

**FRIPP ISLAND
PUBLIC SERVICE DISTRICT**

Financial Statements
and Accompanying Information
for the year ended June 30, 2016

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Table of Contents

	Page
Report of Independent Auditor	3-4
Management's Discussion and Analysis	5-15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements	
Balance Sheet-Governmental Funds	18
Balance Sheet-Proprietary Funds	19
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets	20
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	21
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Special Revenue Funds	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Debt Service Fund	23
Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
Statement of Fiduciary Net Assets	26
Statement of Cash Flows - Proprietary Fund	27
Notes to Financial Statements	28-39
Accompanying Information	
Special Revenue Funds:	
Combining Balance Sheet	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	42-44
Proprietary Fund:	
Statement of Revenues and Expenses - Budget and Actual	45-47
Schedule of Bonds Outstanding	48-50
Required Supplementary Information	51-54

Report of Independent Auditor

To The Commissioners
Fripp Island Public Service District
Fripp Island, South Carolina

Report on Financial Statements

We have audited the accompanying financial statements of Fripp Island Public Service District as of and for the year ended June 30, 2016, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fripp Island Public Service District as of the year ended June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Members
SC Association of Certified Public Accountants
NC Association of Certified Public Accountants
Members
Division for CPA Firms, AICPA

An independently owned member
RSM US Alliance



1 Westbury Park Way, Suite 200
PO Box 1999
Bluffton, SC 29910
843-706-8440 Fax 843-706-8441
www.websterrogers.com

Change in Accounting Principle

As discussed in the footnotes to the financial statements, in 2015 the district adopted new accounting guidance GASB No. 60, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying information as listed in the table of contents. Are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Webster Rogers LLP

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis

Introduction

The Commission, management and staff of the Fripp Island Public Service District (the District) are pleased to present the audited, annual financial report for the fiscal year ended June 30, 2016. The report complies with the Statement of Governmental Accounting Standards (GASB).

Management is responsible, in all material respects, both for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. The data is reported in a manner designed to fairly present the financial position and changes in the financial position of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial and operational activities are included.

Organization

The District, created on April 16, 1962 by Act No. 1042 of the South Carolina General Assembly, serves the residents and property owners of Fripp Island, South Carolina. Services provided originally included water supply, fire protection and erosion control. On March 23, 1993, the District's authority was expanded to include wastewater collection and treatment. On April 8, 2003, operation and maintenance of the Fripp Inlet Bridge became a District responsibility when its ownership was transferred from the Fripp Island Property Owners Association to the District.

The Fripp Island Public Service District Commission governs the District. Originally governed by a three-member commission appointed by the Beaufort County Legislative Delegation, the District's enabling legislation was amended on June 28, 1974, increasing the number of commissioners to six. With the successful passage of a referendum by the registered voters of Fripp Island on November 7, 2000, the Commission became an elected body. The first general election was held on November 6, 2001.

The elected, six-member commission establishes policies and procedures, approves the annual budget and adopts the necessary utility rates and tax levies to fund the District's operations. The District's manager, hired by the Commission, has fiduciary responsibility for the District's operation.

The District is organized into three departments: water and wastewater, fire, and erosion and bridge. The water and wastewater department is funded predominantly through user charges (utility rates) similar to a private business enterprise. However, taxes are levied for payment of the annual debt service of the general obligation bonds issued for the construction and upgrade of the wastewater treatment plant. The fire department is funded exclusively by taxes. The erosion and bridge department is funded exclusively by taxes for all activities related to erosion control and the maintenance and repair of the Fripp Inlet Bridge. However, the Fripp Island Property Owners Association in accordance with the Agreement for Transfer of [the] Inlet Bridge reimbursed the District for all expenditures required to inspect, maintain and repair the Fripp Inlet Bridge until June 30, 2014, when the District assumed all financial responsibility for the operation and maintenance of the bridge. The District began levying taxes for expenditures related to the Fripp Inlet Bridge in fiscal year 2015.

Administration

Administrative services for all departments are provided by the District manager and the District manager's assistant. The manager, who answers directly to the Commission, serves as the chief operating officer of the District and is responsible for the overall operation and supervision of all District activities. The manager is responsible for carrying out the policies and mandates of the Commission and ensuring that the District complies with Federal and State laws.

The manager's assistant serves as the human resources officer and performs all accounting functions necessary to support the various departments, such as payroll and accounts payable. Additionally, the manager's assistant is responsible for utility billing and provides customer service for the water and wastewater department.

Water and Wastewater

The District purchases drinking water from the Beaufort Jasper Water and Sewer Authority for resale to its customers located on and off Fripp Island. As of June 30, 2016 the District had 1,593 retail water accounts and one wholesale water customer: Hunting Island State Park. The District's water transmission/distribution system begins on St. Helena Island at the Harbor River and terminates on Fripp Island. To provide a reliable supply of water for potable use and fire protection, the District also operates and maintains two water pumping stations and three elevated storage tanks.

The wastewater collection system consists of gravity sewer lines, sewer force mains, fourteen lift stations, and a vacuum sewer station and collection system. Of the current 1,530 residential and commercial wastewater accounts, 555 are customers served by the vacuum sewer system. The collection system conveys the wastewater to a reclaimed water treatment plant capable of handling 750,000 gallons of wastewater per day at build-out. The reclaimed water is used to irrigate the Ocean Point Golf Course on Fripp Island.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis (continued)

In November 2006 the District completed construction of the "state of the art" reclaimed water treatment plant replacing an existing wastewater treatment plant, which only provided secondary treatment. With an initial capability to treat 500,000 gallons per day, expanded to 750,000 gallons per day in 2015, the plant provides the capacity necessary to serve all of Fripp Island. The plant, a membrane biological reactor (MBR), was the first MBR to be constructed in South Carolina, and, as such, visits by design engineers and public officials are common.

The vacuum sewer collection system, completed in January 2008, provides mandatory sewer service to all single family lots previously relying on septic tanks for wastewater disposal. As of April 8, 2009, all single family homes on Fripp Island, which previously relied on septic tanks, were connected to the sewer system. Like the wastewater treatment plant, the vacuum system also attracts numerous visitors annually.

Harbor Island Utilities, Inc., a privately owned water and wastewater utility that serves Harbor Island, also relies on the District for the delivery of drinking water and the disposal of treated wastewater effluent. Via a three-way agreement between the Beaufort Jasper Water and Sewer Authority, Harbor Island Utilities and the District, Harbor Island Utilities purchases water directly from the Authority and pays the District a transportation fee for the use of the District's transmission main. Harbor Island Utilities also pays the District an effluent disposal fee for the storage and disposal of its treated wastewater.

Individuals operating and maintaining water and wastewater systems must be licensed by the South Carolina Environmental Certification Board. The department's staff consists of four certified operators with multiple licenses in water and wastewater operations.

Fire Department

The fire department provides fire protection, emergency medical service, and beach rescue for the residents and guests on Fripp Island. Operation of the department and the supervision and training of department personnel is the responsibility of a full-time, paid fire chief. In addition to the fire chief, the department has a personnel compliment of nineteen part-time, paid firefighters and five volunteers. The addition of part-time, paid personnel, recruited from other fire departments, has allowed the District to provide full-time fire and emergency services twenty-four hours per day, seven days per week for a minimum cost compared to the cost for full-time personnel. This ability is further enhanced through mutual aid agreements with other fire departments in Beaufort County and the District's agreement with Beaufort County to house an emergency medical paramedic and emergency medical vehicle in the fire station.

The fire department's inventory of firefighting/emergency apparatuses consists of two mainline pumpers, a squad/equipment vehicle, two pick-ups, and an all-terrain vehicle and personal watercraft for performing beach rescue.

Erosion and Bridge

The District currently maintains several erosion control structures intended to protect facilities for the common use and benefit of Fripp Island property owners. This includes roadways necessary for emergency vehicles and right of ways for water and sewer lines. The District's current policy precludes the protection of private property from beach erosion.

In 2003 the Fripp Island Property Owners Association (FIPOA) transferred ownership of the Fripp Inlet Bridge to the Fripp Island Public Service District. The District, as the owner, assumed ultimate responsibility for maintaining, insuring and repairing the bridge. However, FIPOA, per the transfer agreement, remained financially responsible for all costs associated with its operation. This arrangement precluded the need for the District to levy taxes for bridge related expenditures but required FIPOA to include these costs in the annual Road & Bridge assessments it collected from Fripp Island property owners.

In 2013, FIPOA and the District decided that it would be more advantageous for the property owners of Fripp Island if the District assumed financial responsibility for the bridge. As a result, on June 30, 2014, the District assumed all financial responsibility for the operation and maintenance of the Fripp Inlet Bridge. To avoid an immediate, significant increase in taxes and to help fund planned maintenance expenses over the next five years, FIPOA also transferred \$625,000 from its Roads & Bridges Reserve Fund to the District.

Routine bridge inspection and annual soundings of the Fripp Inlet Channel are performed as part of a long term maintenance plan to insure the reliability and safety of the Fripp Inlet Bridge. Periodic maintenance is performed based on the inspection recommendations of the District's engineering consultant.

Major Initiatives and Events - SCDOT Replacement of the Harbor River Bridge

The District owns, operates and maintains a water transmission main that crosses the Harbor River. Approximately 2,800 feet of the water line is attached to the Harbor River Bridge (US 21). However, because the center span of the bridge must open for boat traffic, approximately 400 feet of the water line is underwater and buried on the bottom of the river. The water main is the only source of supply of potable water for Harbor Island, Hunting Island State Park and Fripp Island.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis (continued)

In May 2009, a directional boring contractor installing a six-inch steel casing for the local telephone company struck and broke the subaqueous line in multiple locations. Temporary repairs to the subaqueous line were completed in June 2009. Based on the District's consulting engineer's recommendation, the Commission approved replacement of the subaqueous portion of the waterline, and construction of the new waterline was completed in June 2011 for an actual cost of \$472,207.

In February 2012, the District filed a civil complaint with the Beaufort County Court of Common Pleas against the alleged responsible parties. The case was settled out of court in December 2013 with the District receiving a settlement payment in 2014 of \$525,000. Out of pocket cost incurred by the District after settlement and insurance reimbursement totaled \$460,411.

In October 2013 the District learned from an independent, engineering firm that the South Carolina Department of Transportation plans to begin construction to replace the Harbor River Bridge in 2017. When contacted by the District, the SCDOT confirmed its plans to replace the bridge. As a result, the waterline that was constructed in 2011, due to damage incurred in 2009, will have to be replaced in or about 2017. The preliminary estimated cost to replace the waterline in its entirety was \$1,320,000. In March 2016, the District obtained updated waterline replacement cost estimates ranging from \$1,700,000 to \$3,100,000, depending on the new bridge placement and method of construction of the waterline. These estimates do not include legal fees associated with issuing bond debt and assume that the Butcher's island pumping station does not have to be replaced.

Major Initiatives and Events – Revenue Bond Advanced Refunding

In 2005 the District issued \$5,499,008 in revenue bond debt to construct a vacuum sewer collection system. The series 2005 revenue bond carried an interest rate of 4.16%, had a balloon payment of \$2,113,579 due on October 1, 2025, but could not be prepaid (called) prior to October 1, 2014. To achieve a cost savings by taking advantage of the low interest rates available prior to June 2013, the District's Commission authorized the advanced refunding of the bonds.

