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Note 14 - Deferred compensation plans (Continued)

Deferred Outflows/Inflows of Resources

For the year ended June 30, 2026, the District recognized pension expense of $265,637. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 220,069	$ -
Net difference between projected and actual earnings on pension plan investments	-	301,150
Changes in proportion and differences between proportionate share of contributions	223,091	91,689
Assumption changes	55,436	-
District contributions subsequent to the measurement date	612,725	-
Total	$ 1,111,321	$ 392,839

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

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

The $612,725 and $592,189 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date as of June 30, 2026 and 2025, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2027 and 2026, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Note 14 - Deferred compensation plans (Continued)

Deferred Outflows/Inflows of Resources (continued)

As of June 30, 2026			As of June 30, 2025		
Year ended June 30,		Deferred Outflows (Inflows) of Resources	Year ended June 30,		Deferred Outflows (Inflows) of Resources
2026	$	191,966	2025	$	(165,493)
2027	$	42,019	2026	$	105,824
2028	$	(58,800)	2027	$	(32,350)
2029	$	(69,428)	2028	$	(48,275)
2030	$	-	2029	$	-
Thereafter	$	-	Thereafter	$	-

Actuarial Assumptions

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2023.

The total pension liability as of June 30, 2025 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Salary Increases	3.0% to 11.25% (varies by service), including inflation
Investment rate of return	7.00 %, including inflation
Inflation	2.25%
Benefit adjustments	lesser of 1% or $500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020. Assumptions used in the determination of the June 30, 2025, total pension liability are as follows:

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

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Note 14 - Deferred compensation plans (Continued)

Long-term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2025 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	5.87%	2.70%
Bonds	26.0%	3.20%	0.83%
Private Equity [1]	9.0%	8.50%	0.77%
Private Debt[1]	7.0%	7.40%	0.52%
Real Assets	**12.0%**		
Real Estate[1]	9.0%	5.00%	0.45%
Infrastructure[1]	3.0%	7.70%	0.23%
Total Expected Return[2]	100.0%		5.50%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.75%

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Note 14 - Deferred compensation plans (Continued)

Sensitivity Analysis

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

	As of June 30, 2026			As of June 30, 2025		
	1% Decrease (6.0)%	Current Discount Rate (7.0)%	1% Increase (8.0)%	1% Decrease (6.0)%	Current Discount Rate (7.0)%	1% Increase (8.0)%
District's proportionate share of the net pension liability	$ 6,338,517	$ 4,690,533	$ 3,319,162	$ 6,182,721	$ 4,771,034	$ 3,470,982

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 $69,215 and $67,166 to PEBA as of June 30, 2026 and 2025, respectively, representing required employer and employee contributions for the month of June 2026 and 2025, respectively, for the SCRS. These amounts are included in Accrued Payroll & Other Liabilities in the statements of net position and were paid in July 2026 and 2025, respectively.

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Note 15 - Net position

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

	As of June 30, 2026	2025
Net investment in capital assets		
Net property, plant and equipment in service	88,141,773	74,529,658
Less: Debt as disclosed in Notes 7 & 8	(35,398,017)	(38,336,220)
Deferred amount on refunding, net	-	-
Accounts payable for capital assets	(2,804,749)	(2,369,465)
Unspent Bond Construction Proceeds	11,274,839	18,587,904
	61,213,846	52,411,877
Restricted for debt service		
Restricted cash and cash equivalents	12,864,297	20,014,014
Less: Unspent Bond Construction Proceeds	(11,274,839)	(18,587,904)
Less: Accrued Debt Interest Payable	(159,688)	(155,320)
	1,429,770	1,270,790
Unrestricted	18,738,507	16,221,586
Total net position	$ 81,382,123	$ 69,904,253

Note 16 - Restatement of Prior Period Financial Statements

During fiscal year 2026, the District identified errors in the accounting for certain customer connection activities. In prior periods, costs associated with water meters and low-pressure sewer (LPS) pump systems installed as part of new customer service connections were expensed as incurred rather than capitalized and depreciated over their estimated useful lives. Management determined that these assets meet the definition of capital assets because they are owned by the District and are integral components of the District's water and sewer utility systems.

The District also identified an error in the timing of recognition of certain tap fees and capacity fees associated with customer connections financed through the District's front-foot assessment (FFA) program. In prior periods, these fees were generally recognized when assessments were finalized and included in periodic bond issuances rather than when the related customer connections were completed and the District's right to payment was established. Management determined that revenue recognition should occur when the related service connection is completed and capacity is made available to the customer.

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Note 16 - Restatement of Prior Period Financial Statements (continued)

These errors have been corrected through retrospective restatement of the accompanying comparative financial statements. Accordingly, the comparative financial information for the year ended June 30, 2025 has been restated. The correction of these errors resulted in increases to capital assets, assessment receivables, and net position, and changes in the timing of recognition of certain operating revenues and capital contributions.

The District also revised the presentation of customer-owned gravity sewer and water service line activity. Because the District acts primarily as an intermediary in these transactions and does not obtain ownership of the related assets, related reimbursements received from customers and grant programs and contractor costs are now presented net and excluded from operating revenues and operating expenses. This reclassification had no effect on previously reported operating income, change in net position, or net position.

Effect on Beginning Net Position

Net Position, July 1, 2024, as previously reported	$ 60,544,222
Adjustment For:	
Capitalization of water meters and LPS pumps, net of accumulated depreciation	2,429,160
Timing of recognition of tap fees and capacity fees under the front foot assessment program	163,040
Total correction of prior-period errors	2,592,200
Net Position, July 1, 2024, as restated	$ 63,136,422

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Note 16 - Restatement of Prior Period Financial Statements (continued)

Effect on Fiscal Year Ended June 30, 2025

	As Previously Reported	Capitalization of Water Meters and LPS Pumps	FFA Timing Adjustment	Reclass of Gravity Lines - Not PSD Owned	Total Adjustment	Restated
Operating Revenues						
Water Tap In Fees	227,067	-	8,660	-	8,660	235,727
Sewer Connection Fees	188,584	28,530	1,000	(41,310)	(11,780)	176,804
Total Operating Revenues	16,157,596	28,530	9,660	(41,310)	(3,120)	16,154,476
Operating Expenses						
Water Tap In Expenses	178,412	(178,412)	-	-	(178,412)	-
Sewer Connection Expenses	162,378	(121,068)	-	(41,310)	(162,378)	-
Depreciation	5,420,424	391,201	-	-	391,201	5,811,625
Total Operating Expenses	18,543,064	91,721	-	(41,310)	50,411	18,593,475
Capital Contributions						
Water Capacity Fees	47,520	-	10,800	-	10,800	58,320
Sewer Capacity Fees	123,424	-	21,280	-	21,280	144,704
Total Capital Contributions	4,890,544	-	32,080	-	32,080	4,922,624
Change in Net Position	6,789,282	(63,191)	41,740	-	(21,451)	6,767,831
Net Position, beginning of the year	60,544,222	2,429,160	163,040	-	2,592,200	63,136,422
Net Position, end of the year	67,333,504	2,365,969	204,780	-	2,570,749	69,904,253

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REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of the District's South Carolina Retirement System Contributions
For the fiscal year ended June 30, 2026 - Last ten years

	South Carolina Retirement System									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 612,725	$ 592,189	$ 518,900	$ 466,620	$ 424,042	$ 387,521	$ 370,538	$ 352,212	$ 307,158	$ 272,562
Contributions in relation to the contractually required contribution	612,725	592,189	518,900	466,620	424,042	387,521	370,538	352,212	307,158	272,562
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Hilton Head No. 1 PSD's covered payroll	$ 3,328,219	$ 3,216,671	$ 2,818,576	$ 2,680,184	$ 2,584,048	$ 2,514,738	$ 2,404,535	$ 2,444,222	$ 2,290,514	$ 2,388,802
Contributions as a percentage of covered payroll	18.41%	18.41%	18.41%	17.41%	16.41%	15.41%	15.41%	14.41%	13.41%	11.41%

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, 2026 - Last ten years

	South Carolina Retirement System									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Measurement date	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Hilton Head No. 1 PSD's proportion of the net pension liability	0.021706%	0.020345%	0.021017%	0.021504%	0.022032%	0.021345%	0.022686%	0.021859%	0.023369%	0.020752%
Hilton Head No. 1 PSD's proportionate share of the net pension liability	$ 4,690,533	$ 4,771,034	$ 5,081,463	$ 5,213,073	$ 4,767,968	$ 5,454,096	$ 5,180,120	$ 4,897,854	$ 5,260,737	$ 4,432,597
Hilton Head No. 1 PSD's covered payroll	$ 3,216,671	$ 2,818,576	$ 2,680,184	$ 2,584,048	$ 2,514,738	$ 2,404,535	$ 2,444,222	$ 2,290,514	$ 2,388,802	$ 2,037,186
Hilton Head No. 1 PSD's proportionate share of the net pension liability as a percentage of its covered payroll during the measurement period	145.81948%	169.27108%	189.59381%	201.74056%	189.60101%	226.82539%	211.93329%	213.83209%	220.22491%	217.58429%
Plan fiduciary net position as a percentage of the total pension liability	66.20000%	61.80000%	58.60000%	57.10000%	60.70000%	50.70000%	54.40000%	54.10000%	53.30000%	52.90000%

Source - South Carolina Retirement System

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SUPPLEMENTAL FINANCIAL INFORMATION

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HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

Budgetary Comparison Schedule

FOR THE YEAR ENDING JUNE 30, 2026

	Fiscal Year 2026		FY 26 Actual to FY 26 Budget Comparison	
			Dollars	%
Operating Revenues	**Actual**	**Budget**	**Favorable (Unfavorable)**	
Water Service	$ 9,109,511	$ 9,162,500	$ (52,989)	-0.6%
Sewer Service	7,562,775	7,501,000	61,775	0.8%
Tap In Fees - Water	255,904	220,800	35,104	15.9%
Connection Fees - Sewer	410,205	270,000	140,205	51.9%
Golf Course Irrigation	267,249	180,300	86,949	48.2%
Service Fees	24,237	20,100	4,137	20.6%
Other Operating Revenues	52,404	22,300	30,104	135.0%
Total Operating Revenues	17,682,285	17,377,000	305,285	1.8%
Departmental Expenses				
Payroll & Related	5,109,569	5,577,700	468,131	8.4%
Administrative Expenses	1,171,322	1,176,600	5,278	0.4%
Operations	3,734,985	3,613,500	(121,485)	-3.4%
Maintenance	1,493,045	1,665,900	172,855	10.4%
Purchased Water	1,734,145	1,852,700	118,555	6.4%
Professional Fees	113,782	177,000	63,218	35.7%
Total Departmental Expenses	13,356,848	14,063,400	706,552	5.0%
Depreciation	5,958,838	5,550,000	(408,838)	-7.4%
Total Operating Expenses	19,315,686	19,613,400	297,714	1.5%
Operating income (loss)	(1,633,401)	(2,236,400)	602,999	-27.0%
Noncapital Subsidies				
Property taxes-Operations Levy	1,491,612	1,361,000	130,612	9.6%
Total Noncapital Subsidies	1,491,612	1,361,000	130,612	9.6%
Operating Income (Loss) and Noncapital Subsidies	(141,789)	(875,400)	733,611	-83.8%
Other Nonoperating Revenues (Expenses)				
Interest Income	1,471,524	760,600	710,924	93.5%
Tower Lease Income	619,132	615,900	3,232	0.5%
Interest Income - Leases	34,507	34,500	7	0.0%
Rental Income	89,481	89,400	81	0.1%
Property taxes-G.O. Debt Levy	2,373,975	2,177,000	196,975	9.0%
Gain (Loss) on disposal of equipment	42,754	15,000	27,754	185.0%
Interest expense	(995,234)	(993,000)	2,234	0.2%
Bond Issuance Costs	(52,427)	(45,000)	7,427	16.5%
Water Capacity Fees	280,440	114,000	166,440	146.0%
Sewer Capacity Fees	436,704	156,000	280,704	179.9%
Capital Grant Income	6,587,241	6,500,000	87,241	1.3%
Front-Foot Assessment Contributions	398,728	-	398,728	100.0%
Capital Contributions	332,834	-	332,834	0.0%
Total Other Nonoperating Revenues (Expenses)	11,619,659	9,424,400	2,195,259	23.3%
Increase (decrease) in net position	$ 11,477,870	$ 8,549,000	$ 2,928,870	34.3%

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Notes to Budgetary Comparison Schedule

Budgetary Highlights

Operating Revenues: Actual operating revenues are $17,682,285 versus budgeted operating revenues of $17,377,000 which results in a variance of $305,285 or 1.8% over budget. The following is a summary of material/selected variances[1] for the Operating Revenue categories:

- Water Service revenues are under budget by $52,989 or 0.6% and Sewer Service revenues are over budget by $61,775 or 0.8%. The District billed 1.979 billion gallons during FY 2026 compared to 2.031 billion gallons billed during FY 2025 despite continued customer growth. Sewer service revenues are not as adversely affected by reduced consumption due to the residential sewer cap.
- Connection Fees – Sewer are over budget by $140,205 or 51.9%. This is primarily related to more Low Pressure Sewer connections than expected which may be partially attributed to the front foot assessment sewer LPS collector main project completed in FY 2026.

Total Operating Expenses: Total operating expenses are $297,714 or 1.5% under budget. The following is a summary of material/selected variances for the Operating Expenses categories:

- Payroll & Related is under budget by $468,131 or 8.4% mainly due to the GASB year-end net pension adjustment to bring pension expense to the SC PEBA actuarially determined amount. Without this $347,088 non-cash adjustment, payroll expense would have been under budget by around $120,000 mostly due to the timing of filling open positions.
- Operations is over budget by $121,485 or 3.4% which is mainly related to fuel and power expense. The January 2025 rate increase from the District's electricity provider had a larger impact than anticipated. Additionally, the District's own rate increase influenced this line item as more water was used at the District's treatment plant for maintenance activities in FY 2026 than FY 2025.
- Maintenance is under budget by $172,855 or 10.4% which was related to lower lift station maintenance and well maintenance than budgeted. District staff spent less time in these areas than anticipated during FY 2026 while the large scale grant and FFA projects were progressing.
- Purchased Water is under budget by $118,555 or 6.4% due to less water purchased related to lower billed water consumption.
- Depreciation is over budget primarily due to depreciation on the new customer meter and LPS installation capital assets that were added as a part of the restatement of prior period financial statements described in Note 16 to the financial statements. The correction was not budgeted.

Noncapital Subsidies: Property taxes – Operations came in more than budgeted due to a higher value of a mill than anticipated. Beaufort County had not provided an updated value of a mill at the time of budget preparation so an estimate of the current value with a small inflation component was used which amounted to around $453,500. Based on year end operating results, it appears the actual value was around $494,000.

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

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Other Nonoperating Revenues and Expenses: Actual total other nonoperating revenues (expenses) are $11,619,659 versus budgeted other nonoperating revenues (expenses) of $9,424,400 which results in a variance of $2,195,259 or 23.3% over budget. The following is a summary of material/selected variances for the other nonoperating revenue and expense categories:

- Interest Income was $710,924 over budget in line with continued higher market interest rates. Staff endeavors to keep all cash not needed for current operations in the SC Local Government Investment Pool (LGIP); while interest rates have been declining, the LGIP still is seeing rates over 3.75%. Interest was conservatively budgeted at 3.25%.

- Property taxes – GO came in more than budgeted due to a higher value of a mill than anticipated as previously discussed under noncapital subsidies.

- Capacity fees came in over budget due to the receipt of a large scale developer capacity fee payment during the second quarter of the fiscal year. The District conservatively does not budget for large scale capacity fee projects as their timing is unpredictable and anticipated projects can fall through.

- Assessment income related to the Old House Creek collector main project was recognized which is not a budgeted item.

- Capital contributions consists mainly of a noncash contribution of water and sewer infrastructure from a large-scale development project which was not a budgeted item.

The change in net position for the period was $11,477,870, which was $2,928,870 higher than the budgeted change in net position of $8,549,000. Operating income exceeded budget by $602,999 with higher operations expense than budgeted being more than offset by the other operating expense categories and operating revenues. On the nonoperating side, interest earnings remain stronger than budgeted, a large capacity fee payment was received, and property tax collections came in stronger than budgeted. Additionally, a large developer contribution of systems was received and the Old House Creek collector main assessment was recognized.

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HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

Summary Schedule of Debt

JUNE 30, 2026

Description	Rate	6/30/2024	Addition	Reduction	6/30/2025	Addition	Reduction	6/30/2026	Current
Revenue Bonds - DBP									
Series 2017A	2.69%	298,244	-	(33,909)	264,335	-	(34,823)	229,512	35,759
Series 2020B	1.21%	11,280,000	-	(1,245,000)	10,035,000	-	(2,085,000)	7,950,000	2,105,000
Series 2020C	0.94%	850,000	-	(850,000)	-	-	-	-	-
Series 2023	4.15%	221,851	-	(16,323)	205,528	-	(17,000)	188,528	17,705
Series 2026	4.25%	-	-	-	-	750,000	-	750,000	54,000
Total Revenue Bonds - DBP		12,650,095	-	(2,145,232)	10,504,863	750,000	(2,136,823)	9,118,040	2,212,464
Notes Payable - Revenue/Other - DBP									
SIRF Series 2014 Revenue Bonds	1.00%	1,786,582	-	(144,020)	1,642,562	-	(145,466)	1,497,096	146,926
Total Notes Payable - Revenue/Other		1,786,582	-	(144,020)	1,642,562	-	(145,466)	1,497,096	146,926
Total Revenue /Other Debt		14,436,677			12,147,425			10,615,136	
General Obligation Bonds - DBP									
Series 2020	1.25%	4,470,000	-	(1,245,000)	3,225,000	-	(1,300,000)	1,925,000	1,355,000
Series 2024B	3.65%	-	20,400,000	-	20,400,000	-	-	20,400,000	-
Total General Obligation Bonds - DBP		4,470,000	20,400,000	(1,245,000)	23,625,000	-	(1,300,000)	22,325,000	1,355,000
Notes Payable General Obligation - DBP									
SRF Series 2024A General Obligation Bonds	2.10%	-	2,589,929	(26,134)	2,563,795	-	(105,914)	2,457,881	108,156
Total Notes Payable - General Obligation		-	2,589,929	(26,134)	2,563,795	-	(105,914)	2,457,881	108,156
Total General Obligation Debt		4,470,000			26,188,795			24,782,881	
Finance Purchase Liabilities	Various	80,921	-	(80,921)	-	-	-	-	-
Total Long-Term Debt Liability		18,987,598	22,989,929	(3,641,307)	38,336,220	750,000	(3,688,203)	35,398,017	3,822,546
Less current portion		(3,615,174)			(3,688,203)			(3,822,546)	
Total Long Term Debt		**$ 15,372,424**			**$ 34,648,017**			**$ 31,575,471**	

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HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT

Schedule of Bond & Note Principal and Interest Payments

JUNE 30, 2026

For the Year ending June 30,	$515,000 Revenue Bond 2017 A Dated August 21, 2017		$14,925,000 Revenue Bond 2020 B Dated November 2, 2020		$9,910,000 GO Bond Dated November 2, 2020		$235,000 Revenue Bond 2023 FFA Dated Feb 24, 2023		$20,400,000 GO Bond 2024 B Dated November 5, 2024		$750,000 Revenue Bond 2026 FFA Dated Feb 27, 2026		BOND TOTALS		
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Total Interest	Total Principal	Total
2027	6,174	35,759	96,194	2,105,000	24,062	1,355,000	7,824	17,705	744,600	-	40,198	54,000	919,052	3,567,464	4,486,516
2028	5,212	36,721	70,725	2,135,000	7,125	570,000	7,089	18,440	744,600	343,000	29,580	65,000	864,331	3,168,161	4,032,492
2029	4,224	37,709	44,891	1,880,000	-	-	6,324	19,205	732,080	940,000	26,818	68,000	814,337	2,944,914	3,759,251
2030	3,210	38,723	22,143	1,830,000	-	-	5,527	20,003	697,770	975,000	23,927	71,000	752,577	2,934,726	3,687,303
2031	2,168	39,765	-	-	-	-	4,697	20,833	662,183	1,011,000	20,910	74,000	689,958	1,145,598	1,835,556
2032	1,098	40,835	-	-	-	-	3,832	21,697	625,282	1,049,000	17,765	77,000	647,977	1,188,532	1,836,509
2033	-	-	-	-	-	-	2,932	22,598	586,993	1,088,000	14,493	80,000	604,418	1,190,598	1,795,016
2034	-	-	-	-	-	-	1,994	23,535	547,281	1,128,000	11,092	83,000	560,367	1,234,535	1,794,902
2035	-	-	-	-	-	-	1,017	24,512	506,109	1,170,000	7,565	87,000	514,691	1,281,512	1,796,203
2036	-	-	-	-	-	-	-	-	463,404	1,214,000	3,867	91,000	467,271	1,305,000	1,772,271
2037	-	-	-	-	-	-	-	-	419,093	1,259,000	-	-	419,093	1,259,000	1,678,093
2038	-	-	-	-	-	-	-	-	373,140	1,305,000	-	-	373,140	1,305,000	1,678,140
2039	-	-	-	-	-	-	-	-	325,507	1,354,000	-	-	325,507	1,354,000	1,679,507
2040	-	-	-	-	-	-	-	-	276,086	1,404,000	-	-	276,086	1,404,000	1,680,086
2041	-	-	-	-	-	-	-	-	224,840	1,457,000	-	-	224,840	1,457,000	1,681,840
2042	-	-	-	-	-	-	-	-	171,660	1,511,000	-	-	171,660	1,511,000	1,682,660
2043	-	-	-	-	-	-	-	-	116,508	1,567,000	-	-	116,508	1,567,000	1,683,508
2044	-	-	-	-	-	-	-	-	59,312	1,625,000	-	-	59,312	1,625,000	1,684,312
2045	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	$ 22,086	$ 229,512	$ 233,953	$ 7,950,000	$ 31,187	$ 1,925,000	$ 41,236	$ 188,528	$ 8,276,448	$ 20,400,000	$ 196,215	$ 750,000	$ 8,801,125	$ 31,443,040	$ 40,244,165
Current		$ (35,759)		$ (2,105,000)		$ (1,355,000)		$ (17,705)		$ -		$ (54,000)		$ (3,567,464)	
Noncurrent		$ 193,753		$ 5,845,000		$ 570,000		$ 170,823		$ 20,400,000		$ 696,000		$ 27,875,576	

For the Year ending June 30,	$2,921,430 SRF Revenue Note 2014 Dated July 23, 2014		$2,589,929 SRF GO Note 2024A Dated August 30, 2024		NOTE TOTALS			BOND & NOTE TOTALS		
	Interest	Principal	Interest	Principal	Total Interest	Total Principal	Total	Total Interest	Total Principal	Total
2027	14,421	146,926	50,767	108,156	65,188	255,082	320,270	984,240	3,822,546	4,806,786
2028	12,946	148,401	48,478	110,445	61,424	258,846	320,270	925,755	3,427,007	4,352,762
2029	11,457	149,890	46,141	112,783	57,598	262,673	320,271	871,935	3,207,587	4,079,522
2030	9,952	151,395	43,753	115,170	53,705	266,565	320,270	806,282	3,201,291	4,007,573
2031	8,433	152,914	41,316	117,608	49,749	270,522	320,271	739,707	1,416,120	2,155,827
2032	6,898	154,449	38,826	120,097	45,724	274,546	320,270	693,701	1,463,078	2,156,779
2033	5,347	156,000	36,285	122,639	41,632	278,639	320,271	646,050	1,469,237	2,115,287
2034	3,782	157,566	33,689	125,235	37,471	282,801	320,272	597,838	1,517,336	2,115,174
2035	2,200	159,147	31,038	127,885	33,238	287,032	320,270	547,929	1,568,544	2,116,473
2036	603	120,408	28,331	130,592	28,934	251,000	279,934	496,205	1,556,000	2,052,205
2037	-	-	25,567	133,356	25,567	133,356	158,923	444,660	1,392,356	1,837,016
2038	-	-	22,744	136,179	22,744	136,179	158,923	395,884	1,441,179	1,837,063
2039	-	-	19,862	139,061	19,862	139,061	158,923	345,369	1,493,061	1,838,430
2040	-	-	16,919	142,005	16,919	142,005	158,924	293,005	1,546,005	1,839,010
2041	-	-	13,913	145,010	13,913	145,010	158,923	238,753	1,602,010	1,840,763
2042	-	-	10,844	148,080	10,844	148,080	158,924	182,504	1,659,080	1,841,584
2043	-	-	7,710	151,214	7,710	151,214	158,924	124,218	1,718,214	1,842,432
2044	-	-	4,509	154,414	4,509	154,414	158,923	63,821	1,779,414	1,843,235
2045	-	-	1,241	117,952	1,241	117,952	119,193	1,241	117,952	119,193
	$ 76,039	$ 1,497,096	$ 521,933	$ 2,457,881	$ 597,972	$ 3,954,977	$ 4,552,949	$ 9,399,097	$ 35,398,017	$ 44,797,114
Current		$ (146,926)		$ (108,156)		$ (255,082)			$ (3,822,546)	
Noncurrent		$ 1,350,170		$ 2,349,725		$ 3,699,895			$ 31,575,471	

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STATISTICAL SECTION

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Statistical Section

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

Statistical Section Table of Contents

	Pages
Financial Trends *These schedules contain trend information to help the reader understand how the District's financial performance and position have changed over time*	79-82
Revenue Capacity *These schedules contain information identifying the factors affecting the District's ability to generate revenue*	83-88
Debt Capacity *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*	89-92
Demographic and Economic Information *These schedules offer demographic and economic indicators showing the environment in which the District operates*	93-94
Other Operational and Capital Information *These schedules contain operational, capital, and service information to convey how the District's financial reports relate to its service*	95-98

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Financial Trends

Statements of Revenues, Expenses, and Debt Service per Bond Covenants[2,3]

Last Ten Fiscal Years

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Revenues										
Water Service	$6,680,175	$6,586,002	$7,148,606	$7,735,802	$7,746,340	$7,817,334	$7,774,846	$8,020,935	$8,718,132	$9,109,511
Sewer Service	5,143,168	5,226,965	5,408,090	5,719,313	5,852,395	6,013,685	6,051,117	6,295,468	6,760,202	7,562,775
Water Tap In Fees	137,423	213,517	180,487	240,179	247,227	214,342	239,996	159,173	235,727	255,904
Sewer Connection Fees	219,483	229,355	278,737	242,418	212,488	216,469	344,630	420,091	176,804	410,205
Availability Fees	506,930	491,474	445,190	452,602	420,187	27,279	-	-	-	-
Golf Course Irrigation	284,937	175,015	182,516	155,676	207,233	155,994	167,553	218,906	194,753	267,249
Service Fees	29,105	34,059	38,391	23,015	14,662	26,118	19,913	20,908	19,281	24,237
Disaster Recovery, net	58,691	115,466	3,942	86,502	44,828	7,854	1,700	6,000	22,882	-
Other Operating Revenues	28,676	53,566	48,280	91,432	265,862	51,993	90,287	29,628	26,695	52,404
Total Operating Revenues	$13,088,589	$13,125,419	$13,734,239	$14,746,939	$15,011,222	$14,531,068	$14,690,042	$15,171,109	$16,154,476	$17,682,285
Operating Expenses										
Payroll and Related Expenses	$3,689,699	$3,951,862	$3,889,589	$4,062,153	$4,203,335	$3,952,377	$4,251,569	$4,669,436	$4,960,426	$5,109,569
Administrative Expenses	877,410	961,211	957,919	1,006,662	1,020,574	1,026,137	1,091,603	1,028,890	1,061,189	1,171,322
Operations Expenses	2,509,332	2,570,764	2,500,471	2,608,108	2,657,074	2,865,270	3,259,419	3,284,179	3,551,136	3,734,985
Maintenance Expenses	1,163,384	1,450,531	1,416,172	1,216,813	1,322,787	1,529,491	1,409,057	1,505,505	1,380,618	1,493,045
Purchased Water	1,238,997	1,343,588	1,387,939	892,181	899,685	1,031,270	1,004,551	1,061,550	1,646,103	1,734,145
Water Tap In Expenses	191,120	216,109	171,891	152,870	171,909	166,639	173,700	109,607	-	-
Sewer Connection Expenses	174,722	221,696	247,232	215,867	200,934	198,236	325,863	402,999	-	-
Professional Fees	99,701	146,084	127,011	342,116	203,678	248,636	287,305	126,256	182,378	113,782
Depreciation	4,576,123	4,733,613	4,946,397	5,044,727	5,188,028	5,142,783	5,140,534	5,215,476	5,811,625	5,958,838
Total Operating Expenses	$14,520,488	$15,595,458	$15,644,621	$15,541,497	$15,868,004	$16,160,839	$16,943,601	$17,403,898	$18,593,475	$19,315,686
Operating Income (Loss)	(1,431,900)	(2,470,039)	(1,910,382)	(794,558)	(856,782)	(1,629,771)	(2,253,559)	(2,232,789)	(2,438,999)	(1,633,401)
Noncapital Subsidies										
Property Taxes-Operations Levy	$ 973,607	$ 984,296	$ 1,011,176	$ 1,034,553	$ 1,071,896	$ 1,086,204	$ 1,155,522	$ 1,305,973	$ 1,372,970	$ 1,491,612
Operating Income (Loss) and Noncapital Subsidies	$ (458,292)	$ (1,485,743)	$ (899,206)	$ 239,995	$ 215,114	$ (543,567)	$ (1,098,037)	$ (926,816)	$ (1,066,029)	$ (141,789)
Other Nonoperating Revenues (Expenses)										
Interest Income	$ 99,041	$ 108,346	$ 156,389	$ 184,093	$ 102,306	$ 109,605	$ 604,314	$ 900,541	$ 1,458,176	$ 1,471,524
Tower Leases Income	531,964	462,986	485,678	625,067	537,442	571,437	584,104	598,399	614,001	619,132
Interest Income - Leases	-	-	-	-	15,992	18,881	33,092	32,368	32,057	34,507
Rental Income	79,115	79,068	79,757	79,758	78,156	83,965	86,094	87,674	88,564	89,481
Gain (Loss) on Disposal	3,500	95,716	15,000	-	2,500	38,540	49,240	34,205	(19,820)	42,754
Bond Issuance Costs	-	(69,609)	-	(42,056)	(225,650)	-	(37,500)	-	(175,243)	(52,427)
Amortization of Bond Costs	(256,428)	(256,428)	(256,428)	(256,428)	(265,132)	(325,462)	(325,462)	(325,462)	(209,177)	-
Interest Expense	(1,091,811)	(1,030,789)	(941,525)	(841,047)	(511,229)	(350,625)	(312,317)	(277,038)	(755,068)	(995,234)
Property Taxes-Debt Service	1,403,497	1,441,325	1,371,933	1,414,091	1,499,844	1,522,142	1,583,535	1,793,252	1,877,746	2,373,975
Capacity Fees	565,093	565,672	878,264	864,478	1,157,787	1,396,743	356,520	1,381,832	203,024	717,144
Capital Grant Income	-	-	-	-	-	-	-	-	4,497,100	6,587,241
Front-Foot Assessment Contributions	-	410,246	-	-	-	-	-	-	-	398,728
Capital Contributions	1,769,319	4,476,201	2,335,305	1,664,012	-	494,675	126,046	863,172	222,500	332,834
Total Other Nonoperating Revenues (Expenses)	$ 3,103,290	$ 6,282,732	$ 4,124,373	$ 3,691,968	$ 2,392,016	$ 3,559,901	$ 2,747,666	$ 5,088,943	$ 7,833,860	$ 11,619,659
Increase (decrease) in Net Position	$ 2,644,998	$ 4,796,990	$ 3,225,167	$ 3,931,963	$ 2,607,130	$ 3,016,334	$ 1,649,629	$ 4,162,127	$ 6,767,831	$ 11,477,870
Add: Depreciation	4,576,123	4,733,613	4,946,397	5,044,727	5,188,028	5,142,783	5,140,534	5,215,476	5,811,625	5,958,838
Net Pension Expense	251,759	514,614	382,374	560,016	613,324	290,852	408,173	406,321	390,434	265,637
SCRS Retirement Contributions	(272,562)	(307,158)	(352,212)	(367,120)	(387,521)	(424,042)	(466,620)	(518,900)	(592,189)	(612,725)
Amortization	247,787	256,428	256,428	256,428	265,132	325,462	325,462	325,462	209,177	-
Bond Issuance Costs	-	69,609	-	42,056	225,650	-	37,500	-	175,243	52,427
Interest Expense (Bonds)	1,100,452	1,030,789	941,525	841,047	509,935	347,001	308,748	273,469	752,731	995,234
Assessments - Debt Service	157,973	190,300	190,184	188,409	200,485	209,221	222,184	237,137	198,668	277,956
Less: Property Taxes – Debt Service	(1,403,497)	(1,441,325)	(1,371,933)	(1,414,091)	(1,499,844)	(1,522,142)	(1,583,535)	(1,793,252)	(1,877,746)	(2,373,975)
Capital Grant Income	-	-	-	-	-	-	-	-	(4,497,100)	(6,587,241)
Front Foot Assessment Contributions	-	(410,246)	-	-	-	-	-	-	-	(398,728)
Capital Contributions	(1,769,319)	(4,476,201)	(2,335,305)	(1,664,012)	-	(494,675)	(126,046)	(863,172)	(222,500)	(332,834)
Net Earnings Available for Debt Service	$ 5,533,714	$ 4,957,414	$ 5,882,625	$ 7,419,423	$ 7,722,320	$ 6,890,793	$ 5,916,029	$ 7,444,668	$ 7,116,174	$ 8,722,459
Debt Service on Revenue Bonds	$3,923,462	$4,008,312	$4,040,662	$4,048,243	$2,686,001	$2,440,269	$2,437,980	$2,461,000	$2,468,287	$2,435,233
Required per Bond Covenants (120%)	**120%**	**120%**	**120%**	**120%**	**120%**	**120%**	**120%**	**120%**	**120%**	**120%**
Coverage of Debt Service by Net Earnings	**141%**	**124%**	**146%**	**183%**	**288%**	**282%**	**243%**	**303%**	**288%**	**358%**
Debt Coverage without Capacity Fees	**127%**	**110%**	**124%**	**162%**	**244%**	**225%**	**228%**	**246%**	**280%**	**329%**

[2] Please note that fiscal years 2022 and onward reflect implementation of GASB 87.

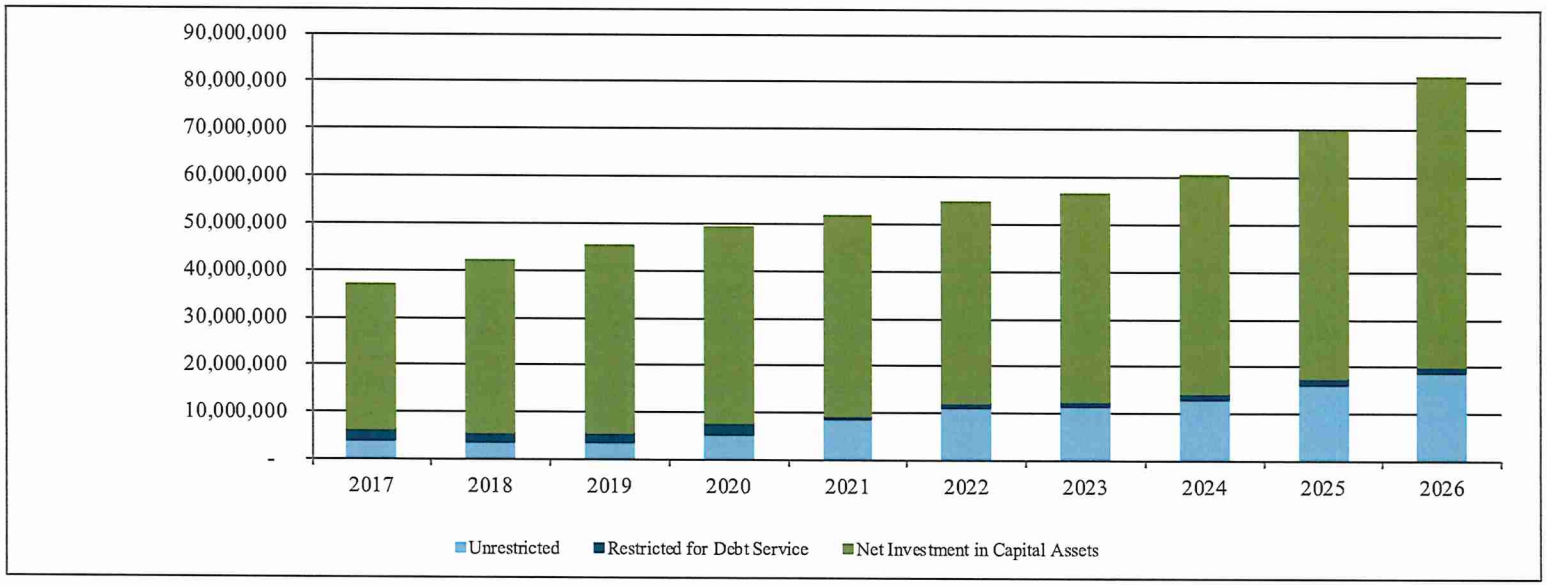
[3] Fiscal year 2025 amounts were restated for the correction of errors described in Note 16 to the financial statements. Amounts for fiscal years 2024 and prior are presented as originally reported because restatement of those periods was not practicable.

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Schedule of Changes in Net Position[4][5]

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Income (Loss from operations)	$ (1,431,900)	$ (2,470,039)	$ (1,910,382)	$ (794,558)	$ (856,782)	$ (1,629,771)	$ (2,253,559)	$ (2,232,789)	$ (2,438,999)	$ (1,633,401)
Noncapital Subsidies	973,607	984,296	1,011,176	1,034,553	1,071,896	1,086,204	1,155,522	1,305,973	1,372,970	1,491,612
Total Other Nonoperating Revenues (Expenses)	3,103,290	6,282,732	4,124,373	3,691,968	2,392,016	3,559,901	2,747,666	5,088,943	7,833,860	11,619,659
Changes in net position	2,644,998	4,796,990	3,225,167	3,931,963	2,607,130	3,016,334	1,649,629	4,162,127	6,767,831	11,477,870
Cumulative restatement for correction of an error									2,592,200	
Net position at beginning of year, as previously reported									60,544,222	
Net position at beginning of year, as restated	34,509,883	37,154,881	41,951,871	45,177,038	49,109,001	51,716,131	54,732,465	56,382,095	63,136,422	69,904,253
Net position at end of year	$ 37,154,881	$ 41,951,871	$ 45,177,038	$ 49,109,001	$ 51,716,131	$ 54,732,465	$ 56,382,095	$ 60,544,222	$ 69,904,253	$ 81,382,123

Net Position at End of Year



[4] Please note that fiscal years 2022 and onward reflect implementation of GASB 87.

