	<u>\$ 2,201,584</u>	<u>32.5%</u>

During fiscal year 2021, overall cash increased \$1.3 million or 14.6%. Unrestricted cash increased \$3.2 million or 50% bringing the District’s unrestricted cash up to \$9.6 million at June 30, 2021 compared to \$6.4 million at June 30, 2020 while restricted cash decreased \$1.9 million. This shift from restricted cash (restricted assets) to unrestricted cash was mainly related to the November 2020 debt refinancing. During fiscal year 2020, overall cash increased \$2.2 million or 32.5% with \$2.0 million (a 46.9% increase) of that increase being in unrestricted cash. This increase was related to a \$1.00 water base rate increase, \$1.00 sewer base rate increase, and water residential volumetric tier increases that went into effect July 1, 2019. Additionally, capacity fee collections from large and small developments in the District’s service area have remained strong in all three of the past fiscal years.

Capital Assets

As of June 30, 2021, the District has invested \$71,081,589 (net of accumulated depreciation) in water and sewer equipment and a broad range of infrastructure as shown below:

	Capital Assets		
Year Ended June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital assets not being depreciated:			
Land	\$ 1,299,193	\$ 1,299,193	\$ 1,299,193
Construction in Progress	<u>45,310</u>	<u>57,708</u>	<u>2,802,109</u>
Total Capital Assets not being depreciated	1,344,503	1,356,901	4,101,302
Capital assets being depreciated:			
Waterworks system	63,581,847	63,597,046	62,857,016
Sewage disposal system	53,552,764	53,523,184	49,073,406
Buildings	4,391,129	4,391,129	4,339,091
Sewage treatment facilities	35,840,545	35,143,163	34,782,963
Transportation equipment	1,482,433	1,319,843	1,317,134
Operations furniture and equipment	1,897,651	1,861,596	1,845,972
Office furniture and equipment	<u>722,428</u>	<u>752,734</u>	<u>746,530</u>
Sub Total	\$ 161,468,797	\$ 160,588,695	\$ 154,962,112
Less Accumulated depreciation	<u>(91,731,711)</u>	<u>(87,488,189)</u>	<u>(82,552,877)</u>
Total capital assets being depreciated, net	<u>69,737,086</u>	<u>73,100,506</u>	<u>72,409,235</u>
Property, Plant and Equipment, net	<u>\$ 71,081,589</u>	<u>\$ 74,457,407</u>	<u>\$ 76,510,537</u>

Net Property Plant & Equipment has decreased \$3,375,818 during fiscal year 2021. During fiscal year 2021, capital additions of \$1,812,210 were offset by depreciation of \$5,188,028. Projects/additions completed during 2021 include:

- The District relined the main 42” gravity sewer line inside the wastewater treatment plant at a cost of \$289,416.
- Other upgrades and improvements at the wastewater treatment plant totaled \$375,703.
- The PSD continued funding \$47,865 worth of Master Sewer Plan projects.
- Upgrades and improvements to the District’s existing lift stations totaled \$193,043. Other major collection system repairs and replacements totaled \$122,643.
- The District continued its meter change out program and \$316,838 of meters were replaced. Other major distribution system repairs and replacements totaled \$46,082.

- The final billing for the SCDOT Jarvis Creek water relocation project totaled \$184,622.
- The District entered into a finance purchase agreement for 6 vehicles at a total cost of \$203,133.
- Other operations equipment purchases totaled \$32,865.

More detailed information on capital asset activity and developer contributions of systems can be found in Note 7 – Property, plant, equipment, and depreciation on page 40 and Note 13 - Construction and development commitments on page 52.

Liabilities and Debt Administration

As of June 30, 2021, the District’s current liabilities totaled \$4.9 million versus \$6.2 million at June 30, 2020. This decrease of \$1.3 million or 21% is mostly attributable to the debt restructuring done in November 2020 which reduced annual revenue debt service requirements.

Non-current liabilities decreased \$2.7 million from \$34.3 million at 2020 fiscal year end to \$31.6 million at 2021 fiscal year end in accordance with debt payment schedules offset by increases in net pension liability values provided by the state pension system. More detailed information on long term debt obligations can be found in Note 8 – Long term obligations on page 42 and Note 9 – Non-current liabilities on page 50.

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. The District’s revenue bonds are secured by the revenues of the District. Due to the reduction of annual revenue debt service related to the debt restructuring, the District’s debt coverage ratio increased from 183% to 288%. Ratios for the prior three fiscal years are above the 120% required by the District’s bond covenants as shown below:

Coverage of Debt Service

Year Ended June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Income(loss) before capital contributions			
per Financial Statements	\$1,449,343	\$1,403,473	\$11,599
Capacity Fees	1,157,787	864,478	878,264
Add: Depreciation	5,188,028	5,044,727	4,946,397
Net Pension Expense	613,324	560,016	382,374
SCRS Retirement Contributions	(387,521)	(367,120)	(352,212)
Amortization	265,132	256,428	256,428
Bond Issuance Costs	225,650	42,056	-
Interest Expense (Bonds)	509,935	841,047	941,525
Assessments - Debt Service	200,485	188,409	190,184
Less: Property Taxes – Debt Service	<u>(1,499,844)</u>	<u>(1,414,091)</u>	<u>(1,371,933)</u>
Net Earnings Available for Debt Service	\$7,722,320	\$7,419,423	\$5,882,626
 Debt Service on Revenue Bonds	 \$2,686,001	 \$4,048,243	 \$4,040,662
 Coverage of Debt Service by Net Earnings*	 288%	 183%	 146%
 Debt Coverage without Capacity Fees	 244%	 162%	 124%

Statements of Revenues, Expenses and Changes in Net Position

While the Statement of Net Position shows the change in net position, the Statement of Revenues, Expenses, and Changes in Net Position provides information regarding the nature and source of these changes as presented below:

Hilton Head PSD Statement of Revenues, Expenses and Changes in Net Position and Comparison Schedule

Year Ended June 30,				2020 to 2021		2019 to 2020	
	2021	2020	2019	Inc/(Dec)	% Change	Inc/(Dec)	% Change
Operating Revenues							
Water Service Revenues	\$ 7,746,340	\$ 7,735,802	\$ 7,148,606	\$ 10,538	0.1%	\$ 587,196	8.2%
Sewer Service Revenues	5,852,395	5,719,313	5,408,090	133,082	2.3%	311,223	5.8%
Other Operating Revenues	1,412,487	1,291,824	1,177,544	120,663	9.3%	114,280	9.7%
Total Operating Revenues	<u>15,011,222</u>	<u>14,746,939</u>	<u>13,734,240</u>	<u>264,283</u>	1.8%	<u>1,012,699</u>	7.4%
Operating Expenses							
Payroll & Related Expenses	4,203,335	4,062,153	3,889,589	141,182	3.5%	172,564	4.4%
Administrative Expenses	1,020,574	1,006,662	957,919	13,912	1.4%	48,743	5.1%
Operations Expenses	1,916,964	1,855,061	1,735,975	61,903	3.3%	119,086	6.9%
Maintenance Expenses	1,196,849	1,143,332	1,324,519	53,517	4.7%	(181,187)	-13.7%
Water Tap In Expenses	171,909	152,870	171,891	19,039	12.5%	(19,021)	-11.1%
Sewer Connection Expenses	200,934	215,867	247,232	(14,933)	-6.9%	(31,365)	-12.7%
Purchased Water	653,914	675,174	1,170,368	(21,260)	-3.1%	(495,194)	-42.3%
ASR Water Expense	245,771	217,007	217,571	28,764	13.3%	(564)	-0.3%
ASR Plant Expenses	49,428	41,846	41,471	7,582	18.1%	375	0.9%
RO Plant Expenses	716,055	688,297	702,486	27,758	4.0%	(14,189)	-2.0%
Professional Fees	203,678	342,116	127,011	(138,438)	-40.5%	215,105	169.4%
Vehicle Expenses	100,565	96,385	112,192	4,180	4.3%	(15,807)	-14.1%
Depreciation	5,188,028	5,044,727	4,946,397	143,301	2.8%	98,330	2.0%
Total Operating Expenses	<u>15,868,004</u>	<u>15,541,497</u>	<u>15,644,621</u>	<u>326,507</u>	2.1%	<u>(103,124)</u>	-0.7%
Net Operating Income	(856,782)	(794,558)	(1,910,381)	(62,224)	7.8%	1,115,823	-58.4%
Non-operating Revenues	3,308,136	3,337,562	3,119,933	(29,426)	-0.9%	217,629	7.0%
Non-operating Expenses	<u>(1,002,011)</u>	<u>(1,139,531)</u>	<u>(1,197,953)</u>	<u>137,520</u>	<u>-12.1%</u>	<u>58,422</u>	<u>-4.9%</u>
Increase in Net Position before Capital Contributions:	1,449,343	1,403,473	11,599	45,870	3.3%	1,391,874	11999.9%
Water Capacity Fee	482,400	294,324	330,960	188,076	63.9%	(36,636)	-11.1%
Sewer Capacity Fee	675,387	570,154	547,304	105,233	18.5%	22,850	4.2%
Developer Contributions of Systems	-	1,664,012	2,335,305	(1,664,012)	-100.0%	(671,293)	-28.7%
Total Capital Contributions	<u>1,157,787</u>	<u>2,528,490</u>	<u>3,213,569</u>	<u>(1,370,703)</u>	<u>-54.2%</u>	<u>(685,079)</u>	<u>-21.3%</u>
Change in net position	\$ 2,607,130	\$ 3,931,963	\$ 3,225,168	\$ (1,324,833)	-33.7%	\$ 706,795	21.9%
Net position, beginning of the year	<u>49,109,002</u>	<u>\$ 45,177,039</u>	<u>\$ 41,951,871</u>	<u>\$ 3,931,963</u>	<u>8.7%</u>	<u>\$ 3,225,168</u>	<u>7.7%</u>
Net position, end of year	<u>\$ 51,716,132</u>	<u>\$ 49,109,002</u>	<u>\$ 45,177,039</u>	<u>\$ 2,607,130</u>	<u>5.3%</u>	<u>\$ 3,931,963</u>	<u>8.7%</u>

Operating Revenues (Fiscal Year to Year Comparisons)

Operating revenues for fiscal year 2021 total \$15,011,222 which is a \$264,283 or 1.8% increase from fiscal year 2020. Total operating revenues increased 7.4% or \$1,012,699 from fiscal year 2019 to fiscal year 2020.

- Water service revenues stayed fairly static from 2020 to 2021 as there was no rate increase and consumption stayed steady; these revenues increased \$587,196 from 2019 to 2020 due to increased consumption in FY 2020 and a \$1.00 base rate increase and residential volume tier increases effective July 1, 2019.

- Despite no rate increases, sewer service revenues increased by \$133,082 or 2.3% during fiscal year 2021 due to sewer customer growth. These revenues increased \$311,323 or 5.8% during fiscal year 2020 due to sewer customer growth as well as a \$1.00 base rate increase effective July 1, 2019.
- Other operating revenues include water and sewer connection fees, golf course irrigation, availability fees, service fees, disaster and insurance recoveries, and other miscellaneous items. These revenues increased \$120,663 or 9.3% from fiscal year 2020 to 2021 compared to \$114,280 or 9.7% from fiscal year 2019 to 2020. The fiscal year 2021 increase is mostly related to increased golf irrigation caused by drier weather, a miscellaneous class action settlement payment related to the District's electricity provider, and sales tax refunds received related to sales tax paid on exempt wastewater treatment purchases which were offset by decreases in sewer connection fees, availability fees, and disaster & insurance recoveries. The fiscal year 2020 increase was related to disaster recovery payments received and the timing of capital credit rebates from the District's electricity provider.

Departmental Expenses (Fiscal Year to Year Comparisons)

Total departmental expenses have increased \$326,507 or 2.1% compared to fiscal year 2020. For fiscal year 2020, departmental expenses decreased \$103,124 or 0.7% compared to fiscal year 2019.

Selected highlights of significant FY 2021 increases or decreases are as follows:

- Payroll and Related expenses increased \$141,182 or 3.5% in FY 2021 and \$172,564 or 4.4% in FY 2020. There were increases in the non-cash adjustment needed to bring pension expense to the South Carolina Retirement System actuarially determined amount in both years. Additionally, merit salary increases and the addition of one new position in each year were offset by reductions in training related to COVID conditions.
- Operations expenses increased \$61,904 or 3.3% in FY 2021 and \$119,086 or 6.9% in FY 2020. The increases were mainly related to cost and volume increases in biosolids disposal as well as increased fuel and power costs.
- Maintenance expenses increased by \$53,517 or 4.7% in FY 2021 mainly driven by increased lift station preventative maintenance efforts. Maintenance expenses decreased by \$181,187 or 13.7% in FY 2020 due to lower effluent system, generator, SCADA, and water/system maintenance than FY 2019.
- Professional fees decreased \$138,438 or 40.5% in FY 2021. They had increased by \$215,105 or 169.4% in FY 2020. The FY 2020 increase was mostly due to several years of legal and engineering fees related to District funded master sewer plan projects that were initially expected to be capitalized into the cost of one large District funded project but were reclassified to expense in fiscal year 2020 when it was determined these projects would be done on an as needed basis over a number of years. Additionally, more was spent in engineering in fiscal years 2021 and 2020 than fiscal year 2019 on future water supply modeling and groundwater permitting.

Non-operating revenues (Fiscal Year to Year Comparisons)

Total non-operating revenues decreased \$29,426 or 0.9% in FY 2021 while FY 2020 saw an increase of \$217,629 or 7.0%. The increase in FY 2020 was mainly driven by additional tower lease income associated with a one-time CPI related payment. Interest income was also higher in FY 2020 due to increased cash values and higher interest rates. Although the District continued to increase its cash available to invest in FY 2021, erosion of interest rates led to a decrease in interest income. More GO and operating property tax revenue was collected in FY 2021 and FY 2020 due to increases in assessed values year over year.

Non-Operating Expenses (Fiscal Year to Year Comparisons)

Total non-operating expenses decreased \$137,520 or 12.1% in FY 2021 and decreased of \$58,422 or 4.9% in FY 2020. In FY 2021, a reduction in interest expense of \$335,347, which was largely attributable to the November 2020 debt restructuring, was offset by \$225,650 in bond issuance costs related to the restructuring. In FY 2020, bond interest expense decreased by \$100,478 and there were \$42,056 in bond issuance costs associated with the Series 2020 FFA bonds for fiscal year 2020. There were no bond issuance costs for fiscal year 2019.

Capital Contributions (Fiscal Year to Year Comparisons)

Water and sewer capacity fees remained strong in all three fiscal years presented. Fees paid by large scale developers made up most of these revenues each year. Developer contributions of systems significantly declined from 2019 to 2020 to 2021. This is related to the completion of the town funded MSP sewer projects in FY 2020 as well as a number of private developer contributions of water and sewer systems in FY 2020. No developer contributions were received in FY 2021.

FINAL COMMENTS AND REQUESTS FOR INFORMATION

Despite the impacts of COVID-19, the District continues to see 1-2% growth in its service area which has been further spurred by the general real estate boom. While there are still areas of the District's service area that contain potential for development or redevelopment, the District recognizes that the current rate of growth is likely unsustainable in the long term due to the limited land space of its service area; conservatism is maintained during the budget process so as not to rely on development that may not occur to fund operations. In its fiscal year 2021 budget, the District leveraged the additional cash flow available from the November 2020 debt restructuring to hold off on implementing a rate increase for the upcoming fiscal year while increasing capital and preventative maintenance budgets. Additionally, in recognition of the substantial progress made towards build-out in the District's service area, the District eliminated availability fees in the upcoming year. The District always aims to take a conservative view towards budgeting to ensure long term sustainability.

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Manager, P.O. Box 21264, Hilton Head Island, SC 29925. The District's website can be found at www.hhpsd.com.

AUDITED FINANCIAL STATEMENTS

For Fiscal Years Ended June 30, 2021 and June 30, 2020

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2021 AND 2020

	June 30	
	2021	2020
Assets		
Current Assets		
Cash and Cash Equivalents Available for Operations	\$ 9,609,015	\$ 6,404,660
Cash and Cash Equivalents in Banks (Restricted)	559,803	1,890,813
Cash and Cash Equivalents Held by Beaufort County Treasurer (Restricted)	120,600	680,069
Accounts Receivable - Trade, net	1,908,258	1,696,589
Accounts Receivable - Project SAFE	83,571	31,254
Accounts Receivable - Tower Lease	-	30,919
Sewer and Capacity Assessments, due within one year	205,458	204,454
Inventory	371,507	372,286
Prepaid Expenses	239,077	265,145
Total current assets	13,097,289	11,576,189
Noncurrent Assets		
Property, Plant and Equipment		
Nondepreciable Assets	1,344,503	1,356,901
Depreciable Assets, net	69,737,086	73,100,506
Total Property, Plant and Equipment	71,081,589	74,457,407
Sewer and Capacity Assessments, due after one year	2,228,589	2,295,863
Total Noncurrent Assets	73,310,178	76,753,270
Total Assets	86,407,467	88,329,459
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	955,687	789,558
Deferred Charges from Debt Refunding	1,185,563	724,588
Total Deferred Outflows of Resources	2,141,250	1,514,146
Total Assets and Deferred Outflows of Resources	\$ 88,548,717	\$ 89,843,605

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

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
STATEMENTS OF NET POSITION (continued)
AS OF JUNE 30, 2021 AND 2020

Liabilities	June 30	
	2021	2020
Current Liabilities		
Payable from Unrestricted Assets:		
Accounts Payable-Trade	\$ 389,366	\$ 401,813
Accounts Payable-Construction	94,881	104,990
Finance Purchase Liabilities, due within one year	36,005	-
Notes Payable, due within one year	18,000	18,000
Customer Deposits	152,050	157,500
Unearned Revenue	247,094	234,825
Other Accrued Liabilities	411,617	408,970
Total Current Liabilities Payable from Unrestricted Assets	1,349,013	1,326,098
Payable from Restricted Assets:		
Interest Payable	42,056	172,199
Notes Payable, due within one year	139,769	529,416
Bonds Payable, due within one year	3,391,314	4,202,117
Total Current Liabilities Payable from Restricted Assets	3,573,139	4,903,732
Total Current Liabilities	4,922,152	6,229,830
Noncurrent Liabilities		
Finance Purchase Liabilities, due after one year	152,932	-
Bonds Payable, due after one year	23,898,422	21,843,353
Notes Payable, due after one year	2,078,283	7,272,556
Net Pension Liability	5,454,096	5,180,120
Total Noncurrent Liabilities	31,583,733	34,296,029
Total Liabilities	36,505,885	40,525,859
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	326,700	208,744
Total Liabilities and Deferred Inflows of Resources	36,832,585	40,734,603
Net Position		
Net Investment in Capital Assets	42,457,546	41,211,563
Restricted for Debt Service	680,403	2,570,882
Unrestricted	8,578,183	5,326,557
Total Net Position	51,716,132	49,109,002
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 88,548,717	\$ 89,843,605