In fiscal year 2013, the District issued the series 2013 advanced refunding revenue bond in the amount of \$4,580,317 and contributed \$83,000 in cash reserves toward the refunding of the series 2005 bond. The series 2013 refunding bond bears an interest rate of 2.03% and matures on October 1, 2028. The vacuum sewer assessments used to pay the debt service will expire in 2025, and in May 2013, the District's Commission authorized setting aside \$35,000 annually to be used to pay the debt service after the vacuum sewer assessments expire.

Early redemption of the series 2005 revenue bond on October 1, 2014 totaled \$4,608,182: \$4,514,285 in principal and \$93,897 in interest. The advanced refunding will result in a total gross savings of \$692,142 for the District and residents of Fripp Island.

Major Initiatives and Events – Unrealized Investment Gains

To protect the public's funds, the District's investments are limited to obligations of the Federal government, its agencies and federal loan corporations; general obligations of the State of South Carolina; and other instruments, such as certificates of deposit, which are secured by the FDIC. Investment in equities is not permissible.

Due to improvements in market volatility and a decrease in unrealized investment losses experienced in fiscal year 2014, the District increased investments for fiscal year 2015. On June 30, 2015, the investments held by the District totaled \$3,430,951 based on cost. During the year, the District experienced an unrealized loss of \$31,765 reducing its investments to a fair market value of \$3,399,186.

Redemption of securities during fiscal year 2016 resulted in a decrease of \$186,437 in investments, however, capital gains increased by \$67,232. On June 30, 2016, the investments held by the District totaled \$3,244,514 based on cost. For the year, the District showed an unrealized gain of \$35,467 increasing its investments to a fair market value of \$3,279,981. Because the District intends to hold the securities until maturity, a realized loss is not anticipated. A comparison of the District's investments as of June 30, 2016 and 2015 are as follows:

	June 30, 2016	Increase (Decrease)	June 30, 2015
Investments			
At cost	\$ 3,244,514	\$ (186,437)	\$ 3,430,951
Capital gain (loss)	35,467	67,232	(31,765)
Fair market value	<u>\$ 3,279,981</u>	<u>\$ (119,205)</u>	<u>\$ 3,399,186</u>

Major Initiatives and Events – Reclaimed Wastewater Treatment Plant Upgrade

The District's wastewater treatment plant, commissioned in 2006, relies on ultra-filtration membranes to provide highly treated, re-use quality water. Because the membranes have a finite life of eight years, replacement of the membranes would be required in early fiscal year 2015.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis (continued)

In fiscal year 2013, the Commission authorized the District's engineering firm to begin evaluating potential upgrades to the plant in conjunction with the membrane replacement. In April 2014 the Commission authorized the District's engineering firm to proceed with the design of the necessary upgrades to the plant and to submit plans and specifications to the South Carolina Department of Health and Environmental Control for approval.

Based on the engineer's estimated cost of construction, the District submitted a loan application to the South Carolina Water Quality Revolving Fund Authority for \$1,000,000 at an interest rate of two percent (2%) for a term of twenty years. The District then petitioned, and received authority in June 2014, from the Beaufort County Council to issue up to \$1,000,000 in general obligation bonds. Approval of the loan application and issuance of the general obligation bonds took place in September 2014.

In August 2014, the District received competitive bids for the wastewater treatment plant upgrade project. In September 2014, the District awarded the contract for the project to the low bidder. The low bid exceeded the estimated cost of construction by \$184,950 requiring the District to reduce the scope of work by \$100,000 and to use cash reserves fund the remaining amount in excess of the bond proceeds.

In March 2015, prior to the project completion in November 2015, significant rust and corrosion was observed on some of the new equipment. Following negotiations with the engineering firm and equipment manufacturer, the damaged equipment was replaced in early 2016 at an additional cost of \$95,814. Including change orders and increased equipment costs, the total cost of the project at completion was \$1,148,933, of which \$989,603 was paid from bond proceeds and \$159,330 paid from cash reserves. Expenses for legal matters relating to the issuance of general obligation bonds to fund the project totaled \$31.325 during fiscal years 2015 and 2016.

Financial Overview

The management's discussion and analysis, which follows, serves as an introduction to the audited financial statements of the District for the fiscal year ending June 30, 2016 and should be read in conjunction with the audited financial statements, data and notes presented in this report.

The statement of net assets and balance sheets present the financial position of the District as of a specific date. These statements provide information about the nature and amount of assets and liabilities with the difference reported as net assets or total fund equity. Over time, increases and decreases in the net assets or fund equity may indicate whether the District's financial position is improving or deteriorating.

The statements of revenues, expenses, and changes in net assets present the results of the business activities over the course of the fiscal year and how net assets have changed during the year.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, financing and investment activities.

The notes to the financial statements provide required disclosures and other information essential to fully understand the data provided in the statements.

Financial Position (Statement of Net Assets)

The District's financial position continues to be strong with adequate cash and debt service coverage. Total net assets of \$12,089,924 as of June 30, 2016 increased \$332,084 (2.8%) compared to a decrease of \$1,050,849 (8.2%) in the previous fiscal year. (Total net assets in the previous fiscal year were negatively influenced by depreciation of capital assets, unrealized losses on securities, decreased water sales and tax collections, unexpected repairs to the Maxwell Bridge sewer force main, and new pension liability reporting requirements.) Unrealized gains on securities, increased income from effluent treatment, and decreased engineering, legal and personnel expenses contributed to the fiscal year 2016 increase in total net assets. Of the total amount, \$4,128,970 is unrestricted and available to support current operations; \$1,310,336 is restricted for the payment of debt service; and \$6,650,618 represents the depreciated investment in capital assets (net of related debt). The following tables compare the net assets of the current fiscal year and fiscal years 2016 and 2015:

Comparison of 2016 to 2015:

	June 30, 2016	Increase (Decrease)	June 30, 2015
Net assets			
Unrestricted	\$ 4,128,970	\$ 275,618	\$ 3,853,352
Restricted	1,310,336	127,598	1,182,738
Capital assets	<u>6,650,618</u>	<u>(71,132)</u>	<u>6,721,750</u>
Total net assets	<u>\$ 12,089,924</u>	<u>\$ 332,084</u>	<u>\$ 11,757,840</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis (continued)

Comparison of 2015 to 2014:

Net assets	June 30, 2015	Increase (Decrease)	June 30, 2014
Unrestricted*	\$ 3,853,352	\$ (881,976)	\$ 4,735,328
Restricted	1,182,738	172,654	1,010,084
Capital assets	6,721,750	(341,527)	7,063,277
Total net assets	<u>\$ 11,757,840</u>	<u>\$ (1,050,849)</u>	<u>\$ 12,808,689</u>

*Unrestricted net assets decreased in fiscal 2015 due to the new pension liability reporting requirements by the Governmental Accounting Standards Board. Stated net assets include pension liability adjustments for periods prior to fiscal year 2015.

The unrestricted net assets as of June 30, 2016 by department consist of the following:

	Fire Department	Erosion and Bridge	Water and Sewer	Totals
Cash for operations	\$ 45,996	\$ 75,287	\$ 152,145	\$ 273,428
Cash for system improvements	-	-	1,604,218	1,604,218
Total cash	45,996	75,287	1,756,363	1,877,646
Cash due from Beaufort County	235,325	287,905	-	523,230
Available cash	281,321	363,192	1,756,363	2,400,876
Certificates of deposit at cost	-	500,199	2,166,875	2,667,074
Unrealized gains	-	5,889	25,874	31,763
Certificates of deposit at fair value	-	506,088	2,192,749	2,698,837
Total unrestricted funds	281,321	869,280	3,949,112	5,099,713
Accounts receivable	3,713	-	396,320	400,033
Inventory	-	-	25,196	25,196
Prepaid expenses	-	-	24,549	24,549
Deferred pension outflows	100,077	-	116,285	216,362
Accounts payable	(20,965)	(165)	(106,285)	(127,415)
Net pension liability	(658,851)	-	(765,554)	(1,424,405)
Deferred pension inflows	(39,345)	-	(45,718)	(85,063)
Unrestricted net assets	<u>\$ (334,050)</u>	<u>\$ 869,115</u>	<u>\$ 3,593,905</u>	<u>\$ 4,128,970</u>

Unrestricted net assets not adjusted for pension liabilities	\$ 264,069	\$ 869,115	\$ 4,288,892	\$ 5,422,076
--	------------	------------	--------------	--------------

A comparison of the unrestricted net assets by department as of June 30, 2016 and 2015 are as follows:

	Fire Department	Erosion and Bridge	Water and Sewer	Totals
Unrestricted net assets at June 30, 2015	\$ (277,409)	\$ 851,419	\$ 3,278,342	\$ 3,852,352
Increase (decrease)	(56,641)	17,696	314,563	275,618
Unrestricted net assets at June 30, 2016	<u>\$ (334,050)</u>	<u>\$ 869,115</u>	<u>\$ 3,592,905</u>	<u>\$ 4,127,970</u>

For fiscal year 2016, the unrestricted net assets for the fire department decreased due to increases in pension liability and a decrease in accounts payable.

The increase in unrestricted net assets for the erosion and bridge department in fiscal year 2016 was the result of a decrease in needed repairs to erosion control structures and an increase in unrealized gains on securities.

For the water and wastewater department, increases in available cash, inventory and prepaid expenses were partially offset by an increase in pension liability, resulting in an overall increase in unrestricted net assets for fiscal year 2016.

The restricted net assets available for debt service as of June 30, 2016 are as follows:

	Debt Service	Water and Sewer	Totals
Cash for debt service	\$ -	\$ 31,814	\$ 31,814
Due from Beaufort County	361,409	335,969	697,378
Total restricted cash	361,409	367,783	729,192
Certificates of deposit at cost	-	577,440	577,440
Unrealized gains	-	3,704	3,704
Certificates of deposit at fair value	-	581,144	581,144
Total restricted funds and net assets	<u>\$ 361,409</u>	<u>\$ 948,927</u>	<u>\$ 1,310,336</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis (continued)

A comparison of the restricted net assets available for debt service as of June 30, 2016 and 2015 are as follows:

	Debt Service	Water and Sewer	Totals
Restricted net assets at June 30, 2015	\$ 360,452	\$ 822,286	\$ 1,182,738
Increase (decrease)	957	126,641	127,598
Restricted net assets at June 30, 2016	<u>\$ 361,409</u>	<u>\$ 948,927</u>	<u>\$ 1,310,336</u>

Taxes collected for payment of the wastewater treatment plant general obligation bond are collected and held by the Beaufort County Treasurer in a debt service account. The treasurer, as directed by the district manager, makes quarterly debt service payments to the South Carolina Water Quality Revolving Fund Authority.

Penalties for late payment of taxes increased restricted net assets for the debt service fund in fiscal year 2016.

The special assessments collected and held by the Beaufort County Treasurer for the vacuum sewer project are transferred to the District's bond trustee. The District's bond trustee then pays the biannual debt service on the revenue bonds issued to fund the vacuum sewer project.

The series 2013 advanced refunding revenue bond matures in 2028, while the vacuum sewer assessments used to pay the debt service will expire in 2025. A transfer of unrestricted invested funds to restricted sewer construction fund investments, to be used to defray the cost of the debt service payments after the vacuum sewer assessments expire, increased the water and sewer department's restricted net assets.