[5] Fiscal year 2025 amounts were restated for the correction of errors described in Note 16 to the financial statements. Amounts for fiscal years 2024 and prior are presented as originally reported because restatement of those periods was not practicable.

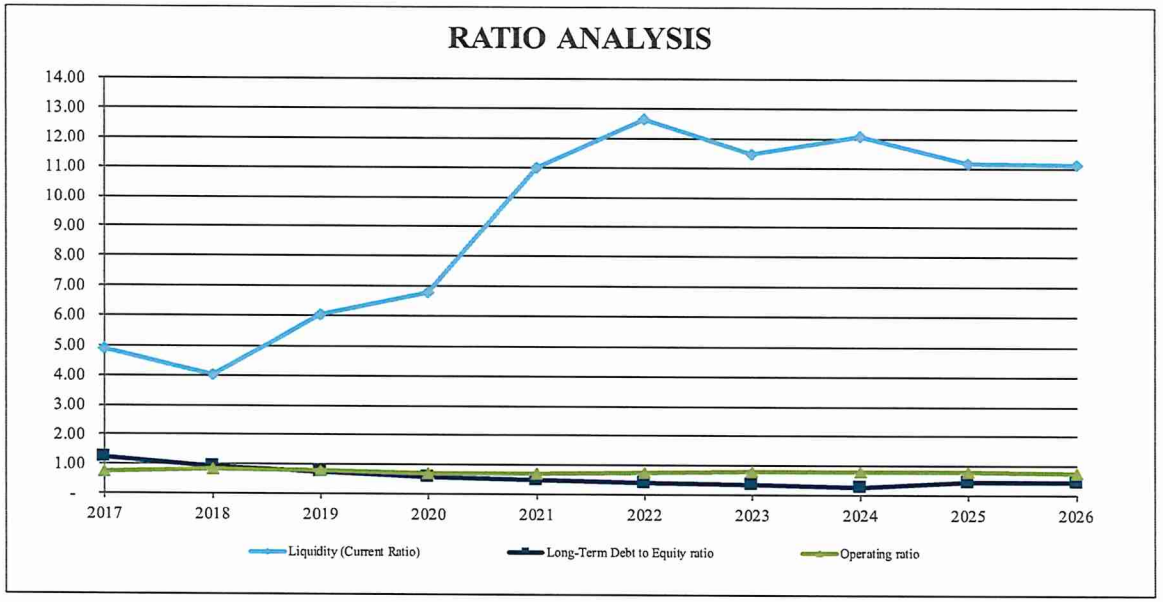
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Net Position by Component[6]

Net position	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Net investment in capital assets	$30,631,424	$36,023,464	$39,248,405	$41,211,563	$42,457,546	$42,602,561	$43,634,968	$46,323,932	$52,411,877	$ 61,213,846
Restricted for debt service	2,406,220	2,425,274	2,412,700	2,570,882	680,403	887,721	1,161,690	1,301,824	1,270,790	1,429,770
Unrestricted	4,117,237	3,503,133	3,515,933	5,326,556	8,578,182	11,242,183	11,585,437	12,918,466	16,221,586	18,738,507
Net position	$37,154,881	$41,951,871	$45,177,038	$49,109,001	$51,716,131	$54,732,465	$56,382,095	$60,544,222	$69,904,253	$ 81,382,123

Ratio Analysis

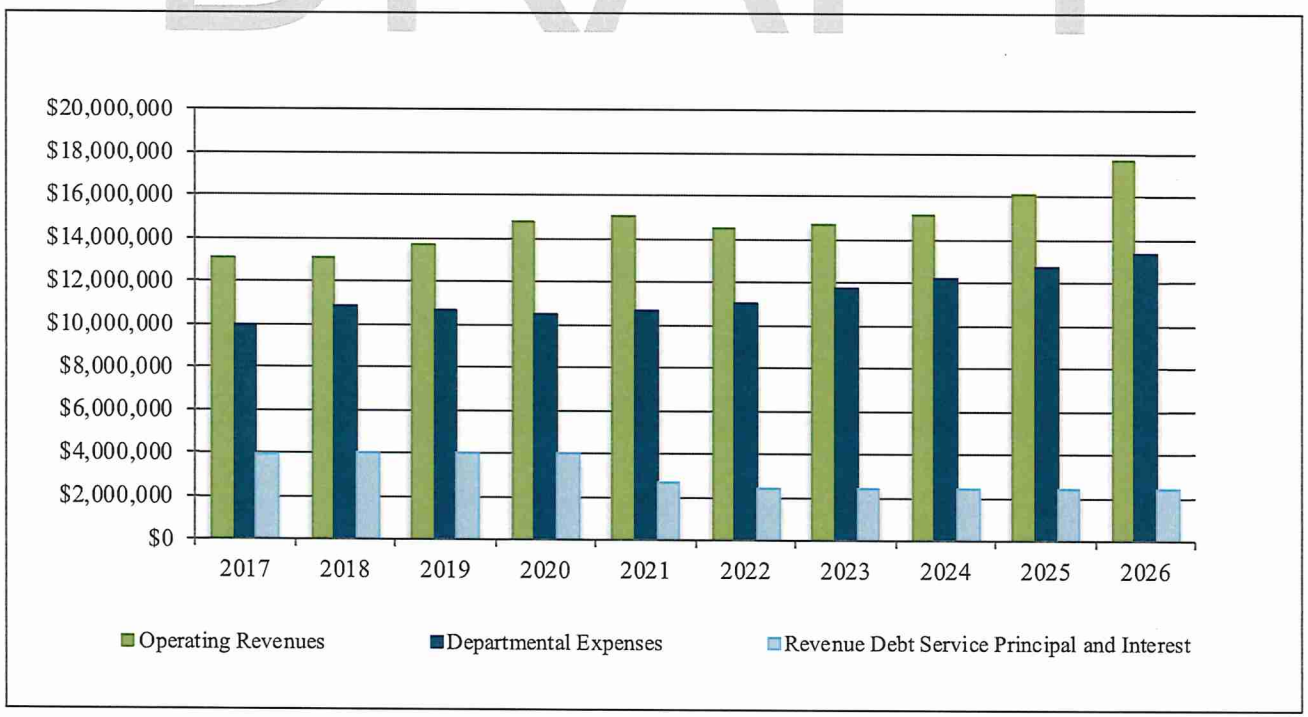
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Liquidity (Current Ratio)	4.89	4.05	6.05	6.79	10.97	12.65	11.48	12.08	11.16	11.11
Long-Term Debt to Equity ratio	1.22	0.90	0.74	0.59	0.51	0.41	0.34	0.25	0.50	0.39
Operating ratio	0.76	0.83	0.78	0.71	0.71	0.76	0.80	0.80	0.79	0.76



[6] Fiscal year 2025 amounts were restated for the correction of errors described in Note 16 to the financial statements. Amounts for fiscal years 2024 and prior are presented as originally reported because restatement of those periods was not practicable.

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Operating Revenues, Expenses Excluding Depreciation, and Revenue Debt Service (P&I)[7]



[7] Fiscal year 2025 amounts were restated for the correction of errors described in Note 16 to the financial statements. Amounts for fiscal years 2024 and prior are presented as originally reported because restatement of those periods was not practicable.

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Revenue Capacity

Customer (EDU) Statistics at Fiscal Year-End[8]

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

Year	Water	Percent Increase	Wastewater	Percent Increase	Ratio of Customers with Both Services
2017	17,076	1.0%	15,961	1.3%	93.47%
2018	17,345	1.6%	16,258	1.9%	93.73%
2019	17,503	0.9%	16,473	1.3%	94.12%
2020	17,693	1.1%	16,693	1.3%	94.35%
2021	18,033	1.9%	17,075	2.3%	94.69%
2022	18,424	2.2%	17,566	2.9%	95.34%
2023	18,549	0.7%	17,726	0.9%	95.56%
2024	18,653	0.6%	17,863	0.8%	95.76%
2025	18,805	0.8%	18,049	1.0%	95.98%
2026	**19,074**	**1.4%**	**18,353**	**1.7%**	**96.22%**

Water & Irrigation Customer (EDU) Statistics at Fiscal Year-End

Water & Irrigation Customer Growth at Fiscal Year-end

Year	Residential	Master Metered Residential	Commercial	Total	Percent Increase
2017	11,226	4,907	2,022	18,155	1.00%
2018	11,492	4,907	2,029	18,428	1.50%
2019	11,627	4,907	2,054	18,588	0.87%
2020	11,812	4,907	2,064	18,783	1.05%
2021	12,186	4,907	2,026	19,119	1.79%
2022	12,073	5,397	2,054	19,524	2.12%
2023	12,158	5,400	2,098	19,656	0.68%
2024	12,249	5,399	2,118	19,766	0.56%
2025	12,401	5,403	2,122	19,926	0.81%
2026	**12,511**	**5,557**	**2,136**	**20,204**	**1.40%**

Wastewater Customer (EDU) Statistics at Fiscal Year-End

Wastewater Customer Growth at Fiscal Year-end

Year	Residential	Master Metered Residential	Commercial	Total	Percent Increase
2017	9,588	4,907	1,466	15,961	1.29%
2018	9,882	4,907	1,469	16,258	1.86%
2019	10,097	4,907	1,469	16,473	1.32%
2020	10,311	4,907	1,475	16,693	1.34%
2021	10,699	4,907	1,469	17,075	2.29%
2022	10,739	5,351	1,476	17,566	2.88%
2023	10,859	5,354	1,513	17,726	0.91%
2024	10,976	5,353	1,534	17,863	0.77%
2025	11,147	5,357	1,545	18,049	1.04%
2026	**11,293**	**5,511**	**1,549**	**18,353**	**1.68%**

[8] These totals do not include irrigation meters.

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

Reported in kgals (thousands of gallons)

Year	Just Water Meters	Percent Increase	Wastewater	% Inc
2017	1,819,663	23.3%	1,573,203	23.4%
2018	1,640,939	-9.8%	1,402,469	-10.9%
2019	1,680,080	2.4%	1,474,373	5.1%
2020	1,740,042	3.6%	1,526,212	3.5%
2021	1,789,282	2.8%	1,582,591	3.7%
2022	1,786,118	-0.2%	1,595,976	0.8%
2023	1,692,614	-5.2%	1,532,388	-4.0%
2024	1,644,421	-2.8%	1,511,998	-1.3%
2025	1,756,852	6.8%	1,594,622	5.5%
2026	**1,737,945**	**-1.1%**	**1,546,341**	**-3.0%**

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

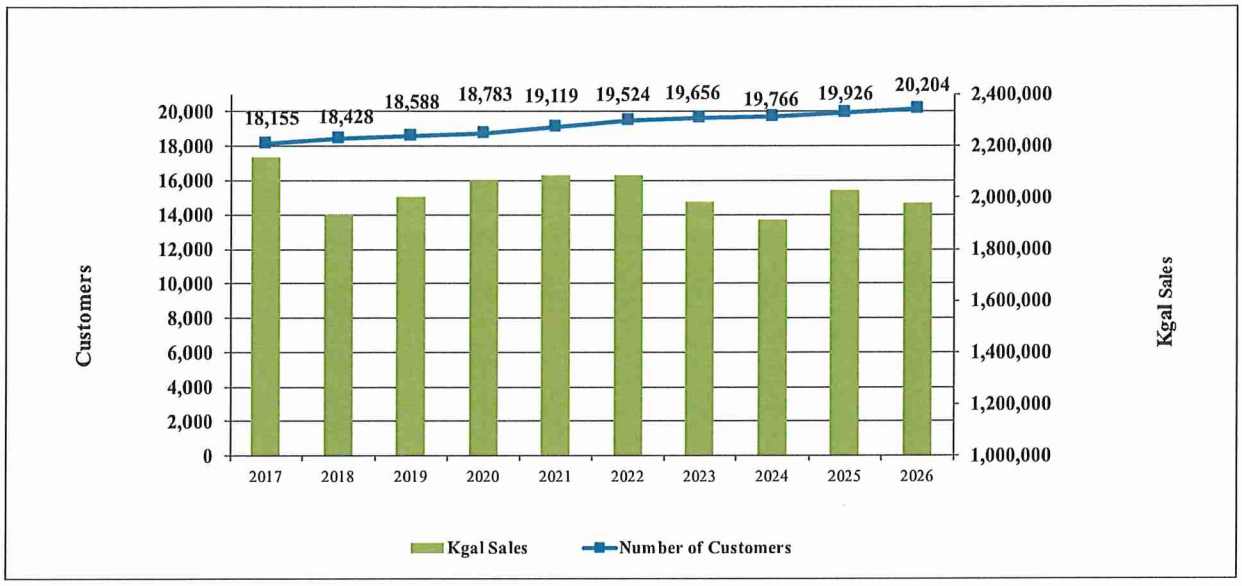
Reported in kgals (thousands of gallons)

Year	Water & Irrigation Meters	Percent Increase	Wastewater	% Inc
2017	2,159,321	25.2%	1,573,203	23.4%
2018	1,933,031	-10.5%	1,402,469	-10.9%
2019	2,006,513	3.8%	1,474,373	5.1%
2020	2,068,280	3.1%	1,526,212	3.5%
2021	2,087,714	0.9%	1,582,591	3.7%
2022	2,087,003	0.0%	1,595,976	0.8%
2023	1,986,576	-4.8%	1,532,388	-4.0%
2024	1,915,867	-3.6%	1,511,998	-1.3%
2025	2,031,048	6.0%	1,594,622	5.5%
2026	**1,978,866**	**-2.6%**	**1,546,341**	**-3.0%**

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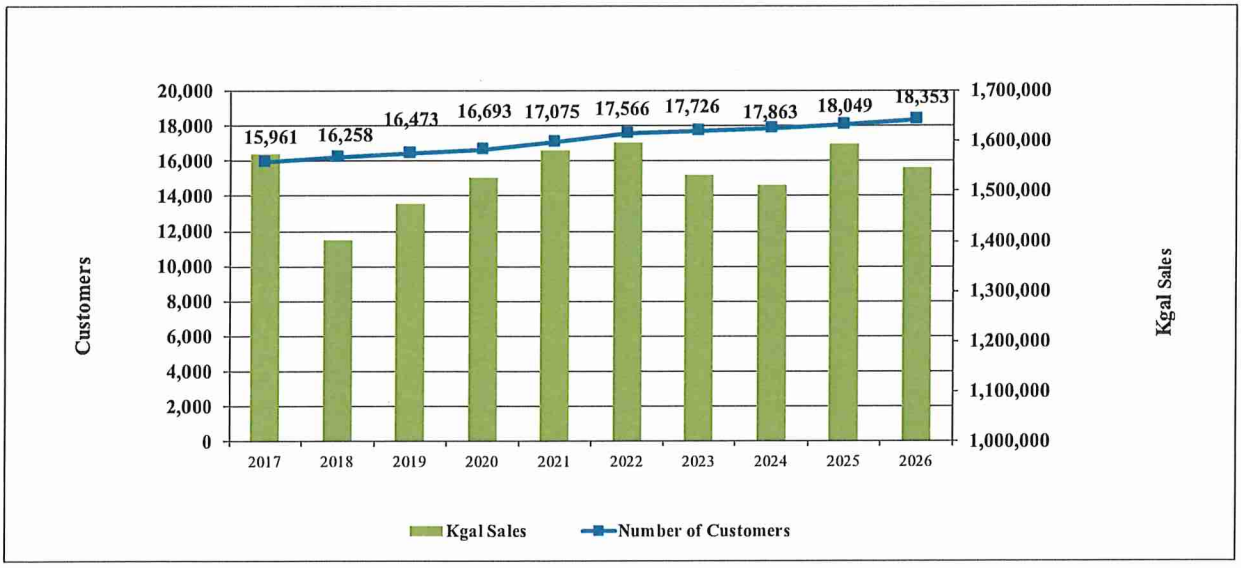
Water/Irrigation Customers vs. Water/Irrigation Kgal Sales

Last Ten Fiscal Years



Sewer Customers vs. Wastewater Kgal Sales

Last Ten Fiscal Years



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Water and Wastewater Rate Comparisons

Water Rate Comparison

Effective Date

		FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25	FY'26
Residential Water	Base Charge	$ 14.00	$ 14.00	$ 15.50	$ 16.50	$ 16.50	$ 16.50	$ 16.50	$ 16.50	$ 17.50	$ 18.25
	First 10,000 Gallons	$ 1.40	$ 1.40	$ 1.40	$ 1.47	$ 1.47	$ 1.47	$ 1.47	$ 1.52	$ 1.58	$ 1.69
	Next 10,001 to 20,000 gallons	$ 1.71	$ 1.71	$ 1.72	$ 1.82	$ 1.82	$ 1.82	$ 1.91	$ 2.11	$ 2.24	$ 2.37
	Next 20,001 to 30,000 gallons	$ 2.20	$ 2.20	$ 2.18	$ 2.27	$ 2.27	$ 2.27	$ 2.36	$ 2.54	$ 2.79	$ 3.04
	Over 30,000 gallons	$ 2.55	$ 2.55	$ 2.60	$ 2.79	$ 2.79	$ 2.79	$ 2.98	$ 3.38	$ 3.72	$ 4.06
Residential Irrigation	Base Charge	$ 14.00	$ 14.00	$ 15.50	$ 16.50	$ 16.50	$ 16.50	$ 16.50	$ 16.50	$ 17.50	$ 18.25
	First 10,000 Gallons Irrigation	$ 1.71	$ 1.71	$ 1.72	$ 1.82	$ 1.82	$ 1.82	$ 1.91	$ 2.11	$ 2.24	$ 2.37
	Next 10,001 to 20,000 gallons	$ 1.71	$ 1.71	$ 1.72	$ 1.82	$ 1.82	$ 1.82	$ 1.91	$ 2.11	$ 2.24	$ 2.37
	Next 20,001 to 30,000 gallons	$ 2.20	$ 2.20	$ 2.18	$ 2.27	$ 2.27	$ 2.27	$ 2.36	$ 2.54	$ 2.79	$ 3.04
	Over 30,000 gallons	$ 2.55	$ 2.55	$ 2.60	$ 2.79	$ 2.79	$ 2.79	$ 2.98	$ 3.38	$ 3.72	$ 4.06
Commercial Water and Irrigation	Base Charge	$ 19.00	$ 19.00	$ 20.50	$ 21.50	$ 21.50	$ 21.50	$ 21.50	$ 21.50	$ 22.50	$ 22.50
	First 10,000 Gallons	$ 1.69	$ 1.69	$ 1.69	$ 1.69	$ 1.69	$ 1.69	$ 1.69	$ 1.69	$ 1.69	$ 1.69
	Next 10,001 to 20,000 gallons	$ 1.99	$ 1.99	$ 2.01	$ 2.04	$ 2.04	$ 2.04	$ 2.06	$ 2.11	$ 2.24	$ 2.37
	Next 20,001 to 30,000 gallons	$ 2.51	$ 2.51	$ 2.52	$ 2.52	$ 2.52	$ 2.52	$ 2.53	$ 2.54	$ 2.79	$ 3.04
	Over 30,000 gallons	$ 2.87	$ 2.87	$ 2.97	$ 3.07	$ 3.07	$ 3.07	$ 3.18	$ 3.38	$ 3.72	$ 4.06