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

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Fiscal Year Ended June 30	
	2021	2020
Operating Revenues		
Water Service	\$ 7,746,340	\$ 7,735,802
Sewer Service	5,852,395	5,719,313
Water Tap In Fees	247,227	240,179
Sewer Connection Fees	212,488	242,418
Service Fees	14,662	23,015
Golf Course Irrigation	207,233	155,676
Availability Fees	420,187	452,602
Disaster & Insurance Recovery, net	44,828	86,502
Other Operating Revenues	265,862	91,432
Total Operating Revenues	15,011,222	14,746,939
Departmental Expenses		
Payroll & Related Expenses	4,203,335	4,062,153
Administrative Expenses	1,020,574	1,006,662
Operations Expenses	1,916,964	1,855,061
Maintenance Expenses	1,196,849	1,143,332
Water Tap In Expenses	171,909	152,870
Sewer Connection Expenses	200,934	215,867
Purchased Water	653,914	675,174
ASR Water Expense	245,771	217,007
ASR Plant Expenses	49,428	41,846
RO Plant Expenses	716,055	688,297
Professional Fees	203,678	342,116
Vehicle Expenses	100,565	96,385
Total Departmental Expenses	10,679,976	10,496,770
Depreciation	5,188,028	5,044,727
Total Operating Expenses	15,868,004	15,541,497
Operating Income (Loss)	(856,782)	(794,558)
Non-operating Revenues		
Property Taxes - G.O. Debt Levy	1,499,844	1,414,091
Property Taxes - Operations Levy	1,071,896	1,034,553
Tower Lease Income	552,366	625,067
Rental Income	79,224	79,758
Interest Income	102,306	184,093
Gain on Disposal of Assets	2,500	-
Total Non-operating Revenues	\$ 3,308,136	\$ 3,337,562

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

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)
 FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Fiscal Year Ended June 30	
	2021	2020
Non-operating Expenses		
Interest Expense	\$ 511,229	\$ 841,047
Bond Defeasance Amortization	265,132	256,428
Bond Issuance Costs	225,650	42,056
Total Non-operating Expenses	1,002,011	1,139,531
Total Non-operating Revenues/Expenses	2,306,125	2,198,031
Increase (Decrease) in Net Position, Before Capital Contributions	\$ 1,449,343	\$ 1,403,473
Water Capacity Fee	\$ 482,400	\$ 294,324
Sewer Capacity Fee	675,387	570,154
Developer Contributions of Systems	-	1,664,012
Total Capital Contributions	1,157,787	2,528,490
Change in net position	2,607,130	3,931,963
Net position, beginning of the year	49,109,002	45,177,039
Net position, end of year	\$ 51,716,132	\$ 49,109,002

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Fiscal Year Ended June 30	
	2021	2020
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 14,431,096	\$ 14,805,086
Cash Paid to Suppliers	(7,630,250)	(7,392,346)
Cash Paid to Employees	(2,806,876)	(2,686,935)
Other Revenues	310,690	177,934
Net Cash Provided by Operating Activities	4,304,660	4,903,739
Cash Flows from Investing Activities		
Interest Income	102,306	184,093
Net Cash Provided by Investing Activities	102,306	184,093
Cash Flows from Noncapital Financing Activities:		
Property Taxes Collected - Operations Levy	1,071,896	1,034,553
Rental and Tower Lease Income	674,777	721,423
Sewer Assessments Collected	134,433	131,826
Sewer Assessments Financed	(134,215)	(170,403)
Net Cash Provided by Noncapital Financing Activities	1,746,891	1,717,399
Cash Flows from Capital and Related Financing Activities:		
Capacity Fees	1,157,787	651,078
Capacity Fee Assessments	66,052	56,583
Property Taxes Collected - G.O. Debt Levy	1,499,845	1,414,091
Interest Paid	(644,483)	(871,564)
Proceeds from Series 2020 FFA Bonds	-	435,000
Proceeds from Series 2020 B & C Revenue Bonds	19,095,000	-
Payoff of refunded revenue bonds	(19,338,744)	-
Amount paid to defease revenue bonds	(763,426)	-
Proceeds from Series 2020 GO Bonds	9,910,000	-
Payoff of refunded GO Bods	(10,241,589)	-
Amount paid to defease GO Bonds	(5,780)	-
Bond Issuance Costs	(225,650)	(42,056)
Principal Payments on Bonds and Notes	(3,729,206)	(4,607,903)
Proceeds from Sale of Assets	2,500	-
Purchases of Property, Plant and Equipment	(1,622,288)	(1,638,875)
Net Cash Used by Capital and Related Financing Activities	(4,839,981)	(4,603,646)
Net Increase (Decrease) in Cash	1,313,876	2,201,584
Cash and Cash Equivalents at Beginning of Year	\$ 8,975,542	\$ 6,773,958
Cash and Cash Equivalents at End of Year	\$ 10,289,418	\$ 8,975,542

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

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
STATEMENTS OF CASH FLOW (continued)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Fiscal Year Ended June 30	
	2021	2020
Reconciliation of Operating Loss to Net Cash Provided		
by Operating Activities:		
Operating Loss	\$ (856,782)	\$ (794,558)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided</i>		
<i>by Operating Activities:</i>		
Depreciation	5,188,028	5,044,727
Difference Between GASB 68 and Actual Contributions	225,803	192,896
<i>Changes in Assets and Liabilities</i>		
Accounts Receivable - Trade	(211,669)	187,290
Accounts Receivable - Project SAFE	(52,317)	42,846
Disaster Recovery Insurance Receivable	-	-
Inventories	779	(14,148)
Prepaid Assets	26,068	35,667
Accounts Payable - Trade	(12,447)	134,744
Customer Deposits	(5,450)	5,945
Other Accrued Liabilities	2,647	68,330
Net Cash Provided by Operating Activities	\$ 4,304,660	\$ 4,903,739
Schedule of Cash and Cash Equivalents		
<i>Available for Operations</i>		
Demand Deposits (interest and non-interest bearing)	\$ 4,991,585	\$ 1,814,499
SC Local Government Investment Pool	4,557,012	\$ 4,547,817
Held by Beaufort County Treasurer	60,419	42,344
Total Available for Operations	\$ 9,609,015	\$ 6,404,660
<i>Restricted</i>		
Cash in Banks	\$ 559,803	\$ 1,890,813
Held by Beaufort County Treasurer	120,600	680,069
Total Restricted	\$ 680,403	\$ 2,570,882
Total Cash and Cash Equivalents	\$ 10,289,418	\$ 8,975,542
Supplemental Disclosures		
<i>Noncash Financing Activities:</i>		
Financed Vehicle Purchase	\$ 200,031	\$ -
Developer Contribution of Systems	\$ -	\$ 1,664,012
Financed Tap Fees	\$ -	\$ 30,470
Financed Capacity Fees	\$ -	\$ 213,400

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

NOTES TO FINANCIAL STATEMENTS

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1 - Summary of significant accounting policies

General

The Hilton Head No. 1 Public Service District was established in November of 1969. Its purpose is to provide water and sewer services to the public within designated boundaries on Hilton Head Island, SC.

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

Fund accounting

The accounts of the District are organized on the basis of a single proprietary fund type - enterprise fund. The fund is accounted for by a set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and revenues and expenses. The fund is established to account for water and sewer operations that are financed and operated in a manner similar to private business enterprises, where the intent is to provide goods and services to the general public on a continuing basis, financed and recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues are charges to customers for sales and services provided to them. The District also recognizes as operating income tap fees, availability fees, and other revenues related to operations. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund type is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

Property taxes and availability charges are recognized when collected by the Beaufort County Treasurer.

Fees and payments due under developer contracts are treated as capital contributions and are recognized in the period received. Tap fees and connection fees are recognized as income in the period the customer connects to the system or in the period a related front foot assessment is finalized.

Cash and cash equivalents

Cash and cash equivalents, for the purposes of the Statement of Cash Flows, include restricted and unrestricted cash on hand or on deposit, certain bank money market funds, interests in the South Carolina Local Government Investment Pool, repurchase agreements, and investments with an original maturity of three months or less.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1 - Summary of significant accounting policies (continued)

Accounts receivable, allowance for doubtful accounts and bad debt expense

The District carries accounts receivable at cost less an allowance for doubtful accounts which is based on historical collection experience and approximates 0.356% of water and sewer revenues for the years ended June 30, 2021 and 2020. Management charges off to expense any balances that are determined to be uncollectible. At June 30, 2021 and 2020, the balance of the allowance for doubtful accounts was \$42,054. Bad debt expense for the years ended June 30, 2021 and 2020 was \$17,076 and \$13,577, respectively.

Inventory and prepaid items

Inventory consists of supplies and is recorded as an expense at cost when consumed on a weighted average cost basis. Certain payments to vendors reflect expenses applicable to future accounting periods and are recorded as prepaids. Prepaid expenses are accounting for using the consumption method.

Property, plant and equipment

Property, plant and equipment are recorded at cost when constructed or purchased. Assets contributed to the District by developers are capitalized at the developers' cost to construct the water and sewer system. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition cost rather than fair value. Betterments and improvements over \$1,000 which extend the useful life of an asset are capitalized and depreciated over their estimated useful life. Depreciation of all property, plant and equipment is provided by the straight-line method and estimated useful lives of assets in service are as follows:

<u>Description</u>	<u>(in years)</u>
Waterworks system	5-50
Sewage disposal system	5-40
Building	40
Sewage treatment facilities	5-40
Transportation equipment	5
Operations furniture and equipment	3-7
Office furniture and equipment	4-10

Repairs and maintenance are charged to expense as incurred.

Compensated absences

The District accounts for compensated absences by accruing a liability for future absences according to the guidelines of GASB Statement No. 16, *Accounting for Compensated Absences*, which amounted to \$274,863 and \$278,356 at June 30, 2021 and 2020, respectively. These balances are expected to be used within one year and are therefore included in Other Accrued Liabilities in the Statement of Net Position.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1 - Summary of significant accounting policies (continued)

Long-term Obligations

Long-term debt and other obligations financed by the District are reported as liabilities in the statements of net position. If material, bond premiums and discounts, as well as deferred refunding costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed in the year incurred.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and additions to/deductions from SCRS's fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources

In addition to assets, the statement of net position contains a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has deferred charges from debt refunding, which qualify for reporting in this category. Deferred charges on refundings and advance refundings result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District has deferred outflows related to pensions for contributions to the pension plan subsequent to the measurement date. These contributions will be a reduction of the collective net pension liability in the next reporting period. Deferred outflows related to pensions for the net difference between expected and actual experience are amortized over the expected remaining service lives of plan members. Deferred outflows related to pensions for the net difference between projected and actual investment earnings are amortized over a five-year period. Deferred outflows related to changes in pension assumptions are amortized over the expected remaining service lives of plan members. Deferred outflows related to changes in proportionate share of plan contributions are amortized over the expected remaining service lives of plan members.

In addition to liabilities, the statement of net position contains a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows related to pensions for the net difference between projected and actual investment earnings, which are amortized over a five year period. Deferred inflows related to pensions for the net difference between expected and actual experience are amortized over the expected remaining service lives of plan members. Deferred inflows related to changes in proportionate share of plan contributions are amortized over the expected remaining service lives of plan members.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1 - Summary of significant accounting policies (continued)

Net position

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted for debt service; and unrestricted. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds of other restricted cash and investments is excluded from the determination. Restricted for debt service consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other net position not included in the above categories.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Claims and judgements

These events and obligations are recorded on the accrual basis, when the event occurs and the obligation arises.

Reclassification

Certain accounts and amounts in the June 30, 2020 financial statements have been reclassified in order to conform to the June 30, 2021 presentation.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 13, 2021, the date that the financial statements were available to be issued.

Note 2 - Cash, cash equivalents and investments

At June 30, 2021 and 2020, the bank balances of the District's demand deposit accounts totaled \$5,008,145 and \$1,664,301, respectively, and had a carrying balance totaling \$4,991,185 and \$1,814,099 respectively. A sum of \$400 is held in petty cash funds of the District. As of June 30, 2021 and 2020, all investments of the District were redeemable on demand without penalty and are, therefore, classified as cash and cash equivalents.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2 – Cash, cash equivalents and investments (continued)

Investment Policy

The District's cash management program seeks to achieve three objectives with regards to investments: safety of principal, adequate liquidity to meet daily cash needs, and a reasonable yield commensurate with the preservation of principal and liquidity. The following investment strategy has been designed to accomplish these objectives:

1. The District will invest in very creditworthy, highly liquid investments with maturities of one year or less and in intermediate-term securities of high credit quality with maturities no greater than five years. The District will only invest in those securities specified under South Carolina Code Section 6-5-10. These include collateralized money market accounts and certificates of deposits, U.S. Treasury Bills and Notes, high quality obligations of certain U.S. agencies and instrumentalities, and the local government investment pool.
2. The primary objective of all District investment activity is the preservation of capital and safety of principal. Each investment transaction shall ensure that capital losses are avoided, whether from security default, sale of instruments prior to maturity or erosion of market value.
3. At all times, the District shall remain sufficiently liquid to meet cash flow requirements by matching investment maturities with forecasted cash flow requirements, investing in securities with active secondary markets, and maintaining appropriate portfolio diversification.

Custodial credit risk for deposits is the risk that, in the event of failure of a financial institution, the District's deposits may not be returned. The District's policy is to request collateral for all bank deposits in excess of amounts of up to \$250,000 per custodian with major banking institutions which are insured by the Federal Deposit Insurance Corporation. As of June 30, 2021, the District's deposits were fully collateralized and thus were not exposed to custodial credit risk.

Custodial credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating organization. The District's investment policy limits investments to those that are very creditworthy. Investments at June 30, 2021 and 2020, were respectively comprised of \$4,557,012 and \$4,547,817 in funds held with the South Carolina Local Government Investment Pool (SCLGIP) and \$559,803 and \$1,890,813 restricted funds for debt service. At June 30, 2021 and 2020, the District's restricted funds for debt service were all in Standard and Poor's AAAM rated money market funds collateralized by U.S. Treasury obligations.

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The District's investment policy does not address this risk.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2 – Cash, cash equivalents and investments (continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. There may be times when the District has more or less of its funds in particular investment vehicles due to cash flow needs, prevailing market conditions, and other factors. Analyzing monthly financial reports in conjunction with prevailing market conditions serve as a general guideline for making investment decisions. In this way, the portfolio will be able to take advantage of rising interest rates by re-investing maturing securities at higher yields. In falling rate environments, it will profit from having investments that were made at higher rates. Following this discipline ensures that the District will always have sufficient cash available for daily needs, preserve its principal, and earn a competitive yield without assuming unacceptable risks.

SCLGIP investments are invested with the South Carolina State Treasurer’s Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and as amended by GASB Statement No. 72, *Fair Value Measurement and Application*, investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours’ notice. Financial statements for the Pool may be obtained by writing to the Office of the State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960. The Pool is not rated.

Note 3 - Cash held by the Beaufort County Treasurer

Cash held by the Beaufort County Treasurer (the Treasurer) includes any remaining proceeds of general obligation bond issues, property tax collections and interest earned on monies held by the Treasurer. The deposits are a pool of funds invested by the pool for the entities which receive property taxes from the Treasurer. As such, collateral is not identified for each deposit, but rather for the fund as a whole. The pool is not rated. These deposits are collateralized by cash or governmental agency securities, which are fully guaranteed as to principal and interest by the federal government. Additional information on Beaufort County’s cash and investment policies and holdings can be found in their annual financial report which is available at www.bcgov.net. The funds will be used as follows:

	As of June 30,	
	2021	2020
Unrestricted cash - Available for general operating purposes	\$ 60,419	\$ 42,344
Restricted cash - Bond principal retirement and interest payments	120,600	680,069
	<u>\$ 181,019</u>	<u>\$ 722,413</u>

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 4 - Restricted assets

A reserve fund for debt service is mandated by bond covenants. The debt service funds are used to segregate resources accumulated for debt service payments coming due over the next twelve months. At June 30, 2021 and 2020, the debt service reserves totaled \$680,403 and \$2,570,882, respectively. The District also holds funds, as mandated by bond covenants, for operation and maintenance, and depreciation and contingencies. The operating and maintenance fund is intended to provide for the payment of the operations and maintenance expenses. The depreciation and contingency fund is intended to provide a reasonable reserve for the depreciation of the system, for contingencies and for improvements, betterment and extensions of the system.

Note 5 - Accounts receivable

Current trade accounts receivable includes the following as of June 30:

	2021	2020
Receivables from customers	\$ 1,294,945	\$ 1,082,747
Unbilled receivables from customers	609,899	602,232
Other receivables	3,414	11,610
	<u>\$ 1,908,258</u>	<u>\$ 1,696,589</u>

Receivables from customers are reported net of an allowance for doubtful accounts of \$42,054 for both June 30, 2021 and 2020.

Project SAFE accounts receivable represent amounts due from the Community Foundation of the Lowcountry (CFLC) which operates programs called the Water Fund and Project SAFE that provide grants for low- and moderate-income homeowners to connect to the public water and sewer system, respectively. The District provides funding to the CFLC in the form of Bucks for a Better Island, a program that rounds up customer bills to the next highest dollar.