The investment in capital assets, net of related debt, as of June 30, 2016 is itemized by department as follows:

	Fire Department	Erosion and Bridge	Water and Sewer	Totals
Capital assets at June 30, 2015	\$ 1,524,897	\$ 4,352,692	\$ 18,556,623	\$ 24,434,212
Accumulated depreciation at June 30, 2015	(905,075)	(2,934,751)	(6,039,324)	(9,879,150)
Asset additions (deletions)	29,240	-	(6,492)	22,748
Construction completed	-	-	1,148,933	1,148,933
Construction in progress	-	-	-	-
Depreciation for the year ending June 30, 2016	<u>(43,825)</u>	<u>(257,037)</u>	<u>(507,356)</u>	<u>(808,218)</u>
Net capital assets at June 30, 2016	605,237	1,160,904	13,152,384	14,918,525
Unamortized debt costs	-	-	176,614	176,614
Bond proceeds for refunding debt	-	-	-	-
Bonds payable	-	-	(8,444,521)	(8,444,521)
Capital assets net of debt	<u>\$ 605,237</u>	<u>\$ 1,160,904</u>	<u>\$ 4,884,477</u>	<u>\$ 6,650,618</u>

A comparison of the investment in capital assets, net of related debt as of June 30, 2016 and 2015 are as follows:

	Fire Department	Erosion and Bridge	Water and Sewer	Totals
Capital assets, net of related debt at June 30, 2015	\$ 619,822	\$ 1,417,941	\$ 4,683,987	\$ 6,721,750
Increase (decrease)	(14,585)	(257,037)	200,490	(71,132)
Capital assets, net of related debt at June 30, 2016	<u>\$ 605,237</u>	<u>\$ 1,160,904</u>	<u>\$ 4,884,477</u>	<u>\$ 6,650,618</u>

Construction completed during the year, a component of the investment in capital assets, totaled \$1,148,933. The fiscal year totals with funding source are listed below:

Project	Date of Completion	June 30, 2016 Totals	Funding Source
Wastewater Plant Upgrade	I February, 2016	989,603	Bond issue*
Wastewater Plant Upgrade	(February, 2016	159,330	Available funds
		<u>\$ 1,148,933</u>	

*\$989,603 for the wastewater plant upgrade was paid from the proceeds of the series 2014 general obligation bond. Costs exceeding \$989,603 were paid from available funds.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis (continued)

Notwithstanding \$1,171,681 in combined asset additions and capital improvements, the net capital investment for the Fire Department and Erosion and Bridge Department decreased by 2.4% and 18.1% respectively from the prior fiscal year due to depreciation. Debt incurred for the \$1,148,933 in improvements at the wastewater treatment plant offset the net capital investment in the Water and Sewer Department, resulting in an increase of only 4.3%.

Accounts Receivable

As of June 30, 2016, accounts receivable by department consisted of the following items:

	Fire Department	Erosion and Bridge	Water and Sewer	Totals
Utility billing for water and sewer service	\$ -	\$ -	\$ 392,622	\$ 392,622
Casual sales and reimbursable repairs	-	-	3,543	3,543
Inter-fund interest transfers and payments	3,713	-	155	3,868
	<u>\$ 3,713</u>	<u>\$ -</u>	<u>\$ 396,320</u>	<u>\$ 400,033</u>

Casual sales include use of fire hydrants for jetting piles and fees charged to Harbor Island Utilities for transportation of potable water and storage of treated wastewater effluent. Reimbursable repairs include charges for repairs to water and sewer lines damaged by individuals or other utility providers.

Accounts Payable

As of June 30, 2016, accounts payable by department consisted of the following items:

	Fire Department	Erosion and Bridge	Water and Sewer	Totals
Vendors payable normal and recurring	\$ 6,784	\$ 165	\$ 30,525	\$ 37,474
Wholesale water purchases BJW&SA	-	-	51,642	51,642
Accrued employee expenses	14,180	-	20,710	34,890
Inter-fund interest transfers and payments	-	-	3,409	3,409
Totals	<u>\$ 20,964</u>	<u>\$ 165</u>	<u>\$ 106,286</u>	<u>\$ 127,415</u>

Accrued employee expenses include \$22,092 in accrued salaries and \$11,694 in accrued vacation. Because the employees of the District participate in the South Carolina State Employee's Retirement System, the District does not have to maintain a pension plan liability reserve.

Debt and Debt Service Coverage

The District is authorized to issue long term debt (bonds) for the purchase and construction of capital assets. The District may issue general obligation bonds secured by pledging its taxing authority or revenue bonds secured by the revenues of the water and wastewater system.

As of July 1, 2015, the District had \$8,971,520 in outstanding long term debt: \$4,535,408 for the wastewater treatment plant and \$4,436,112 for the vacuum sewer system. Debt principal payments for the year totaled \$621,241: \$344,088 for the wastewater treatment plant general obligation bonds (\$41,290 for the series 2014 wastewater treatment plant improvements bond issue, \$302,798 for the 2005 wastewater treatment plant note payable, and \$277,153 for the vacuum sewer system series 2013 refunding revenue bond).

The general obligation debt is paid by taxes collected by the Beaufort County Treasurer, who acts as the trustee for the debt. For fiscal year 2016, the Beaufort County Treasurer collected \$443,886 in taxes, penalties and interest to pay the District's general obligation debt. The taxes levied for payment of the annual debt service of the District's outstanding general obligation bond debt totaled 9.38 mills, which was decreased from 9.55 mills the previous year due to a change in the value of a mill. At the end of the year, the treasurer's debt service account had available funds totaling \$361,409 for payment of the outstanding general obligation debt.

The Beaufort County Treasurer also collected \$363,988 in special assessments and \$2,117 in penalties and interest to pay the revenue bond debt for the vacuum sewer project. Assessments collected as of June 30, 2016 were \$3,002 less than the \$366,990 budgeted projection due to a decrease in the value of a mill. At the end of the year, funds held by the Beaufort County Treasurer and Bond Trustee for the payment of revenue bond debt totaled \$335,969

On May 14, 2013, the District issued the series 2013 advanced refunding revenue bond in the amount of \$4,580,317. The bond proceeds were used to refund the series 2005 revenue bond, in its entirety, on October 1, 2014. The series 2013 refunding bond bears an interest rate of 2.03% and matures on October 1, 2028.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis (continued)

The District's Bond Resolutions, which govern the issuance of revenue bonds for the water and wastewater system, require that the combined annual net earnings of the water and wastewater systems at all times equal one hundred twenty percent (120%) of the annual debt service payments for all outstanding revenue bonds. For fiscal year 2016, actual net earnings, adjusted for the refunded bond debt, equaled one hundred sixty-one percent (161%) of the annual debt service. The budgeted projection of net earnings to debt service was one hundred thirty-nine percent (139%).

As of June 30, 2016, the outstanding long term debt for the District totaled \$8,444,522: \$4,158,959 in revenue bond debt for the vacuum sewer system and \$4,285,563 in general obligation bond debt for the wastewater treatment plant. The general obligation bond debt includes \$3,337,250 for the 2005 general obligation bond and \$948,313 for the 2014 general obligation bond, issued for improvements to the wastewater treatment plant.

Revenue and Expenses-Proprietary Fund (Water and Wastewater Department)

The water and wastewater department's gross profit from operations (operating revenues less the cost of water purchased) exceeded prior year earnings by 0.2% (\$4,099): \$1,743,676 versus \$1,739,577 in the prior year. Compared to budgeted projections of \$1,648,910, gross profit for the year showed a favorable variance of 5.7% (\$94,766). The favorable budget comparison resulted from an increase in effluent disposal fees, wholesale water purchases that were lower than expected (\$468,140 budgeted versus \$412,066 actual) and increases in cellular telephone rental income.

While sewer rates remained the same for fiscal year 2016, volumetric water rates were increased by \$0.05/1,000 gallons to absorb an increase of \$0.03/1,000 gallons in the wholesale water rate. Despite the modest increase, water use revenues declined from the prior year earnings by \$19,938 (2.3%) and were under budget by \$5,812 (0.7%). Collection of vacuum sewer assessments by the Beaufort County Treasurer decreased by \$3,009 compared to the prior year, and were under budget by \$3,002 due to a decrease in the value of a mill.

Actual income for cellular telephone tower leases decreased by \$3,694 (1.4%) from the prior year, but revenue exceeded budget by \$27,022 (12%) due to a lease renewal in July 2016 that was excluded from budget projections.

"Other" revenues, including penalties, tap fees and charges to Harbor Island Utilities, Inc. for potable water transmission and effluent disposal, increased by 12.5% compared to the prior year. Compared to budgeted projections, "other" revenues had a favorable variance of 46.5%: \$52,613 actual vs. \$35,910 budget.

The following table illustrates how these changes impacted the gross profit for the water and wastewater department compared to the prior year:

	Fiscal Year		Increase (Decrease)
	2016	2015	
Gallons of water purchased (in thousands)	156,679	173,312	(16,633)
Gallons of water sold (in thousands)	148,590	156,777	(8,187)
Water gained (lost)	(8,089)	(16,535)	8,446
Water accountability percentage	95	91	4
Water accounts	1,594	1,588	6
Sewer accounts	1,530	1,528	2
Operating revenues:			
Water sold	\$ 828,488	\$ 848,426	\$ (19,938)
Sewer use	657,581	658,013	(432)
Vacuum sewer assessment	363,988	366,997	(3,009)
Cellular tower leases	253,072	256,766	(3,694)
Extraordinary income	-	17,893	(17,893)
Other	52,613	46,773	5,840
Total operating revenues	2,155,742	2,194,868	(39,126)
Less water purchased	412,066	455,291	(43,225)
Gross profit before expenses	\$ 1,743,676	\$ 1,739,577	\$ 4,099
Gross profit less extraordinary income	\$ 1,743,676	\$ 1,721,684	\$ 21,992

Non-operating income (interest earned) increased by \$6,327 (8.9%) compared to the prior year, due to higher interest rates on investments. Non-operating income exceeded budget by \$19,188 (33.1%): \$77,188 actual vs. \$58,000 budget.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis (continued)

Total operating expenses for the current year were under budget by 6.2%: \$960,391 actual vs. \$1,024,290 budget; and increased by 3.3% or \$30,586 compared to the prior year. The prior year ended with a favorable variance of 8.6%: \$929,805 actual vs. \$1,017,150 budget.

The following table compares the current and prior year operating expenses for the water and wastewater department:

	Fiscal Year		Increase
	2016	2015	(Decrease)
Actual operating expenses:			
General and administrative	\$ 649,485	\$ 623,195	\$ 26,290
Travel and training	4,494	3,251	1,243
Operations	99,408	84,371	15,037
Maintenance	104,857	119,052	(14,195)
Utilities	102,147	99,936	2,211
Total operating expenses	960,391	929,805	30,586
Budgeted operating expenses:	1,024,290	1,017,150	7,140
Less actual operating expenses	960,391	929,805	30,586
Favorable (unfavorable) variance	\$ 63,899	\$ 87,345	\$ (23,446)

Administrative support provided to the fire department and for erosion and bridge operations reduced general and administrative expenses by \$33,430 in fiscal year 2016 and \$32,900 in fiscal year 2015.