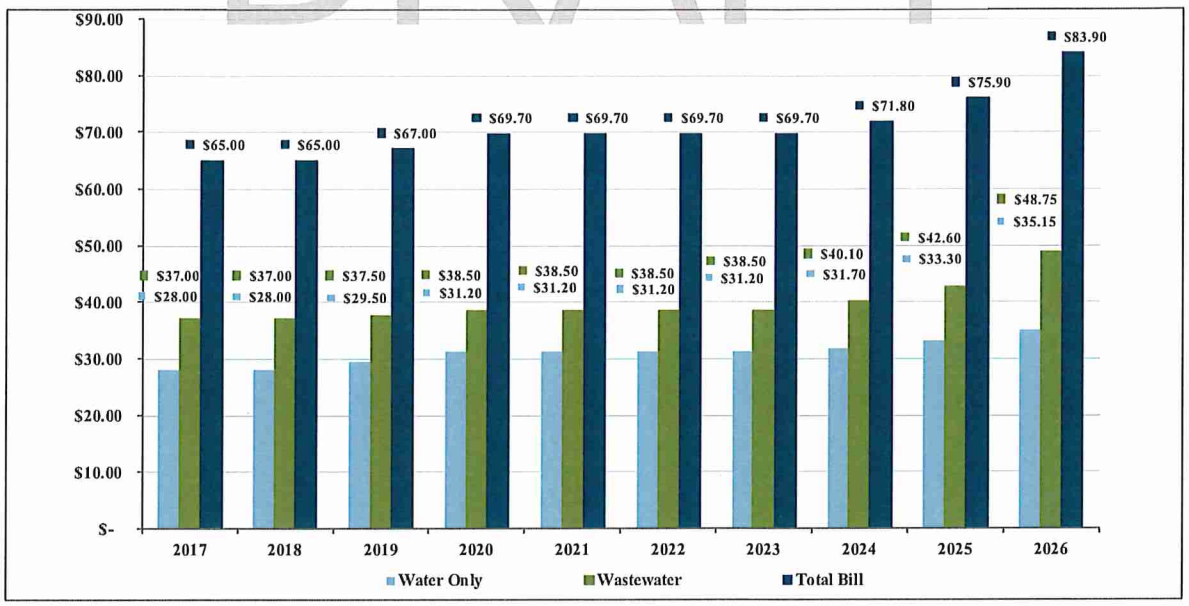
Wastewater Rate Comparison

Effective Date

		FY'17	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23	FY'24	FY'25	FY'26
Residential	Base Charge	$ 17.00	$ 17.00	$ 17.50	$ 18.50	$ 18.50	$ 18.50	$ 18.50	$ 18.50	$ 19.50	$ 20.25
	Per 1,000 gallons with 10 kgal Cap	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.16	$ 2.31	$ 2.85
Commercial	Base Charge	$ 17.00	$ 17.00	$ 17.50	$ 18.50	$ 18.50	$ 18.50	$ 18.50	$ 18.50	$ 19.50	$ 20.25
	Per 1,000 gallons (No Cap)	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.00	$ 2.16	$ 2.31	$ 2.85

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



Water and Sewer Installation Fees

Water meter installation fees (existing service lines)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
3/4" Meter	$ 640	$ 640	$ 640	$1,020	$1,020	$1,020	$1,180	$1,180	$1,180	$1,360
1" Meter	850	850	850	1,280	1,280	1,280	1,500	1,500	1,500	1,840
2" Meter with meter box and backflow	2,330	2,330	2,330	2,720	2,720	2,720	3,440	3,440	3,440	4,110
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)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
3/4" Meter	$ 1,020	$ 1,020	$ 1,020	$1,210	$1,210	$1,210	$1,390	$1,390	$1,390	$1,620
1" Meter	1,080	1,080	1,080	1,450	1,450	1,450	1,710	1,710	1,710	2,100
2" Meter with meter box and backflow	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M
3" Meter with meter box and backflow (Time and Material)*	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M
Sewer Installation Fees	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sewer Connection Fee	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 150	$ 150	$ 150
Sewer Installation Costs	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M	T&M
* T&M equals Time and Materials										
More information is available at: http://www.hhpsd.com/about-hhpsd/customer-service/										

Capacity Fees

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

Capacity Fee (per unit)	
Water Capacity (House)	$2,400.00
Water Capacity (Mobile Home)	$1,800.00
Sewer Capacity	$3,040.00
* The same water and sewer capacity fees have been in effect since 2005.	

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District Top Ten Water/Irrigation Customers

Fiscal year ended June 30, 2026

User Name	Type	2026 Billed Revenues	% of Total 2026 Billed Revenues
Hilton Head Beach & Tennis	Resort	$ 241,693	2.65%
Cypress of Hilton Head Association	Residential Homes	213,237	2.34%
Westin Resort	Resort	156,590	1.72%
Hilton Head Resort/Four Seasons	Resort	117,968	1.29%
Marriott Surfwatch	Resort	97,838	1.07%
Fiddler's Cove	Condo Complex	92,936	1.02%
Marriott Vacation Club	Resort	82,534	0.91%
Spa at Port Royal	Resort	75,432	0.83%
Marshside Owners' Association	Apartment Complex	74,820	0.82%
Aquatera Hilton Head	Apartment Complex	73,471	0.81%
Remaining Customers		7,882,992	86.54%
		$ 9,109,511	100.00%

District Top Ten Wastewater Customers

Fiscal year ended June 30, 2026

User Name	Type	2026 Billed Revenues	% of Total 2026 Billed Revenues
Hilton Head Beach & Tennis	Resort	$ 264,019	3.49%
Westin Resort	Resort	150,660	1.99%
Hilton Head Resort/Four Seasons	Resort	138,405	1.83%
Cypress of Hilton Head Association	Residential Homes	136,033	1.80%
Marriott Surfwatch	Resort	124,540	1.65%
Fiddler's Cove	Condo Complex	106,794	1.41%
Marriott Vacation Club	Resort	97,683	1.29%
Marshside Owners' Association	Apartment Complex	90,730	1.20%
Spa at Port Royal	Resort	83,904	1.11%
Aquatera Hilton Head	Apartment Complex	78,661	1.04%
Remaining Customers		6,291,346	83.19%
		$ 7,562,775	100.00%

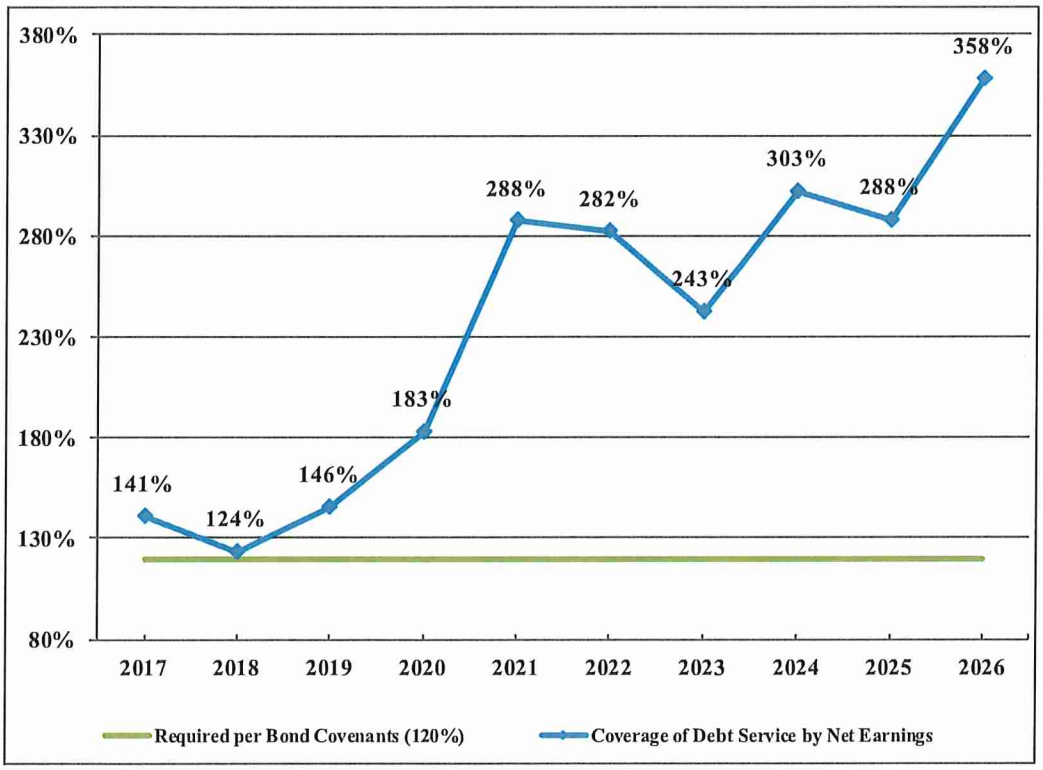
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Debt Capacity

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
2017	8,222,841	28,770,617	2,755,436	5,237,548	97,939	-	45,084,381	72,133	45,156,514	2,487
2018	7,533,001	26,078,181	3,769,233	4,924,110	79,939	-	42,384,464	63,492	42,447,956	2,303
2019	6,823,102	22,811,429	3,692,024	4,603,642	61,939	-	37,992,136	54,851	38,046,987	2,047
2020	6,087,937	19,911,323	3,500,050	4,275,983	43,939	-	33,819,232	46,210	33,865,442	1,803
2021	8,630,000	18,659,736	2,210,113	-	25,939	188,937	29,714,725	-	29,714,725	1,554
2022	7,295,000	16,603,422	2,070,344	-	7,939	152,931	26,129,636	-	26,129,636	1,338
2023	5,910,000	14,761,265	1,929,172	-	-	116,926	22,717,363	-	22,717,363	1,156
2024	4,470,000	12,650,095	1,786,582	-	-	80,921	18,987,598	-	18,987,598	961
2025	23,625,000	10,504,863	1,642,562	2,563,795	-	-	38,336,220	-	38,336,220	1,924
2026	**22,325,000**	**9,118,040**	**1,497,096**	**2,457,881**	**-**	**-**	**35,398,017**	**-**	**35,398,017**	**1,752**

Debt Service Coverage Analysis[9]



The District's Millage History

Debt Type	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operations	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Debt Service	4.40	4.05	4.10	4.20	4.20	4.20	4.10	4.10	4.10	4.80
Total	7.40	7.05	7.10	7.20	7.20	7.20	7.10	7.10	7.10	7.80

[9] 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.

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Ratio of (net) General Obligation Bonded Debt

			Real Property		Motor Vehicle & Other			
Fiscal Year	Tax Year	General Obligation Debt	Assessed Taxable Value at 4% & 6%	Estimated Appraised Value	Assessed Value Various Rates	Estimated Appraised Value	Total Estimated Appraised Values	Ratio of (net) General bonded debt
2017	2016	$ 13,460,389	$ 280,372,310	$ 6,463,470,955	$ 46,618,080	$ 578,551,170	$ 7,042,022,125	0.19%
2018	2017	12,457,111	286,061,400	6,593,162,755	47,799,978	597,464,630	7,190,627,385	0.17%
2019	2018	11,426,744	305,078,770	7,236,129,455	47,973,493	587,625,970	7,823,755,425	0.15%
2020	2019	10,363,920	311,484,940	7,345,163,455	42,889,611	547,543,940	7,892,707,395	0.13%
2021	2020	8,630,000	316,904,720	7,456,241,055	44,538,724	559,478,160	8,015,719,215	0.11%
2022	2021	7,295,000	325,289,700	7,639,145,155	43,972,915	560,692,390	8,199,837,545	0.09%
2023	2022	5,910,000	344,885,780	8,026,850,455	48,577,413	640,616,090	8,667,466,545	0.07%
2024	2023	4,470,000	402,924,340	12,178,128,655	48,453,145	654,145,300	12,832,273,955	0.03%
2025	2024	26,188,795	422,003,695	12,455,414,910	57,611,499	772,269,670	13,227,684,580	0.20%
2026	2025	24,782,881	438,346,120	12,688,809,662	61,257,136	815,158,970	13,503,968,632	0.18%

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

General Obligation Outstanding Debt

Fiscal Year	Tax Year	Taxable Assessed Value of Real Property	Taxable Assessed Value of Personal Property	Total Taxable Assessed Value of the District	8% Debt Limit Value	Total Outstanding GO Debt	Available Debt Limit	Percent of Debt Limit	Average Debt Per Customer	Number of Customers
2017	2016	$ 280,372,310	$ 46,618,080	$ 326,990,390	$ 26,159,231	$ 13,460,389	$ 12,698,842	51%	741	18,155
2018	2017	286,061,400	47,799,978	333,861,378	26,708,910	12,457,111	14,251,799	47%	676	18,428
2019	2018	305,078,770	47,973,493	353,052,263	28,244,181	11,426,744	16,817,437	40%	615	18,588
2020	2019	311,484,940	42,889,611	354,374,551	28,349,964	10,363,920	17,986,044	37%	552	18,783
2021	2020	316,904,720	44,538,724	361,443,444	28,915,476	8,630,000	20,285,476	30%	451	19,119
2022	2021	325,289,700	43,972,915	369,262,615	29,541,009	7,295,000	22,246,009	25%	374	19,524
2023	2022	344,885,780	48,577,413	393,463,193	31,477,055	5,910,000	25,567,055	19%	301	19,656
2024	2023	402,924,340	48,453,145	451,377,485	36,110,199	4,470,000	31,640,199	12%	226	19,766
2025	2024	422,003,695	57,611,499	479,615,194	38,369,216	26,188,795	12,180,421	68%	1,314	19,926
2026	2025	438,346,120	61,257,136	499,603,256	39,968,260	24,782,881	15,185,379	62%	1,227	20,204

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 2017 through FY 2026.

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 2026, 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 $499,603,256 and thus the eight percent (8%) debt limit of the District is not less than $39,968,260. The District presently has the following bonded indebtedness chargeable against this limit:

Originally Issued	Date	Original Amount	Outstanding Balance as of June 30, 2026
Series 2020	November 2, 2020	$ 9,910,000	$ 1,925,000
SRF - Series 2024A	August 30, 2024	2,589,929	2,457,881
Series 2024B	November 5, 2024	20,400,000	20,400,000
	Total Indebtedness - GO Bonds	$ 32,899,929	$ 24,782,881

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Assessed Values of Taxable Property of the District

Fiscal Year	Tax Year	Real Property	Personal Property	Total
2017	2016	$ 280,372,310	$ 46,618,080	326,990,390
2018	2017	286,061,400	47,799,978	333,861,378
2019	2018	305,078,770	47,973,493	353,052,263
2020	2019	311,484,940	42,889,611	354,374,551
2021	2020	316,904,720	44,538,724	361,443,444
2022	2021	325,289,700	43,972,915	369,262,615
2023	2022	344,885,780	48,577,413	393,463,193
2024	2023	402,924,340	48,453,145	451,377,485
2025	2024	422,003,695	57,611,499	479,615,194
2026	2025	438,346,120	61,257,136	499,603,256
Source: Beaufort County Treasurer's Office				
The County implemented its county-wide reassessment in tax years 2018 and 2023				

Tax Year 2025 Market Value for the District

Classification	Assessed Value of Taxable Property	Assessment Ratio	Appraised Value
1. Real Property and Mobile Homes	$ 215,039,990	4.00%	$ 7,349,776,099
2. Real Property and Mobile Homes	223,306,130	6.00%	5,339,033,563
3. Business Personal Property	5,011,040	10.50%	46,861,120
4. Merchant's Furniture, Fixtures and Equipment	857,700	10.50%	7,830,450
5. Motor Vehicles[1]	31,340,090	Various	490,047,130
6. Marine Equipment[2]	4,236,152	Various	70,639,660
7. Airplanes	1,597,430	4.00%	26,618,660
8. Manufacturing Property	510,550	10.50%	4,806,430
9. Public Utilities	7,607,440	10.50%	72,451,810
10. Rental Property and Signs[3]	10,096,734	Various	95,903,710
Total	$ 499,603,256		$ 13,503,968,632

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.

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Tax Collection Record for the District

Fiscal Year	Taxes Subject to Collection	Current Collections	Current % Collected	Delinquent Taxes Collected	Total Collections	Total % Collected
2016-2017	2,347,367	2,253,133	96.0%	65,734	$ 2,318,867	98.8%
2017-2018	2,436,930	2,348,903	96.4%	61,866	2,410,769	98.9%
2018-2019	2,463,280	2,377,954	96.5%	62,786	2,440,740	99.1%
2019-2020	2,497,764	2,403,056	96.2%	69,007	2,472,063	99.0%
2020-2021	2,566,458	2,469,818	96.2%	74,939	2,544,757	99.2%
2021-2022	2,645,453	2,571,183	97.2%	35,099	2,606,282	98.5%
2022-2023	2,787,199	2,721,177	97.6%	28,304	2,749,481	98.6%
2023-2024	3,191,775	3,105,585	97.3%	38,966	3,144,551	98.5%
2024-2025	3,377,812	3,242,698	96.0%	50,670	3,293,368	97.5%
2025-2026	3,863,930	3,720,542	96.3%	48,502	3,769,044	97.5%

Source: Beaufort County Treasurer's Office

Tax Year 2025 - District Largest Taxpayers

Taxpayer	Type of Business	2025 Assessed Value	2025-26 Amounts Paid
Marriott Ownership Resort Inc	Real Estate	$ 6,760,480	$ 1,741,668
Palmetto Electric Cooperative	Utility	4,789,120	1,193,272
SCG Hilton Head Property LLC	Real Estate	4,458,110	1,150,975
AB PR QOZB II Property LLC.	Real Estate	2,980,190	789,785
Andrick Development	Real Estate	2,305,190	592,068
Bayshore Hilton Head LLC	Real Estate	2,236,250	583,582
Foiles William M Esquire Trustee	Real Estate	1,884,940	483,393
Blue Water Investments	Real Estate	1,791,880	464,188
Spectrum Southeast LLC	Utility	1,790,520	398,884
Barnwell Family Associates LLC	Real Estate	1,487,230	385,514

Source: Beaufort County Treasurer's Office.

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Demographic and Economic Information

Population per Capita Income

	Hilton Head		*Beaufort County*		*South Carolina*	
Year	**Population**	**Per Capita**	**Population**	**Per Capita**	**Population**	**Per Capita**
2016	40,512	44,869	179,859	32,401	4,961,119	27,016
2017	40,500	47,454	183,149	33,877	5,024,369	25,521
2018	39,639	50,289	186,844	34,966	5,084,127	27,909
2019	39,861	51,773	188,715	36,306	5,148,714	27,986
2020	37,661	56,942	187,117	38,946	5,118,425	29,426
2021	38,076	60,988	191,748	41,070	5,190,705	30,727
2022	38,069	61,752	196,371	43,463	5,282,634	32,823
2023	38,097	66,506	198,979	48,132	5,373,555	36,072
2024	37,805	72,304	193,749	47,303	5,317,212	37,334
2025	38,196	73,409	204,433	53,951	5,570,274	39,236

Source: U.S. Census Bureau

Town of Hilton Head Island Top Employers 2025

Employer	**Employees**	**Type of Business**
SERG Group Restaurants	841	Food Services
Coastal Restaurants and Bars	715	Food Services
Sea Pines Resort LLC	687	Hospitality
Hilton Head Medical Center and Clinics	533	Health Services
Marriott Vacation Club International	514	Hospitality
Beaufort County School District	444	Educational
Greenwood Communities & Resorts (Palmetto Dunes)	415	Hospitality
Cypress of Hilton Head	339	Health Services
Publix Super Markets Inc.	328	Grocery
Town of Hilton Head	300	Government
Total	**5,116**	

Source: Town of Hilton Head Island 06/30/2025 Annual Comprehensive Financial Report

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Beaufort County Labor Force and Employment

Category	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Civilian Labor Force	72,535	74,104	75,517	79,798	77,127	73,502	76,398	79,850	84,267	85,672
Employment	69,081	71,113	73,082	77,165	72,961	70,873	73,997	77,626	81,047	82,069
Unemployment	3,454	2,991	2,435	2,633	4,166	2,629	2,401	2,224	3,220	3,603
Unemployment Rate	5.0%	4.0%	3.4%	3.3%	5.4%	3.5%	3.1%	2.8%	3.8%	4.2%
Source: South Carolina Department of Employment and Workforce										

Unemployment Rate Comparison

Year	Beaufort County	South Carolina	United States
2016	5.0%	5.0%	4.9%
2017	4.0%	4.3%	4.4%
2018	3.4%	3.4%	3.9%
2019	3.3%	2.9%	3.7%
2020	5.4%	6.2%	8.1%
2021	3.5%	4.0%	5.3%
2022	3.1%	3.2%	3.6%
2023	2.8%	3.0%	3.6%
2024	3.8%	4.1%	4.0%
2025	4.2%	4.5%	4.3%
Source: South Carolina Department of Employment and Workforce.			