Note 6 - Sewer assessments

The District has constructed various sewer collection systems, the cost of which is to be repaid by annual sewer assessments collected by the Beaufort County treasurer from the property owners that benefited from these systems. These assessments are being collected annually and are expected to be paid in full beginning 2016 through 2041. Assessments receivable totaled \$2,434,047 and \$2,500,317 as of June 30, 2021 and 2020, respectively. A portion of the annual receipts is recognized as interest income each year. For the years ended June 30, 2021 and 2020, \$70,116 and \$69,744, respectively, of the assessments collected was recognized as interest income.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

Note 7 - Property, plant, equipment and depreciation

Capital asset activity during the year ended June 30, 2021 and 2020 was as follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>June 30, 2021</u>
<u>Capital assets not being depreciated:</u>					
Land	\$ 1,299,193	\$ -	\$ -	-	\$ 1,299,193
Construction in progress	<u>57,708</u>	<u>200,402</u>	<u>-</u>	<u>(212,800)</u>	<u>45,310</u>
Total capital assets not being depreciated	<u>1,356,901</u>	<u>200,402</u>	<u>-</u>	<u>(212,800)</u>	<u>1,344,503</u>
<u>Capital assets being depreciated:</u>					
Waterworks system	63,597,046	540,181	(555,380)	-	63,581,847
Sewage disposal system	53,523,184	164,095	(301,076)	166,561	53,552,764
Buildings	4,391,129	-	-	-	4,391,129
Sewage treatment facilities	35,143,163	665,121	(13,978)	46,239	35,840,545
Transportation equipment	1,319,843	203,132	(40,542)	-	1,482,433
Operations furniture and equipment	1,861,596	39,279	(3,224)	-	1,897,651
Office furniture and equipment	<u>752,734</u>	<u>-</u>	<u>(30,306)</u>	<u>-</u>	<u>722,428</u>
Total capital assets being depreciated	<u>160,588,695</u>	<u>1,611,808</u>	<u>(944,506)</u>	<u>212,800</u>	<u>161,468,797</u>
<u>Less accumulated depreciation for:</u>					
Waterworks system	(36,645,674)	(2,188,751)	555,380	-	(38,279,045)
Sewage disposal system	(20,878,224)	(1,898,486)	301,076	-	(22,475,634)
Buildings	(2,326,451)	(111,595)	-	-	(2,438,046)
Sewage treatment facilities	(24,561,857)	(795,425)	13,978	-	(25,343,304)
Transportation equipment	(932,744)	(127,009)	40,542	-	(1,019,211)
Operations furniture and equipment	(1,433,966)	(51,211)	3,224	-	(1,481,953)
Office furniture and equipment	<u>(709,274)</u>	<u>(15,551)</u>	<u>30,306</u>	<u>-</u>	<u>(694,519)</u>
Total accumulated depreciation	<u>(87,488,189)</u>	<u>(5,188,028)</u>	<u>944,506</u>	<u>-</u>	<u>(91,731,711)</u>
Total assets being depreciated	<u>73,100,506</u>	<u>(3,576,220)</u>	<u>-</u>	<u>212,800</u>	<u>69,737,086</u>
Year End Totals	<u>\$ 74,457,407</u>	<u>\$ (3,375,818)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,081,589</u>

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

Note 7 - Property, plant, equipment and depreciation (continued)

	June 30, 2019	Additions	Disposals	Transfers	June 30, 2020
<u>Capital assets not being depreciated:</u>					
Land	\$ 1,299,193	\$ -	\$ -	-	\$ 1,299,193
Construction in progress	<u>2,802,109</u>	<u>1,050,457</u>	<u>-</u>	<u>(3,794,858)</u>	<u>57,708</u>
Total capital assets not being depreciated	<u>4,101,302</u>	<u>1,050,457</u>	<u>-</u>	<u>(3,794,858)</u>	<u>1,356,901</u>
<u>Capital assets being depreciated:</u>					
Waterworks system	62,857,016	490,029	-	250,001	63,597,046
Sewage disposal system	49,073,406	1,257,867	-	3,191,911	53,523,184
Buildings	4,339,091	52,038	-	-	4,391,129
Sewage treatment facilities	34,782,963	360,200	-	-	35,143,163
Transportation equipment	1,317,134	112,124	(109,415)	-	1,319,843
Operations furniture and equipment	1,845,972	15,624	-	-	1,861,596
Office furniture and equipment	<u>746,530</u>	<u>6,204</u>	<u>-</u>	<u>-</u>	<u>752,734</u>
Total capital assets being depreciated	<u>154,962,112</u>	<u>2,294,086</u>	<u>(109,415)</u>	<u>3,441,912</u>	<u>160,588,695</u>
<u>Less accumulated depreciation for:</u>					
Waterworks system	(34,467,410)	(2,178,264)	-	-	(36,645,674)
Sewage disposal system	(19,071,340)	(1,806,884)	-	-	(20,878,224)
Buildings	(2,213,611)	(112,840)	-	-	(2,326,451)
Sewage treatment facilities	(23,797,324)	(764,533)	-	-	(24,561,857)
Transportation equipment	(930,986)	(111,173)	109,415	-	(932,744)
Operations furniture and equipment	(1,385,412)	(48,554)	-	-	(1,433,966)
Office furniture and equipment	<u>(686,795)</u>	<u>(22,479)</u>	<u>-</u>	<u>-</u>	<u>(709,274)</u>
Total accumulated depreciation	<u>(82,552,877)</u>	<u>(5,044,727)</u>	<u>109,415</u>	<u>-</u>	<u>(87,488,189)</u>
Total assets being depreciated	<u>72,409,235</u>	<u>(2,750,641)</u>	<u>-</u>	<u>3,441,912</u>	<u>73,100,506</u>
Year End Totals	<u>\$ 76,510,537</u>	<u>\$ (1,700,184)</u>	<u>\$ -</u>	<u>\$ (352,946)</u>	<u>\$ 74,457,407</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$5,188,028 and \$5,044,727, respectively. Transfers relate to construction in progress completed during the year. Additionally, during the fiscal year ended June 30, 2020, the District transferred \$132,826 of engineering and legal fees mainly related to District funded Master Sewer Plan projects that had been accumulated in construction in process to professional fees on the Statement of Revenues, Expenses, and Changes in Net Position when it determined that these projects would not be completed as one large project as originally planned. These projects are now planned to be completed individually over a number of years whereby the accumulated professional fees would not be specifically identifiable. During fiscal year 2020, the District also transferred \$220,120 of customer side front foot assessment costs to long term assessment receivables in relation to the issuance of the Series 2020 front foot assessment debt.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8 - Long-term obligations

Long-term debt includes various finance purchase leases, bonds, loans, and notes payable that have been issued or approved by the District for the improvement or acquisition of water and wastewater infrastructure, equipment, and defeasance of outstanding debt. General covenants, along with debt service requirements, are disclosed below. See Note 4, restricted assets, for a discussion of cash restricted for debt service.

Revenue bonds and State Revolving Loans payable are collateralized by an irrevocable pledge of income and revenues derived from the operations of the systems and are secured by a lien upon those revenues. The District's debt instruments contain various covenants and restrictions, which amount other things, require the District to provide certain financial information and meet certain financial tests. The District's bond resolutions require that the "net earnings" (as defined in the bond resolution) are equal to at least 120% of the annual principal and interest requirements of all series of revenue parity bonds outstanding in that year. For the years ended June 30, 2021 and 2020, the District's "net earnings" were 288% and 183%, respectively, of its annual principal and interest requirements of all series of revenue parity bonds.

General Obligation Bonds are direct obligations and pledge the full faith and credit of the District and are generally limited to 8% of the assessed value of all taxable property of the District.

During 2021, the District entered into several lease finance purchase agreements for vehicles with payment terms of four years with interest rates varying from 2.69% to 2.79%, secured by the underlying vehicles. As of June 30, 2021, the assets acquired through capital leases in the amount of \$203,133 are included in transportation equipment with accumulated amortization of \$14,489 included in accumulated depreciation on the statement of net position. Amortization expense totaled \$14,489 for the year ended June 30, 2021 and is included in depreciation expense on the statement of revenues, expenses, and changes in net position.

Each of the District's outstanding debt issues are either direct borrowings/placements ("DBP") or publicly traded ("PT"). The District's DBP debt generally contain provisions that in an event of default, (a) outstanding amounts can become immediately due if the District is unable to make a payment and (b) lender could exercise its option to demand return of the financed assets.

Notes payable – Revenue/Other – DBP

The District is obligated under a note dated November 30, 1988, with a balance of \$25,939 and \$43,939 at June 30, 2021 and 2020, respectively, payable to the South Carolina Jobs-Economic Authority (Authority). The proceeds of the note were for expansion of water lines within the District. The note is without interest, payable at \$1,500 per month. Since this obligation was acquired pursuant to the purchase of an existing utility system, the Authority may have the right to renegotiate the terms of the note, including the interest rate and maturity date. This note is not part of parity debt and is excluded from the debt coverage calculation.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 8 – Long-term obligations (continued)

Notes payable – Revenue/Other – DBP (continued)

On July 23, 2014, the District signed a promissory note to the South Carolina Water Quality Revolving Fund Authority. The total proceeds from this note were \$2,921,430. Proceeds were used to defray the costs of installing and implementing an Advanced Meter Reading Infrastructure. The note bears interest at a rate of 1.00% per annum. Principal and interest of \$40,337 are payable quarterly beginning April 1, 2016 through January 1, 2036. The loan had a balance of \$2,210,113 and \$2,348,492 at June 30, 2021 and 2020, respectively.

On August 23, 2017, the District signed a promissory note to the South Carolina Water Quality Revolving Fund Authority. The total proceeds from this note were \$1,287,051 which were used to defray the cost of certain improvements to its wastewater system consisting of (i) pump station construction and upgrades; and (ii) installation of related improvements and appurtenances. The note bore interest at a rate of 1.90% per annum. Eighty quarterly principal and interest payments of \$19,376 were payable beginning March 1, 2018. The loan had a balance of \$1,151,558 at June 30, 2020. This note was currently refunded by the issuance of the Series 2020B revenue refunding bonds on November 2, 2020, and the remaining balance of \$1,137,652 was paid in full.

Notes payable – General Obligation - DBP

On April 14, 2008 the District executed a loan with the South Carolina State Infrastructure Revolving Loan Fund (SIRF) in the amount of \$481,080 at an interest rate of 3.50% per annum. The proceeds of this loan were used only to pay the costs of constructing new water wells. Principal and interest of \$8,387 were payable quarterly beginning January 1, 2009 through October 1, 2028. The SIRF loan balance outstanding at June 30, 2020 amounted to \$239,494. This note was currently refunded by the issuance of the Series 2020 GO refunding bonds on November 2, 2020, and the remaining balance of \$233,203 was paid in full.

On October 3, 2008, the District finalized a State Revolving Fund (SRF) loan in the amount of \$2,887,826 at an interest rate of 3.0% per annum. These funds were used as part of the financing for the new reverse osmosis plant. Principal and interest of \$48,135 were payable quarterly beginning January 1, 2009 through October 1, 2011. Effective November 21, 2011, the interest rate was reduced to 2.25% resulting in reduced principal and interest payments of \$45,350 to be paid quarterly from January 1, 2012 through October 1, 2028. The SRF loan balance outstanding at June 30, 2020 amounted to \$1,362,390. This note was currently refunded by the issuance of the Series 2020 GO refunding bonds on November 2, 2020, and the remaining balance of \$1,324,703 was paid in full.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 8 – Long-term obligations (continued)

Notes payable – General Obligation – DBP (continued)

On September 10, 2014, the District signed a promissory note to the South Carolina Water Quality Revolving Fund Authority. The total proceeds from this note were \$3,451,303. Proceeds were used to defray the cost of expanding the existing Reverse Osmosis Treatment Facility, installing an additional booster pump station, and relocating a major water line within the district. The note bore interest at a rate of 2.00% per annum. Five quarterly principal and interest payments of \$56,989 were due beginning May 1, 2015, one quarterly principal and interest payment of \$29,753 was due on August 1, 2016, and seventy-four quarterly principal and interest payments of \$52,450 were due beginning on November 1, 2016. The balance outstanding at June 30, 2020 was \$2,674,099. This note was currently refunded by the issuance of the Series 2020 GO refunding bonds on November 2, 2020, and the remaining balance of \$2,595,745 was paid in full.

Bonds payable – Revenue – PT

On August 24, 2010, the District issued \$3,400,000 of series 2010B revenue bonds. Proceeds were to be used to defray the costs of system improvements. Interest on the bonds was payable semi-annually beginning December 1, 2010 at varying interest rates of between 2.00% and 4.00% per annum. Principal payments on the bonds were due annually beginning December 1, 2011 through December 1, 2029. On September 3, 2015, sixty-seven percent of outstanding balance of \$2,865,000 of these bonds, \$1,920,000, was refunded through the issuance of Series 2015 A and B revenue bonds. Principal payments on the remaining balance of \$945,000 were due annually beginning on December 1, 2016 through December 1, 2020 and interest payments were payable semi-annually through December 1, 2020. The interest rate on the remaining bonds was 4.00% per annum. The 2010 revenue bonds outstanding at June 30, 2020 amounted to \$175,000.

On November 29, 2012, the District issued \$12,275,000 of series 2012A refunding revenue bonds to take advantage of favorable interest rates. The proceeds were used to advance refund series 2004 revenue bonds amounting to \$17,575,000 which had varying interest rates and a balance of \$11,740,000 at the time of the refunding. The proceeds of the new revenue bond issue were used to purchase funds within an irrevocable trust with an escrow agent to provide debt service payments on the previously existing debt issues until the debt was called or defeased. The 2012A advance refunding met the requirements of an in-substance debt defeasance, and those bonds were removed from the books of the District. At June 30, 2020, the outstanding balance of the 2012A defeased bonds was \$0 as all of the bonds had been called. As a result of the advance refunding, the District reduced its total debt service requirements by \$527,149, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$206,473. The District was amortizing the deferred amount on early retirement of \$1,240,395 as a deferred outflow of resources over the 8.33 year remaining life of the refunded bonds. The unamortized balance at June 30, 2020 was \$111,634. Interest on the bonds was payable semi-annually at interest rates of between 0.542% and 2.839% per annum. Principal payments were due annually on August 1st of each year beginning in 2013 and continuing through 2024. The 2012A revenue bonds outstanding amounted to \$4,095,000 at June 30, 2020. These bonds were advance refunded through the issuance of the Series 2020C revenue refunding bonds on November 2, 2020.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8 - Long-term obligations (continued)

Bonds payable – Revenue – PT (continued)

On November 29, 2012, the District issued \$815,000 of series 2012B revenue bonds. Proceeds were used to defray the costs of system improvements. The series 2012B bond bore interest at a rate of 2.15% per annum. Interest only payments were due semi-annually from February 1, 2013 through August 1, 2024. The principal balance was due in full on August 1, 2024. The 2012B revenue bonds outstanding amounted to \$815,000 at June 30, 2020. These bonds were advance refunded through the issuance of the Series 2020C revenue refunding bonds on November 2, 2020.

Bonds payable - Revenue – DBP

On April 23, 2014, the District issued \$282,294 of Series 2014A revenue bonds as a bank loan for purposes of funding sewer connections in certain previously unserved areas of the District. The bonds were an obligation of the District, bore interest at the rate of 3.42% and were payable in annual principal and interest payments of \$24,371 through April 2029. 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 2014A revenue bonds outstanding amounted to \$186,093 at June 30, 2020. These bonds were currently refunded by the issuance of the Series 2020B revenue refunding bonds on November 2, 2020 and the remaining balance of \$186,092 was paid in full.

On September 3, 2015, the District issued \$19,846,000 of Series A refunding revenue bonds as bank loans to take advantage of favorable interest rates. Proceeds were used to advance refund \$15,725,000 of the series 2006 refunding revenue bonds, \$241,168 of 2009A revenue bonds, \$104,168 of series 2010A revenue bonds, \$205,000 of series 2010B revenue bonds, and \$3,807,737 of series 2011B revenue bonds. The proceeds of the new revenue bond issue were used to purchase funds within an irrevocable trust with an escrow agent to provide debt service payments on the previously existing debt issues until the debt was called or defeased. The 2015A 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, 2020, all of the debt defeased by the series 2015A bonds had been called except for the Series 2010B, which has an outstanding balance of \$205,000 which was called December 1, 2020. As a result of the advance refunding, the District reduced its total debt service requirements by \$1,814,453, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,718,876. The District was amortizing the deferred amount on early retirement of \$866,883 as a deferred outflow of resources over the 9.75 year life of the refunded bonds. The unamortized balance at June 30, 2020 was \$437,146. The series 2015A bonds bore interest at a rate of 1.93% per annum and principal and interest payments were due semi-annually beginning in December 2015 and continuing until June 2025. The 2015A revenue bonds outstanding amounted to \$11,470,000 June 30, 2020. The Series 2015A bonds were currently refunded through the issuance of the Series 2020B revenue refunding bonds on November 2, 2020 and the remaining balance of \$11,470,000 was paid in full.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8 – Long-term obligations (continued)

Bonds payable – Revenue – DBP (continued)

On September 3, 2015, the District issued \$2,721,000 of Series B refunding revenue bonds as bank loans to take advantage of favorable interest rates. Proceeds were used to advance refunded \$646,524 of series 2007 revenue bonds, \$1,715,000 of series 2010B revenue bonds, and \$302,444 of series 2011 revenue bonds. The proceeds of the new revenue bond issue were used to purchase funds within an irrevocable trust with an escrow agent to provide debt service payments on the previously existing debt issues. The 2015B 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, 2020, all of the debt defeased by the series 2015B bonds had been called except for the Series 2010B, which has an outstanding balance of \$1,715,000 which was called December 1, 2020. As a result of the advance refunding, the District reduced its total debt service requirements by \$336,864, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$298,448. The District was amortizing the deferred amount on early retirement of \$266,044 as a deferred outflow of resources over the 14.25 year life of the refunded bonds. The unamortized balance at June 30, 2020 was \$175,808. The series 2015B bonds bore interest at a rate of 2.29% per annum and principal and interest payments were due semi-annually beginning in December 2015 and continuing until December 2029. The 2015B revenue bonds outstanding amounted to \$2,310,000 at June 30, 2020. The Series 2015B bonds were currently refunded through the issuance of the Series 2020B revenue refunding bonds on November 2, 2020 and the remaining balance of \$2,310,000 was paid in full.

On August 21, 2017, the District issued \$515,000 of Series 2017A revenue bonds as a bank loan for purposes of funding sewer connections in certain previously unserved areas of the District. Interest on the bonds is payable semi-annually at 2.69% per annum. Principal payments are due annually on June 1st of each year beginning in 2018 and continuing through 2032. The bonds will be repaid by annual assessments to the owners in the areas that were connected over a 20-year period and will be collected by the county treasurer. The 2017A revenue bonds outstanding amounted to \$394,736 and \$425,230 at June 30, 2021 and 2020, respectively.

On March 26, 2020, the District issued \$435,000 of Series 2020 revenue bonds as a bank loan for purposes of funding sewer connections in certain previously unserved areas of the District. Interest on the bonds was payable semi-annually at 2.67% per annum. Principal payments were due annually on June 1st of each year beginning in 2021 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 2020 revenue bonds outstanding amounted to \$435,000 at June 30, 2020. These bonds were currently refunded through the issuance of the Series 2020B revenue refunding bonds and the remaining balance of \$435,000 was paid in full.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8 – Long-term obligations (continued)

Bonds payable – Revenue – DBP (continued)

On November 2, 2020, the District issued \$14,925,000 of Series 2020B revenue refunding bonds as a bank loan to take advantage of favorable interest rates and to restructure the payback period to reduce near term revenue debt service requirements. Proceeds were used to currently refund the 2017 SRF loan, the Series 2014A revenue bonds, the 2015A revenue refunding bonds, the 2015B revenue refunding bonds, and the Series 2020 revenue bonds. Proceeds in the amount of \$14,822,366 along with \$1,267,584 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 \$1,001,304, which was recorded as a deferred outflow of resources and is being amortized over the 4.58 remaining life of the old bonds. The unamortized balance at June 30, 2021 was \$855,660. As a result of the refunding, the District increased its total debt service requirements by \$590,721, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$108,592. Interest on the bonds is payable semi-annually at 1.21% per annum. Principal payments are due annually on June 1st of each year beginning in 2022 and continuing through 2030. The Series 2020B revenue refunding bonds outstanding amounted to \$14,925,000 at June 30, 2021.

On November 2, 2020, the District issued \$4,170,000 of Series 2020C revenue refunding bonds as a bank loan to take advantage of favorable interest rates and to restructure the payback period to reduce near term revenue debt service requirements. Proceeds were used to advance refund the Series 2012A revenue refunding bonds and the Series 2012B revenue bonds. Proceeds in the amount of \$4,137,349 along with \$28,001 of the District's accrued debt service funds were used to purchase funds within an irrevocable trust with an escrow agent to provide debt service payments on the previously existing debt issues until the debt is called or defeased. The remaining proceeds were used to pay issuance costs. The 2015A 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, 2021, the outstanding balance of the 2012A defeased bonds was \$2,985,000 and the outstanding balance of the 2012B defeased bonds was \$815,000. 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, 2021 was \$329,903. 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 \$3,340,000 at June 30, 2021.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8 – Long-term obligations (continued)

Bonds payable – General Obligation – PT

On October 3, 2007, the District issued \$7,350,000 of general obligation bonds. Proceeds were to be used to defray the cost of constructing, furnishing and equipping a new water well and reverse osmosis plant. Interest on the bonds was payable semi-annually beginning March 1, 2008 at varying interest rates of between 4.50% and 4.00% per annum. Principal payments on the bonds were due annually beginning March 1, 2009 through March 1, 2027. The 2007 general obligation bonds outstanding amounted to \$3,360,000 at June 30, 2020. These bonds were currently refunded by the issuance of the Series 2020 GO refunding bonds on November 2, 2020 and the remaining balance of \$3,360,000 was paid in full.