Salary expenses in fiscal year 2016 were \$22,928 lower than the projected budget, however, this favorable variance of 5.8% was offset by an unfavorable variance of \$17,900 (39.8%) in retirement expenses, due to the effects of the new pension liability reporting requirements of GASB Statement Nos. 68 and 71.

Bond interest expense for fiscal year 2016 decreased from the prior year by \$91,762 and was under budget by \$519 (0.3%).

Compared to the prior year:

- Salaries, including overtime, increased 0.2% (\$742).
- Employee training increased 137% (\$2,188).
- Insurance premiums increased 8% (\$8,782): 8.8% for employee health coverage and workmen's comp and -1.2% for property and liability coverage.

Significant changes in operation and maintenance expenses compared to the prior year included the following:

- Engineering consulting not for capitalized construction increased 100% (\$9,484).
- Legal fees decreased 76% (\$2,483).
- Miscellaneous expenses decreased 60% (\$3,310).
- Printing expenses increased 222% (\$786).
- Building maintenance expense increased 43% (\$1,202).
- Effluent monitoring increased 87% (\$10,182).
- Tap costs increased 484% (\$7,004).
- Generator repairs and maintenance decreased 43% (\$1,784).
- Wastewater treatment plant equipment repairs increased 179% (\$16,622).
- Repair of water and sewer system lines and force mains decreased 60% (\$30,453).

The most significant budget variances for expenses during fiscal year 2016 are listed below.

Account	Comments	Actual	Budget	Favorable (Unfavorable) Variance
Legal fees	Less than anticipated	\$ 795	\$ 15,000	\$ 14,205
Postage & freight	New lease on equipment	6,428	8,500	2,072
Building maintenance	Less than anticipated	4,023	5,160	1,137
Salaries including overtime	Retirement of operator	385,534	411,800	26,266
Employee insurance	Less than estimated and timing	78,153	84,800	6,647
Vehicle	Vehicle purchase timing	16,225	22,000	5,775
Seminars & training	Less than anticipated	3,787	6,500	2,713
Sludge disposal	Less than anticipated	63,401	71,100	7,699
Tap costs	Prior year prepaid expense	5,857	1,520	(4,337)
Booster pumps	Less than anticipated	73	6,000	5,927
Wastewater treatment units	Age of equipment	25,889	20,000	(5,889)

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis (continued)

Revenue and Expenses-Governmental Funds (Fire, Erosion, Bridge and Debt Service)

Section 6-1-320 of the South Carolina Code of Laws limits local governments' ability to increase taxes for operation and maintenance activities. (This requirement does not apply to debt service.) Tax increases are restricted to the percentage increase of the consumer price index plus population growth over the prior calendar year. To fund operations and maintenance activities in fiscal year 2016, the District was limited to an increase of 0.5 mills (4.12%) over the prior year: 12.03 mills to 12.53 mills. The tax levy for debt service was decreased by 0.17 mills to 9.38 mills due to an increase in the value of a mill.

In August 2015, the District was provided with revised countywide mill values resulting in a combined budget shortfall for operations and maintenance and debt service of \$25,367. The Commission chose to refrain from increasing the millage since doing so would exceed the South Carolina Code of Laws limitations.

The following table compares the total tax levy (including general obligation bond debt service) for fiscal year 2016 and fiscal year 2015. The tax levy was based on a tax collection rate of 100%.

	Tax levy		
	Year ending June 30, 2016	2015	Increase (Decrease)
Operation and maintenance levy			
Erosion and bridge	2.15	0.86	1.29
Fire department	10.38	11.17	(0.79)
Total operation and maintenance levy	12.53	12.03	0.50
Debt service levy			
Wastewater treatment plant	9.38	9.55	(0.17)
Total debt service levy	9.38	9.55	(0.17)
Total levy	21.91	21.58	0.33
Value of one mill	\$ 46,123	\$ 46,125	\$ (2)

Overall, tax collections fell short of budgeted projections due to the revised mill value, however the combined unfavorable variance of \$5,730 (\$3,964 for erosion and bridge and fire department and \$1,766 for debt service) was less than expected.

Tax collections for debt service were under budget by 0.4% or \$1,766. The following table compares the current and prior year tax collections for general obligation bond debt service.

	Fiscal Year		Increase (Decrease)
	2016	2015	
General Obligation Debt Service			
Actual tax collections	\$ 441,194	\$ 441,983	\$ (789)
Budgeted tax collections	442,960	443,320	(360)
Favorable (unfavorable) variance	\$ (1,766)	\$ (1,337)	\$ (429)

Actual tax revenues collected for the fire department and bridge and erosion operations were under budget by 0.7% or \$3,964. The following table compares the current and prior year tax collections for the fire department and erosion and bridge operations.

	Fiscal Year		Increase (Decrease)
	2016	2015	
Fire Department & Erosion Operations			
Actual tax collections	\$ 588,356	\$ 555,346	\$ 33,010
Budgeted tax collections	592,320	558,020	34,300
Favorable (unfavorable) variance	\$ (3,964)	\$ (2,674)	\$ (1,290)

Total revenues for the fire department and the erosion and bridge department, which included interest earned and special assessments in addition to taxes, showed favorable budget variances of \$2,020 and \$7,407, respectively. The favorable variances were the result of tax penalties collected and interest earned on investments.

The District collected \$109,147 in tax revenue for maintaining its erosion control structures and the Fripp Inlet Bridge. Actual expenditures totaled \$98,906 compared to \$113,561 in the prior year. The budget projections for tax collections and the repair and maintenance of erosion control structures and the Fripp Inlet Bridge were \$101,740 and \$123,090 respectively. Expenses incurred to maintain the Fripp Inlet Bridge were partially funded by the amount remaining from the \$625,000 transferred from the Fripp Island Property Owners Association in fiscal year 2014.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Management's Discussion and Analysis (continued)

The District's erosion control structures are not insurable. Therefore, the District maintains an emergency reserve for the repair of unforeseeable, storm related damage. Because there was no major storm related damage to the District's revetments and groins during the year, the District had \$275,091 available for emergency repairs at the end of fiscal year 2016 versus a budgeted projection of \$243,500.

The largest Fire Department expenditure was employee salaries totaling \$327,649 (vs. \$329,058 in the prior year), which allows the District to hire part-time, trained firefighters to provide improved fire protection for Fripp Island twenty-four hours per day, seven days per week. However, total employee expenses, which also include retirement, employee insurance and workmen's compensation, were still \$21,839 under budget. Total employee expenses were \$15,120 under budget in the prior year. The largest account expenditures other than employee expenses and the administrative support fee were \$29,240 for capital purchases and \$11,326 for property and tort liability insurance. Capital purchase included firefighting equipment and improvements to the fire station. To comply with the tax limitation requirement and reduce taxes, the Fire Department relied on available funds and continued to limit budgeted expenses. Despite a budgeted deficit of \$77,130, expenditures only exceeded revenues by \$45,748 resulting in a favorable, overall variance of \$31,382.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Statement of Net Assets

June 30, 2016

	Governmental Activities	Business Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 121,283	\$ 1,756,363	\$ 1,877,646
Certificates of deposit	506,088	2,192,749	2,698,837
Due from Beaufort County Treasurer	523,230	335,969	859,199
Accounts receivable	3,713	396,320	400,033
Inventory	-	25,196	25,196
Prepaid expenses	-	24,549	24,549
Restricted cash	361,409	31,814	393,223
Restricted certificates of deposit	-	581,144	581,144
Property, plant and equipment (net of accumulated depreciation)	1,766,141	13,152,384	14,918,525
Unamortized debt acquisition costs	-	176,615	176,615
	<u>3,281,864</u>	<u>18,673,103</u>	<u>21,954,967</u>
Total assets			
DEFERRED OUTFLOWS OF RESOURCES	<u>100,077</u>	<u>116,285</u>	<u>216,362</u>
LIABILITIES			
Vouchers and accounts payable	21,130	106,285	127,415
Net pension liability	658,851	765,554	1,424,405
General obligation and revenue bonds payable	-	8,444,522	8,444,522
	<u>679,981</u>	<u>9,316,361</u>	<u>9,996,342</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES	<u>39,345</u>	<u>45,718</u>	<u>85,063</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,766,141	4,884,477	6,650,618
Restricted net assets	361,409	945,223	1,306,632
Accumulated restricted unrealized gain (loss) on securities	-	3,704	3,704
Unrestricted net assets	529,176	3,568,031	4,097,207
Accumulated unrestricted unrealized gain (loss) on securities	5,889	25,874	31,763
	<u>2,662,615</u>	<u>9,427,309</u>	<u>12,089,924</u>
Total net assets			

See notes to financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Statement of Activities

Year ended June 30, 2016

	Program Revenues			Net (expense) revenues And changes in net assets		
	Expenses	Charges For Services	Capital Contributions	Governmental Activities	Business Type Activities	Total
Functions/programs						
Primary government						
Governmental activities						
Public safety	\$ 821,763	\$ 6,392	\$ -	\$ (815,371)	\$ -	\$ (815,371)
Public service	98,906	0	-	(98,906)	-	(98,906)
Total governmental services	<u>920,669</u>	<u>6,392</u>	<u>-</u>	<u>(914,277)</u>	<u>-</u>	<u>(914,277)</u>
Business type activities						
Water	940,607	1,112,665	-	-	172,058	172,058
Sewer	1,153,335	1,043,077	-	-	(110,258)	(110,258)
Total business type activities	<u>2,093,942</u>	<u>2,155,742</u>	<u>-</u>	<u>-</u>	<u>61,800</u>	<u>61,800</u>
Total primary government	<u>\$ 1,173,273</u>	<u>\$ 2,149,350</u>	<u>\$ -</u>	<u>(914,277)</u>	<u>61,800</u>	<u>(852,477)</u>
General revenues						
Taxes						
Property taxes-general				588,356	-	588,356
Property taxes-debt				441,194	-	441,194
Interfund transfers				(442,929)	442,929	-
Investment earnings				10,591	77,188	87,779
Total general revenues				<u>597,212</u>	<u>520,117</u>	<u>1,117,329</u>
Change in net assets				(317,065)	581,917	264,852
Net assets-beginning of year				2,972,225	8,785,615	11,757,840
Unrealized gain (loss) on investments				<u>7,455</u>	<u>59,777</u>	<u>67,232</u>
Net assets-end of year				<u>\$ 2,662,615</u>	<u>\$ 9,427,309</u>	<u>\$ 12,089,924</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Balance Sheet
Governmental Funds

June 30, 2016

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 121,283	\$ -	\$ 121,283
Certificates of deposit	506,088	-	506,088
Due from Beaufort County Treasurer	523,230	361,409	884,639
Accounts receivable	<u>3,713</u>	<u>-</u>	<u>3,713</u>
Total assets	<u>1,154,314</u>	<u>361,409</u>	<u>1,515,723</u>
LIABILITIES			
Vouchers and accounts payable	21,130	-	21,130
Total liabilities	<u>21,130</u>	<u>-</u>	<u>21,130</u>
FUND EQUITY			
Fund balance-Reserved for debt service	-	361,409	361,409
Fund balance-Unrestricted	1,127,295	-	1,127,295
Accumulated unrealized gain (loss) on securities	<u>5,889</u>	<u>-</u>	<u>5,889</u>
Total fund equity	<u>1,133,184</u>	<u>361,409</u>	<u>1,494,593</u>
Total liabilities and fund equity	<u>\$ 1,154,314</u>	<u>\$ 361,409</u>	<u>\$ 1,515,723</u>