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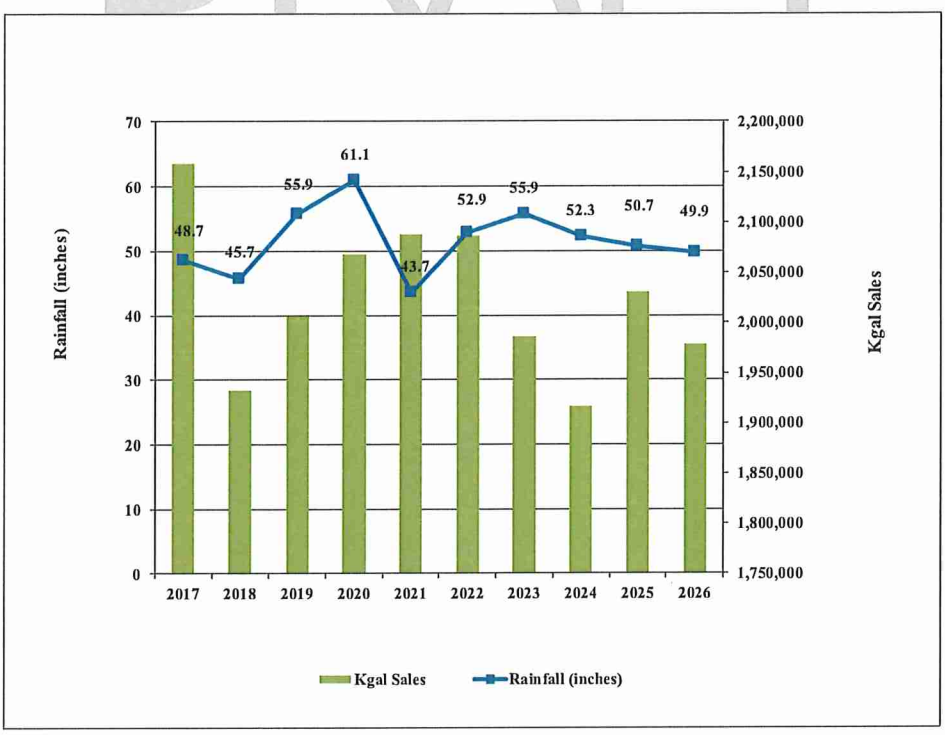
Other Operational and Capital Information

Full Time Equivalent Employees by Function

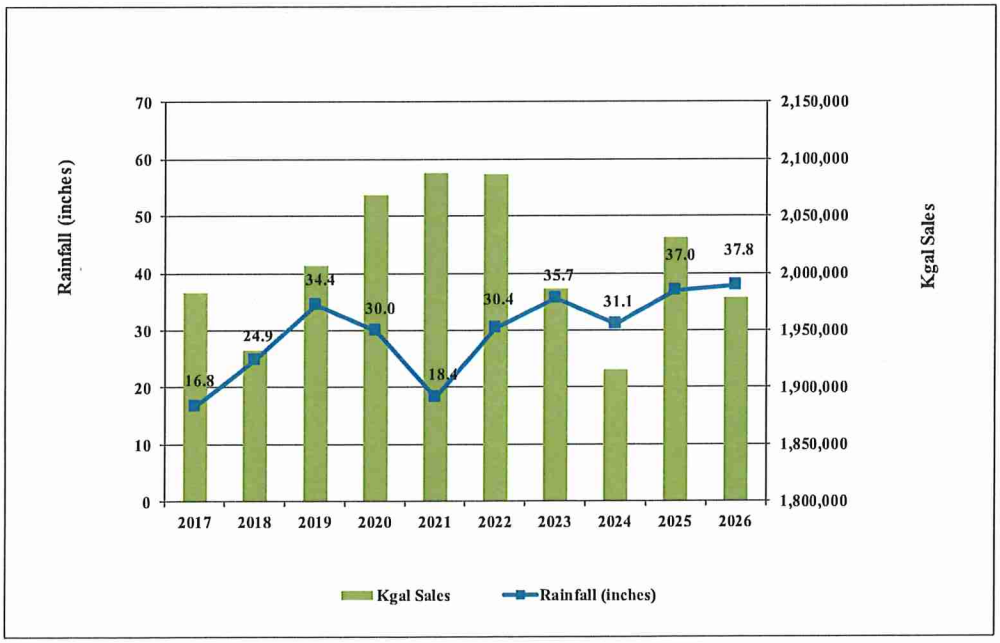
Fiscal Year	Executive Staff	Finance & Customer Service Staff	Operations Staff	Total
2017	6	8	22	36
2018	6	8	22	36
2019	6	8	21	35
2020	5	8	23	36
2021	5	8	24	37
2022	5	9	24	38
2023	5	9	24	38
2024	5	9	26	40
2025	5	9	27	41
2026	5	9	29	43

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Rainfall (inches) vs. Water/Irrigation Kgal Sales[10]



Summer Rainfall (Inches) vs. Water/Irrigation Kgal Sales[11]



[10] Rainfall measurements were recorded at the wastewater treatment plant.
[11] Months included for each year are March through August.

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Schedule of Changes in Capital Assets[12]

Last Ten Fiscal Years

	June 30, 2017	Additions	Disposals	Transfers	June 30, 2026
Capital assets not being depreciated:					
Land	$ 1,299,193	-	-	-	$ 1,299,193
Construction in Progress	1,457,297	39,952,790	-	(17,006,150)	24,403,937
Total Capital Assets not being depreciated	2,756,490	39,952,790	-	(17,006,150)	25,703,130
Capital assets being depreciated:					
Waterworks system	62,618,558	7,165,300	(2,335,736)	3,099,705	70,547,827
Sewage disposal system	40,891,189	8,856,267	(1,437,684)	12,372,332	60,682,104
Buildings	4,339,091	173,942	(22,871)	-	4,490,162
Sewage treatment facilities	34,727,539	4,030,608	(2,177,817)	1,060,945	37,641,275
Transportation equipment	1,170,786	1,570,700	(1,086,719)	-	1,654,767
Operations furniture and equipment	2,076,252	671,524	(705,648)	117,741	2,159,869
Office furniture and equipment	778,553	116,623	(280,167)	-	615,009
Sub Total	146,601,968	22,584,964	(8,046,642)	16,650,723	177,791,013
Less Accumulated depreciation	(74,619,859)	(48,664,868)	7,932,357	-	(115,352,370)
Total capital assets being depreciated, net	71,982,109	(26,079,904)	(114,285)	16,650,723	62,438,643
Year End Totals	$ 74,738,599	13,872,886	(114,285)	(355,427)	$ 88,141,773

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

Last Ten Fiscal Years

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
PP&E	$ 147,901,161	$ 155,357,839	$ 156,261,306	$ 161,887,889	$ 162,767,990	$ 164,543,832	$ 166,709,011	$ 169,220,692	$ 173,931,706	$ 179,090,206
Accumulated Depreciation	(74,619,859)	(78,115,155)	(82,552,877)	(87,488,189)	(91,731,711)	(96,661,563)	(101,642,020)	(106,051,157)	(110,513,354)	(115,352,370)
Net PP&E in Service	73,281,302	77,242,684	73,708,429	74,399,700	71,036,279	67,882,269	65,066,991	63,169,535	63,418,352	63,737,836
Construction in Progress	1,457,297	513,974	2,802,108	57,707	45,310	37,206	1,049,989	2,106,792	11,111,306	24,403,937
Net PP&E	$ 74,738,599	$ 77,756,658	$ 76,510,537	$ 74,457,407	$ 71,081,589	$ 67,919,475	$ 66,116,980	$ 65,276,327	$ 74,529,658	$ 88,141,773

[12] Fiscal year 2025 amounts were restated for the correction of errors described in Note 16 to the financial statements. Amounts for fiscal years 2024 and prior are presented as originally reported because restatement of those periods was not practicable.

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

Water Purchased from BJWSA Summary (Whole Dollars)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
All District Purchases from BJWSA	**$ 1,555,262**	**$ 1,460,476**	**$ 1,472,872**	**$ 981,138**	**$ 1,030,216**	**$ 1,222,325**	**$ 1,158,859**	**$ 1,270,500**	**$ 1,952,859**	**$ 1,892,309**
Broad Creek Purchases	(320,129)	(127,776)	(82,490)	(71,933)	(126,719)	(171,492)	(105,489)	(191,866)	(278,782)	(117,403)
Capitalized Purchased Water	-	-	-	-	-	-	-	-	-	-
Prepaid Purchased Water Expense	(217,652)	(216,031)	(220,013)	(234,031)	(249,583)	(254,677)	(283,417)	(283,545)	(277,050)	(280,557)
Purchased Water Expense	**$ 1,017,482**	**$ 1,116,669**	**$ 1,170,368**	**$ 675,174**	**$ 653,914**	**$ 796,156**	**$ 769,953**	**$ 795,089**	**$ 1,397,027**	**$ 1,494,349**

Water Purchased from BJWSA Summary (KGals)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
All Kgals Purchased from BJWSA	**1,125,264**	**1,039,001**	**985,829**	**603,904**	**638,084**	**754,288**	**672,322**	**661,653**	**898,358**	**655,386**
Reclaimed Water Adjustment	-	-	-	-	-	-	-	-	-	-
Broad Creek Purchases	(251,213)	(80,844)	(49,207)	(44,896)	(70,811)	(92,463)	(61,000)	(96,705)	(151,458)	(37,060)
Capitalized Purchased Water	-	-	-	-	-	-	-	-	-	-
Prepaid Purchased Water Expense	(256,061)	(251,199)	(250,015)	(262,894)	(279,977)	(279,685)	(265,565)	(254,025)	(252,250)	(251,910)
Purchased Water (KGals)	**617,990**	**706,958**	**686,607**	**296,114**	**287,296**	**382,140**	**345,757**	**310,923**	**494,650**	**366,416**
Total Peak Purchases	643,858	590,557	617,696	435,925	442,909	505,588	446,256	472,715	599,171	518,794
Total Off-peak Purchases[1]	481,406	448,444	368,133	167,979	195,175	248,700	226,066	188,938	299,187	136,592
Total Off-peak and Peak Purchases	**1,125,264**	**1,039,001**	**985,829**	**603,904**	**638,084**	**754,288**	**672,322**	**661,653**	**898,358**	**655,386**

BJWSA Rates Per Kgal Summary

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Rates Charged by BJWSA										
Peak Rate[2]	$ 1.78	$ 1.82	$ 1.86	$ 1.91	$ 1.95	$ 1.97	$ 2.07	$ 2.26	$ 2.71	$ 3.35
Off Peak Rate	$ 0.85	$ 0.86	$ 0.88	$ 0.89	$ 0.90	$ 0.91	$ 1.04	$ 1.07	$ 1.10	$ 1.13
District Cost/Kgal Prior to Broad Creek Purchases[3]	$ 1.38	$ 1.41	$ 1.49	$ 1.62	$ 1.61	$ 1.62	$ 1.72	$ 1.92	$ 2.17	$ 2.89
Effective District Cost/Kgal After Broad Creek Purchases[4]	$ 1.41	$ 1.39	$ 1.48	$ 1.63	$ 1.59	$ 1.59	$ 1.72	$ 1.91	$ 2.24	$ 2.87

[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.

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COMPLIANCE SECTION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hilton Head No.1 Public Service District (the "District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
November 5, 2026

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Hilton Head No.1 Public Service District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2026. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2026.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

Report on Internal Control Over Compliance

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

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

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

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

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
November 5, 2026

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HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2026

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Grant Identification Number	Expenditures
U.S. Department of the Treasury			
Passed Through - South Carolina Rural Infrastructure Authority			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	A-23-C095	$ 8,502,900
Total U.S. Department of the Treasury			**8,502,900**
Total Expenditures of Federal Awards			**$ 8,502,900**

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HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2026

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the Hilton Head No. 1 Public Service District (the "District") for the year ended June 30, 2026. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

Note 2 – Basis of Accounting

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

Note 3 - Relationship to Financial Statements

Federal award expenditures reported on the Schedule are reflected in the District's proprietary fund financial statements as expenses or capital assets, as applicable. Differences between federal expenditures reported on the Schedule and grant revenue recognized in the financial statements may result from differences in the applicable recognition criteria. See Note 7 for additional information.

Note 4 – Matching Costs

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

Note 5 - Sub-Recipients

The District did not provide any federal awards to sub-recipients during fiscal year 2026.

Note 6 – Indirect Cost Rate

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

Note 7 - Timing of Federal Expenditures and Grant Revenue Recognition

During fiscal year 2026, the District incurred approximately $2,000,000 of eligible expenditures under the South Carolina Infrastructure Investment Program (SCIIP) that are included in the accompanying Schedule of Expenditures of Federal Awards. Subsequent to June 30, 2026, the District received an amendment to its SCIIP grant award providing an additional $2,000,000 of funding for eligible project costs incurred during fiscal year 2026. Because the additional funding was not awarded until fiscal year 2027, the related grant revenue was not recognized in the District's financial statements for the year ended June 30, 2026. Accordingly, federal expenditures reported on the Schedule exceed the related grant revenue recognized in the fiscal year 2026 financial statements by approximately $2,000,000.

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HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2026

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	____ Yes	__X__ No
Significant deficiencies identified?	____ Yes	__X__ None Reported
Noncompliance material to financial statements noted?	____ Yes	__X__ No

Federal Awards

Internal Control over major programs:

Material weaknesses identified?	____ Yes	__X__ No
Significant deficiencies?	____ Yes	__X__ No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (Uniform Guidance)? ____ Yes __X__ No

Identification of major program:

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

Dollar threshold used to distinguish between Type A and Type B programs: $1,000,000

Auditee qualified as low-risk auditee? ____ Yes __X__ No

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HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2026

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

Not applicable.

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Hilton Head No. 1 Public Service District
21 Oak Park Drive
P.O. Box 21264
Hilton Head Island, SC 29925
843.681.5525
www.hhpsd.com

Greene Finney Cauley, LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

November 5, 2026

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

We have audited the financial statements of Hilton Head No.1 Public Service District (the "District") for the year ended June 30, 2026 ("2026"). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 2, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements.

The District adopted Governmental Accounting Standards Board Statement No. 103 "*Financial Reporting Model Improvements*" ("GASB #103") for the year ended June 30, 2026. The objective of GASB #103 is to improve key components of the financial reporting model. The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and (b) address certain application issues identified through pre-agenda research conducted by the Governmental Accounting Standards Board. The adoption of GASB #103 had no impact on the beginning fund balance or net position of the District's financial statements. See Note 1 in the notes to the financial statements for more information regarding the District's adoption of GASB #103.

Except for the above, no other new significant accounting policies were adopted and the application of existing policies was not significantly changed during 2026. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant sensitive estimates affecting the District's financial statements were:

> Management's estimate of the useful lives of capital assets and the resulting depreciation expense is based on historical data and industry standards. Management's estimate of the property taxes and accounts receivables and the allowance for uncollectible amounts associated with these balances are based on information provided by the County and historical collection rates. Management's estimates of the pension balances are based on an actuarial valuation (the assumptions used in the actuarial valuation are based on accounting requirements, actuarial standards, historical data, and industry trends) prepared and certified by an independent actuary. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. For purposes of this communication, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that may or may not cause future financial statements to be materially misstated). No significant adjusting journal entries were identified during the audit process.

In our judgment, there were no material known unrecorded and uncorrected misstatements, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the schedule of the District's South Carolina Retirement System Contributions, and the Schedule of the District's Proportionate Share of the Net Pension Liability which are required supplementary information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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We were engaged to report on the supplemental financial information, as listed in the table of contents, which accompanies the financial statements but is not RSI. With respect to this information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled this information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section or statistical section which accompany the financial statements but are not RSI. Such information has 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 it.