On September 28, 2010 the District issued \$3,970,000 of general obligation bonds. Proceeds were to be used to defray the cost of constructing, furnishing and equipping a new Aquifer Storage and Recovery well. Interest on the bonds was payable semi-annually beginning March 1, 2011 at varying interest rates of between 2.00% and 3.375% per annum. Principal payments on the bonds were due annually beginning March 1, 2011 through March 1, 2029. The 2010 general obligation bonds outstanding amounted to \$2,150,000 at June 30, 2020. These bonds were currently refunded by the issuance of the Series 2020 GO refunding bonds on November 2, 2020 and the remaining balance of \$2,150,000 was paid in full.

Bonds payable – General Obligation – DBP

In July 2009, the District issued \$1,781,694 of general obligation bonds as a bank loan. Proceeds were to be used to defray the cost of constructing, furnishing and equipping a new water well and reverse osmosis plant. The bonds bore interest at a rate of 4.219% per annum. The first payment of principal and interest in the amount of \$159,413 was due March 1, 2010. Fourteen additional payments of principal and interest of \$160,040 were payable on March 1st of each year beginning in 2011 and continuing until 2024. The 2009 general obligation bonds outstanding amounted to \$577,937 at June 30, 2020. These bonds were currently refunded by the issuance of the Series 2020 GO refunding bonds on November 2, 2020 and the remaining balance of \$577,937 was paid in full.

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 for the year ended June 30, 2021. 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 \$8,630,000 at June 30, 2021.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

Note 8 - Long-term obligations (continued)

Bond discount and premium

The 2007 general obligation bonds included two series of bonds, one issued at a premium of \$108,661 and one issued at a discount of \$8,471. The 2010 revenue bonds included two maturities of bonds, one issued at a premium of \$126,097 and one issued at a discount of \$66,931. Sixty-seven percent of the unamortized portion of the premium and discount was written off as a part of deferred outflows of debt refunding when sixty-seven percent of the bonds were refunded in September 2015. The 2010 general obligation bonds included two maturities of bonds, one issued at a premium of \$53,282 and one issued at a discount of \$36,097. The unamortized portion of all of these discounts and premiums were written off as a part of the deferred outflows of debt refunding when the bonds were refunded in November 2020. The net unamortized bond premium at June 30, 2020 was \$46,210, which is included as a direct deduction from bonds payable, net of current portion on the statements of net position. Bond discount and premium amortization totaled \$3,111 and \$8,641 for the years ended June 30, 2021 and 2020, respectively, and is included as a reduction in interest expense on the statements of revenues, expenses and changes in net position.

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

Year Ended June 30,	Direct Borrowing/Placement		Finance Purchase Lease		Total
	Principal	Interest	Principal	Interest	
2022	\$ 3,549,083	\$ 352,061	\$ 36,005	\$ 3,653	\$ 3,940,802
2023	3,611,268	310,838	36,005	3,653	3,961,764
2024	3,680,611	268,741	36,005	3,653	3,989,010
2025	3,517,928	225,705	80,922	2,962	3,827,517
2026	3,565,289	184,727	-	-	3,750,016
2027 - 2031	10,813,203	343,337	-	-	11,156,540
2032 - 2036	788,406	19,928	-	-	808,334
Grand Total	<u>\$ 29,525,788</u>	<u>\$ 1,705,337</u>	<u>\$ 188,937</u>	<u>\$ 13,921</u>	<u>\$ 31,433,983</u>

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

Note 9 – Non-current liabilities

The non-current liability activity during fiscal years 2021 and 2020 was as follows:

	June 30, 2020	Additions	Reductions	June 30, 2021	Amounts due within one year
Revenue bonds - PT	\$ 5,085,000	\$ -	\$ (5,085,000)	\$ -	\$ -
Revenue bonds - DBP	14,826,323	19,095,000	(15,261,587)	18,659,736	2,056,314
GO bonds -PT	5,510,000	-	(5,510,000)	-	-
GO bonds - DBP	577,937	9,910,000	(1,857,937)	8,630,000	1,335,000
Notes payable - GO debt - DBP	4,275,983	-	(4,275,983)	-	-
Notes payable - Revenue/other - DBP	3,543,989	-	(1,307,937)	2,236,052	157,769
Bond discount/premium	46,210	-	(46,210)	-	-
Finance Purchase	-	200,031	(11,094)	188,937	36,005
Net pension liability	5,180,120	273,976	-	5,454,096	-
Subtotal	\$ 39,045,562	\$ 29,479,007	\$ (33,355,748)	\$ 35,168,821	\$ 3,585,088
Less current portion	(4,749,533)			(3,585,088)	
Noncurrent liabilities	<u>\$ 34,296,029</u>			<u>\$ 31,583,733</u>	

	June 30, 2019	Additions	Reductions	June 30, 2020	Amounts due within one year
Revenue bonds - PT	\$ 6,325,000	\$ -	\$ (1,240,000)	\$ 5,085,000	\$ 1,285,000
Revenue bonds - DBP	16,486,429	435,000	(2,095,106)	14,826,323	2,156,461
GO bonds -PT	6,115,000	-	(605,000)	5,510,000	625,000
GO bonds - DBP	708,102	-	(130,165)	577,937	135,655
Notes payable - GO debt - DBP	4,603,642	-	(327,659)	4,275,983	335,016
Notes payable - Revenue/other - DBP	3,753,963	-	(209,974)	3,543,989	212,401
Bond discount/premium	54,851	-	(8,641)	46,210	-
Net pension liability	4,897,854	282,266	-	5,180,120	-
Subtotal	\$ 42,944,841	\$ 717,266	\$ (4,616,545)	\$ 39,045,562	\$ 4,749,533
Less current portion	(4,607,903)			(4,749,533)	
Noncurrent liabilities	<u>\$ 38,336,938</u>			<u>\$ 34,296,029</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.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 11 - Lease arrangements

The District is currently leasing office space, land use and space on its water tower facilities to various cellular phone companies for attachment of antennae. Original lease terms range from one to ten year periods, with renewal options. Rental income in connection with these leases was \$631,590 and \$704,824 for the years ended June 30, 2021 and 2020, respectively. The future minimum lease income is as follows:

Years ended June 30,	Amount
2022	\$ 478,430
2023	271,255
2024	207,759
2025	148,612
2026	134,995
Thereafter	173,891
Total	<u>\$ 1,414,942</u>

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 accident. To insure against casualty risks the Authority is a member of the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments in South Carolina.

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, 2021 and 2020.

During 2021 and 2020, 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, 2021 and 2020, \$13,633 and \$1,678, respectively, was received for non-disaster related insurance recoveries of which \$651, and \$1,678, respectively, were offset against the related repair expense. The remaining \$12,982 for the year ended June 30, 2021 is included in disaster and insurance recovery income on the statement of revenues, expenses, and changes in net position as the related repairs were not completed during the fiscal year.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 12 – Risk Management, disaster recovery, and insurance recoveries (continued)

In October 2016, Hurricane Matthew impacted the District's service area and caused damage to the District's property and systems. During the year ended June 30, 2017, the District received \$568,146 for insurance recoveries and FEMA reimbursement related to expenses incurred as a result of the hurricane attributable to the year ended June 30, 2017. Of this amount, \$224,897 was received for expenses that were not directly identifiable such as administrative and maintenance payroll related to storm recovery and claim administration as well as per diem payments for usage of District equipment in clean-up efforts. The remaining \$343,249 was reimbursement for direct expenses incurred. The District incurred an additional \$166,205 of direct expenses during the year ended June 30, 2017, including professional fees related to claim submission, for which it had not yet received reimbursement as of the date of the prior report. Although the District expected reimbursement for a portion of these expenses, an estimate of the amount of reimbursement to be received could not be estimated and given that uncertainty, in accordance with generally accepted accounting principles, no accrual was recorded for those items. During the years ended June 30, 2018 and 2019, the District received \$41,025 and \$21,984, respectively, of additional reimbursements related to Hurricane Matthew which were reported net of additional expenses related to appeal work of \$0 and \$17,952, respectively, as a part of disaster recovery income on the statement of revenues, expenses, and changes in net position. During the year ended June 30, 2020, the District received \$62,940 of additional reimbursements related to Hurricane Matthew which are reported as a part of disaster recovery income on the statement of revenues, expenses, and changes in net position.

On September 4, 2019, Hurricane Dorian impacted Beaufort County. Hilton Head Island received tropical storm wind gusts of 67 mph. There were no damages to insured assets. The District was approved for and received \$25,133 of federal FEMA assistance for expenses that were not directly identifiable such as administrative and maintenance payroll related to storm preparation and claim administration as well as per diem payments for usage of District equipment in preparation efforts. For the year ended June 30, 2021 and 2020, \$1,571 and \$23,562, respectively, has been included in disaster and insurance recovery income on the statement of revenues, expenses, and changes in net position related to this event.

On March 27, 2021, the Governor of South Carolina declared a state of emergency related to the COVID-19 Pandemic. During the year ended June 30, 2021, the District received FEMA assistance in the amount of \$13,850 and CARES act funding of \$16,425 for emergency protective costs including building disinfection and personal protective equipment related to the COVID-19 pandemic which have been included in disaster and insurance recovery income on the statement of revenues, expenses, and changes in net position.

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 basically 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.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 13 - Construction and development commitments (continued)

Regulatory mandates

The District, as well as some other water authorities on Hilton Head Island, South Carolina, has 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 Health and Environmental Control. 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 \$903,497 and \$909,204 for the years ended June 30, 2021 and 2020, respectively, of which \$249,583 and \$234,030, respectively, were injected into the ASR system.

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 \$0 and \$1,664,012 and payments of capacity fees totaling \$905,787 and \$864,478 were collected during the fiscal years ended June 30, 2021 and 2020, 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. In 2018, the District entered into an agreement with the Town of Hilton Head Island whereby the Town would reimburse the District up to \$2,864,868 for the engineering and construction costs related to years three through five of the District's Master Sewer Plan Document and an agreement whereby the Town will reimburse the District one-half of the cost of installing new fire hydrants, up to \$50,000 per year. Reimbursements of \$0 and \$630,960 were received under these agreements during the years ended June 30, 2021 and 2020, respectively, and are included as part of the developer contributions of capital assets disclosed above.

Construction commitments

The District had no outstanding construction contract commitments at June 30, 2021 or 2020.

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 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, 2021 and 2020 were \$130,293 and \$132,032, respectively. The matching contribution for the years ended June 30, 2021 and 2020 was \$11,009 and \$10,959, respectively. Participants are immediately vested in all contributions and earnings thereon.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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.

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. 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.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. 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 both SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

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

Required employee contribution rates for the years ended June 30, 2021 and 2020 were 9.00%. Required employer contribution rates for the years ended June 30, 2021 and 2020 were 15.41% and 15.41%, respectively. The District does not participate in the incidental death benefit program. The District's required contribution for the years ended June 30, 2021 and 2020 was \$387,521 and \$370,538, respectively. For each of the years, the District contributed 100% of the required contribution to the SCRS.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

Note 14 - Deferred compensation plans (Continued)

Net Pension Liability

At June 30, 2021 and 2020, the District reported a liability of \$5,484,096 and \$5,180,120, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles. 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, 2020 to the pension plan relative to the contributions of all participating employers for the year ended June 30, 2020. At June 30, 2021 and 2020, the District's proportion was 0.0213 percent and 0.0227 percent, respectively.

Deferred Outflows/Inflows of Resources

For the year ended June 30, 2021, the District recognized pension expense of \$613,324. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 62,933	\$ 20,624
Net difference between projected and actual earnings on pension plan investments	401,194	-
Changes in proportion and differences between proportionate share of contributions	97,357	306,076
Assumption changes	6,682	-
District contributions subsequent to the measurement date	387,521	-
Total	<u><u>\$ 955,687</u></u>	<u><u>\$ 326,700</u></u>

For the year ended June 30, 2020, the District recognized pension expense of \$560,016. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

Note 14 - Deferred compensation plans (Continued)

Deferred Outflows/Inflows of Resources (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,561	\$ 37,213
Net difference between projected and actual earnings on pension plan investments	45,861	-
Changes in proportion and differences between proportionate share of contributions	265,211	171,531
Assumption changes	104,387	-
District contributions subsequent to the measurement date	370,538	-
Total	\$ 789,558	\$ 208,744

The \$387,521 and \$370,538 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date as of June 30, 2021 and 2020, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022 and 2021, 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:

Year ended June 30,	Deferred Outflows (Inflows) of Resources
2022	\$ (16,914)
2023	\$ 89,181
2024	\$ 66,822
2025	\$ 102,377
2026	\$ -
Thereafter	\$ -

Actuarial Assumptions

Actuarial assumptions 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 for first use in the July 1, 2021 actuarial valuation.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

Note 14 - Deferred compensation plans (Continued)

Actuarial Assumptions (continued)

The total pension liability as of June 30, 2020 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 12.5% (varies by service), including inflation
Investment rate of return	7.25 %, 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 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2020, total pension liability are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

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 2020 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 on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

Note 14 - Deferred compensation plans (Continued)

Long-term Expected Rate of Return (Continued)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global Public Equity ^{1, 2}	35.0%	7.81%	2.73%
Private Equity ^{2, 3}	9.0%	8.91%	0.80%
Equity Options Strategies ¹	7.0%	5.09%	0.36%
Real Assets	12.0%		
Real Estate (Private) ^{2, 3}	8.0%	5.55%	0.44%
Real Estate (REITs) ²	1.0%	7.78%	0.08%
Infrastructure (Private) ^{2, 3}	2.0%	4.88%	0.10%
Infrastructure (Public) ²	1.0%	7.05%	0.07%
Opportunistic	8.0%		
Global Tactical Asset Allocation ¹	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
Credit	15.0%		
High Yield Bonds/ Bank Loans ^{1, 2}	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt ^{2, 3}	7.0%	5.79%	0.40%
Rate Sensitive	14.0%		
Core Fixed Income ¹	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Return ⁴	100.0%		5.80%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			8.05%

¹Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

² The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

³ RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

⁴ The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

Note 14 - Deferred compensation plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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.

Sensitivity Analysis

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25)%	Current Discount Rate (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension liability	\$ 6,525,865	\$ 5,454,096	\$ 4,057,015

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 \$44,478 and \$46,794 to PEBA as of June 30, 2021 and 2020, respectively, representing required employer and employee contributions for the month of June 2021 and 2020, respectively, for the SCRS. These amounts are included in Other Accrued Liabilities in the statements of net position and were paid in July 2021 and 2020, respectively.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021 AND 2020

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,	
	2021	2020
Net investment in capital assets		
Net property, plant and equipment in service	71,081,589	74,457,407
Less: Debt as disclosed in Notes 7 & 8	(29,714,725)	(33,819,232)
Bond premium, net	-	(46,210)
Deferred amount on refunding, net	1,185,563	724,588
Accounts payable for capital assets	(94,881)	(104,990)
	42,457,546	41,211,563
Restricted for debt service	680,403	2,570,882
Unrestricted	8,578,183	5,326,557
Total net position	\$ 51,716,132	\$ 49,109,002

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of the District's South Carolina Retirement System Contributions
For the fiscal year ended June 30, 2021⁴ - Last ten years**

	<i>South Carolina Retirement System</i>									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 387,521	\$ 370,538	\$ 352,212	\$ 307,158	\$ 272,562	\$ 222,257	\$ 239,148	\$ 230,376	\$ 222,013	\$ 185,953
Contributions in relation to the contractually required contribution	387,521	370,538	352,212	307,158	272,562	222,257	239,148	230,376	222,013	185,953
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Hilton Head No. 1 PSD's covered payroll	\$ 2,514,738	\$ 2,404,535	\$ 2,444,222	\$ 2,290,514	\$ 2,388,802	\$ 2,037,186	\$ 2,224,629	\$ 2,204,558	\$ 2,124,527	\$ 1,981,382
Contributions as a percentage of covered payroll	15.41%	15.41%	14.41%	13.41%	11.41%	10.91%	10.75%	10.45%	10.45%	9.39%

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.

**Schedule of the District's Proportionate Share of the Net Pension Liability
For the fiscal year ended June 30, 2021 - Last ten years***

	<i>South Carolina Retirement System</i>							
	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Hilton Head No. 1 PSD's proportion of the net pension liability	0.021345%	0.022686%	0.021859%	0.023369%	0.020752%	0.023400%	0.023939%	0.023939%
Hilton Head No. 1 PSD's proportionate share of the net pension liability	<u>\$ 5,454,096</u>	<u>\$ 5,180,120</u>	<u>\$ 4,897,854</u>	<u>\$ 5,260,737</u>	<u>\$ 4,432,597</u>	<u>\$ 4,437,923</u>	<u>\$ 4,121,502</u>	<u>\$ 4,063,319</u>
Hilton Head No. 1 PSD's covered payroll	<u>\$ 2,404,535</u>	<u>\$ 2,444,222</u>	<u>\$ 2,290,514</u>	<u>\$ 2,388,802</u>	<u>\$ 2,037,186</u>	<u>\$ 2,224,629</u>	<u>\$ 2,204,558</u>	<u>\$ 2,124,527</u>
Hilton Head No. 1 PSD's proportionate share of the net pension liability as a percentage of its covered payroll during the measurement period	226.82539%	211.93329%	213.83209%	220.22491%	217.58429%	199.49048%	186.95367%	191.25758%
Plan fiduciary net position as a percentage of the total pension liability	50.70000%	54.40000%	54.10000%	53.30000%	52.90000%	57.00000%	59.90000%	53.38821%

Source - South Carolina Retirement System
**Fiscal year 2015 was the 1st year of implementation. Measurement dates are provided from the South Carolina Retirement System.*
Going forward this schedule will continue to add years until 10 fiscal years of information is presented.

⁴ GASB 68 was implemented for fiscal year 2015 and 2014.