See notes to financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Balance Sheet
Proprietary Fund

June 30, 2016

ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,756,363
Certificates of deposit	2,192,749
Due from Beaufort County Treasurer	335,969
Accounts receivable water and sewer system	396,320
Inventory	25,196
Prepaid expenses	24,549
Restricted cash	31,814
Restricted certificates of deposit	581,144
Total current assets	<u>5,344,104</u>
Property, plant and equipment (net of accumulated depreciation)	13,152,384
Unamortized debt acquisition costs	<u>176,615</u>
Total assets	<u>18,673,103</u>
DEFERRED OUTFLOWS OF RESOURCES	116,285
Total assets and deferred outflows of resources	<u><u>18,789,388</u></u>
LIABILITIES	
Current liabilities	
Vouchers and accounts payable	106,285
Vouchers and accounts payable from restricted assets	-
Net pension liability	765,554
Total current liabilities	<u>871,839</u>
Long-term debt	<u>8,444,522</u>
Total liabilities	<u>9,316,361</u>
DEFERRED INFLOWS OF RESOURCES	<u>45,718</u>
FUND EQUITY	
Contributed capital	2,270,705
Retained earnings-Restricted	945,223
Accumulated restricted unrealized gain (loss) on securities	3,704
Retained earnings-Unrestricted	6,181,803
Accumulated unrestricted unrealized gain (loss) on securities	25,874
Total fund equity	<u>9,427,309</u>
Total liabilities, deferred inflows of resources, and fund equity	<u>\$ 18,789,388</u>

See notes to financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets

June 30, 2016

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance-governmental funds	\$	1,494,593
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,766,141
Other long term assets related to pension expense are not available to pay for current expenditures and are, therefore, not reported or are deferred in funds:		
Contributions made subsequent to measurement date	36,588	
Differences between expected and actual experience	63,489	100,077
Net pension liabilities are not due and payable in the current period and, therefore are not reported in the funds		(658,851)
Investment earnings on retirement plan fiduciary held assets		<u>(39,345)</u>
Net assets of governmental activities	\$	<u><u>2,662,615</u></u>

See notes to financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2016

	Special Revenue	Debt Service	Total Governmental Funds
Revenues			
Taxes	\$ 588,356	\$ 441,194	\$ 1,029,550
Assessments	600	-	600
Interest	10,398	193	10,591
Bridge	-	-	-
Other	3,293	2,499	5,792
Total revenues	<u>602,647</u>	<u>443,886</u>	<u>1,046,533</u>
Expenditures			
Current:			
Employee expenses	430,111	-	430,111
Operating expenses	178,803	-	178,803
Capital outlay	29,240	-	29,240
Interfund transfers	-	442,929	442,929
Total expenditures	<u>638,154</u>	<u>442,929</u>	<u>1,081,083</u>
Excess (deficiency) of revenues over expenditures	(35,507)	957	(34,550)
Fund balance at beginning of year	<u>1,162,802</u>	<u>360,452</u>	<u>1,523,254</u>
Fund balance at end of year	<u>\$ 1,127,295</u>	<u>\$ 361,409</u>	<u>\$ 1,488,704</u>

See notes to financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual-Special Revenue Funds

Year ended June 30, 2016

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 588,356	\$ 592,320	\$ (3,964)
Assessments	600	900	(300)
Interest	10,398	-	10,398
Bridge	-	-	-
Other	3,293	-	3,293
Total revenues	<u>602,647</u>	<u>593,220</u>	<u>9,427</u>
Expenditures			
Employee expenses	430,111	451,950	21,839
Operating expenses	178,803	212,550	33,747
Capital outlay	29,240	27,200	(2,040)
Total expenditures	<u>638,154</u>	<u>691,700</u>	<u>53,546</u>
Excess (deficiency) of revenues over expenditures	(35,507)	(98,480)	(44,119)
Fund balance at beginning of year	<u>1,162,802</u>	<u>1,162,802</u>	-
Fund balance at end of year	<u>\$ 1,127,295</u>	<u>\$ 1,064,322</u>	<u>\$ (44,119)</u>

See notes to financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual-Debt Service Fund

Year ended June 30, 2016

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 441,194	\$ 442,960	\$ (1,766)
Interest	193	-	193
Other	2,499	-	2,499
Total revenues	<u>443,886</u>	<u>442,960</u>	<u>926</u>
Expenditures			
Interfund transfers	442,929	442,960	31
Total expenditures	<u>442,929</u>	<u>442,960</u>	<u>31</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	957	-	957
Fund balance at beginning of year	<u>360,452</u>	<u>360,452</u>	<u>-</u>
Fund balance at end of year	<u>\$ 361,409</u>	<u>\$ 360,452</u>	<u>\$ 957</u>

See notes to financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund

Year ended June 30, 2016

	Water	Sewer	Total 2016 (Memorandum) (Only)	Total 2015 (Memorandum) (Only)
Revenues				
Operating revenue	\$ 1,112,665	\$ 1,043,077	\$ 2,155,742	\$ 2,194,868
Cost of sales	412,066	-	412,066	455,291
Gross profit from operations	<u>700,599</u>	<u>1,043,077</u>	<u>1,743,676</u>	<u>1,739,577</u>
Operating expenses				
General and administrative	324,351	325,134	649,485	623,195
Travel and training	2,248	2,246	4,494	3,251
Operations	5,341	94,067	99,408	84,371
Maintenance	53,955	50,902	104,857	119,052
Utilities	13,315	88,832	102,147	99,936
Depreciation	129,331	389,806	519,137	499,155
Total expenditures	<u>528,541</u>	<u>950,987</u>	<u>1,479,528</u>	<u>1,428,960</u>
Earnings (loss) from operations	<u>172,058</u>	<u>92,090</u>	<u>264,148</u>	<u>310,617</u>
Nonoperating revenues (expenses):				
Other revenues	65,351	11,837	77,188	70,861
Other expenses	-	(202,348)	(202,348)	(294,561)
Net nonoperating revenues (expenses)	<u>65,351</u>	<u>(190,511)</u>	<u>(125,160)</u>	<u>(223,700)</u>
Interfund transfers	<u>-</u>	<u>442,929</u>	<u>442,929</u>	<u>399,290</u>
Net earnings (loss)	237,409	344,508	581,917	486,207
Retained earnings, at beginning of year	<u>5,308,231</u>	<u>1,236,878</u>	<u>6,545,109</u>	<u>6,058,902</u>
Retained earnings, at end of year	<u>\$ 5,545,640</u>	<u>\$ 1,581,386</u>	<u>\$ 7,127,026</u>	<u>\$ 6,545,109</u>

See notes to financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities

Year ended June 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances-total governmental funds	\$ (34,550)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.	(271,622)
Pension expense that is related to net pension liability as recorded in the statement of activities is based on the District's proportionate share of pension expense of the retirement system as a whole, whereas pension expense recorded in the funds are based on the use of current financial resources (e.g. required contributions).	<u>(10,893)</u>
Change in net assets of governmental activities	<u>\$ (317,065)</u>

See notes to financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Statement of Fiduciary Net Assets

June 30, 2016

ASSETS	
Cash and cash equivalents	\$ <u>1,636</u>
Total assets	\$ <u><u>1,636</u></u>
LIABILITIES	
Accounts payable	\$ <u>773</u>
Total liabilities	<u>773</u>
NET ASSETS	
Unrestricted fund balance	<u>863</u>
Total net assets	\$ <u><u>863</u></u>

See notes to financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Statement of Cash Flows - Proprietary Fund

Year ended June 30, 2016

	2016	2015 (Memorandum Only)
Cash flows from operating activities		
Cash received from customers	\$ 2,152,180	\$ 2,178,638
Deferred cash inflows for pension liability	(12,037)	57,755
Deferred cash outflows for pension liability	(55,547)	(60,738)
Cash paid for water purchases	(412,066)	(455,291)
Cash paid for operating expenses	(875,447)	(939,531)
Cash provided by operating activities	<u>797,083</u>	<u>780,833</u>
Cash flows from investing activities		
Purchase of certificates of deposit	127,046	(373,265)
Unrealized gain (loss) in investments	59,777	40,739
Interest	77,188	70,861
Net cash provided (used) by investing activities	<u>264,011</u>	<u>(261,665)</u>
Cash flows from capital and related financing activities		
Interest paid on borrowings	(187,281)	(312,599)
Transfers from other funds	442,929	399,290
Acquisition of capital assets	(207,696)	(931,139)
Proceeds of debt	94,243	905,557
Principal payments on debt	(621,241)	(4,908,429)
Net cash provided (used) by financing activities	<u>(479,046)</u>	<u>(4,847,320)</u>
Net increase (decrease) in cash and cash equivalents	582,048	(4,328,152)
Cash and cash equivalents at beginning of year	<u>1,542,098</u>	<u>5,870,250</u>
Cash and cash equivalents at end of year	<u>\$ 2,124,146</u>	<u>\$ 1,542,098</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 264,148	\$ 310,617
Adjustments:		
Depreciation	519,137	499,155
Change in net deferred inflows and outflows of resources	(67,584)	(2,983)
Change in assets and liabilities		
Accounts receivable	(3,562)	(16,230)
Inventory	(1,863)	(2,403)
Prepaid expenses	(2,161)	631
Accounts payable	1,091	(17,211)
Pension liability	87,877	9,257
Net cash provided (used) by operating activities	<u>\$ 797,083</u>	<u>\$ 780,833</u>

See notes to financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Notes to Financial Statements

June 30, 2016

Note 1 - Summary of significant accounting policies

The Fripp Island Public Service District was created by enabling legislation Act. No. 1042 of the State of South Carolina, ratified on April 16, 1962. The District was formed to provide and maintain waterworks, fire protection, and erosion control facilities as in the opinion of the Commissioners shall be necessary for development of the District. On March 23, 1993, the District's enabling legislation was expanded to include the authority to build, acquire, construct, operate and maintain sewage collection and disposal facilities.

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

Basis of Presentation - Basis of Accounting

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business - type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

Special Revenue Fund-This fund is used for public safety, which includes the fire and rescue operations, and the public service, which includes the erosion control operations and bridge maintenance.

Fiduciary Fund- This fund is used to collect and administer any financial assets that are contributed to the district.

The District reports the following major business-type funds:

Proprietary Fund-The fund is used for the purpose of providing water and sewer services to all of Fripp Island. Included within the fund are space lease revenues generated from cell telephone antennas, and are recorded on the accrual basis.

Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The agency funds, which are included in the fiduciary fund financial statements, have no measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Notes to Financial Statements

June 30, 2016

Note 1 - Summary of significant accounting policies (continued)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are \$50 for all asset categories. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the District are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15-50
Infrastructure improvements	15
Machinery and equipment	10
Vehicles	5-15

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Net Assets

Net assets in government-wide financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and Budgetary Accounting

The District generally enacts an operating budget for each year for the Special Revenue and Proprietary Funds. Management is authorized to transfer budgeted amounts between accounts within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Commission.

Certificates of deposit

Certificates of deposit are stated at fair value, with unrealized gains and losses included in current period earnings.