Restriction on Use

This information is intended solely for the information and use of the Board of Commissioners and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Certified Public Accountants

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HiltonHead PSD

Financial Audit Presentation
Year Ended June 30, 2026

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1

HILTON HEAD PSD
2026 FINANCIAL AUDIT

OPINION

- The District's responsibility:
  - Maintain effective internal controls
    - There are limitations on internal controls.
    - Regular risk assessment is important, including assessing the risk of fraud.
  - Financial Statements
    - Accuracy, completeness, and propriety of balances, amounts, and disclosures

2

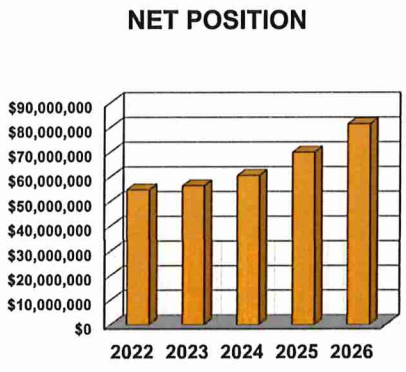
HILTON HEAD PSD
2026 FINANCIAL AUDIT

- Greene Finney Cauley, LLP's ("GFCLLP") responsibility:
  - Opinion – reasonable assurance that financial statements are materially correct
    - Does not address the financial condition of the District
  - Purpose of the audit is not to detect fraud. GFCLLP cannot take responsibility for finding fraud, if it existed
- Issued unmodified opinion

3

HILTON HEAD PSD
2026 FINANCIAL AUDIT

- Total net position increased $11.5M to $81.4M
- Net investment in capital assets of $61.2M
- Restricted net position of $1.4M for debt service
- Unrestricted net position of $18.7M

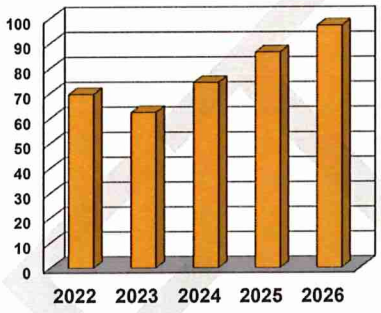


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HILTON HEAD PSD
2026 FINANCIAL AUDIT

- Unrestricted net position is $18.7M, which is 97% of 2026 operating expenses
- This is a good, healthy net position as of June 30, 2026



Unrestricted Net Position as a % of Operating Expenses

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HILTON HEAD PSD
2026 FINANCIAL AUDIT

Major Reasons To Maintain An Adequate Unrestricted Net Position:

- Significant emergencies and unanticipated expenditures
- Providing funds for grant matching requirements
- Funding of major capital improvements with operating reserves rather than debt issuances
- Unique funding requirements of a coastal community (higher risk of natural disasters, other acts of God)
- Potential for better interest rates on future debt issues

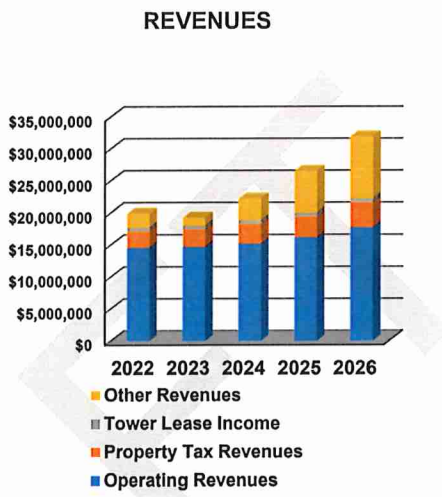
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HILTON HEAD PSD
2026 FINANCIAL AUDIT

Revenues:

- $31.8M for 2026:
  - $17.7M in operating revenues
  - $3.9M in property tax revenues
  - $619K in tower lease income
  - $333K in developer contributions
  - $6.6M in capital grant income
  - $2.7M in other income
- $5.3M (20%) increase from 2025
  - $2.1M increase in capital grant income
  - $1.5M increase in operating revenues
  - $615k increase in property tax revenues

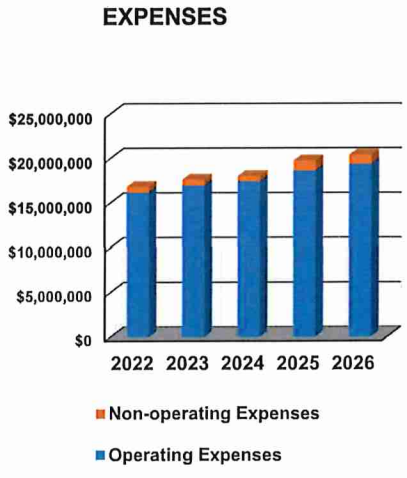


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HILTON HEAD PSD
2026 FINANCIAL AUDIT

Expenses:

- $20.4M for 2026:
  - $5.1M in payroll and related expenses
  - $1.2M in administrative expenses
  - $3.7M in operations expenses
  - $1.5M in maintenance expenses
  - $1.7M in purchased water
  - $1.0M in interest expense
  - $6.0M in depreciation expense
  - $166K in other expenses
- $630k (3%) increase from 2025



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HILTON HEAD PSD
2026 FINANCIAL AUDIT

Other Items of Note

- Capital Assets
  - Total capital assets were $88.1M at 6/30/2026 – increase of $13.6M from 6/30/2025 as capital additions of $19.6M exceeded depreciation expense of $6.0M
  - Significant FY2026 Ongoing Projects:
    - Leg O Mutton Booster Pump - $546,000
    - RO Treatment Plant Expansion - $9,248,000
    - RO Well #4 and Transmission Mains - $2,044,000
    - ASR #2 and Transmission Mains - $2,815,000
    - Influent Screw Pump Replacements - $444,000

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HILTON HEAD PSD
2026 FINANCIAL AUDIT

Other Items of Note

- Long-term Obligations
  - Total long-term debt of $35.4M at 6/30/2026 – decrease of $2.9M from 6/30/2025 due to new debt issuance of $750k offset by scheduled principal payments of $3.7M
  - FY2026 Issuances:
    - $750k – Series 2026 FFA Revenue Bonds
  - Scheduled debt service requirements of $4.8M for FY2027 (including principal and interest)

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HILTON HEAD PSD
2026 FINANCIAL AUDIT

Net Pension Liability

- Relates to the District's proportionate share of the net pension liability of the South Carolina Retirement System
  - Total Net Pension Liability of $4.7M on the District's Statement of Net Position as of 6/30/2026
  - State mandated rate of 18.41% for FY2026

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HILTON HEAD PSD
2026 FINANCIAL AUDIT

Compliance

- Single Audit required for FY2026
  - Coronavirus State and Local Fiscal Recovery Funds
    - $8.5M from SC RIA ("SCIIP" funds)
    - No findings to report

Management Letter

- Required communications to management and those charged with governance – no issues to report

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FY'27 First Quarter Financial Report



HiltonHeadPSD
21 Oak Park Drive
PO Box 21264
Hilton Head Island, SC 29925
www.hhpsd.com

To: Commissioners
Pete Nardi, General Manager

From: Amy Graybill, Finance Manager

Subject: Financial Highlights – Fiscal Year Unaudited Financial Statements and Results, Period Ending September 30, 2026

Date: November 18, 2026

Introduction

Staff has prepared the following unaudited financial statements and highlights for September 30, 2026 for discussion at the Commission Meeting on November 18, 2026.

Key Highlights

- Operating revenues exceeded budget by 5.9% due primarily to increased water consumption.
- Operating expenses were 1.1% under budget as higher purchased water costs were more than offset by lower payroll, maintenance and other operating areas.
- The additional $2 million unbudgeted SCIIP grant award was received.
- Net position increased by $2.46 million, exceeding budget by $2.12 million. Excluding the additional SCIIP grant award, operating and nonoperating results remained favorable due primarily to increased water consumption and higher-than-budgeted interest earnings.
- Debt coverage remains strong at 265%, well above covenant requirements.
- All financial benchmark ratios continue to meet target levels.
- The District remains financially stable and continues to progress on major grant-funded capital projects.

No Commission action is required.

Statement of Revenues, Expenses, and Changes in Net Position

Table A-1 on the following page contains the District's Statement of Revenues, Expenses, and Changes in Net Position as of September 30, 2026 compared to budget.

Table A-1
Hilton Head PSD
Statements of Revenues, Expenses and Changes in Net Position - Budget to Actual
For the Three Months Ended September 30, 2026

	Fiscal Year 2027		FY 27 Actual to FY 27 YTD Budget Comparison	
			Dollars	%
Operating Revenues	**Actual**	**YTD Budget**	**Favorable (Unfavorable)**	
Water Service	$ 2,924,166	$ 2,727,700	$ 196,466	7.2%
Sewer Service	2,176,783	2,118,000	58,783	2.8%
Water Tap In Fees	48,730	53,700	(4,970)	-9.3%
Sewer Connection Fees	31,224	52,500	(21,276)	-40.5%
Golf Course Irrigation	142,188	77,600	64,588	83.2%
Service Fees	6,839	7,350	(511)	-7.0%
Other Operating Revenues	5,047	1,575	3,472	220.4%
Total Operating Revenues	5,334,977	5,038,425	296,552	5.9%
Departmental Expenses				
Payroll & Related Expenses	1,353,631	1,484,400	130,769	8.8%
Administrative Expenses	342,620	346,325	3,705	1.1%
Operations Expenses	967,875	999,025	31,150	3.1%
Maintenance Expenses	342,539	422,500	79,961	18.9%
Purchased Water	696,930	561,700	(135,230)	-24.1%
Professional Fees	52,309	54,750	2,441	4.5%
Total Departmental Expenses	3,755,904	3,868,700	112,796	2.9%
Depreciation	1,502,718	1,447,500	(55,218)	-3.8%
Total Operating Expenses	5,258,622	5,316,200	57,578	1.1%
Operating Income (Loss)	76,355	(277,775)	354,130	127.5%
Noncapital Subsidies				
Property Taxes - Operations Levy	36,540	33,500	3,040	9.1%
Total Noncapital Subsidies	36,540	33,500	3,040	9.1%
Operating Income (Loss) and Noncapital Subsidies	112,895	(244,275)	357,170	146.2%
Other Nonoperating Revenues (Expenses)				
Interest Income	286,025	147,600	138,425	93.8%
Tower Lease Income	153,283	152,475	808	0.5%
Interest Income - Leases	8,257	8,025	232	2.9%
Rental Income	24,388	24,500	(112)	-0.5%
Gain (Loss) on Disposal of Assets	-	3,750	(3,750)	-100.0%
Interest Expense	(242,706)	(242,700)	(6)	0.0%
Property Taxes - G.O. Debt Levy	58,738	44,500	14,238	32.0%
Water Capacity Fee	22,920	28,500	(5,580)	-19.6%
Sewer Capacity Fee	30,400	39,000	(8,600)	-22.1%
Capital Grant Income	2,000,000	375,000	1,625,000	433.3%
Capital Contributions	5,597	-	5,597	N/A
Total Other Nonoperating Revenues (Expenses)	2,346,902	580,650	1,766,252	304.2%
Increase (decrease) in net position	$ 2,459,797	$ 336,375	$ 2,123,422	631.3%
Net position, beginning of the year	$ 81,382,123			
Net position, end of period	$ 83,841,920			

Budget to Actual Highlights

The change in net position for the period was $2,459,797, which was $2,123,422 higher than the budgeted change in net position of $336,375.

Operating Revenues: Actual operating revenues are $5,334,977 versus budgeted operating revenues of $5,038,425 which results in a variance of $296,552 or 5.9% over budget. The following is a summary of material/selected variances[1] for the Operating Revenue categories:

- Water Service revenues are over budget by $196,466 or 7.2% and Sewer Service revenues are over budget by $58,783 or 2.8%. Billed water consumption for the first quarter of fiscal year (FY) 2027 increased 58.5 million gallons from 592.0 million gallons billed during the first quarter of FY 2026 to 650.5 million gallons billed during the first quarter of FY 2027 which may be partially attributable to decreased rainfall. During the first quarter of FY 2027, rainfall decreased 14.0 inches from the prior year with 16.7 inches recorded at the treatment plant during the first quarter of FY 2027 versus 30.7 inches recorded during the same period in FY 2026. Sewer service revenues increased to a lesser extent than water service revenues due to the residential sewer cap.
- Golf Course Irrigation revenues are over budget by $64,588 or 83.2% which is consistent with the drier weather during the quarter.
- Sewer Connection Fees are under budget by $21,276 or 40.5% due to the timing of new sewer connections.

Total Operating Expenses: Total operating expenses are $57,578 or 1.1% under budget. The following is a summary of material/selected variances for the Operating Expenses categories:

- Payroll & Related is under budget by $130,769 or 8.8% due to the timing of filling open positions.
- Maintenance expense is currently under budget by $79,961 or 18.9% which is mostly related to lower lift station and water/sewer system maintenance than budgeted to date. This area may come more in line to budget as the year progresses.
- Purchased Water is over budget by $135,230 or 24.1% due to more water purchased related to higher billed water consumption during the drier quarter.

Other Nonoperating Revenues and Expenses: Actual other nonoperating revenues and expenses are $2,346,902 versus budgeted other nonoperating revenues and expenses of $580,650 which results in a variance of $1,766,252 or 304.2% over budget. The following is a summary of material/selected variances for the nonoperating revenue and expense categories:

- Interest Income is $138,425 over budget in line with continued higher market interest rates. Staff endeavors to keep all cash not needed for current operations in the SC Local Government Investment Pool which is seeing rates climb back towards 4%. Interest was conservatively budgeted at 3.25%. Additionally, the District had more investible funds than expected due to the timing of large projects as well as the receipt of an additional $2 million SCIIP grant award.
- Capital Grant Income came in $1,625,000 over budget which is related to the additional $2 million SCIIP grant award.

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

Statements of Net Position

Table A-2 below and on the following page contains the District's Statement of Net Position as of September 30, 2026, compared to the end of the prior fiscal year, June 30, 2026.

Table A-2
Hilton Head PSD
Statements of Net Position

	September 30 2026	June 30 2026
Assets		
Current Assets		
Cash and Cash Equivalents Available for Operations	$ 24,545,068	$ 18,618,323
Cash and Cash Equivalents in Banks (Restricted)	6,683,680	11,871,568
Cash and Cash Equivalents Held by Beaufort County Treasurer (Restricted)	1,028,744	992,729
Accounts Receivable - Trade, net	2,344,945	2,084,373
Accounts Receivable - Connection Grants	10,760	-
Accrued Interest Receivable	15,882	15,882
Lease Receivable, due within one year	234,528	455,889
Sewer and Capacity Assessments, due within one year	252,565	259,366
Inventory	813,675	693,045
Prepaid Expenses	682,701	432,302
Total current assets	36,612,548	35,423,477
Noncurrent Assets		
Property, Plant and Equipment		
Nondepreciable Assets	26,975,535	25,703,130
Depreciable Assets, net	61,182,563	62,438,643
Total Property, Plant and Equipment	88,158,098	88,141,773
Lease Receivable, due after one year	1,108,131	1,108,131
Sewer and Capacity Assessments, due after one year	2,365,539	2,413,378
Total Noncurrent Assets	91,631,768	91,663,282
Total Assets	128,244,316	127,086,759
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions	1,111,321	1,111,321
Total Deferred Outflows of Resources	1,111,321	1,111,321
Total Assets and Deferred Outflows of Resources	$ 129,355,637	$ 128,198,080

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

	September 30 2026	June 30 2026
Liabilities		
Current Liabilities		
Payable from Unrestricted Assets:		
Accounts Payable-Trade	$ 696,076	$ 614,983
Accounts Payable-Construction	110,296	451,749
Customer Deposits	308,491	284,851
Unearned Revenue	48,973	17,440
Accrued Payroll & Other Liabilities	496,455	661,871
Total Current Liabilities Payable from Unrestricted Assets	1,660,291	2,030,894
Payable from Restricted Assets:		
Accounts Payable - Construction	1,412,008	2,353,000
Interest Payable	385,747	159,688
Notes Payable, due within one year	191,661	255,082
Bonds Payable, due within one year	3,567,464	3,567,464
Total Current Liabilities Payable from Restricted Assets	5,556,880	6,335,234
Total Current Liabilities	7,217,171	8,366,128
Noncurrent Liabilities		
Notes Payable, due after one year	3,699,896	3,699,896
Bonds Payable, due after one year	27,875,575	27,875,575
Net Pension Liability	4,690,533	4,690,533
Total Noncurrent Liabilities	36,266,004	36,266,004
Total Liabilities	43,483,175	44,632,132
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions	392,839	392,839
Deferred Inflows Related to Lease Revenue	1,637,703	1,790,986
Total Deferred Inflows of Resources	2,030,542	2,183,825
Total Liabilities and Deferred Inflows of Resources	45,513,717	46,815,957
Net Position		
Net Investment in Capital Assets	56,794,596	61,213,846
Restricted for Debt Service	1,833,279	1,429,770
Unrestricted	25,214,045	18,738,507
Total Net Position	83,841,920	81,382,123
Total Liabilities, Deferred Inflows of Resources & Net Position	$ 129,355,637	$ 128,198,080

Statement of Net Position Highlights

As of September 30, 2026, total assets and deferred outflows of resources are $129.4 million, exceeding liabilities and deferred inflows of resources by approximately $83.9 million (See Table A-2, Pages 4-5).

Current Assets/Liabilities/Debt

The shift from restricted cash to unrestricted cash is mainly related to the application of $6.0 million of bond proceeds to recently completed eligible CIP projects which was approved at the September Commission meeting. Unrestricted cash is expected to decline as capital projects are completed. In particular, approximately $5.1 million is expected to be spent on finalizing the currently outstanding large scale grant projects.

The increase and decreases in accounts receivable, lease receivable, inventory, prepaid expenses, accounts payable, and accrued payroll and other liabilities are all expected to be timing related. Accounts receivable includes $194,775 of underground fuel tank and generator fuel line repair costs that are expected to be reimbursed by insurance. Lease receivable decreases throughout the year as regularly scheduled tower lease payments are received. Prepaid expenses includes the annual insurance premium which is due in July of each year. Accounts payable fluctuates based on the timing of purchases and the final check run of the reporting period. Accrued payroll decreased due to the timing of the last pay check date in the reporting period.

The increase in nondepreciable assets (which includes construction in progress) is mainly related to the continuation of the construction phase of the grant projects.

Net Position

Changes in net position resulting from operating and non-operating revenues, expenses and capital contributions increased $2,459,797 since June 30, 2026. Net position invested in capital assets has decreased $4,419,250 mainly due to the application of 2024B bond proceeds toward eligible CIP projects, while net position restricted for debt service has increased $403,509 related to the timing of debt payments. Unrestricted net position has increased $6,475,538.

Capital Assets

Table A-3 on the following page presents a comparison of capital expenditures to date against the FY 2027 capital budget. The table only shows work for which the District has been invoiced through September. Planning and preliminary work has been started on many of these projects that will be completed, invoiced, and reported in upcoming quarters.

Net property, plant and equipment has increased by $16,325 during the first quarter of FY 2027. Total additions of $1,519,043 were offset by depreciation of $1,502,718.

Table A-3

CIP Projects - Capital

		Expended as of 9/30/2026	2027 Approved Amount	Remaining/ Variance
WWTP	**112021700**			
System Rehab	Replace equipment, valves and actuators	49,912	357,400	(307,488)
Reuse Water System	Upgrades/improvements to reuse system	32,483	110,000	(77,518)
Clarifiers	New gear box/motors (hydraulic)	50,725	60,000	(9,275)
Centrifuge	Air conditioned panel enclosure	-	200,000	(200,000)
WWTP SCADA	PLC/Fiber upgrades	-	220,000	(220,000)
Influent Monitoring	NH3 Probe & SCADA connection	-	30,000	(30,000)
Holding Ponds	Pond #3 Aerators-started in FY26	-	14,900	(14,900)
Influent Screen	Backup to band screen-started in FY26	33,640	85,300	(51,660)
	TOTAL WWTP	**166,759**	**1,077,600**	**(910,841)**
Collection System	**112021650**			
Gravity Main Refurbishment	Gravity main line repairs and relining	-	371,600	(371,600)
Lift Stations - Control Panels	LS control panels - 112054032	-	205,700	(205,700)
Lift Stations - Rehab	Rehab and pumps - 112054600	13,255	350,000	(336,745)
District Funded MSP Projects	District Funded MSP Projects	-	62,500	(62,500)
System Rehab	Replace pipes, manholes, laterals, etc.	-	200,000	(200,000)
LPS Changeouts	LPS Changeouts - 112054610	27,194	70,000	(42,806)
Edgewater Lift Station(s)	Sewer System - 112054048 (developer project)	-		
LPS System New Installs	Sewer System - 112054620	53,977	192,000	(138,023)
	TOTAL COLLECTION SYSTEM	**94,426**	**1,451,800**	**(1,357,374)**
Distribution System	**112021660**			
System Rehab	Replace valves/equipmt/RO membranes etc	53,914	150,000	(96,086)
Metering System	Changing out meters/base stations - 112054508	108,325	785,500	(677,175)
Fire Hydrants	New and replacement hydrants - 112054533	15,759	90,000	(74,241)
Water Line Replacement	Replace 12" Ribaut Island Rd line - 112054047	-	312,900	(312,900)
RO System	Rehab RO west well pump	-	160,000	(160,000)
US 278 Bridge Project	Engineering (Expected to be Reimbursed)	5,597	-	5,597
Ammonia Drum Scales	4 scales (1@FS, 1@WH, 2@ASR)	15,574	20,000	(4,426)
	TOTAL DISTRIBUTION SYSTEM	**199,169**	**1,518,400**	**(1,319,231)**
Facilities and Equipment				
SCADA Improvements	SCADA/Comms network upgrades-112054018	11,905	375,400	(363,495)
Admin Building	Bldg improvements, furniture, etc. - 112021620	-	79,600	(79,600)
Technology	General computer equipment-112021620	10,391	35,000	(24,609)
Vehicles	Fleet replacements-112021690	-	183,600	(183,600)
Operations Equipment	General Ops equipment-112021680	-	35,000	(35,000)
	TOTAL FACILITIES AND EQUIPMENT	**22,295**	**708,600**	**(686,305)**
TOTAL RATE FUNDED CIP PROJECTS		**$ 482,650**	**$ 4,756,400**	**$ (4,273,750)**
	Grant Projects - See recap on following page	**$ 1,036,394**	**3,007,000**	
	Less: Tap In Expenses being Capitalized		**(352,500)**	
	Less: Projects carried over from FY 2026		**(1,343,900)**	
Total FY 2027 Additions/Budgeted Amount		**$ 1,519,043**	**$ 6,067,000**	**$ (4,547,957)**

Capital Assets(continued)

SCIIP/ARPA Projects

The District is also moving forward with capital projects that will utilize the Beaufort County ARPA allocation, the SCIIP Grant, and the RIA State Grant. Please find below a recap of the status of those projects through September 30, 2026 as well as a recap of the project totals and funding sources to date. Staff will update the schedules below for any necessary change orders or miscellaneous project costs necessary as the projects progress. District staff is also monitoring bond proceeds for potential arbitrage earnings. In September 2026, a recommendation was made and approved to use approximately $6 million of bond proceeds for eligible rate funded budgeted capital items. Currently, the District has met arbitrage deadlines for tax purposes and is on track to spend down the remaining bond funds on grant projects for financial statement purposes.