SUPPLEMENTAL FINANCIAL INFORMATION

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

Budgetary Comparison Schedule FOR THE YEAR ENDING JUNE 30, 2021

	Fiscal Year 2021		FY 21 Actual to FY 21 Budget Comparison	
	Actual	Budget	Dollars	%
	Favorable (Unfavorable)			
Operating Revenues				
Water Service	\$ 7,746,340	\$ 7,486,000	\$ 260,340	3.5%
Sewer Service	5,852,395	5,667,400	184,995	3.3%
Tap In Fees - Water	247,227	60,500	186,727	308.6%
Connection Fees - Sewer	212,488	125,000	87,488	70.0%
Service Fees	14,662	15,000	(338)	0.0%
Golf Course Irrigation	207,233	150,000	57,233	38.2%
Availability Fees	420,187	457,400	(37,213)	-8.1%
Disaster & Insurance Recovery, net	44,828	-	44,828	N/A
Other Operating Revenues	265,862	20,000	245,862	1229.3%
Total Operating Revenues	15,011,222	13,981,300	1,029,922	7.4%
Departmental Expenses				
Payroll & Related	4,203,335	4,132,600	(70,735)	-1.7%
Administrative Expenses	1,020,573	1,101,500	80,927	7.3%
Operations	1,916,964	1,803,400	(113,564)	-6.3%
Maintenance	1,196,850	1,211,600	14,750	1.2%
Water Tap In Expenses	171,909	45,400	(126,509)	-278.7%
Sewer Connection Expenses	200,934	120,000	(80,934)	-67.4%
Purchased Water	653,914	641,900	(12,014)	-1.9%
ASR-1 Water	245,771	224,500	(21,271)	-9.5%
ASR-1 O&M	49,428	42,300	(7,128)	-16.9%
RO Plant O&M	716,056	726,700	10,644	1.5%
Professional Fees	203,678	203,600	(78)	0.0%
Vehicle	100,565	140,900	40,335	28.6%
Total Departmental Expenses	10,679,977	10,394,400	(285,577)	-2.7%
Depreciation	5,188,027	5,180,000	(8,027)	-0.2%
Total Operating Expenses	15,868,004	15,574,400	(293,604)	-1.9%
Operating income (loss)	(856,782)	(1,593,100)	736,318	46.2%
Non-operating revenues				
Property taxes-G.O. Debt Levy	1,499,844	1,421,000	78,844	5.5%
Property taxes-Operations Levy	1,071,896	1,035,000	36,896	3.6%
Tower Lease Income	552,366	530,000	22,366	4.2%
Rental Income	79,224	80,000	(776)	-1.0%
Interest Income	102,306	130,000	(27,694)	-21.3%
Gain (Loss) on disposal of equipment	2,500	27,000	(24,500)	-90.7%
Total Non-operating Revenues	3,308,136	3,223,000	85,136	2.6%
Non-operating Expenses				
Interest expense	511,229	745,800	234,571	31.5%
Bond Defeasance Amortization	265,132	219,200	(45,932)	-21.0%
Bond Issuance Costs	225,650	-	(225,650)	0.0%
Total Non-operating Expenses	1,002,011	965,000	(37,011)	-3.8%
Total Non-operating Revenues/Exp.	2,306,125	2,258,000	48,125	2.1%
Increase (decrease) in net position, before capital contributions	1,449,343	664,900	784,443	118.0%
Water Capacity Fee	482,400	100,000	382,400	382.4%
Sewer Capacity Fee	675,387	152,000	523,387	344.3%
Developer Contributions of Systems	-	-	-	0.0%
Total Capital Contributions	1,157,787	252,000	905,787	359.4%
Change in net position	\$ 2,607,130	\$ 916,900	\$ 1,690,230	184.3%
Net position, beginning of the fiscal year	\$ 49,109,002			
Net position, June 30, 2021	\$ 51,716,132			

Notes to Budgetary Comparison Schedule

Budgetary Highlights

Operating Revenues: Actual fiscal year (FY) 2021 operating revenues are \$15,011,222 versus budgeted operating revenues of \$13,981,300 which results in a variance of \$1,029,922 or 7.4% above budget.

The following is a summary of material variances for the Operating Revenue categories:⁵

- Water service revenues are above budget by \$260,340 or 3.5% and Sewer Service Revenues are above budget by \$184,995 or 3.3%.⁶ This is related to higher consumption than expected and continued growth in sewer connections. Consumption levels were budgeted conservatively lower than prior year in anticipation of the potential effects of the COVID pandemic. However, billed water consumption for fiscal year (FY) 2021 was 2.088 billion gallons which is 0.9% higher than the 2.068 billion gallons billed during FY 2020. Rainfall was lower than the prior year, decreasing 17.41 inches from 61.06 inches during FY 2020 to 43.65 inches during FY 2021. Golf Course Irrigation also came in above budget with more consumption than expected; these revenues were \$57,233 or 38.2% higher than budget for the fiscal year.
- Tap In Fees – Water are above budget by \$186,727 or 308.6% and Connection Fees – Sewer are above budget by \$87,488 or 70% due to more development in the District’s service area than anticipated. These line items were budgeted conservatively due to concerns that growth would slow based on the COVID pandemic. This is partially offset by Water Tap In Expenses which were over budget by \$126,509 or 278.7% and Sewer Connection Expenses which were over budget by \$80,934 or 67.4%.
- Other operating revenues are over budget by \$245,862 or 1,229.3%. This line item includes a one-time \$125,497 class action settlement check related to the District’s electricity provider as well as \$114,100 in sales tax refunds claimed related to sales tax paid on exempt wastewater treatment purchases.

Total Departmental Expenses (excludes depreciation): Total departmental expenses are \$293,604 or 1.9% over budget. However, this report includes the annual year-end non-cash adjustment of net pension expense in accordance with the South Carolina Retirement System’s actuarial calculations. Without this \$225,803 adjustment, total operating expenses would have only been \$67,801 over budget. The following is a summary of material variances for the Departmental Expense categories:

- Payroll expenses are over budget by \$70,735. However, this includes the \$225,803 non-cash pension adjustment noted above. Without that adjustment, payroll & related expenses would have been under budget by \$155,068 which is related to the timing of filling positions along with less overtime than previous years as there was no major weather event, a COVID related freeze in an anticipated group insurance rate increase, and less training expenses than expected related to continued COVID restrictions.

⁵ In most cases, a variance of more than \$50,000 or 10 percent constitutes a material variance for the District’s quarterly and annual reports. Water and Sewer Service variances are typically discussed regardless of their variances given that they are the two main drivers for the District’s overall revenue.

⁶ Residential sewer service customers billed consumption is capped at 10,000 gallons per month. Therefore, sewer service revenues are not as positively, or negatively, affected by higher, or lower, water consumption compared to water service revenues.

- Administrative expenses are under budget by \$80,927 or 7.3%. This is mainly related to lower bad debt expense, bank/bond administration fees, office supplies, and special function expenses than expected.
- Operations expenses are over budget by \$113,564 or 6.3%. Higher consumption than expected and a rate increase from our bio-solids vendor led to higher bio-solids disposal and fuel & power costs than expected.
- Vehicle expenses are under budget by \$40,335 or 28.6% which is mainly due to COVID related delays to the start of the finance purchase vehicle leasing program.

Non-Operating Revenues: Actual non-operating revenues are \$3,308,136 versus budgeted non-operating revenues of \$3,223,000 which results in a variance of \$85,136 or 2.6% above budget. The following is a summary of material variances for the Non-Operating Revenue categories:

- Property taxes – G.O. Debt Levy are over budget by \$78,844 or 5.5% and Property taxes – Operations Levy are over budget by \$36,896 or 3.6% due to better collections and higher assessed values than expected.
- Interest income is under budget by \$27,694 or 21.3% due to COVID related market conditions.
- Gain on disposal of equipment is under budget by \$24,500 or 90.7% which is mainly due to COVID related delays in the start of the finance purchase vehicle leasing program. Five vehicles that were replaced by the program were not sold until after the end of the fiscal year.

Non-Operating Expenses: The Bond Issuance Costs of \$225,650 were related to the 2020 Revenue and GO refunding transactions that occurred in November. The variances related to interest expense and bond amortization are also related to the changes in the District's debt schedule as a result of these refundings.

Capital Contributions: Capacity Fees of \$1,157,787 versus FY 2021 budget of \$252,000 represents a variance of \$905,787 or 359.4% above budget mainly due to more development in the District's service area than anticipated given the COVID conditions as well as receipt of a large payment from a large-scale development.

The change in net position for FY 2021 was an increase of \$2,607,130 versus the FY 2021 budgeted increase of \$916,600 which is \$1,690,230 above budget mainly due to capacity fee payments from a large-scale development as well as more demand than expected and one-time miscellaneous revenues.

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

Summary Schedule of Debt

JUNE 30, 2021

Description	Rate	6/30/2019	Addition	Reduction	6/30/2020	Addition	Reduction	6/30/2021	Current
Revenue Bonds - PT									
Series 2010B	2% to 4%	\$ 340,000	\$ -	\$ (165,000)	\$ 175,000	\$ -	\$ (175,000)	\$ -	\$ -
Series 2012 A	0.542% to 2.839%	5,170,000	-	(1,075,000)	4,095,000	-	(4,095,000)	-	-
Series 2012 B	2.15%	815,000	-	-	815,000	-	(815,000)	-	-
Total Revenue Bonds - PT		6,325,000	-	(1,240,000)	5,085,000	-	(5,085,000)	-	-
Revenue Bonds - DBP									
Series 2014A	3.42%	203,504	-	(17,411)	186,093	-	(186,093)	-	-
Series 2015A	1.93%	13,428,000	-	(1,958,000)	11,470,000	-	(11,470,000)	-	-
Series 2015B	2.29%	2,400,000	-	(90,000)	2,310,000	-	(2,310,000)	-	-
Series 2017A	2.69%	454,925	-	(29,695)	425,230	-	(30,494)	394,736	31,314
Series 2020	2.67%	-	435,000	-	435,000	-	(435,000)	-	-
Series 2020B	1.21%	-	-	-	-	14,925,000	-	14,925,000	1,205,000
Series 2020C	0.94%	-	-	-	-	4,170,000	(830,000)	3,340,000	820,000
Total Revenue Bonds - DBP		16,486,429	435,000	(2,095,106)	14,826,323	19,095,000	(15,261,587)	18,659,736	2,056,314
Notes Payable - Revenue/Other - DBP									
SCJEDA - Notes Payable	0.00%	61,939	-	(18,000)	43,939	-	(18,000)	25,939	18,000
SIRF Series 2014 Revenue Bonds	1.00%	2,485,497	-	(137,005)	2,348,492	-	(138,379)	2,210,113	139,769
SIRF Series 2017B Revenue Bonds	1.90%	1,206,527	-	(54,969)	1,151,558	-	(1,151,558)	-	-
Total Notes Payable - Revenue/Other		3,753,963	-	(209,974)	3,543,989	-	(1,307,937)	2,236,052	157,769
Total Revenue /Other Debt		26,565,392			23,455,312			20,895,788	
General Obligation Bonds - PT									
Series 2007	4.00% to 4.50%	3,765,000	-	(405,000)	3,360,000	-	(3,360,000)	-	-
Series 2010	2.00% to 3.375%	2,350,000	-	(200,000)	2,150,000	-	(2,150,000)	-	-
Total General Obligation Bonds - PT		6,115,000	-	(605,000)	5,510,000	-	(5,510,000)	-	-
General Obligation Bonds - DBP									
Series 2009	4.219%	708,102	-	(130,165)	577,937	-	(577,937)	-	-
Series 2020	1.25%	-	-	-	-	9,910,000	(1,280,000)	8,630,000	1,335,000
Total General Obligation Bonds - DBP		708,102	-	(130,165)	577,937	9,910,000	(1,857,937)	8,630,000	1,335,000
Notes Payable - GO Debt - DBP									
SRF - Series 2007 GO Bonds	3.94%	1,511,042	-	(148,652)	1,362,390	-	(1,362,390)	-	-
SIRF Series 2007 GO Bonds	3.50%	264,119	-	(24,625)	239,494	-	(239,494)	-	-
SRF - Series 2014 GO Bonds	2.00%	2,828,481	-	(154,382)	2,674,099	-	(2,674,099)	-	-
Total Notes Payable - GO Debt - DBP		4,603,642	-	(327,659)	4,275,983	-	(4,275,983)	-	-
Total GO Debt		11,426,745			10,363,921			8,630,000	
Finance Purchase Liabilities									
		-	-	-	-	200,031	(11,094)	188,937	36,005
Total Long-Term Debt Liability		37,992,136	435,000	(4,607,904)	33,819,232	29,205,031	(33,309,538)	29,714,725	3,585,088
Less current portion		(4,607,903)			(4,749,533)			(3,585,088)	
Bond discount/premium, net of amortization		54,851			46,210			-	
Total Long Term Debt		\$ 33,439,084			\$ 29,115,909			\$ 26,129,637	

HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

Schedule of Bond & Note Principal and Interest Payments

JUNE 30, 2021

For the Year ending June 30,	\$515,000		\$14,925,000		\$4,170,000		\$9,910,000		BOND TOTALS		
	Revenue Bond 2017 A		Revenue Bond 2020 B		Revenue Bond 2020 C		GO Bond		Total	Total	Total
	Dated August 21, 2017		Dated November 2, 2020		Dated November 2, 2020		Dated November 2, 2020		Interest	Principal	Total
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal			
2022	10,619	31,314	180,593	1,205,000	31,396	820,000	107,875	1,335,000	\$ 330,483	\$ 3,391,314	\$ 3,721,797
2023	9,776	32,157	166,012	1,215,000	23,688	830,000	91,187	1,385,000	290,663	3,462,157	3,752,820
2024	8,911	33,022	151,311	1,225,000	15,886	840,000	73,875	1,440,000	249,983	3,538,022	3,788,005
2025	8,025	33,908	136,488	1,245,000	7,990	850,000	55,875	1,245,000	208,378	3,373,908	3,582,286
2026	7,110	34,823	121,423	2,085,000	-	-	40,313	1,300,000	168,846	3,419,823	3,588,669
2027	6,174	35,759	96,194	2,105,000	-	-	24,062	1,355,000	126,430	3,495,759	3,622,189
2028	5,212	36,721	70,725	2,135,000	-	-	7,125	570,000	83,062	2,741,721	2,824,783
2029	4,224	37,709	44,891	1,880,000	-	-	-	-	49,115	1,917,709	1,966,824
2030	3,210	38,723	22,143	1,830,000	-	-	-	-	25,353	1,868,723	1,894,076
2031	2,168	39,765	-	-	-	-	-	-	2,168	39,765	41,933
2032	1,098	40,835	-	-	-	-	-	-	1,098	40,835	41,933
2033	-	-	-	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 66,527</u>	<u>\$ 394,736</u>	<u>\$ 989,780</u>	<u>\$ 14,925,000</u>	<u>\$ 78,960</u>	<u>\$ 3,340,000</u>	<u>\$ 400,312</u>	<u>\$ 8,630,000</u>	<u>\$ 1,535,579</u>	<u>\$ 27,289,736</u>	<u>\$ 28,825,315</u>
Current		<u>\$ (31,314)</u>		<u>\$ (1,205,000)</u>		<u>\$ (820,000)</u>		<u>\$ (1,335,000)</u>		<u>\$ (3,391,314)</u>	
Noncurrent		<u>\$ 363,422</u>		<u>\$ 13,720,000</u>		<u>\$ 2,520,000</u>		<u>\$ 7,295,000</u>		<u>\$ 23,898,422</u>	

For the Year ending June 30,	\$530,000		\$2,921,430		NOTE TOTALS			BOND & NOTE TOTALS			
	SCJEDA Note		SRF Revenue Note		Total	Total	Total	Total	Total	Total	
	Dated November 30, 1988		Dated July 23, 2014		Interest	Principal	Interest	Principal	Interest	Principal	Total
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Total
2022	-	18,000	21,578	139,769	\$ 21,578	\$ 157,769	\$ 179,347	-	\$ 352,061	\$ 3,549,083	\$ 3,901,144
2023	-	7,939	20,175	141,172	20,175	149,111	169,286	-	310,838	3,611,268	3,922,106
2024	-	-	18,758	142,589	18,758	142,589	161,347	-	268,741	3,680,611	3,949,352
2025	-	-	17,327	144,020	17,327	144,020	161,347	-	225,705	3,517,928	3,743,633
2026	-	-	15,881	145,466	15,881	145,466	161,347	-	184,727	3,565,289	3,750,016
2027	-	-	14,421	146,926	14,421	146,926	161,347	-	140,851	3,642,685	3,783,536
2028	-	-	12,946	148,401	12,946	148,401	161,347	-	96,008	2,890,122	2,986,130
2029	-	-	11,457	149,890	11,457	149,890	161,347	-	60,572	2,067,599	2,128,171
2030	-	-	9,952	151,395	9,952	151,395	161,347	-	35,305	2,020,118	2,055,423
2031	-	-	8,433	152,914	8,433	152,914	161,347	-	10,601	192,679	203,280
2032	-	-	6,898	154,449	6,898	154,449	161,347	-	7,996	195,284	203,280
2033	-	-	5,347	156,000	5,347	156,000	161,347	-	5,347	156,000	161,347
2034	-	-	3,782	157,566	3,782	157,566	161,348	-	3,782	157,566	161,348
2035	-	-	2,200	159,147	2,200	159,147	161,347	-	2,200	159,147	161,347
2036	-	-	603	120,409	603	120,409	121,012	-	603	120,409	121,012
	<u>\$ -</u>	<u>\$ 25,939</u>	<u>\$ 169,758</u>	<u>\$ 2,210,113</u>	<u>\$ 169,758</u>	<u>\$ 2,236,052</u>	<u>\$ 2,405,810</u>	<u>\$ -</u>	<u>\$ 1,705,337</u>	<u>\$ 29,525,788</u>	<u>\$ 31,231,125</u>
Current		<u>\$ (18,000)</u>		<u>\$ (139,769)</u>		<u>\$ (157,769)</u>		<u>\$ -</u>		<u>\$ (3,549,083)</u>	
Noncurrent		<u>\$ 7,939</u>		<u>\$ 2,070,344</u>		<u>\$ 2,078,283</u>		<u>\$ -</u>		<u>\$ 25,976,705</u>	

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

	<u>Pages</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the District's financial performance and position have changed over time</i>	72-75
Revenue Capacity <i>These schedules contain information identifying the factors affecting the District's ability to generate revenue</i>	76-81
Debt Capacity <i>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</i>	82-86
Demographic and Economic Information <i>These schedules offer demographic and economic indicators showing the environment in which the District operates</i>	87-88
Other Operational and Capital Information <i>These schedules contain operational, capital, and service information to convey how the District's financial reports relate to its service</i>	89-92