Inventory

Inventory consists primarily of supplies, valued at average cost or market.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Notes to Financial Statements

June 30, 2016

Note 1 - Summary of significant accounting policies (continued)**Deferred outflows/inflows of resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then.

Property tax

Property taxes are recognized as revenues when collected. The County Treasurer is charged with collection of the current year levy of property taxes and vehicle taxes. In this capacity, the Treasurer acts as a collection agent for the District. Any property taxes not collected or abated are turned over to the Tax Collector as delinquent taxes. The mills are set at an amount sufficient to fund the budget for the next fiscal year.

Fixed Assets

Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

	<u>Years</u>
Water system	15-40
Buildings	25-50
Improvements	10-20
Equipment	3-10
Vehicles	3

Amortization of bond expenses

The costs of issuance of bonds are being amortized, on a straight-line method, over the term of the related bond issue.

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Pensions

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

Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the Water and Sewer System considers all highly liquid investments with a remaining maturity of three months or less, including those held by the Beaufort County Treasurer and restricted cash balances, to be cash equivalents.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Notes to Financial Statements

June 30, 2016

Note 1 - Summary of significant accounting policies (continued)**Use of estimates**

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

Note 2 - Cash and Cash Equivalents

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to federal and state regulations. The depository bank deposits approved pledged securities with the District's third party agent for safekeeping and trust, in an amount sufficient to protect District funds on a day to day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2016, the carrying amount of the District's cash and cash equivalents was \$3,131,705 and the balance per the bank statements was \$3,125,058. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$2,875,058 was covered by collateral held by the bank or institution in the District's name.

At June 30, 2016, the District had cash and cash equivalent amounts available as follows:

Available for operations	\$ 796,658
Available for debt service	729,192
Available for fire department donations	1,636
Available for systems replacement	<u>1,604,218</u>
Total cash	<u>\$ 3,131,704</u>

Note 3 - Certificates of deposit

Certificates of deposit are classified as assets available for sale and are stated at fair value with unrealized gains and losses reported as a separate component of fund equity. Fair values and unrealized gains are as follows at June 30, 2016:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Unrestricted-business type activities	\$ 2,166,875	\$ 2,192,749	\$ 25,874
Restricted-business type activities	577,440	581,144	3,704
Unrestricted-government type activities	500,199	506,088	5,889
Total certificates of deposit	<u>\$ 3,244,514</u>	<u>\$ 3,279,981</u>	<u>\$ 35,467</u>

Note 4 - Property, Plant and Equipment

Amounts reported on the combined balance sheet as property, plant and equipment are net of accumulated depreciation. Details on these assets by fund are as follows:

	Proprietary Fund
Land	\$ 17,001
Buildings and fixtures	424,968
Water system	3,877,282
Collection system	5,795,734
Lift stations	1,876,572
Sewer system/treatment plant	7,544,447
Vehicles	75,713
Computer equipment-software	28,865
Equipment	<u>58,482</u>
	19,699,064
Less accumulated depreciation	6,546,680
Add construction in progress	-
Net property, plant and equipment	<u>\$ 13,152,384</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Notes to Financial Statements

June 30, 2016

Note 4 - Property, Plant and Equipment (continued)

Capital asset activity for governmental activities for the year ended June 30, 2016 was as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital asset not being depreciated				
Land	\$ 132,219	\$ -	\$ -	\$ 132,219
	<u>132,219</u>	<u>-</u>	<u>-</u>	<u>132,219</u>
Capital assets being depreciated:				
Infrastructure	4,352,692	-	-	4,352,692
Buildings and improvements	682,811	-	-	682,811
Equipment, furniture and fixtures	373,051	29,240	-	402,291
Vehicles	336,816	-	-	336,816
Total being depreciated	<u>5,745,370</u>	<u>29,240</u>	<u>-</u>	<u>5,774,610</u>
Less: accumulated depreciation				
Infrastructure	2,934,751	257,037	-	3,191,788
Buildings and improvements	260,051	18,324	-	278,375
Equipment, furniture and fixtures	330,840	9,710	-	340,550
Vehicles	314,184	15,791	-	329,975
Total accumulated depreciation	<u>3,839,826</u>	<u>300,862</u>	<u>-</u>	<u>4,140,688</u>
Net capital assets being depreciated	<u>1,905,544</u>	<u>(271,622)</u>	<u>-</u>	<u>1,633,922</u>
Net governmental activity capital assets	<u>\$ 2,037,763</u>	<u>\$ (271,622)</u>	<u>\$ -</u>	<u>\$ 1,766,141</u>

During the year ended June 30, 2003, the Fripp Island Property Owners Association (Association) contributed the bridge linking Fripp Island to the mainland. The Association agreed to provide all repairs and maintenance to the bridge over its remaining life. The District recorded this transaction as a contribution to capital amounting to \$2,686,035, which was the deemed fair market value at the date of contribution.

Note 5 - Long-Term Debt (other than capitalized leases)

The following is a summary of note and bond transactions of the District for the year ended June 30, 2016:

	General Long Term Debt Account Group	Enterprise Revenue Bonds	Total
Balance at July 1, 2015	\$ 4,535,408	\$ 4,436,112	\$ 8,971,520
Notes and bonds issued	94,243	-	94,243
Payments	<u>(344,088)</u>	<u>(277,153)</u>	<u>(621,241)</u>
Balance at June 30, 2016	<u>\$ 4,285,563</u>	<u>\$ 4,158,959</u>	<u>\$ 8,444,522</u>

Notes and bonds payable at June 30, 2015 are comprised of the following individual issues:

Waterworks & Sewer System General Obligation Bonds

\$1,000,000- 2014 Waterworks & sewer system general obligation bonds due in quarterly installments through April 1, 2035; which includes interest at 2.00%.

\$ 948,313

Waterworks & Sewer System Advance Refunding Revenue Bonds

\$4,580,317- 2013 Waterworks & sewer system advance refunding revenue bonds due in semiannual installments through October 1, 2028; interest at 2.03% payable on April 1 and October 1 of each year.

4,158,959

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Notes to Financial Statements

June 30, 2016

Note 5 - Long-Term Debt (other than capitalized leases) (continued)

General obligation note payable

\$6,035,000 - Revolving note payable due in quarterly installments of principal and interest of \$100,593 from April 1, 2006 through January 1, 2026 with interest at 3.00%. At October 2, 2011, the terms of the note were modified by adjusting the interest rate to 2.75% per annum and the quarterly payments were adjusted to \$95,539.

\$	3,337,250
\$	<u>8,444,522</u>

The annual requirements to amortize all debt outstanding as of June 30, 2016, including interest payments are as follows:

Year Ended June 30,	General Obligation	Revenue	Total
2017	\$ 432,332	\$ 364,336	\$ 796,668
2018	442,944	364,277	807,221
2019	442,944	364,218	807,162
2020	442,944	364,157	807,101
2021	442,943	364,095	807,038
2022	442,944	364,032	806,976
2023	442,943	363,967	806,910
2024	442,944	363,902	806,846
2025	442,944	363,835	806,779
2026	347,405	363,767	711,172
2027	60,789	363,697	424,486
2028	60,788	363,625	424,413
2029	60,788	363,553	424,341
2030	60,788	-	60,788
2031	60,788	-	60,788
2032	3,786,806	-	3,786,806
2033	60,789	-	60,789
2034	60,788	-	60,788
2035	60,806	-	60,806
	\$ <u>8,596,417</u>	\$ <u>4,731,461</u>	\$ <u>13,327,878</u>

Note 6 - Supplemental cash flow and non-cash activity information - proprietary fund only

Cash and cash equivalents for proprietary funds consist of the following as of June 30, 2016:

Cash and cash equivalents	\$ 2,092,332
Restricted cash	31,814
Cash and cash equivalents at end of year	\$ <u>2,124,146</u>

Note 7 - Change in Accounting Policy

During the year ended June 30, 2015, the district implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. As part of this implementation, the District was required to record their proportionate share of the state retirement system's net pension liability. The implementation of this new accounting principle was retroactive and required a net pension liability of \$1,322,008 and deferred outflows of \$71,821 to be recorded on the Statement of Net Position as of June 30, 2014, and a net adjustment to Net Position of \$1,250,187. The effect of the restatement is as follows:

	Governmental Activities	Business Type Activities	Total
Net position as originally presented- June 30,2014	\$ 3,881,600	\$ 8,927,089	\$ 12,808,689
Implementation of change in accounting policy	(581,767)	(668,420)	(1,250,187)
Net position as restated- June 30,2014	\$ <u>3,299,833</u>	\$ <u>8,258,669</u>	\$ <u>11,558,502</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Notes to Financial Statements

June 30, 2016

Note 8 - Defined Benefit Pension Plans

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (restructured into the Department of Administration on July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

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

Membership

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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

Benefits

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

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

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Notes to Financial Statements

June 30, 2016

Note 8 - Defined Benefit Pension Plans (continued)

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

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; this increase is not limited to one-half of one percent per year.

Required employee contribution rates for fiscal year 2015-2016 are as follows:

SCRS

Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation

PORS

Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

Required employer contribution rates for fiscal year 2015-2016 are as follows:

SCRS

Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS

Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

Required and actual contributions are as follows:

	SCRS	PORS
Year ended June 30, 2016		
Required contributions	\$ 75,946	\$ 3,156
Actual contributions	75,946	3,156

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Notes to Financial Statements

June 30, 2016

Note 8 - Defined Benefit Pension Plans (continued)**Actuarial Assumptions and Methods**

Actuarial valuations 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 during the valuation process 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. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2016 annual valuation is complete.

The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	levels off at 3.5%	levels off at 3.5%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Males:

Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%
Public Safety, Firefighters and members South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%

Females:

Educators and Judges	RP-2000 Females(with White Collar adjustment)multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members South Carolina National Guard	RP-2000 Females(with Blue Collar adjustment)multiplied by 115%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. As of June 30, 2015, the District's proportional share of the NPL amounts for SCRS and PORS are presented below:

Governmental Activities				
Measurement Period Ended	Fiscal Year Ended		SCRS	PORS
June 30, 2014	June 30, 2015	\$	572,595	\$ 17,229
June 30, 2015	June 30, 2016		638,367	20,485
Business Type Activities				
Measurement Period Ended	Fiscal Year Ended		SCRS	PORS
June 30, 2014	June 30, 2015	\$	657,881	\$ 19,796
June 30, 2015	June 30, 2016		741,751	23,802

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Notes to Financial Statements

June 30, 2016

Note 8 - Defined Benefit Pension Plans (continued)

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The District's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ended June 30, 2015, the District's percentage of the SCRS and PORS net pension liability were 0.007277% and .00203%, respectively.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 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 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5%		
Cash	2%	0.30%	0.01%
Short Duration	3%	0.60%	0.02%
Domestic Fixed Income	13%		
Core Fixed Income	7%	1.10%	0.08%
High Yield	2%	3.50%	0.07%
Bank Loans	4%	2.85%	0.11%
Global Fixed Income	9%		
Global Fixed Income	3%	0.80%	0.02%
Emerging Markets Debt	6%	4.10%	0.25%
Global Public Equity	31%	7.80%	2.42%
Global Tactical Asset Allocation	10%	5.10%	0.51%
Alternatives	32%		
Hedge Funds (Low Beta)	8%	4.00%	0.32%
Private Debt	7%	10.20%	0.71%
Private Equity	9%	10.20%	0.92%
Real Estate (Broad Market)	5%	5.90%	0.29%
Commodities	3%	5.10%	0.15%
Total Expected Real Return	<u>100%</u>		<u>5.88%</u>
Inflation for Actuarial Purposes			<u>2.75%</u>
Total Expected Nominal Return			<u><u>8.63%</u></u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Notes to Financial Statements

June 30, 2016

Note 8 - Defined Benefit Pension Plans (continued)

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Governmental Activities System			
SCRS	804,798	638,367	498,876
PORS	27,905	20,485	13,643
Business-type Activities System			
SCRS	935,137	741,751	579,670
PORS	32,425	23,802	15,853

Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2016, the District recognized pension expense of \$36,609 for governmental activities and \$62,830 for business-type activities.