SCIIP/ARPA Projects	Spent As Of 06/30/2026	FY 2027 to date	Grand Total	Project Total	Remaining/ Variance
LOM Booster Pump	$ 2,344,354	$ -	$ 2,344,354	$ 2,344,422	$ (68)
RO Plant Expansion	11,715,804	407,623	12,123,427	12,372,898	(249,471)
RO Wells	5,186,352	262,511	5,448,863	7,131,545	(1,682,681)
ASR 2	6,244,086	360,715	6,604,801	10,794,559	(4,189,757)
Screw Pump	502,302	5,544	507,846	4,736,000	(4,228,154)
Grand Total	**$ 25,992,898**	**$ 1,036,394**	**$ 27,029,292**	**$ 37,379,423**	**$ (10,350,132)**

Projects	Misc. Admin, Esmt, Legal, Etc. Expenses	Preliminary Engineering Contract	Construction Engineering Contract	Construction Contract	Construction C/O Contracts	Project Total
LOM Booster Pump	$ 150	$ 203,000	$ 140,000	$ 1,999,807	$ 1,465	$ 2,344,422
Water Supply Planning	226,126	-	-	-	-	226,126
RO Plant Expansion	-	693,000	1,026,000	10,523,000	130,898	12,372,898
RO Wells	26,005	401,000	799,450	5,857,385	47,704	7,131,545
ASR 2	38,116	723,000	860,550	9,096,388	76,505	10,794,559
Screw Pumps	-	178,000	188,000	4,370,000	-	4,736,000
Total	**$ 290,396**	**$ 2,198,000**	**$ 3,014,000**	**$ 31,846,580**	**$ 256,573**	**$ 37,605,549**
External Funding Sources						
SRF Loan, net	(252,796)	(1,829,204)	(296,429)	-	-	(2,378,429)
SCIIP Grant	-	-	-	(12,000,000)	-	(12,000,000)
BC ARPA	-	-	-	(1,000,000)	-	(1,000,000)
SC RIA Grant	-	-	-	(1,500,000)	-	(1,500,000)
Net of Grants/SRF	**$ 37,600**	**$ 368,796**	**$ 2,717,571**	**$ 17,346,580**	**$ 256,573**	**$ 20,727,120**
2024B Bond Proceeds, net of closing costs						(20,268,791)
2024B Bond Proceeds Interest Income through 09/30/2026						(1,323,178)
Remaining cash available						**$ (864,849)**

Please note that the table above does not reflect the Commission approved the application of approximately $6 million of bond proceeds to other eligible projects in September 2026. That $6 million is now in unrestricted cash and will still be used to finalize these grant projects. The $864,849 remaining cash available shown above represents what is currently expected to remain available for other uses from that $6 million once all grant projects are completed.

Statement of Cash Flow

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

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

Unrestricted cash available for operations increased $5,926,745 from $18,618,323 as of June 30, 2026, to $24,545,068 as of September 30, 2026, mostly related to the reimbursement of eligible CIP project costs from the 2024B bond proceeds account.

Restricted cash in banks for debt service has increased $593,553 from $596,729 as of June 30, 2026, to $1,190,282 as of September 30, 2026, in accordance with revenue debt payment activity.

Restricted cash held at the SC Local Government Investment Pool has decreased $5,781,441 from $11,274,839 as of June 30, 2026, to $5,493,398 as of September 30, 2026, due to reimbursement of eligible CIP project costs from the 2024B bond proceeds account.

Restricted cash held by Beaufort County has increased $36,015 from $992,729 on June 30, 2026, to $1,028,744 as of September 30, 2026, in accordance with GO debt activity.

Total combined unrestricted and restricted cash has increased $774,872 since June 30, 2026.

TABLE A-4
Hilton Head PSD
Statement of Cash Flows

	September 30 2026	June 30 2026
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 5,082,238	$ 17,436,254
Cash Paid to Suppliers	(3,336,729)	(10,602,438)
Cash Paid to Employees	(874,527)	(3,085,080)
Other Revenues	5,047	52,404
Net Cash Provided by Operating Activities	876,029	3,801,140
Cash Flows from Investing Activities		
Interest Income	286,025	1,472,856
Net Cash Provided by Investing Activities	286,025	1,472,856
Cash Flows from Noncapital Financing Activities:		
Property Taxes Collected - Operations Levy	36,540	1,491,612
Sewer Assessments Collected	52,740	217,575
Sewer Assessments Financed	-	(673,562)
Net Cash Provided by Noncapital Financing Activities	89,280	1,035,625
Cash Flows from Capital and Related Financing Activities:		
Capacity Fees	53,320	605,544
Capacity Fee Assessments	1,900	60,381
Property Taxes Collected - G.O. Debt Levy	58,738	2,373,975
Interest Paid	(16,647)	(990,866)
Proceeds from Series 2026 FFA Bonds	-	750,000
Bond Issuance Costs	-	(52,427)
Principal Payments on Bonds and Notes	(63,421)	(3,688,203)
Rental and Tower Lease Income	285,538	759,784
Proceeds from Capital Grant	2,000,000	7,828,350
Proceeds from Sale of Property, Plant and Equipment	-	42,754
Purchases of Property, Plant and Equipment	(2,795,890)	(18,404,107)
Net Cash Used by Capital and Related Financing Activities	(476,462)	(10,714,815)
Net Increase (Decrease) in Cash	774,872	(4,405,194)
Cash and Cash Equivalents at Beginning of Period	$ 31,482,620	$ 35,887,814
Cash and Cash Equivalents at End of Period	$ 32,257,492	$ 31,482,620

TABLE A-4
Hilton Head PSD
Statement of Cash Flows

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	**September 30 2026**	**June 30 2026**
Operating Income (Loss)	$ 76,355	$ (1,633,401)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	1,502,718	5,958,838
Decrease in Allowance for Doubtful Accounts	-	-
Difference Between GASB 68 and Actual Contributions	-	(347,088)
Changes in Assets and Liabilities		
Accounts Receivable - Trade	(260,572)	(270,539)
Accounts Receivable - Project SAFE	(10,760)	18,089
Inventories	(120,630)	(110,220)
Prepaid Assets	(250,399)	(13,651)
Accounts Payable - Trade	81,093	91,407
Customer Deposits	23,640	58,823
Accrued Payroll & Other Liabilities	(165,416)	48,882
Net Cash Provided by Operating Activities	$ 876,029	$ 3,801,140
Schedule of Cash and Cash Equivalents		
Available for Operations		
Demand Deposits (interest and non-interest bearing)	$ 1,924,574	1,450,849
Certificate of Deposit Cash Equivalent	3,000,000	3,000,000
SC Local Government Investment Pool	19,516,678	14,101,448
Held by Beaufort County Treasurer	103,816	66,026
Total Available for Operations	$ 24,545,068	$ 18,618,323
Restricted		
Cash in Banks	$ 1,190,282	596,729
SC Local Government Investment Pool	5,493,398	11,274,839
Held by Beaufort County Treasurer	1,028,744	992,729
Total Restricted	$ 7,712,424	$ 12,864,297
Total Cash and Cash Equivalents	$ 32,257,492	$ 31,482,620
Supplemental Disclosures		
Noncash Financing Activities:		
Developer Contribution of Systems	$ 5,597	$ 332,834
Assessments	$ -	$ 398,728

Financial Ratio Analysis

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

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

Financial Ratios					
	Benchmarks	Sept 2025 to Sept 2026	September 2026	September 2025	June 2026
Current Ratio	> 6.00	Benchmark Met	17.41	14.73	11.11
Operating Ratio	1.00	Benchmark Met	0.68	0.74	0.70
Days Cash on Hand	>120	Benchmark Met	670	467	509
Accounts Receivable (days of revenue)	< 35	Benchmark Met	27	25	26
Long-Term Debt to Net Position	< 0.75	Benchmark Met	0.38	0.50	0.39
Debt Coverage Ratio Projection	>150%	Complies with Bond Convenants	265%	262%	358%

Liquidity Ratios

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

The Current Ratio

The Current Ratio (current non-restricted assets over current liabilities to be paid from non-restricted assets) was 17.41 at September 30, 2026 which is greater than the benchmark of 6.0. Current non-restricted assets increased by $8,618,150 and current liabilities to be paid from non-restricted assets increased by $283,708 since September 30, 2025. The increase in current assets is mostly related to increases in unrestricted cash due to grant reimbursements, bond proceeds application to CIP projects, and higher interest income than budgeted.

The Operating Ratio

The operating ratio, total operating expenses less depreciation to operating revenues, indicates a company's level of operating expenses in comparison to operating revenue. As calculated in this section, a higher ratio indicates a higher level of expense in comparison to operating revenue. The current operating ratio is 0.68 compared to the September 30, 2025 ratio of 0.74 and meets the revised benchmark of 1.0 which indicates that the District's operating expenses less depreciation are being fully covered by operating revenues. Total operating expenses less depreciation increased $167,465 while total operating revenues including noncapital subsidies increased $1,914,922. The difference between the current ratio and 1.0 generally relates to the percentage of operating funds available for revenue debt service and capital projects. As such, the lower this ratio, the more funding is available annually for capital projects.

Days Cash on Hand

The days cash on hand ratio measures how many days a company can pay its expenses. The formula for this ratio is current unrestricted cash and investments plus any restricted cash and investments available for general system purposes divided by operating expenditures minus depreciation, divided by 365. A higher days of cash on hand ratio is more desirable as it indicates that an entity has more cash to cover its expenses. The days cash on hand ratio exceeds its benchmark and is 670 as of September 30, 2026, compared to 467 as of September 30, 2025. This increase is largely attributable to the application of 2024B bond proceeds to recently completed eligible CIP projects and is expected to decrease as the District completes its current large scale grant projects.

The Accounts Receivable (Days of Revenue) Ratio

The Accounts Receivable (Days of Revenue) ratio indicates the level of accounts receivable in comparison to the level of revenues being collected over a 12-month period (last 12 months or LTM). As calculated in this section, a higher ratio may indicate that receivables are growing in disproportion to revenues. The ratio is calculated by dividing accounts receivable by the average days' operating revenues.[2] This ratio was 27 at September 30, 2026 and 25 at September 30, 2025. Both years meet the benchmark of lower than 35 and indicate that the District is carrying less than one month's worth of receivables which is in line with its monthly billing schedule.

Leverage Ratios

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

The Long-term Debt to Net Position Ratio

The Long-term Debt to Net Position ratio, long term debt divided by the net position, is 0.38 and has decreased from the September 30, 2025, ratio of 0.50 and continues to meet the benchmark of less than 0.75. Long-term debt decreased by $3,072,546 while the net position has increased by $14,109,158.

Debt Coverage

Bond covenants require that the District maintain and collect rates and charges that together with income are reasonably expected to yield annual net earnings equal to at least the sum of one hundred twenty percent (120%) of annual principal and interest requirements for all revenue bonds outstanding. As of September 30, 2026, the debt service projection calculation is 265% which exceeds the fiscal year 2027 budgeted debt coverage ratio of 258%, the required ratio of 120%, and the target rate of 150%.

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

Customer Growth

Total water/irrigation service EDUs have increased by 22 since June 30, 2026, for a total of 20,226 EDUs. This is a 0.11% increase for fiscal year 2027 compared to the 0.19% increase experienced during the same period last fiscal year. The current EDUs include 19,095 water service units, 1,047 irrigation service units, and 84 miscellaneous water units such as dock meters, hydrants, pool meters, and golf course water coolers.

Water / Sewer Connection Growth 09/30/2026

Date	Water & Irr. EDU's	Only Water EDU's	Change in Water EDU's	Sewer EDU's	Change in Sewer EDU's	% Sewer to Water EDU's
06/30/26	20,204	19,074	N/A	18,353	N/A	96.22%
09/30/26	20,226	19,095	22	18,375	22	96.23%
Change in EDU's			**22**		**22**	

Sewer service EDUs have increased by 22 since June 30, 2026, for a total of 18,375 EDUs. This is a 0.12% increase for fiscal year 2027 compared to 0.19% for the same period of fiscal year 2026. As shown in the above table, the sewer to water customer percentage has increased to 96.23%.

Fiscal Outlook

As of September 30, 2026, the District's financial condition remains strong with all key financial benchmarks exceeding target levels.

Staff looks forward to discussing the first quarter fiscal year 2027 review of the District's financial condition at the November 18, 2026 Commission Meeting.

Cybersecurity Update



HiltonHeadPSD
21 Oak Park Drive
PO Box 21264
Hilton Head Island, SC 29925
www.hhpsd.com

Date: November 12, 2026

To: Commissioners

From: Connie Whitehead

Re: Cybersecurity Presentation

At the November Board meeting, PSD IT/GIS Manager Ryan Lewis will give an update on PSD cybersecurity measures.

GM Monthly Report



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

November 10, 2026

Dear Commissioners, please see below the following updates:

- We are experiencing current demand of approximately 7.5 million gallons a day (mgd), which includes Aquifer Storage & Recovery (ASR) recharge of approximately 1 mgd.
- S.C. Infrastructure Investment Program (SCIIP) Projects Update:
  - **RO Well #4:**
    - Site work is substantially complete.
    - The well is expected to begin supplying water in the first quarter of 2027, pending delivery of the electrical equipment for the submersible pump.
  - **ASR Well #2:**
    - Site work is underway.
    - Current ASR #2 Finish Date: December 2027.
- **U.S. 278 Corridor Project:**
  - Progressing with relocation design. We are on track to provide our final design and specifications well within the S.C. DOT's deadline for its planned project letting in fall 2027.
- **Commission Election Results:**
  - Commissioners Lola Campbell (Dist. 1), Michael Marks (Dist. 5), and Frank Turano (Dist. 7) were each elected to four-year terms. The PSD will be invoiced by Beaufort County for our share of the general election expense.
  - We once again participated in the HHI-Bluffton Chamber's "Adopt-a-Poll" program, sponsoring lunch for poll works in our service area.
- **Customer Satisfaction Survey – Digital Pilot**
  - We plan to conduct a digital Customer Satisfaction Survey in the first calendar quarter of 2027, promoted through our bill statements, e-newsletter, Winter bill-insert newsletter, social media, and website. This pilot will test a method we could use periodically to gather feedback on topics such as educational offerings and policy items, in addition to the pilot's overarching questions. A draft list of pilot questions is attached.
- **Carolina Yards Professional Landscape Training Incentive Program**
  - Staff has been asked to consider ways to put the Clemson Extension Service's "Carolina Yards" program training in the hands of professional landscapers. To that end, please see attached memo for board discussion/consideration.

- **Workforce Housing Assistance Initiatives**
    - Attached are draft policy documents following our September discussion of transitioning to Project SAFE 2.0 and creating the Large-Scale Workforce Housing Assistance program. We have shared them with our partners at Community Foundation of the Lowcountry, Beaufort-Jasper Housing Trust, and Deep Well Project.
    - We presented the Project SAFE 2.0 and Large-Scale Workforce Housing Assistance concepts to Thomas Boxley of the Gullah Geechee Historic Neighborhoods Community Development Corporation (CDC), and we hope the CDC will become another partner.
    - Habitat for Humanity would like to update the Commission on its initiatives at the December meeting and explore PSD support.
- **PSDs Water Distribution Interconnection Study**
    - This month, we met with staff and consulting engineers from Broad Creek and South Island PSDs to continue discussing an emergency interconnection of all three PSDs' water distribution systems. Construction could be funded as a regional S.C. Rural Infrastructure Authority (RIA) grant project in a future fiscal year.
- **PSD team competes in Hilton Head Mac & Cheese Festival**
    - The PSD again competed in October's Hilton Head Mac & Cheese Festival. Our team included Jim Hewitt, Tim Ryan and family, Pam Driskell and family, and Hillary Price. Jim is an event organizer; the festival raises funds for hearing impaired services and Island Rec. Thank you to the team!







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

All my best,

Pete Nardi
General Manager
Hilton Head PSD

Hilton Head PSD Customer Satisfaction Survey

Please share your feedback regarding your service from the Hilton Head Public Service District.

* Indicates required question

Email *_____

Hilton Head PSD Account Number *_____

Overall, how would you rate Hilton Head PSD? *

Excellent

Good

Fair

Poor

How would you rate the overall quality of your tap water? *

Excellent

Good

Fair

Poor

How would you rate your water pressure at your home or business? *

Excellent

Good

Fair

Poor

How would you rate Hilton Head PSD's communications? *

Excellent

Good

Fair

Poor

How would you rate Hilton Head PSD's customer service? *

Excellent

Good

Fair

Poor

The PSD's water and sewer rates are affordable. *

Strongly Agree

Agree

Disagree

Strongly Disagree

Full Name:_____

Phone Number:_____

Please share any additional comments regarding your Hilton Head PSD services:

Memorandum

To: Hilton Head Public Service District Commission
From: Pete Nardi, General Manager
Date: _____
Subject: Carolina Yards Professional Landscape Training Incentive Program

Background

Dear Commissioners, recent board discussion has included a potential interest in encouraging private landscape companies serving the PSD's service area to learn the principles that comprise Clemson Extension Service's Carolina Yards sustainable landscape program. Staff has discussed this objective with Clemson Extension Service staff and has determined that the Extension Service's "Carolina Yards Online Cohort Course" represents the optimal approach to achieve this objective. To that end, we are proposing the below program for Commission review and approval. Staff believes the proposed program advances the PSD's water conservation mission by promoting practices that reduce potable water demand and improve irrigation efficiency throughout the community. The course curriculum specifically includes water-wise landscaping and irrigation management principles.

About the Course

The Carolina Yards Online Cohort Course is a 10-week, self-paced, online course designed to provide information and techniques to participants to create and maintain more environmentally friendly landscapes. The course covers the 12 Carolina Yards principles focused on water conservation, wildlife habitat, soil health, reduced chemical inputs and more. Weekly modules guide participants through the Carolina Yards principles. Interactive discussions allow for connection with peers across the state. The course time commitment is considered to be under three hours per week. A computer, email address, and internet connection is needed for the course. The Carolina Yards Online Course is typically held each spring (March - May). Registration typically runs from Jan. 1 through February.