Financial Trends

Statements of Revenues, Expenses, and Debt Service per Bond Covenants⁷

Last Ten Fiscal Years

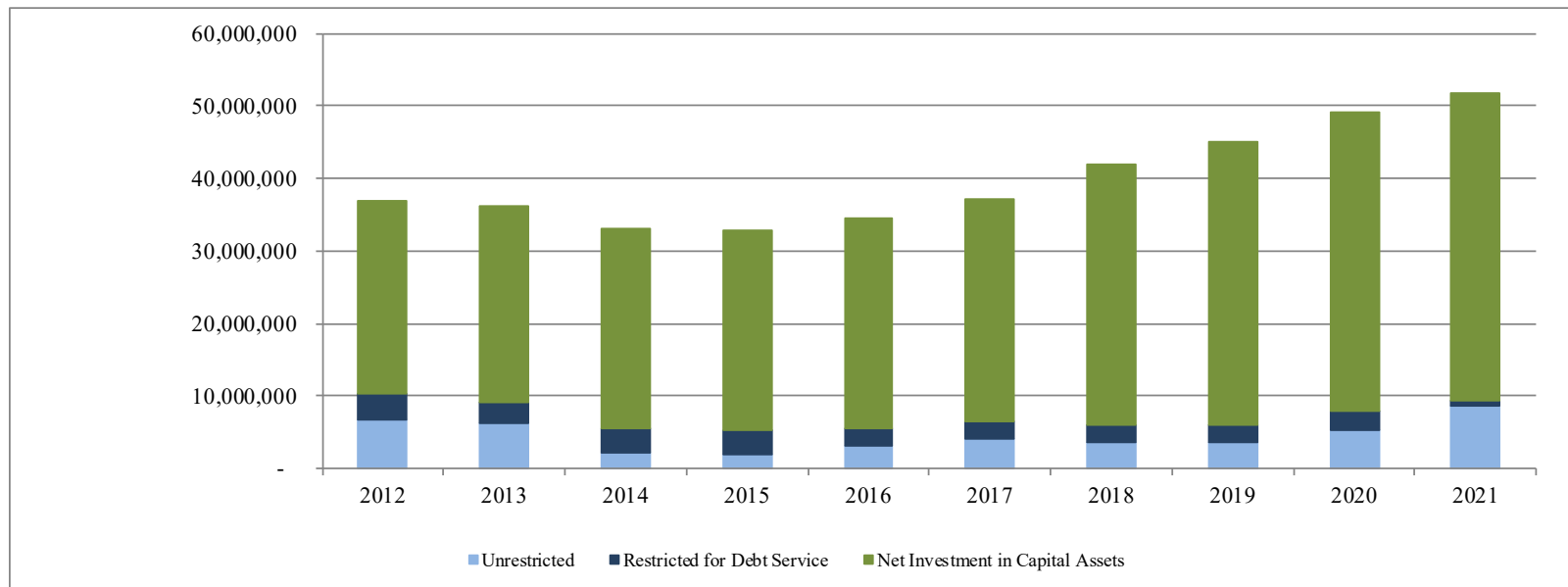
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Revenues										
Water Service	\$5,949,379	\$5,951,546	\$5,777,606	\$5,727,692	\$6,009,410	\$6,680,175	\$6,586,002	\$7,148,606	\$7,735,802	\$7,746,340
Sewer Service	4,522,434	4,623,093	4,736,919	4,838,019	5,056,081	5,143,168	5,226,965	5,408,090	5,719,313	5,852,395
Water Tap In Fees	41,861	61,925	124,837	106,202	96,427	137,423	213,517	180,487	240,179	247,227
Sewer Connection Fees	83,425	109,475	117,505	84,543	109,984	219,483	229,355	278,737	242,418	212,488
Availability Fees	638,137	623,076	597,582	565,423	525,302	506,930	491,474	38,391	23,015	14,662
Service Fees	51,108	36,645	44,174	42,646	39,113	29,105	34,059	182,516	155,676	207,233
Golf Course Irrigation	338,205	319,041	297,609	204,934	164,344	284,937	175,015	445,190	452,602	420,187
Disaster Recovery, net	-	-	-	-	-	58,691	115,466	3,942	86,502	44,828
Other Operating Revenues	15,539	14,727	17,771	21,264	284,775	28,676	53,566	48,281	91,432	265,862
Total Operating Revenues	\$11,640,088	\$11,739,528	\$11,714,004	\$11,590,723	\$12,285,435	\$13,088,589	\$13,125,419	\$13,734,240	\$14,746,939	\$15,011,222
Operating Expenses										
Payroll and Related Expenses	\$3,392,515	\$3,474,067	\$3,571,288	\$3,713,013	\$3,294,097	\$3,689,699	\$3,951,862	\$3,889,589	\$4,062,153	\$4,203,335
Administrative Expenses	923,287	783,768	789,686	793,893	756,507	871,478	964,121	964,018	1,006,662	1,020,574
Operations Expenses	1,761,310	1,686,667	1,667,542	1,571,114	1,563,548	1,798,365	1,797,278	1,729,876	1,855,061	1,916,964
Maintenance Expenses	987,389	1,038,224	1,125,413	1,006,240	1,247,020	1,059,412	1,355,604	1,324,519	1,143,332	1,196,849
Water Tap In Expenses	37,443	38,250	60,078	90,462	115,995	191,120	216,109	171,891	152,870	171,909
Sewer Connection Expenses	78,775	84,144	85,401	82,353	150,570	174,722	221,696	247,232	215,867	200,934
Purchased Water	1,028,789	817,441	622,629	791,096	543,661	1,017,482	1,116,669	1,170,368	675,174	653,914
ASR-1 Water	16,792	133,760	194,537	196,311	202,890	221,515	226,919	217,571	217,007	245,771
ASR-1 O&M	5,275	30,868	40,747	40,656	44,562	42,042	43,217	41,471	41,846	49,428
RO Plant O&M	604,539	607,876	533,249	618,024	723,049	691,148	714,136	702,486	688,297	716,055
Professional Fees	243,600	265,786	237,182	305,698	229,387	99,701	146,084	127,011	342,116	203,678
Vehicle Expenses	130,473	126,999	126,384	117,787	84,215	87,680	108,149	112,192	96,385	100,565
Depreciation	4,459,807	4,557,446	4,481,885	4,485,346	4,482,776	4,576,123	4,733,613	4,946,397	5,044,727	5,188,028
Total Operating Expenses	\$13,669,995	\$13,645,295	\$13,536,021	\$13,811,992	\$13,438,276	\$14,520,488	\$15,595,458	\$15,644,621	\$15,541,497	\$15,868,004
Operating Income (Loss)	(2,029,907)	(1,905,767)	(1,822,017)	(2,221,269)	(1,152,841)	(1,431,899)	(2,470,039)	(1,910,381)	(794,558)	(856,782)
Non-Operating Revenues (Expenses)										
Property Taxes-Debt Service	\$1,233,107	\$1,195,990	\$1,167,016	\$1,391,881	\$1,396,680	\$1,403,497	\$1,441,325	\$1,371,933	\$1,414,091	\$1,499,844
Property Taxes-Operations Levy	1,023,502	1,016,558	901,453	913,930	931,507	973,607	984,296	1,011,176	1,034,553	1,071,896
Interest Income	205,100	168,990	142,313	132,549	92,713	99,041	108,346	156,389	184,093	\$102,306
Tower Leases	423,468	506,687	531,703	508,185	471,540	531,964	462,986	485,678	625,067	\$552,366
Rental Income	80,235	79,641	80,096	80,579	78,552	79,115	79,068	79,757	79,758	79,224
Gain (Loss) on Disposal	-	-	-	-	1,500	3,500	95,716	15,000	-	2,500
Bond Issuance Costs	(31,250)	(226,335)	(38,685)	(67,329)	(119,950)	-	(69,609)	-	(42,056)	(225,650)
Amortization of Bond Costs	(239,272)	(216,004)	(223,222)	(223,222)	(243,693)	(256,428)	(256,428)	(256,428)	(256,428)	(265,132)
Interest Expense	(2,101,677)	(1,842,617)	(1,661,902)	(1,613,384)	(1,230,078)	(1,403,497)	(1,030,789)	(941,525)	(841,047)	(511,229)
Total Non-Operating Income (Loss)	\$593,213	\$682,909	\$898,773	\$1,123,190	\$1,378,771	\$1,742,486	\$1,814,909	\$1,921,980	\$2,198,031	\$2,306,125
Net Income (loss) before Capital per Financial Statements	(\$1,436,695)	(\$1,222,858)	(\$923,245)	(\$1,098,080)	\$225,930	\$310,587	(\$655,130)	\$11,599	\$1,403,473	\$1,449,343
Capacity Fees	394,546	79,240	477,179	631,652	585,744	565,093	565,672	878,264	864,478	1,157,787
Add: Depreciation	4,459,807	4,557,446	4,481,885	4,485,346	4,482,776	4,576,123	4,733,613	4,946,397	5,044,727	5,188,028
Net Pension Expense	-	-	-	288,870	298,810	251,759	514,614	382,374	560,016	613,324
SCRS Retirement Contributions	-	-	-	(241,688)	(222,257)	(272,562)	(307,158)	(352,212)	(367,120)	(387,521)
Amortization	239,272	169,938	223,222	223,222	243,693	256,428	256,428	256,428	256,428	256,132
Bond Issuance Costs	31,250	226,335	38,685	67,329	119,950	-	69,609	-	42,056	225,650
Interest Expense (Bonds)	2,101,677	1,842,617	1,661,902	1,613,384	1,230,078	1,403,497	1,030,789	941,525	841,047	509,935
Assessments - Debt Service	396,027	415,758	382,702	486,300	452,658	157,973	190,300	190,184	188,409	200,485
Less: Property Taxes - Debt Service	(1,233,107)	(1,195,990)	(1,167,016)	(1,391,881)	(1,396,680)	(1,403,497)	(1,441,325)	(1,371,933)	(1,414,091)	(1,499,844)
Net Earnings Available for Debt Service	\$4,952,778	\$4,872,486	\$5,175,313	\$5,064,454	\$6,020,702	5,534,814	\$4,957,414	\$5,882,626	\$7,419,423	\$7,722,320
Debt Service on Revenue Bonds	\$3,660,650	\$4,037,286	\$3,504,185	\$3,987,537	\$3,441,323	\$3,923,462	\$4,008,312	\$4,040,662	\$4,048,243	\$2,686,001
Required per Bond Covenants (120%)	120%	120%	120%	120%	120%	120%	120%	120%	120%	120%
Coverage of Debt Service by Net Earnings	135%	121%	148%	127%	175%	141%	124%	146%	183%	288%
Debt Coverage without Capacity Fees	125%	119%	134%	111%	158%	127%	110%	124%	162%	244%

⁷ Please note that fiscal years 2014 and onward reflect the implementation of GASB 68. 2012 and onward reflect implementation of GASB 63 and GASB 65.

Schedule of Change in Net Position⁸

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Income (Loss from operations)	\$ (2,029,907)	\$ (1,905,767)	\$ (1,822,017)	\$ (2,221,269)	\$ (1,152,841)	\$ (1,431,899)	\$ (2,470,039)	\$ (1,910,381)	\$ (794,558)	\$ (856,782)
Total Non-Operating Income (Loss)	593,213	682,909	898,773	1,123,190	1,378,771	1,742,486	1,814,909	1,921,980	2,198,031	2,306,125
Capital Contributions and Assessments	1,348,696	553,337	1,905,385	894,531	1,404,843	2,334,412	5,452,119	3,213,569	2,528,490	1,157,787
Changes in net position	(87,999)	(669,521)	982,140	(203,549)	1,630,773	2,644,999	4,796,989	3,225,168	3,931,963	2,607,130
Effect of prior period adjustments on net position										
Cumulative adjustment - adoption of GASB Statement No. 68			(4,063,319)							
Cumulative adjustment - adoption of GASB Statement No. 65	(992,288)									
Net position at beginning of year, as previously reported	37,913,644		36,163,837							
Net position at beginning of year, as restated	36,921,356	36,833,357	32,100,518	33,082,658	32,879,109	34,509,882	37,154,881	41,951,870	45,177,039	49,109,002
Net position at end of year	\$ 36,833,357	\$ 36,163,837	\$ 33,082,658	\$ 32,879,109	\$ 34,509,882	\$ 37,154,881	\$ 41,951,870	\$ 45,177,039	\$ 49,109,002	\$ 51,716,132

Net Position at End of Year



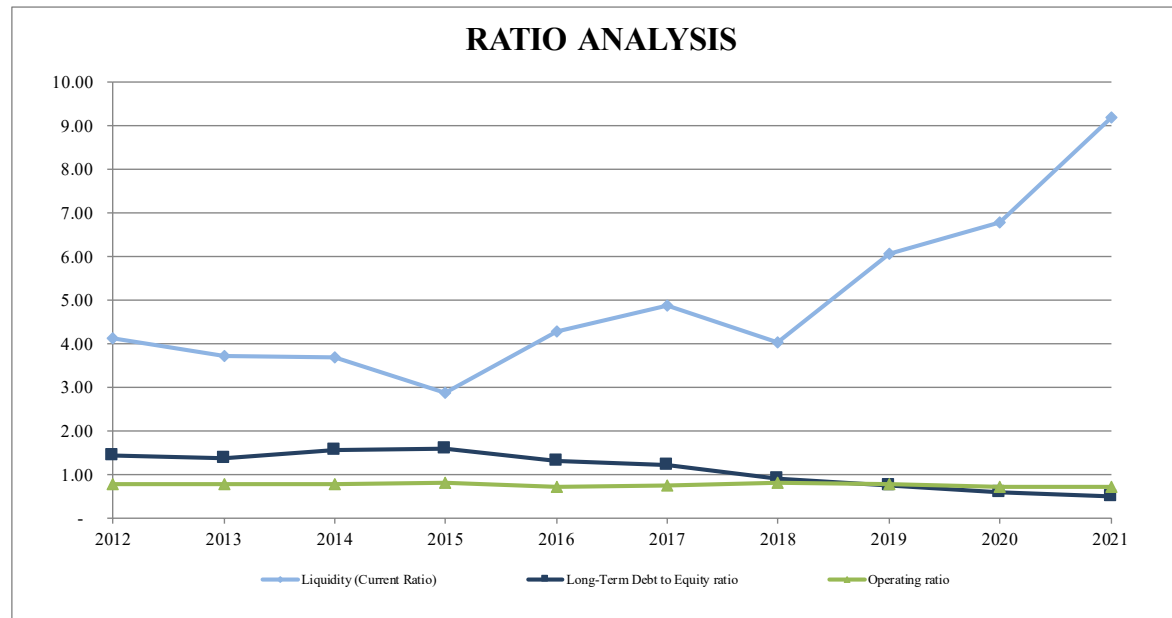
⁸ Please note that fiscal years 2014 and onward reflect the implementation of GASB 68. 2012 and onward reflect implementation of GASB 63 and GASB 65.

Net Position by Component⁹

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net position										
Net investment in capital assets	\$26,621,121	\$27,016,214	\$27,495,374	\$27,588,236	\$28,981,560	\$30,631,424	\$36,023,464	\$39,248,405	\$41,211,563	\$42,457,546
Restricted for debt service	3,419,743	2,885,019	3,377,968	3,426,103	2,482,528	2,406,220	2,425,274	2,412,700	2,570,882	680,403
Unrestricted	6,792,494	6,262,603	2,209,315	1,864,770	3,045,794	4,117,237	3,503,133	3,515,934	5,326,557	8,578,183
Net position	<u>\$36,833,358</u>	<u>\$36,163,836</u>	<u>\$33,082,657</u>	<u>\$32,879,110</u>	<u>\$34,509,882</u>	<u>\$37,154,881</u>	<u>\$41,951,871</u>	<u>\$45,177,039</u>	<u>\$49,109,002</u>	<u>\$51,716,132</u>

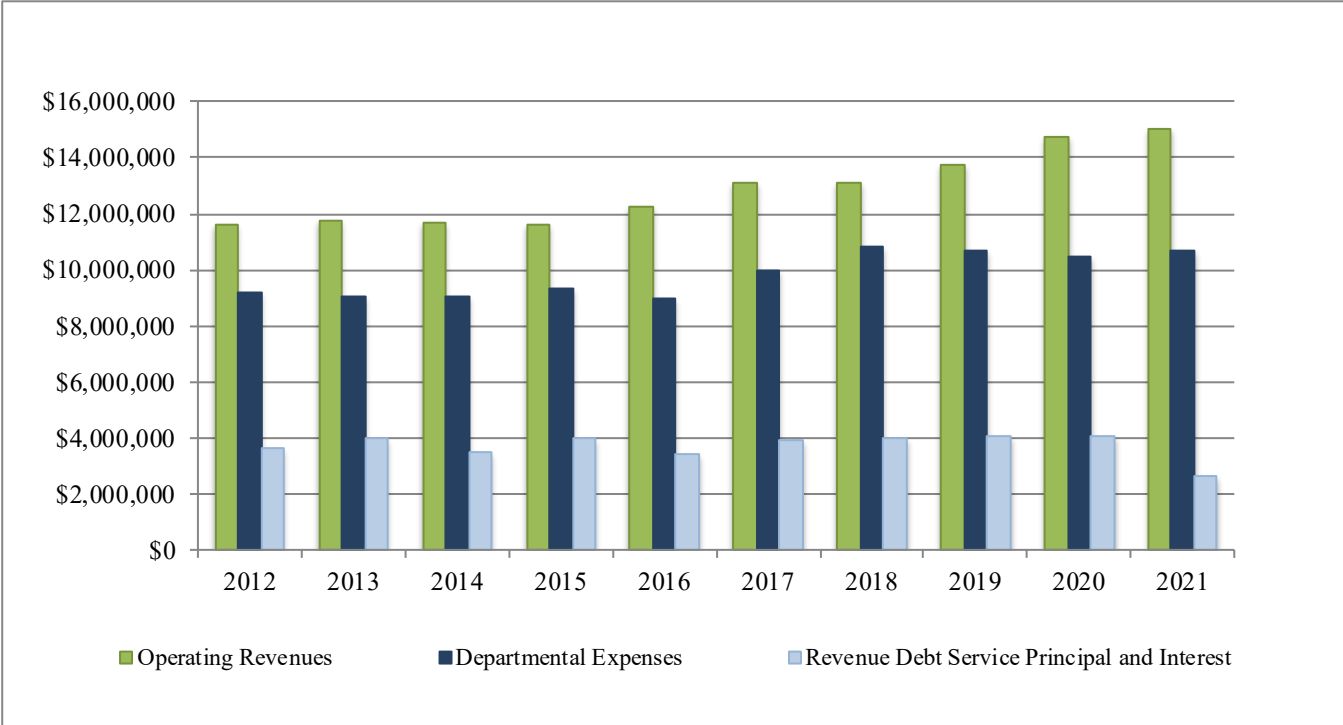
Ratio Analysis

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Liquidity (Current Ratio)	4.12	3.72	3.69	2.88	4.30	4.89	4.05	6.05	6.79	9.20
Long-Term Debt to Equity ratio	1.43	1.39	1.55	1.59	1.31	1.22	0.90	0.74	0.59	0.51
Operating ratio	0.79	0.77	0.77	0.80	0.73	0.76	0.83	0.78	0.71	0.71



⁹ Please note that fiscal years 2014 and onward reflect the implementation of GASB 68. Fiscal years 2012 and onward reflect implementation of GASB 63 and GASB 65.

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



Revenue Capacity

Customer Statistics at Fiscal Year-End¹⁰

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

Year	Water	Percent Increase	Wastewater	Percent Increase	Ratio of Customers with Both Services
2012	16,441	0.3%	15,109	0.5%	91.90%
2013	16,540	0.6%	15,260	1.0%	92.26%
2014	16,705	1.0%	15,486	1.5%	92.70%
2015	16,867	1.0%	15,633	0.9%	92.68%
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	2.5%	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%

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
2012	10,565	4,850	2,080	17,495	0.28%
2013	10,679	4,850	2,071	17,600	0.60%
2014	10,846	4,850	2,078	17,774	0.99%
2015	10,997	4,851	2,041	17,889	0.65%
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%

Wastewater Customer Statistics at Fiscal Year-End

Wastewater Customer Growth at Fiscal Year-end

Year	Residential	Master Metered Residential	Commercial	Total	Percent Increase
2012	8,847	4,850	1,412	15,109	0.53%
2013	8,976	4,850	1,434	15,260	1.00%
2014	9,175	4,850	1,461	15,486	1.48%
2015	9,305	4,851	1,477	15,633	0.95%
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%

¹⁰ These totals do not include irrigation meters.