At June 30, 2016, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Governmental Activities		
Pension contributions subsequent to measurement date	\$ 36,588	\$ -
Differences between actual and expected experience	63,489	-
Net difference between projected and actual earnings on plan investments	-	39,345
Total	<u>\$ 100,077</u>	<u>\$ 39,345</u>
Business-type Activities		
Pension contributions subsequent to measurement date	\$ 42,514	\$ -
Differences between actual and expected experience	73,771	-
Net difference between projected and actual earnings on plan investments	-	45,718
Total	<u>\$ 116,285</u>	<u>\$ 45,718</u>

The District reported \$216,362 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Notes to Financial Statements

June 30, 2016

Note 8 - Defined Benefit Pension Plans (continued)

The following schedule reflects the amortization of the District's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2015. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2014 was 4.233 years for SCRS and 4.856 years for PORS.

Governmental Activities			SCRS	PORS
Measurement Period Ending	Fiscal Year Ending			
June 30, 2016	June 30, 2017	\$	(5,355)	\$ (260)
June 30, 2017	June 30, 2018		(5,355)	(260)
June 30, 2018	June 30, 2019		(1,459)	(242)
June 30, 2019	June 30, 2020		(10,600)	(613)
Net balance of deferred outflows/inflows of resources		\$	<u>(22,769)</u>	<u>\$ (1,375)</u>

Business Type Activities			SCRS	PORS
Measurement Period Ending	Fiscal Year Ending			
June 30, 2016	June 30, 2017	\$	(6,222)	\$ (303)
June 30, 2017	June 30, 2018		(6,222)	(303)
June 30, 2018	June 30, 2019		(1,695)	(282)
June 30, 2019	June 30, 2020		(12,316)	(713)
Net balance of deferred outflows/inflows of resources		\$	<u>(26,455)</u>	<u>\$ (1,601)</u>

Payables to the pension plans

At June 30, 2016, the District reported a payable of \$1,389 and \$57 for the outstanding amount of contributions due to SCRS and PORS, respectively for governmental activities and \$1,048 and \$43 for the outstanding amount of contributions due to SCRS and PORS, respectively for business-type activities. The liability will be paid in the normal course of paying year-end obligations.

Note 9 - Commitments

The District is obligated under contract, to purchase water from the Beaufort-Jasper Water and Sewer Authority (BJWSA) of Beaufort, South Carolina, at the lowest wholesale rate provided to similar customers. Amounts paid to BJWSA totaled \$412,066 for the year ended June 30, 2016.

Note 10 - Deferred compensation plan

The District offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457, and later modified to be in accordance with Internal Revenue Code Section 414(h) which is optional and available to all District employees and currently permits them to defer a portion of their salary until future years.

Note 11 -Subsequent Events

The District has evaluated subsequent events through September 23, 2016, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Special Revenue Funds- Combining Balance Sheet

June 30, 2016

	Fire Department	Bridge and Beach Erosion	Total
Assets			
Cash and cash equivalents	\$ 45,996	\$ 75,287	\$ 121,283
Certificates of deposit	-	506,088	506,088
Due from Beaufort County Treasurer	235,325	287,905	523,230
Accounts receivable	3,713	-	3,713
	<u>285,034</u>	<u>869,280</u>	<u>1,154,314</u>
Total assets			
Liabilities:			
Accounts payable	20,965	165	21,130
	<u>20,965</u>	<u>165</u>	<u>21,130</u>
Total liabilities			
Fund balance:			
Unreserved-undesignated	264,069	863,226	1,127,295
Accumulated unrealized gain (loss) on securities	-	5,889	5,889
Total fund balance	<u>264,069</u>	<u>869,115</u>	<u>1,133,184</u>
Total liabilities and fund balance	<u>\$ 285,034</u>	<u>\$ 869,280</u>	<u>\$ 1,154,314</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2016

	Fire Department	Bridge and Beach Erosion	Total
Revenues			
Taxes	\$ 489,896	\$ 98,460	\$ 588,356
Assessments	600	-	600
Interest	172	10,226	10,398
Bridge	-	-	-
Other	2,832	461	3,293
Total revenues	<u>493,500</u>	<u>109,147</u>	<u>602,647</u>
Expenditures			
Employee expenses	430,111	-	430,111
Operating expenses	79,897	98,906	178,803
Capital outlay	29,240	-	29,240
Total expenditures	<u>539,248</u>	<u>98,906</u>	<u>638,154</u>
Excess (deficiency) of revenues over expenditures	(45,748)	10,241	(35,507)
Fund balance (deficit) at beginning of year	<u>309,817</u>	<u>852,985</u>	<u>1,162,802</u>
Fund balance (deficit) at end of year	<u>\$ 264,069</u>	<u>\$ 863,226</u>	<u>\$ 1,127,295</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual

Year ended June 30, 2016

	Fire Department Fund			Bridge and Beach Erosion Fund			Total		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Revenues									
Taxes	\$ 489,896	\$ 490,580	\$ (684)	\$ 98,460	\$ 101,740	\$ (3,280)	\$ 588,356	\$ 592,320	\$ (3,964)
Assessments	600	900	(300)	-	-	-	600	900	(300)
Interest	172	-	172	10,226	-	10,226	10,398	-	10,398
Bridge	-	-	-	-	-	-	-	-	-
Other	2,832	-	2,832	461	-	461	3,293	-	3,293
Total revenues	<u>493,500</u>	<u>491,480</u>	<u>2,020</u>	<u>109,147</u>	<u>101,740</u>	<u>7,407</u>	<u>602,647</u>	<u>593,220</u>	<u>9,427</u>
Expenditures									
Employee expenses									
Salaries	327,649	344,500	16,851	-	-	-	327,649	344,500	16,851
Payroll expense	25,087	26,360	1,273	-	-	-	25,087	26,360	1,273
Retirement	36,609	38,690	2,081	-	-	-	36,609	38,690	2,081
Medical, life and disability insurance	15,511	15,600	89	-	-	-	15,511	15,600	89
Employee uniforms and gear	2,517	3,000	483	-	-	-	2,517	3,000	483
Workers compensation insurance	22,738	23,500	762	-	-	-	22,738	23,500	762
Physicals	-	300	300	-	-	-	-	300	300
Total employee expenses	<u>430,111</u>	<u>451,950</u>	<u>21,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>430,111</u>	<u>451,950</u>	<u>21,839</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual (continued)

Year ended June 30, 2016

	Fire Department Fund			Bridge and Beach Erosion Fund			Total		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Expenditures (continued)									
Operating expenses									
Accounting and audit	5,148	5,380	232	1,170	1,240	70	6,318	6,620	302
Administrative support	26,880	26,880	-	6,550	6,550	-	33,430	33,430	-
Bank service charges	-	200	200	0	200	200	-	400	400
Beverages and compliments	500	1,000	500	-	-	-	500	1,000	500
Bridge	-	-	-	31,390	27,900	(3,490)	31,390	27,900	(3,490)
Cleaning supplies	835	1,000	165	-	-	-	835	1,000	165
Commissioners' expenses	-	-	-	-	200	200	-	200	200
Dues	175	300	125	-	-	-	175	300	125
Fire fighting supplies	735	2,000	1,265	-	-	-	735	2,000	1,265
Fire fighting prevention	-	1,000	1,000	-	-	-	-	1,000	1,000
Radios	-	500	500	-	-	-	-	500	500
Gas and oil	4,775	7,500	2,725	-	-	-	4,775	7,500	2,725
General insurance	11,326	12,000	674	45,747	46,000	253	57,073	58,000	927
Legal fees	3,800	150	(3,650)	-	1,000	1,000	3,800	1,150	(2,650)
Taxes and licenses	515	-	(515)	120	-	(120)	635	-	(635)
Office supplies	316	500	184	-	-	-	316	500	184
Small tools	158	300	142	-	-	-	158	300	142
Printing	-	50	50	-	-	-	-	50	50
Subscriptions	1,373	1,300	(73)	-	-	-	1,373	1,300	(73)
Equipment maintenance	1,493	1,750	257	-	-	-	1,493	1,750	257
Grounds and station maintenance	3,892	5,500	1,608	-	-	-	3,892	5,500	1,608
Vehicles	2,922	4,500	1,578	-	-	-	2,922	4,500	1,578
Emergencies	-	250	250	-	-	-	-	250	250
Medical supplies	396	600	204	-	-	-	396	600	204
Training aids	104	2,000	1,896	-	-	-	104	2,000	1,896
Travel and related	25	300	275	-	-	-	25	300	275
Electricity	6,444	6,500	56	-	-	-	6,444	6,500	56
Garbage collection	1,136	1,500	364	-	-	-	1,136	1,500	364
Telephone	3,560	3,500	(60)	-	-	-	3,560	3,500	(60)
Miscellaneous	3,389	3,000	(389)	-	-	-	3,389	3,000	(389)
Groin and revetment repair	-	-	-	13,929	40,000	26,071	13,929	40,000	26,071
Total operating expense	<u>79,897</u>	<u>89,460</u>	<u>9,563</u>	<u>98,906</u>	<u>123,090</u>	<u>24,184</u>	<u>178,803</u>	<u>212,550</u>	<u>33,747</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual (continued)

Year ended June 30, 2016

	Fire Department Fund			Bridge and Beach Erosion Fund			Total		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Capital outlay	29,240	27,200	(2,040)	-	-	-	29,240	27,200	(2,040)
Excess (deficiency) of revenues over expenditures	(45,748)	(77,130)	31,382	10,241	(21,350)	31,591	(35,507)	(98,480)	62,973
Fund balance (deficit), beginning of year	309,817	309,817	-	852,985	852,985	-	1,162,802	1,162,802	-
Fund balance (deficit), end of year	\$ 264,069	\$ 232,687	\$ 31,382	\$ 863,226	\$ 831,635	\$ 31,591	\$ 1,127,295	\$ 1,064,322	\$ 62,973

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Proprietary Fund
Statement of Revenues and Expenses-Budget and Actual