Proposed PSD Program Policy

Program Name: Carolina Yards Professional Landscape Training Incentive Program

Purpose
The purpose of this program is to support water conservation and environmental stewardship within the PSD

service area by encouraging landscape professionals to obtain training in environmentally responsible landscape and irrigation practices.

Eligibility

1. Any landscape company, irrigation contractor, or landscape maintenance firm providing services within the PSD service area may participate.
2. The program shall be available on a nondiscriminatory basis to all eligible firms.
3. Participants must successfully complete the Carolina Yards Online Cohort Course offered through Clemson Extension.

Incentive

1. PSD shall reimburse the course registration fee, up to the actual cost incurred, for eligible participants who provide proof of successful completion.
2. Reimbursement shall be subject to available budget appropriations.
3. The General Manager may establish administrative procedures, application forms, and annual funding limits necessary for program administration.

Recognition

1. PSD may publicly recognize individuals who complete the course and companies whose employees do so, likely through listings on the PSD website and social media.
2. Recognition shall acknowledge course completion only and shall not constitute endorsement, recommendation, certification, or preference for any contractor, company, or service provider.

Administration

1. The program shall be administered by PSD staff.
2. Participation shall not affect eligibility for PSD contracts, procurements, or other business relationships.
3. Staff shall report program participation and conservation outcomes to the Commission periodically.

Fiscal Impact

Course registration is $120 per person. The program will be funded through the annual conservation and public education budget. The initial program allocation is proposed not to exceed **$1,500.00** per year unless otherwise authorized by the Commission.

Recommendation

Staff recommends the Commission approve the establishment of a Carolina Yards Professional Landscape Training Incentive Program to encourage landscape professionals serving properties within the PSD service area to complete Clemson University Cooperative Extension's Carolina Yards Online Cohort Course, a program

focused on water conservation, proper irrigation practices, soil health, runoff reduction, and environmentally responsible landscape management.

Recommended Motion

I move that the Hilton Head Public Service District Commission establish the Carolina Yards Professional Landscape Training Incentive Program as presented; authorize reimbursement of the registration costs for eligible participants who successfully complete Clemson Extension's Carolina Yards Online Cohort Course, subject to annual budget appropriations and administrative procedures established by the General Manager; and authorize public recognition of program participants without endorsement of any private contractor or company.

October 2026

Hilton Head PSD Housing Assistance Programs

Summary of SAFE 2.0 and Large-Scale Workforce Housing Funding

Why Changes Are Needed

Project SAFE (Sewer Access for Everyone), a charitable fund of the Community Foundation of the Lowcountry, was launched in 1999 to provide the local match for a Community Development Block Grant project.

In subsequent years, SAFE succeeded in expanding sewer access for low-and moderate-income homeowners. About $200,000 is currently available in SAFE funding. Many remaining customers who could connect but have not yet done so fall outside original eligibility but still face affordability barriers.

Sewer connection costs often range from $13,000–$18,000.

Why Changes Are Needed

The PSD has been in discussion with multiple community partners regarding the need for expanded sewer connection assistance including workforce housing.

Staff has developed some concepts they would like to share with the Commission. Staff would like to seek Commission input on these ideas and any other priorities or considerations the Commission may have before exploring further with these potential partners.

As the PSD is not a granting agency, any program that moves forward would be a program of a granting agency and not the PSD. These partners have been intaking applications for similar programs for many years and may have additional suggestions.

SAFE 2.0 Expanded Eligibility

Some PSD Staff Ideas:

- Households up to 200% AMI (see next slide)
- Income-based contribution structure
- Rental properties serving income-qualified tenants
- Continued water-fund assistance subject to funding availability
- Focus on eliminating remaining septic systems

SAFE 2.0 Funding Structure

Some PSD Staff Ideas:

Scale grants to applicants at 100 – 200% AMI with a focus on affordability

- ≤100% AMI: Full connection grant
- 101–150% AMI: Customer contribution required based on 3% of 125% AMI (typically $3,000–$5,000 based on household size)
- 151–200% AMI: Customer contribution based on 6% of 175% AMI (typically $8,300–$13,800 based on household size)
- Remaining eligible costs covered by assistance

SAFE 2.0 Rental Requirements

Some PSD Staff Ideas:

- Generally limited to non-commercial owners with 5 units or fewer
- Applicants must meet AMI thresholds and are subject to the same contribution requirements as owner occupied applicants.
- Rent affordability protected
- Rental commitment required
- Supports workforce housing while preserving affordability

New Dedicated Large-Scale Workforce Housing Program

- Target: Multi-unit developments generally greater than 5 units
- Eligible projects must be 100% income restricted.
- Appropriate AMI rent cap requirements.
- Affordability period: minimum 20 years

Large-Scale Program Funding Model

- No PSD fee waivers
- Assistance provided through a third-party grant program
- Up to $1,000 per unit
- Annual cap of $100,000
- First-come, first-served basis
- Funded from non-operating revenues (tower leases, interest income)

How the Programs Work Together

Creates clear, non-overlapping assistance pathways and focuses funding where it is most effective.

Program	Target	Project Type
SAFE 2.0	Individual households	Owner-occupied & small-scale rentals
Workforce Housing Program	Multi-unit developments	Developer-driven rental housing

Key Benefits & Staff Recommendation

Benefits:

- Consistent policy framework
- Supports affordable and workforce housing
- Improves sewer connection rates
- Advances public health and water quality goals
- Takes pressure off FFA program and paves the way for elimination of this administratively burdensome process

Recommendation:

- Seek input and sponsorship of third-party program partners

PROJECT SAFE 2.0

Sewer Connection Assistance Policy

DRAFT POLICY | October 2026

1. Policy Purpose

Project SAFE 2.0 establishes an updated sewer connection assistance framework for households and small-scale rental properties within the Hilton Head PSD service area that face material affordability barriers to connecting to available public sewer. The policy builds on the original mission of Project SAFE while creating objective, income-based standards for the remaining program funds and future contributions.

Policy objective: keep sewer connection costs within a reasonable range relative to ability to pay while extending assistance to populations not currently served under the original program.

2. Program Scope

- Owner-occupied residential properties.
- Small-scale rental properties owned by non-commercial property owners, generally five dwelling units or fewer.
- Properties must have public sewer service available and incur eligible costs associated with connecting to that service.
- All awards remain subject to program funding availability.

3. Owner Occupied Income Eligibility and Participant Contribution

Eligibility is based on household income as a percentage of the applicable Area Median Income (AMI), adjusted for household size. Assistance decreases as ability to pay increases. All applications must be for residential connections located within the Hilton Head PSD service area.

Income Tier	Participant Responsibility
100% AMI or below	Full connection grant, subject to eligible costs and available funding
101%–150% AMI	Participant contribution based on 3% of 125% AMI for applicable household size
151%–200% AMI	Participant contribution based on 6% of 175% AMI for applicable household size

Administrative standard. The program administrator will maintain the current AMI schedule and contribution exhibit used for eligibility determinations. The grant pays eligible connection costs above the required participant contribution, subject to available funds and program limits.

4. Rental Property Eligibility

- All applications must be for residential connections located within the Hilton Head PSD service area.
- Owner household income must satisfy the applicable AMI requirements.
- The tenant/owner contribution is determined under the same AMI-based framework used for owner-occupied properties.
- The owner must maintain the property as rental housing for at least five years.
- While the property remains in the assisted rental program, rents must remain within the approved AMI-based affordability limit for the term established in the grant agreement, not to exceed 30% of 100% of AMI, not to exceed 20 years.
- The grant agreement will specify documentation, certification, repayment, or other remedies applicable to noncompliance.

5. Eligible Assistance

- Eligible sewer connection costs approved under program procedures.
- Applicable Community Foundation of the Lowcountry "Hilton Head Water Fund" assistance may continue for an approved sewer grant where authorized by Hilton Head PSD and subject to funding availability.
- Assistance may not duplicate payment of the same cost from another funding source.

6. Administration and Documentation

1. Use a standardized application and income-verification process.
2. Document household size, AMI tier, property type, total eligible cost, participant contribution, grant amount, and other funding sources.
3. For rentals, document the applicable rent limitation and affordability commitment.
4. Approve and disburse assistance only after program eligibility and eligible costs are verified.
5. Maintain grant records in an audit-ready format consistent with the administering organization's record-retention requirements.

7. Funding and Award Conditions

Awards are made only to the extent funds are available. The granting partners may establish annual or per-property award limits and may prioritize applications that eliminate an existing septic system, preserve affordable rental housing, or address extraordinary low-pressure sewer connection costs.

8. Policy Administration and Review

The granting partners may adopt administrative procedures necessary to implement this policy without amending the core policy, including annual AMI schedules, application forms, documentation standards, and payment procedures. Material changes to eligibility, affordability methodology, or program purpose require board approval.

LARGE-SCALE WORKFORCE HOUSING WATER & SEWER DEVELOPMENT ASSISTANCE PROGRAM

Granting-Partner Policy Framework

DRAFT POLICY | October 2026

1. Policy Purpose

This policy creates a third-party grant framework to help qualified large-scale affordable and workforce housing developments cover water and sewer development costs. It preserves Hilton Head PSD's standard fee structure while ensuring that public and charitable investments support enforceable, long-term affordability.

Program principle: financial assistance is exchanged for measurable, enforceable affordability. Hilton Head PSD does not waive standard utility fees.

2. Eligible Projects

- Residential developments located within the Hilton Head PSD service area.
- Generally, more than five residential units.
- 100% of participating residential units must be income-restricted.
- Units may serve households from traditional low-income levels through workforce housing, with the program ceiling generally set at 150% AMI.
- Projects must satisfy all Hilton Head PSD technical, capacity, connection, and service requirements independent of grant eligibility.

3. Affordability Standards

- Rents must be limited to levels affordable to households at the designated AMI tier, generally 30%, using the rent methodology adopted by the program administrator.
- No assisted unit may be designated above 150% AMI.
- Affordability restrictions must remain in effect for at least 20 years.
- Affordability requirements must be documented in an enforceable agreement acceptable to the granting partner and applicable project parties.
- Annual AMI and rent schedules may be updated administratively without changing the underlying policy.

4. Eligible Water and Sewer Assistance

- Capacity, connection, or other eligible water and sewer development charges identified in the approving grant agreement.
- Eligible utility infrastructure or connection-related costs necessary to serve the affordable units, where specifically approved by the granting partner.
- Grant proceeds supplement rather than replace the developer's required contribution and may not duplicate another funding source.

5. Funding Structure

- Hilton Head PSD continues to assess standard utility fees and does not waive fees under this program.
- The third-party granting partner receives and reviews applications and determines program eligibility.
- An approved application may be forwarded to the Hilton Head PSD Commission for consideration of a complementary PSD contribution.
- The proposed PSD contribution is up to $1,000 per eligible unit, subject to an aggregate annual PSD authorization of $100,000 and available non-operating revenue.
- PSD participation is intended as a limited gap contribution that leverages Town, developer, grant, philanthropic, or other housing funding.
- PSD funding remains subject to annual budget and cash-flow considerations; an otherwise eligible project may be limited or scheduled for a subsequent budget year if funds are unavailable.

6. Application and Review

1. Developer submits a complete application to the granting partner, including project scope, unit mix, proposed AMI designations, rents, financing plan, requested utility assistance, and proposed affordability controls.
2. Granting partner verifies project and affordability eligibility and determines the recommended grant award.
3. Hilton Head PSD independently confirms applicable utility charges, technical requirements, and whether complementary PSD program funds are available.
4. Required agreements are executed before grant funds are committed or disbursed.
5. Funds are disbursed under the payment method established in the award agreement, preferably following verification of eligible utility costs.

7. Compliance and Enforcement

- Owner provides annual certification of assisted units, applicable AMI designations, and rents for the affordability term.
- Records must be maintained sufficiently to demonstrate compliance with the approved affordability requirements.
- The grant agreement should provide for notice and cure, repayment or prorated clawback, and other appropriate remedies if affordability commitments are materially violated.
- Affordability obligations should bind successor owners for the required term through an appropriate recorded or contractual mechanism, subject to legal review.

8. Funding Priorities

If requests exceed available funding, priority may be given to projects with deeper affordability, a greater number or percentage of units serving lower AMI households, longer affordability commitments, stronger outside leverage, and demonstrated readiness to proceed.

9. Program Administration and Review

The granting partner may adopt standardized application forms, scoring criteria, annual income and rent schedules, documentation requirements, and grant agreements. Hilton Head PSD retains sole control over its utility rates, charges, technical requirements, and any PSD contribution. The policy should be reviewed periodically for effectiveness, available funding, and continued alignment with community affordable housing needs.

Current HUD Table and Related Proposed Contributions and Rent Caps

Current HUD Table for Beaufort County as of 09-2026

Household Size	50% AMI	80% AMI	100% AMI	125% AMI	150% AMI	175% AMI	200% AMI
1 person	$39,550	$63,300	$79,200	$99,000	$118,800	$138,600	$158,400
2 person	$45,200	$72,350	$90,500	$113,100	$135,800	$158,400	$181,000
3 person	$50,850	$81,400	$101,800	$127,300	$152,700	$178,200	$203,600
4 person	$56,500	$90,400	$113,000	$141,300	$169,500	$197,800	$226,000
5 person	$61,050	$97,650	$122,050	$152,600	$183,100	$213,600	$244,100
6 person	$65,550	$104,900	$131,100	$163,900	$196,700	$229,400	$262,200
7 person	$70,100	$112,100	$140,150	$175,200	$210,200	$245,300	$280,300
8 person	$74,600	$119,350	$149,200	$186,500	$223,800	$261,100	$298,400

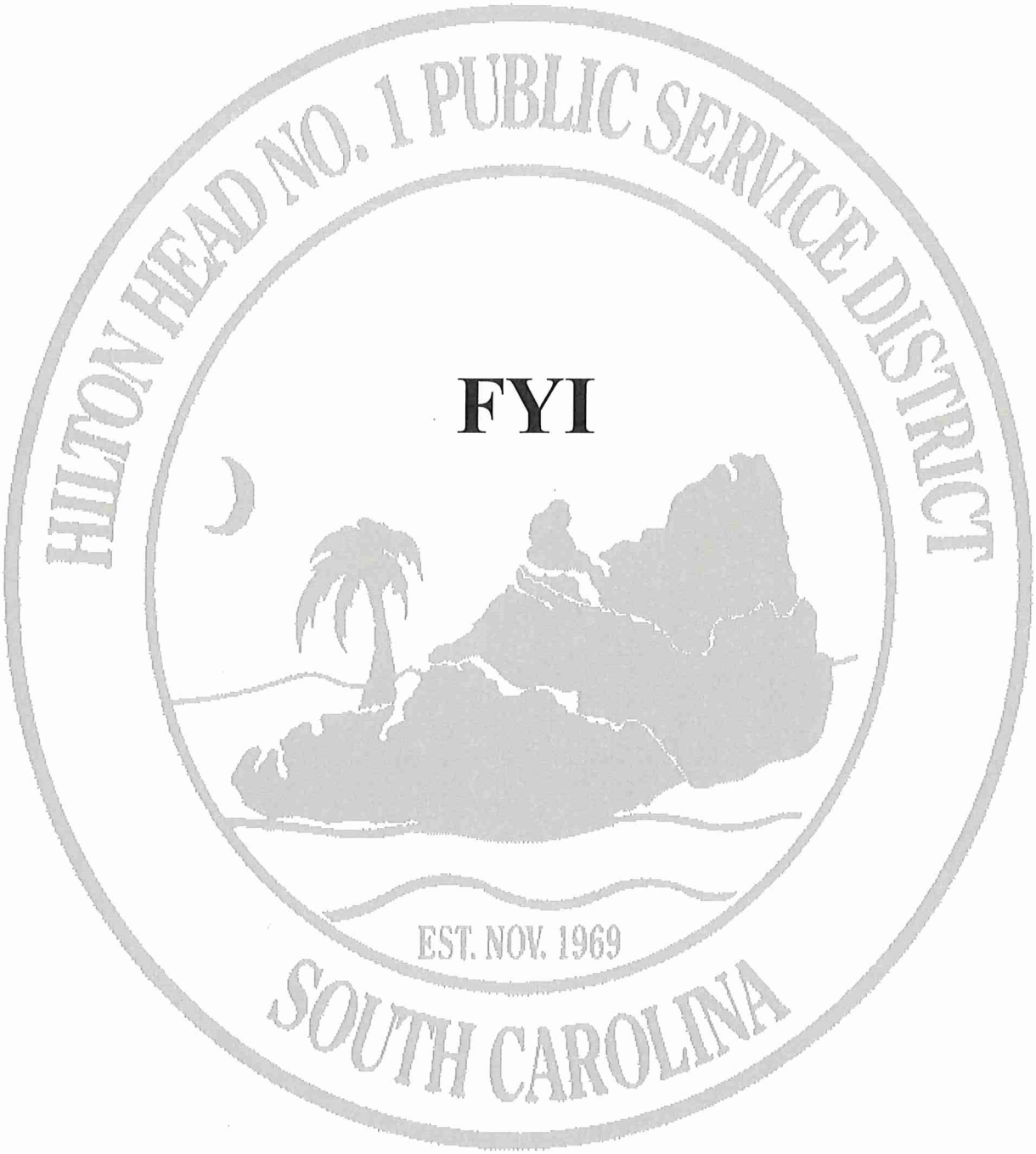
Proposed Owner/Tenant Required Contribution Examples based on Current HUD Tables

Household Size	50% AMI	80% AMI	3% of 125% 100% - 149% AMI	6% of 175% 150% - 200% AMI
1 person	$0	$0	$3,000	$8,300
2 person	$0	$0	$3,400	$9,500
3 person	$0	$0	$3,800	$10,700
4 person	$0	$0	$4,200	$11,900
5 person	$0	$0	$4,600	$12,800
6 person	$0	$0	$4,900	$13,800
7 person	$0	$0	$5,300	$14,700
8 person	$0	$0	$5,600	$15,700

Proposed Rent Caps based on Current HUD Tables - 30% of AMI

Household Size	50% AMI	80% AMI	100% AMI	150% AMI
1 Bedroom - 1.5 People	$1,100	$1,700	$2,700	$3,200
2 Bedroom - 3 People	$1,300	$2,000	$2,500	$3,800
3 Bedroom - 4.5 People	$1,500	$2,400	$2,900	$4,400
4 Bedroom - 6 People	$1,600	$2,600	$3,300	$4,900

FYI


HILTON HEAD NO. 1 PUBLIC SERVICE DISTRICT
EST. NOV. 1969
SOUTH CAROLINA

2027 Commission Meeting Dates:

Jan. 27
Feb. 24
March 24
April 28
May 26
June 23
July 28
Aug. 25
Sept. 22
Oct. 27
Nov. 17
Dec. 15

2027 PSD Holiday Closings

Jan. 1	New Year's Day
Jan. 18	MLK Day
Feb. 15	President's Day
March 26	Good Friday
May 31	Memorial Day
June 18	Juneteenth
July 5	Independence Day
Sept. 6	Labor Day
Oct. 11	Columbus Day
Nov. 11	Veterans Day
Nov. 25 and 26	Thanksgiving
Dec. 24 and 27	Christmas
Dec. 31	New Year's Eve

2027 Calendar

JANUARY

Su	Mo	Tu	We	Th	Fr	Sa
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31						

FEBRUARY

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MARCH

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APRIL

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MAY

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JUNE

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JULY

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AUGUST

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SEPTEMBER

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OCTOBER

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NOVEMBER

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DECEMBER

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26	27	28	29	30	31	

PSD Holidays

PSD Board mtgs

National Conferences