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

Reported in kgals (thousands of gallons)

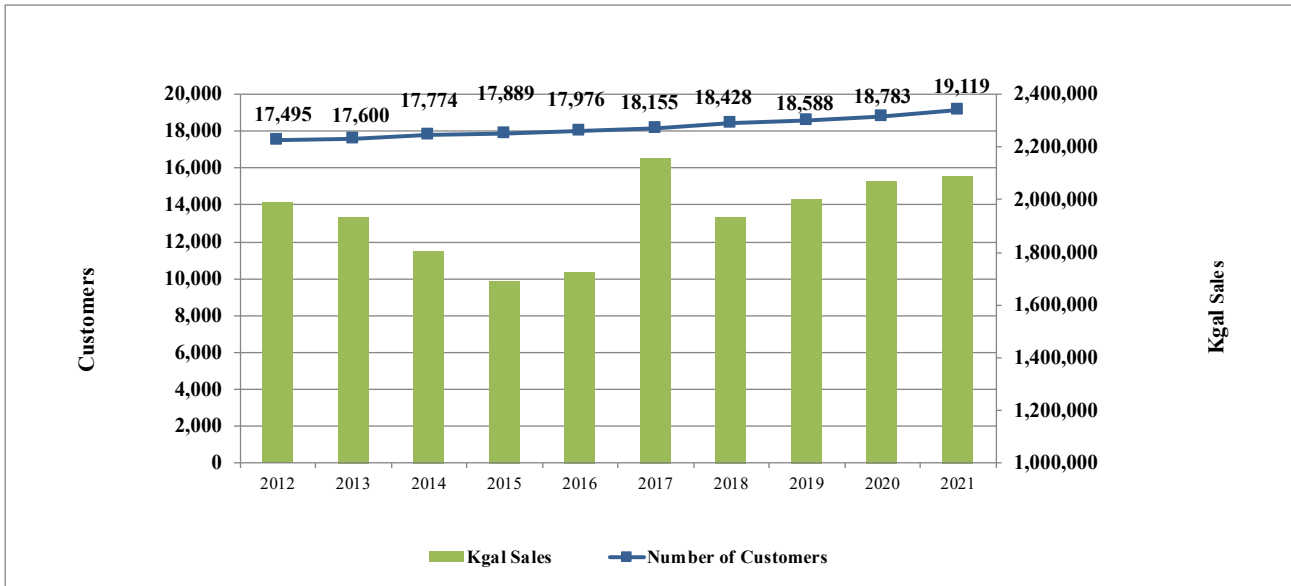
Year	Just Water Meters	Percent Increase	Wastewater	% Inc
2012	1,656,442	0.8%	1,425,564	-0.1%
2013	1,605,369	-3.1%	1,393,724	-2.2%
2014	1,537,065	-4.3%	1,320,838	-5.2%
2015	1,439,514	-6.3%	1,274,826	-3.5%
2016	1,475,858	2.5%	1,275,251	0.0%
2017	1,819,663	23.3%	1,573,203	23.36%
2018	1,640,939	-9.8%	1,402,469	-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%

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

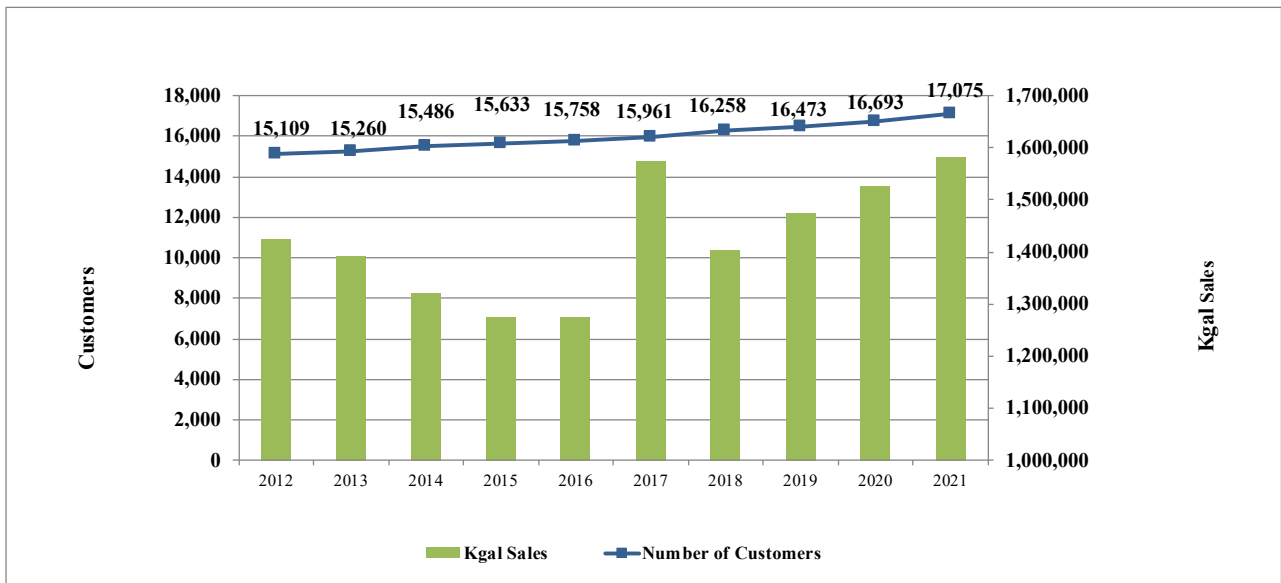
Reported in kgals (thousands of gallons)

Year	Water & Irrigation Meters	Percent Increase	Wastewater	% Inc
2012	1,986,913	0.2%	1,425,564	-0.1%
2013	1,935,918	-2.6%	1,393,724	-2.2%
2014	1,806,920	-6.7%	1,320,838	-5.2%
2015	1,692,874	-6.3%	1,274,826	-3.5%
2016	1,724,451	1.9%	1,275,251	0.0%
2017	2,159,321	25.2%	1,573,203	23.36%
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%

Water/Irrigation Customers vs. Water/Irrigation Kgal Sales
Last Ten Fiscal Years



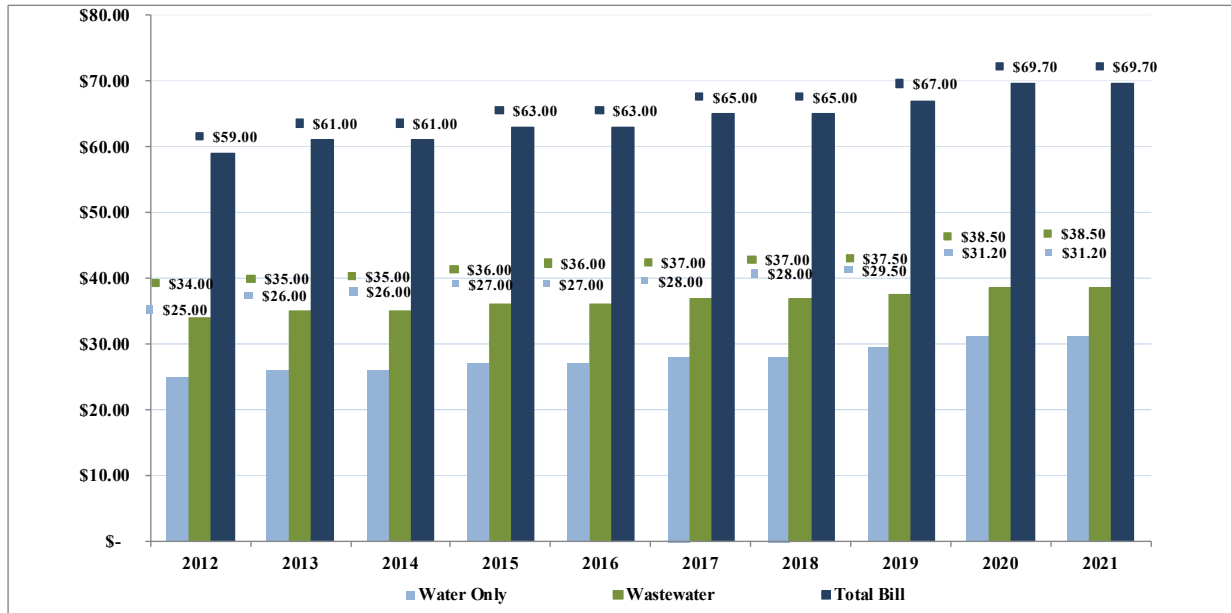
Sewer Customers vs. Wastewater Kgal Sales
Last Ten Fiscal Years



Water and Wastewater Rate Comparisons

Water Rate Comparison											
Effective Date											
		FY'12	FY'13 (1)	FY'14	FY'15 (2)	FY'16	FY'17	FY'18	FY'19	FY'20	FY'21
Residential Water	Base Charge	\$ 11.00	\$ 12.00	\$ 12.00	\$ 13.00	\$ 13.00	\$ 14.00	\$ 14.00	\$ 15.50	\$ 16.50	\$ 16.50
	First 10,000 Gallons	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.47	\$ 1.47
	Next 10,001 to 20,000 gallons	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.72	\$ 1.82	\$ 1.82
	Next 20,001 to 30,000 gallons	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.18	\$ 2.27	\$ 2.27
	Over 30,000 gallons	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.60	\$ 2.79	\$ 2.79
Residential Irrigation	Base Charge	\$ 11.00	\$ 12.00	\$ 12.00	\$ 13.00	\$ 13.00	\$ 14.00	\$ 14.00	\$ 15.50	\$ 16.50	\$ 16.50
	First 10,000 Gallons Irrigation	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.72	\$ 1.82	\$ 1.82
	Next 10,001 to 20,000 gallons	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.71	\$ 1.72	\$ 1.82	\$ 1.82
	Next 20,001 to 30,000 gallons	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.18	\$ 2.27	\$ 2.27
	Over 30,000 gallons	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.55	\$ 2.60	\$ 2.79	\$ 2.79
Commercial Water and Irrigation	Base Charge	\$ 16.00	\$ 17.00	\$ 17.00	\$ 18.00	\$ 18.00	\$ 19.00	\$ 19.00	\$ 20.50	\$ 21.50	\$ 21.50
	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	\$ 1.99	\$ 1.99	\$ 1.99	\$ 1.99	\$ 2.01	\$ 2.04	\$ 2.04
	Next 20,001 to 30,000 gallons	\$ 2.51	\$ 2.51	\$ 2.51	\$ 2.51	\$ 2.51	\$ 2.51	\$ 2.51	\$ 2.52	\$ 2.52	\$ 2.52
	Over 30,000 gallons	\$ 2.87	\$ 2.87	\$ 2.87	\$ 2.87	\$ 2.87	\$ 2.87	\$ 2.87	\$ 2.97	\$ 3.07	\$ 3.07
(1) Effective January 1, 2011 (2) Effective January 1, 2013 (3) Effective January 1, 2015											
Wastewater Rate Comparison											
Effective Date											
		FY'12	FY'13 (1)	FY'14	FY'15 (2)	FY'16	FY'17	FY'18	FY'19	FY'20	FY'21
Residential	Base Charge	\$ 14.00	\$ 15.00	\$ 15.00	\$ 16.00	\$ 16.00	\$ 17.00	\$ 17.00	\$ 17.50	\$ 18.50	\$ 18.50
	Per 1,000 gallons with 10 kgal Cap	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
Commercial	Base Charge	\$ 14.00	\$ 15.00	\$ 15.00	\$ 16.00	\$ 16.00	\$ 17.00	\$ 17.00	\$ 17.50	\$ 18.50	\$ 18.50
	Per 1,000 gallons (No Cap)	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00
(1) Effective January 1, 2013 (2) Effective January 1, 2015											

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



Water and Sewer Installation Fees

	2012	2013**	2014	2015	2016	2017	2018	2019	2020	2021
Water meter installation fees (existing service lines)										
3/4" Meter	\$ 430	\$ 640	\$ 640	\$ 640	\$ 640	\$ 640	\$ 640	\$ 640	\$ 1,020	\$ 1,020
1" Meter	570	850	850	850	850	850	850	850	1,280	1,280
2" Meter with meter box and backflow	2,090	2,330	2,330	2,330	2,330	2,330	2,330	2,330	2,720	2,720
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)										
3/4" Meter	\$ 430	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,210	\$ 1,210
1" Meter	570	1,080	1,080	1,080	1,080	1,080	1,080	1,080	1,450	1,450
2" Meter with meter box and backflow	2,090	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

* T&M equals Time and Materials

** Rate change 7/1/2013

Sewer Installation Fees for fiscal years 2007 through 2016:

A. Sewer Service Installation Fee Individual 4 Inch Lateral: \$1,200
feet in depth: Time and Materials

Sewer Inspection Fee:

The PSD charges a one-time Sewer Inspection Fee of \$100 to new customers at the time they connect to the sewer system. The fee covers the cost of the PSD inspecting the new connection to make sure it meets PSD requirements.

More information is available at: <http://www.hhpsd.com/about-hhpsd/customer-service/>

Capacity Fees

<p>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. The District offers a one-year, interest free, payment plan for all capacity fees. The installments are placed on a customer's utility bill.</p>	
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.	

District Top Ten Water/Irrigation Customers

Fiscal year ended June 30, 2021

User Name	Type	2021 Billed Revenues	% of Total 2021 Billed Revenues
Hilton Head Beach & Tennis	Resort	\$ 197,570	2.55%
Cypress of Hilton Head Association	Residential Homes	146,481	1.89%
Westin Resort	Resort	137,982	1.78%
Hilton Head Resort/Four Seasons	Resort	105,198	1.36%
Marriott Surfwatch	Resort	92,433	1.19%
Fiddlers Cove	Condo Complex	91,489	1.18%
Marriott Vacation Club	Resort	89,425	1.15%
Spa at Port Royal	Resort	78,516	1.01%
Marshside Owner's Association	Apartment Complex	69,192	0.89%
Island Links Resort	Resort	54,257	0.70%
Remaining Customers		<u>6,683,797</u>	<u>86.28%</u>
		<u>\$ 7,746,340</u>	100.00%

District Top Ten Wastewater Customers

Fiscal year ended June 30, 2021

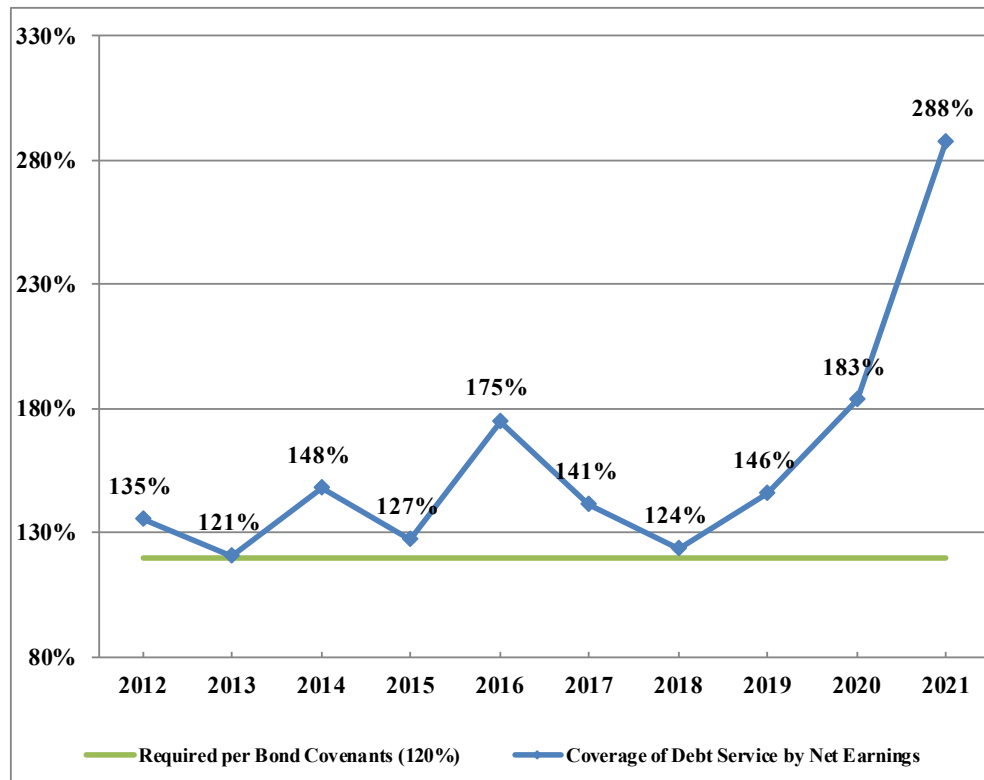
User Name	Type	2021 Billed Revenues	% of Total 2021 Billed Revenues
Hilton Head Beach & Tennis	Resort	\$ 208,216	3.56%
Westin Resort	Resort	132,254	2.26%
Hilton Head Resort/Four Seasons	Resort	119,337	2.04%
Fiddler's Cove	Condo Complex	97,490	1.67%
Cypress of Hilton Head Association	Residential Homes	97,337	1.66%
Marriott Vacation Club	Resort	82,583	1.41%
Marriott Surfwatch	Resort	77,667	1.33%
Marshside Owner's Association	Apartment Complex	76,842	1.31%
Spa at Port Royal	Resort	71,581	1.22%
Cotton Hope	Apartment Complex	58,143	0.99%
Remaining Customers		<u>4,830,945</u>	<u>82.55%</u>
		<u>\$ 5,852,395</u>	100.00%

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
2012	11,313,078	41,004,952	-	2,877,671	187,939	-	55,383,640	812,333	56,195,973	3,212
2013	10,740,609	39,713,937	-	2,731,331	169,939	-	53,355,816	45,050	53,400,866	3,034
2014	10,144,028	37,704,831	-	2,581,424	151,939	-	50,582,222	45,019	50,627,241	2,848
2015	9,528,162	34,677,573	2,563,810	5,015,406	133,939	-	51,918,891	44,988	51,963,879	2,905
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	45,156,515	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

Debt Service Coverage Analysis¹¹



The District's Millage History

Debt Type	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operations	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Debt Service	3.90	3.52	4.61	4.57	4.31	4.40	4.05	4.10	4.20	4.20
Total	6.90	6.52	7.61	7.57	7.31	7.40	7.05	7.10	7.20	7.20

¹¹ 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		
2012	2011	\$ 14,190,749	\$ 312,690,790	\$ 8,213,684,522	\$ 35,510,900	\$ 438,254,750	\$ 8,651,939,272	0.16%
2013	2012	13,471,940	310,941,545	8,175,842,216	34,838,110	439,098,920	8,614,941,136	0.16%
2014	2013	12,725,452	271,113,330	6,240,477,456	34,209,810	443,934,190	6,684,411,646	0.19%
2015	2014	14,543,568	273,689,810	6,292,159,456	37,841,050	486,066,160	6,778,225,616	0.21%
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%

Source: Beaufort County Treasurer.
 (1) The County implemented its county-wide reassessment in tax years 2013 and 2018.

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
2012	2011	\$ 312,690,790	\$ 35,510,900	\$ 348,201,690	\$ 27,856,135	\$ 14,190,749	\$ 13,665,386	51%	811	17,495
2013	2012	310,941,545	34,838,110	345,779,655	27,662,372	13,471,940	14,190,432	49%	765	17,600
2014	2013	271,113,330	34,209,810	305,323,140	24,425,851	12,725,452	11,700,399	52%	716	17,774
2015	2014	273,689,810	37,841,050	311,530,860	24,922,469	14,543,568	10,378,900	58%	813	17,889
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

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 2012 through FY 2021.

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 2020, 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 \$361,443,444 and thus the eight percent (8%) debt limit of the District is not less than \$28,915,476. The District presently has the following bonded indebtedness chargeable against this limit:

Originally Issued	Date	Original Amount	Outstanding Balance as of June 30, 2021
Series 2020	November 2, 2020	\$ 9,910,000	\$ 8,630,000

Overlapping Debt

Government Unit	Tax Year 2020 Debt Outstanding	Estimated Percentage Applicable^a	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Beaufort County School District	\$ 391,567,600	17%	\$ 67,169,797
Beaufort County	205,795,000	17%	35,302,227
Town of Hilton Head	123,673,837	38%	46,498,532
Subtotal, overlapping debt			148,970,555
Hilton Head No.1 PSD direct debt			8,630,000
Total direct and overlapping debt			\$ 157,600,555
<p>Sources: Assessed value data used to estimate applicable percentages provided by the Beaufort County Treasurer's Office. Debt outstanding provided by each governmental unit.</p> <p>Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Hilton Head No.1 Public Service District. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident---and, therefore, responsible for repaying the debt---of each overlapping government.</p> <p>^aFor debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the District's boundaries dividing it by each unit's total taxable assessed value.</p>			

Assessed Values of Taxable Property of the District

Fiscal Year	Tax Year	Real Property	Personal Property	Total
2012	2011	\$ 312,690,790	\$ 35,510,900	348,201,690
2013	2012	310,941,545	34,838,110	345,779,655
2014	2013	271,113,330	34,209,810	305,323,140
2015	2014	273,689,810	37,841,050	311,530,860
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
Source: Beaufort County Treasurer's Office				
The County implemented its county-wide reassessment in tax years 2013 and 2018				

Tax Year 2020 Market Value for the District

Classification	Assessed Value of Taxable Property	Assessment Ratio	Appraised Value
1. Real Property and Mobile Homes	\$ 148,680,560	4.00%	\$ 4,020,902,100
2. Real Property and Mobile Homes	168,224,160	6.00%	3,435,338,955
3. Business Personal Property	4,404,730	10.50%	39,693,080
4. Merchant's Furniture, Fixtures and Equipment	1,787,710	10.50%	16,641,820
5. Motor Vehicles ⁽¹⁾	21,505,690	Various	338,060,540
6. Marine Equipment ⁽²⁾	1,792,784	Various	29,787,840
7. Airplanes	161,760	4.00%	2,696,090
8. Manufacturing Property	177,690	10.50%	1,692,330
9. Public Utilities	11,332,970	10.50%	107,933,050
10. Rental Property and Signs ⁽³⁾	3,375,390	Various	22,973,410
Total	\$ 361,443,444		\$ 8,015,719,215

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.

Source: Beaufort County Treasurer's Office

(1) Includes personal automobiles and commercial vehicles, which are assessed at different ratios.

(2) Includes personal watercraft and commercial fishing boats, which are assessed at different ratios.

(3) Includes residential rental property and commercial signs, which are assessed at different ratios.

Tax Collection Record for the District

Fiscal Year	Taxes Subject to Collection	Current Collections	Current % Collected	Delinquent Taxes Collected	Total Collections	Total % Collected
2011-2012	\$ 55,424,959	\$ 52,849,333	95.4%	\$ 163,278	\$ 53,012,611	95.6%
2012-2013	55,541,177	54,613,687	98.3%	114,378	54,728,065	98.5%
2013-2014	57,332,809	54,957,102	95.9%	825,387	55,782,489	97.3%
2014-2015	60,702,084	57,349,775	94.5%	735,673	58,085,448	95.7%
2015-2016	59,813,690	56,772,652	94.9%	998,112	57,770,764	96.6%
2016-2017	61,258,283	57,974,087	94.6%	1,004,279	58,978,366	96.3%
2017-2018	67,237,267	63,969,971	95.1%	842,101	64,812,072	96.4%
2018-2019	67,160,792	64,263,785	95.7%	901,174	65,164,959	97.0%
2019-2020	70,589,562	67,396,207	95.5%	1,259,426	68,655,633	97.3%
2020-2021	72,888,577	71,066,323	97.5%	130,529	71,196,852	97.7%

Source: Beaufort County Treasurer's Office

Tax Year 2020 - District Largest Taxpayers

Employer	Type of Business	2020 Assessed Value	2020-21 Amounts Paid
Marriot Ownership Resort Inc	Real Estate	\$ 6,068,280	\$ 1,562,708
Palmetto Electric Cooperative	Utility	4,865,240	1,138,594
SCG Hilton Head Property LLC	Real Estate	4,335,720	1,119,789
Hargray Telephone Company Inc	Utility	4,330,090	1,077,326
Barnwell Family Associates LLC	Real Estate	2,095,470	535,647
Bayshore Hilton Head LLC	Medical	1,489,050	389,780
Spectrum Southeast LLC	Utility	1,362,760	339,648
Swope Properties LLC	Real Estate	978,390	321,210
Hilton Head Health System LP	Medical	1,104,280	306,296
BOKF Real Estate Holding LLC	Real Estate	911,030	262,585
Source: Beaufort County Treasurer's Office.			

Demographic and Economic Information
Population per Capita Income

Year	<i>Hilton Head</i>		<i>Beaufort County</i>		<i>South Carolina</i>	
	Population	Per Capita	Population	Per Capita	Population	Per Capita
2011	37,585	\$ 41,846	162,233	\$ 32,731	4,673,348	\$ 24,109
2012	38,366	39,703	164,684	32,891	4,723,723	24,457
2013	38,375	40,853	168,049	32,725	4,774,839	24,407
2014	40,039	47,049	171,838	32,503	4,832,482	24,936
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

Source: U.S. Census Bureau

Beaufort County Top Employers 2020

Employer	Employees	Type of Business
Atlantic Personnel Inc.	*	Employment Company
Beaufort County School District	*	Educational
Beaufort Memorial Hospital	*	Health Services
Carecore National LLC	*	Health Services
County of Beaufort	*	Government
Cypress Club Inc.	*	Property
Department of Defense	*	Government
Gregory M Parker Inc.	*	Gas Stations/Convenience Stores
Hargray Communications	*	Telecommunications
Lowes Home Centers Inc.	*	Home Improvement
Marine Corps Community Services	*	Government
Marriott Resorts Hospitality Corporation	*	Hospitality
Montage Hotels and Resorts LLC	*	Hospitality
Publix Super Markets Inc.	*	Grocery
Sea Pines Resort LLC	*	Hospitality
Sitel Operating Corporation	*	Computer/Telecommunications Support
Tenet Physician Services of Hilton Head	*	Health Services
The Greenery Inc.	*	Landscaping
The Kroger Company	*	Grocery
Wal-Mart Associates Inc.	*	Retail

* South Carolina Department of Employment & Workforce would provide only the top twenty employers.

Beaufort County Labor Force and Employment

Category	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Civilian Labor Force	65,469	65,919	67,239	69,435	71,661	72,535	74,104	75,517	79,798	77,127
Employment	59,777	60,939	62,946	65,493	67,748	69,081	71,113	73,082	77,165	72,961
Unemployment	5,692	4,980	4,293	3,942	3,913	3,454	2,991	2,435	2,633	4,166
Unemployment Rate	9.1%	8.8%	8.8%	7.9%	5.6%	5.0%	4.0%	3.4%	3.3%	5.4%

Source: South Carolina Department of Employment and Workforce

Unemployment Rate Comparison

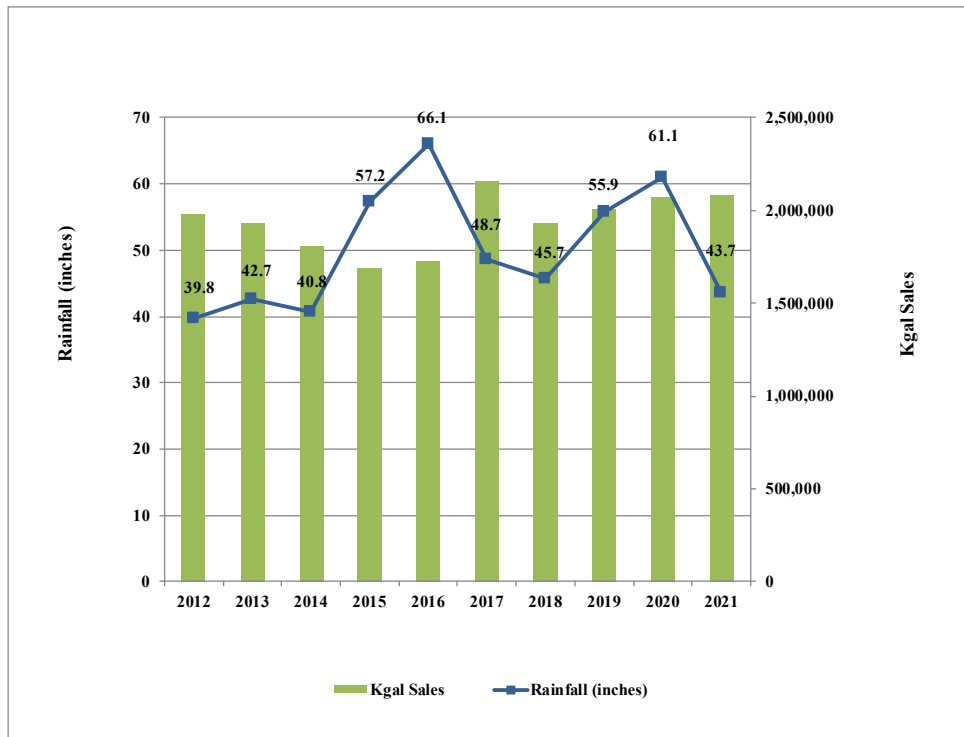
Year	Beaufort County	South Carolina	United States
2011	9.1%	10.6%	8.9%
2012	8.8%	9.2%	8.1%
2013	8.8%	7.6%	7.4%
2014	7.9%	6.5%	6.2%
2015	5.6%	6.0%	5.3%
2016	5.0%	5.0%	4.9%
2017	4.0%	4.3%	4.4%
2018	3.4%	3.4%	3.9%
2019	3.3%	2.9%	3.7%
2020	5.4%	6.2%	8.1%

Source: South Carolina Department of Employment and Workforce.

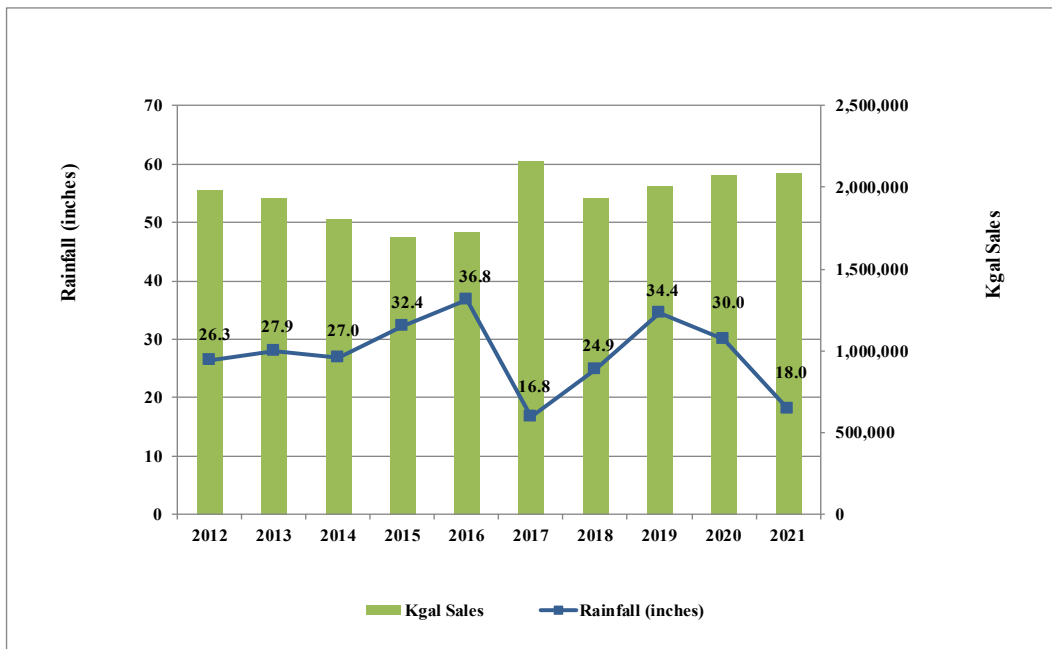
Other Operational and Capital Information
Full Time Equivalent Employees by Function

Fiscal Year	Executive Staff	Finance & Customer Service Staff	Operations Staff	Total
2012	8	10	21	39
2013	8	10	20	38
2014	8	9	21	38
2015	8	9	20	37
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

Rainfall (inches) vs. Water/Irrigation Kgal Sales¹²



Summer Rainfall (Inches) vs. Water/Irrigation Kgal Sales¹³



¹² Rainfall measurements were recorded at the wastewater treatment plant.

¹³ Months included for each year are March through August.

Schedule of Changes in Capital Assets

Last Ten Fiscal Years

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>June 30, 2021</u>
Capital assets not being depreciated:					
Land	\$ 1,299,193	-	-	-	\$ 1,299,193
Construction in Progress	<u>\$ 553,893</u>	<u>26,457,855</u>	<u>(131,904)</u>	<u>(26,834,534)</u>	<u>45,310</u>
Total Capital Assets not being depreciated	1,853,086	26,457,855	(131,904)	(26,834,534)	1,344,503
Capital assets being depreciated:					
Waterworks system	55,352,880	1,594,154	(1,799,711)	8,434,524	63,581,847
Sewage disposal system	35,040,328	1,926,904	(767,238)	17,352,770	53,552,764
Buildings	4,299,512	52,038	-	39,579	4,391,129
Sewage treatment facilities	34,711,422	1,292,930	(461,579)	297,772	35,840,545
Transportation equipment	915,148	1,074,069	(506,784)	-	1,482,433
Operations furniture and equipment	1,681,614	473,024	(613,930)	356,943	1,897,651
Office furniture and equipment	<u>701,878</u>	<u>222,969</u>	<u>(202,419)</u>	<u>-</u>	<u>722,428</u>
Sub Total	132,702,782	6,636,088	(4,351,661)	26,481,588	161,468,797
Less Accumulated depreciation	<u>(53,557,747)</u>	<u>(42,496,340)</u>	<u>4,322,376</u>	<u>-</u>	<u>(91,731,711)</u>
Total capital assets being depreciated, net	<u>79,145,035</u>	<u>(35,860,252)</u>	<u>(29,285)</u>	<u>26,481,588</u>	<u>69,737,086</u>
Year End Totals	<u>\$ 80,998,121</u>	<u>(9,402,397)</u>	<u>(161,189)</u>	<u>(352,946)</u>	<u>\$ 71,081,589</u>

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

Last Ten Fiscal Years

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
PP&E	\$ 134,001,976	\$ 135,459,397	\$ 137,039,159	\$ 138,683,537	\$ 146,346,818	\$ 147,901,161	\$ 155,357,839	\$ 156,261,306	\$ 161,887,889	\$ 162,767,990
Accumulated Depreciation	<u>(53,557,747)</u>	<u>(57,977,115)</u>	<u>(62,222,569)</u>	<u>(65,972,348)</u>	<u>(70,288,692)</u>	<u>(74,619,859)</u>	<u>(78,115,155)</u>	<u>(82,552,877)</u>	<u>(87,488,189)</u>	<u>(91,731,711)</u>
Net PP&E in Service	80,444,229	77,482,282	74,816,590	72,711,189	76,058,126	73,281,302	77,242,684	73,708,429	74,399,700	71,036,279
Construction in Progress	<u>553,892</u>	<u>441,125</u>	<u>1,625,744</u>	<u>5,926,019</u>	<u>785,002</u>	<u>1,457,297</u>	<u>513,974</u>	<u>2,802,108</u>	<u>57,707</u>	<u>45,310</u>
Net PP&E	<u>\$ 80,998,121</u>	<u>\$ 77,923,407</u>	<u>\$ 76,442,334</u>	<u>\$ 78,637,208</u>	<u>\$ 76,843,128</u>	<u>\$ 74,738,599</u>	<u>\$ 77,756,658</u>	<u>\$ 76,510,537</u>	<u>\$ 74,457,407</u>	<u>\$ 71,081,589</u>

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

Water Purchased from BJWSA Summary (Whole Dollars)										
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
All District Purchases from BJWSA	\$ 1,472,568	\$ 1,183,047	\$ 984,044	\$ 1,110,409	\$ 812,457	\$ 1,555,262	\$ 1,460,476	\$ 1,472,872	\$ 981,138	\$ 1,030,216
Broad Creek Purchases	(192,363)	(170,383)	(162,657)	(109,306)	(73,259)	(320,129)	(127,776)	(82,490)	(71,933)	(126,719)
Capitalized Purchased Water	(171,887)	-	-	-	-	-	-	-	-	-
Prepaid Purchased Water Expense	(79,529)	(195,222)	(195,783)	(210,007)	(195,537)	(217,652)	(216,031)	(220,013)	(234,031)	(249,583)
Purchased Water Expense	\$ 1,028,789	\$ 817,441	\$ 625,603	\$ 791,096	\$ 543,661	\$ 1,017,482	\$ 1,116,669	\$ 1,170,368	\$ 675,174	\$ 653,914

Water Purchased from BJWSA Summary (KGals)										
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
All Kgals Purchased from BJWSA	1,240,631	1,003,131	776,286	852,633	538,925	1,125,264	1,039,001	985,829	603,904	638,084
Reclaimed Water Adjustment	-	-	-	-	-	-	-	-	-	-
Broad Creek Purchases	(192,469)	(152,148)	(110,869)	(67,224)	(44,304)	(251,213)	(80,844)	(49,207)	(44,896)	(70,811)
Capitalized Purchased Water	(217,579)	-	-	-	-	-	-	-	-	-
Prepaid Purchased Water Expense	(79,413)	(244,028)	(240,743)	(247,602)	(232,782)	(256,061)	(251,199)	(250,015)	(262,894)	(279,977)
Purchased Water (KGals)	751,170	606,955	424,674	537,807	261,839	617,990	706,958	686,607	296,114	287,296
Total Peak Purchases	623,380	487,874	457,223	437,997	391,043	643,858	590,557	617,696	435,925	442,909
Total Off-peak Purchases	617,251	515,257	319,063	414,636	147,882	481,406	448,444	368,133	167,979	195,175
Total Off-peak and Peak Purchases	1,240,631	1,003,131	776,286	852,633	538,925	1,125,264	1,039,001	985,829	603,904	638,084

BJWSA Rates Per Kgal Summary										
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2020	FY 2021
Rates Charged by BJWSA										
Peak Rate ²	\$ 1.58	\$ 1.58	\$ 1.58	\$ 1.74	\$ 1.76	\$ 1.78	\$ 1.82	\$ 1.86	\$ 1.91	\$ 1.95
Off Peak Rate	\$ 0.79	\$ 0.80	\$ 0.82	\$ 0.84	\$ 0.84	\$ 0.85	\$ 0.86	\$ 0.88	\$ 0.89	\$ 0.90
District Cost/Kgal Prior to Broad Creek Purchases³	\$ 1.19	\$ 1.18	\$ 1.27	\$ 1.30	\$ 1.51	\$ 1.38	\$ 1.41	\$ 1.49	\$ 1.62	\$ 1.61
Effective District Cost/Kgal After Broad Creek Purchases⁴	\$ 1.22	\$ 1.19	\$ 1.23	\$ 1.27	\$ 1.49	\$ 1.41	\$ 1.39	\$ 1.48	\$ 1.63	\$ 1.59

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

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

³ Combined peak and off-peak purchases calculated as all District purchases from BJWSA divided by all Kgals purchased from BJWSA.

⁴ 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.



Hilton Head No. 1 Public Service District

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