Year ended June 30, 2016

	Water			Sewer			Total		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Operating revenues									
Water consumption and sewer use	\$ 828,488	\$ 834,300	\$ (5,812)	\$ 657,581	\$ 655,400	\$ 2,181	\$ 1,486,069	\$ 1,489,700	\$ (3,631)
Water and sewer availability	-	-	-	363,988	366,990	(3,002)	363,988	366,990	(3,002)
Tap in fees	1,100	2,400	(1,300)	2,400	4,800	(2,400)	3,500	7,200	(3,700)
Water transport and effluent fees	9,639	9,500	139	19,108	710	18,398	28,747	10,210	18,537
Tower lease	253,072	226,050	27,022	-	-	-	253,072	226,050	27,022
Other	20,366	16,900	3,466	-	-	-	20,366	16,900	3,466
Total operating revenues	<u>1,112,665</u>	<u>1,089,150</u>	<u>23,515</u>	<u>1,043,077</u>	<u>1,027,900</u>	<u>15,177</u>	<u>2,155,742</u>	<u>2,117,050</u>	<u>38,692</u>
Cost of sales									
Water purchase	412,066	468,140	56,074	-	-	-	412,066	468,140	56,074
Total cost of sales	<u>412,066</u>	<u>468,140</u>	<u>56,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>412,066</u>	<u>468,140</u>	<u>56,074</u>
Gross profit from operations	700,599	621,010	79,589	1,043,077	1,027,900	15,177	1,743,676	1,648,910	94,766
Operating expenses									
General and administrative									
Accounting and auditing	3,034	2,840	(194)	3,034	2,840	(194)	6,068	5,680	(388)
Bad debts	-	400	400	-	400	400	-	800	800
Bank service charges	5,721	5,650	(71)	5,720	5,650	(70)	11,441	11,300	(141)
Dues and subscriptions	2,169	2,200	31	2,169	2,200	31	4,338	4,400	62
Electric	974	1,100	126	973	1,100	127	1,947	2,200	253
Telephone	2,510	3,000	490	2,509	3,000	491	5,019	6,000	981
Equipment maintenance	16	300	284	15	300	285	31	600	569
Engineering consulting	4,742	5,000	258	4,742	5,000	258	9,484	10,000	516
Insurance	17,114	17,780	666	17,113	17,780	667	34,227	35,560	1,333
Legal fees	-	-	-	795	15,000	14,205	795	15,000	14,205
Licenses and taxes	5,534	5,800	266	5,534	5,800	266	11,068	11,600	532
Miscellaneous	1,100	1,100	-	1,100	1,100	-	2,200	2,200	-
Office supplies	1,497	1,200	(297)	1,496	1,200	(296)	2,993	2,400	(593)
Postage and freight	3,214	4,250	1,036	3,214	4,250	1,036	6,428	8,500	2,072
Printing and microfilm	570	150	(420)	570	150	(420)	1,140	300	(840)
Program maintenance	2,279	2,000	(279)	2,278	2,000	(278)	4,557	4,000	(557)
Building maintenance	2,012	2,580	568	2,011	2,580	569	4,023	5,160	1,137
Office rent	-	-	-	-	-	-	-	-	-
Salaries	186,436	197,900	11,464	186,436	197,900	11,464	372,872	395,800	22,928
Payroll taxes	13,871	15,750	1,879	13,871	15,750	1,879	27,742	31,500	3,758
Retirement	31,415	22,465	(8,950)	31,415	22,465	(8,950)	62,830	44,930	(17,900)
Employee insurance	39,077	42,400	3,323	39,076	42,400	3,324	78,153	84,800	6,647
Overtime	6,331	8,000	1,669	6,331	8,000	1,669	12,662	16,000	3,338
Administrative support	(16,715)	(16,715)	-	(16,715)	(16,715)	-	(33,430)	(33,430)	-
Workers compensation insurance	3,192	3,500	308	3,191	3,500	309	6,383	7,000	617
Uniforms	145	400	255	144	400	256	289	800	511
Vehicle	8,113	11,000	2,887	8,112	11,000	2,888	16,225	22,000	5,775
Graphic services	-	100	100	-	100	100	-	200	200
Total general and administrative	<u>324,351</u>	<u>340,150</u>	<u>15,799</u>	<u>325,134</u>	<u>355,150</u>	<u>30,016</u>	<u>649,485</u>	<u>695,300</u>	<u>45,815</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Proprietary Fund
Statement of Revenues and Expenses-Budget and Actual (continued)

Year ended June 30, 2016

	Water			Sewer			Total		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Operating expenses (continued)									
Travel and training									
Business meals	-	50	50	-	50	50	-	100	100
Commissioners expense	133	300	167	132	300	168	265	600	335
Land travel	221	200	(21)	221	200	(21)	442	400	(42)
Seminar and convention fees	1,894	3,250	1,356	1,893	3,250	1,357	3,787	6,500	2,713
Total travel and training	<u>2,248</u>	<u>3,800</u>	<u>1,552</u>	<u>2,246</u>	<u>3,800</u>	<u>1,554</u>	<u>4,494</u>	<u>7,600</u>	<u>3,106</u>
Operations									
Chemicals	-	200	200	2,489	3,140	651	2,489	3,340	851
Effluent monitoring	-	-	-	21,895	23,100	1,205	21,895	23,100	1,205
Sludge disposal	-	-	-	63,401	71,100	7,699	63,401	71,100	7,699
Small tools and supplies	1,044	1,000	(44)	1,782	2,250	468	2,826	3,250	424
Tap costs	1,357	1,520	163	4,500	-	(4,500)	5,857	1,520	(4,337)
Water quality monitoring	2,940	3,060	120	-	-	-	2,940	3,060	120
Total operations	<u>5,341</u>	<u>5,780</u>	<u>439</u>	<u>94,067</u>	<u>99,590</u>	<u>5,523</u>	<u>99,408</u>	<u>105,370</u>	<u>5,962</u>
Maintenance									
Auxiliary generator	-	-	-	2,384	2,800	416	2,384	2,800	416
Booster pumps	73	6,000	5,927	-	-	-	73	6,000	5,927
Buildings and grounds	-	-	-	3,684	3,260	(424)	3,684	3,260	(424)
Disinfection system	-	-	-	-	500	500	-	500	500
Controls and instruments	-	-	-	2,696	2,500	(196)	2,696	2,500	(196)
Fire hydrants	-	1,000	1,000	-	-	-	-	1,000	1,000
Irrigation system	-	-	-	2,194	4,000	1,806	2,194	4,000	1,806
Secondary treatment units	-	-	-	25,889	20,000	(5,889)	25,889	20,000	(5,889)
Sewer force mains	-	-	-	370	2,000	1,630	370	2,000	1,630
Sewer pumping system	-	-	-	8,766	8,500	(266)	8,766	8,500	(266)
Support equipment maintenance	-	500	500	-	-	-	-	500	500
Water and sewer lines	14,899	17,000	2,101	4,919	5,000	81	19,818	22,000	2,182
Water meter repair	2,411	4,000	1,589	-	-	-	2,411	4,000	1,589
Water tanks	36,572	38,000	1,428	-	-	-	36,572	38,000	1,428
Total maintenance	<u>53,955</u>	<u>66,500</u>	<u>12,545</u>	<u>50,902</u>	<u>48,560</u>	<u>(2,342)</u>	<u>104,857</u>	<u>115,060</u>	<u>10,203</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Proprietary Fund
Statement of Revenues and Expenses-Budget and Actual (continued)

Year ended June 30, 2016

	Water			Sewer			Total		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Operating expenses (continued)									
Utilities									
Electricity	11,061	15,000	3,939	88,167	83,000	(5,167)	99,228	98,000	(1,228)
Telephone	2,254	2,260	6	665	700	35	2,919	2,960	41
Total utilities	<u>13,315</u>	<u>17,260</u>	<u>3,945</u>	<u>88,832</u>	<u>83,700</u>	<u>(5,132)</u>	<u>102,147</u>	<u>100,960</u>	<u>(1,187)</u>
Total operating expenses	<u>399,210</u>	<u>433,490</u>	<u>34,280</u>	<u>561,181</u>	<u>590,800</u>	<u>29,619</u>	<u>960,391</u>	<u>1,024,290</u>	<u>63,899</u>
Other revenues:									
Interest-not restricted	65,351	50,000	15,351	-	-	-	65,351	50,000	15,351
Interest-restricted	-	-	-	11,837	8,000	3,837	11,837	8,000	3,837
Total other revenues	<u>65,351</u>	<u>50,000</u>	<u>15,351</u>	<u>11,837</u>	<u>8,000</u>	<u>3,837</u>	<u>77,188</u>	<u>58,000</u>	<u>19,188</u>
Other expenses									
Interest expense on bonds	-	-	-	186,081	186,600	519	186,081	186,600	519
Bond issue and payment fees	-	-	-	16,267	15,200	(1,067)	16,267	15,200	(1,067)
Total other expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,348</u>	<u>201,800</u>	<u>(548)</u>	<u>202,348</u>	<u>201,800</u>	<u>(548)</u>
Interfund transfers	-	-	-	442,929	442,960	(31)	442,929	442,960	(31)
Depreciation	129,331	119,530	(9,801)	389,806	407,040	17,234	519,137	526,570	7,433
Net earnings (loss)	<u>\$ 237,409</u>	<u>\$ 117,990</u>	<u>\$ 119,419</u>	<u>\$ 344,508</u>	<u>\$ 279,220</u>	<u>\$ 65,288</u>	<u>\$ 581,917</u>	<u>\$ 397,210</u>	<u>\$ 184,707</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Schedule of Bonds Outstanding
June 30, 2016**2014 Waterworks and Sewer System General Obligation Bonds**

Year ending June 30,	Amount Due		Remaining Principal Balance
	Interest	Principal	
2017	\$ 18,865	\$ 31,311	\$ 917,002
2018	18,020	42,768	874,234
2019	17,158	43,630	830,604
2020	16,279	44,509	786,095
2021	15,382	45,406	740,689
2022	14,467	46,321	694,368
2023	13,534	47,254	647,114
2024	12,582	48,206	598,908
2025	11,610	49,178	549,730
2026	10,620	50,169	499,561
2027	9,609	51,180	448,381
2028	8,577	52,211	396,170
2029	7,525	53,263	342,907
2030	6,452	54,336	288,571
2031	5,357	55,431	233,140
2032	4,240	56,548	176,592
2033	3,101	57,688	118,904
2034	1,938	58,850	60,054
2035	752	60,054	-

\$ 196,068 \$ 948,313

These waterworks and sewer system general obligation bonds, dated September 10, 2014, bear interest at 2.00% per annum. Interest and principal are payable quarterly January 1, April 1, July 1 and October 1 of each year. The bonds are payable from, and shall be secured by, a pledge of and a lien upon the assets of the District. The original issue amount was \$1,000,000, and the undrawn balance of these bonds amounted to \$94,442 at June 30, 2015. The above schedule is presented based upon the full disbursement of the bond proceeds.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Schedule of Bonds Outstanding (continued)
June 30, 2016

General obligation note payable

Year ending June 30,	Amount Due		Remaining Principal Balance
	Interest	Principal	
2017	\$ 72,488	\$ 309,668	\$ 3,027,582
2018	65,461	316,695	2,710,887
2019	58,275	323,881	2,387,006
2020	50,926	331,230	2,055,776
2021	43,410	338,745	1,717,031
2022	35,724	346,432	1,370,599
2023	27,863	354,292	1,016,307
2024	19,824	362,332	653,975
2025	11,603	370,553	283,422
2026	3,194	283,422	-
	<u>\$ 388,768</u>	<u>\$ 3,337,250</u>	

This general obligation note had an interest rate at 3.00% per annum, with principal and interest payments due quarterly starting July 1, 2006 through April 30, 2026. At October 2, 2011, the terms of the note were modified by adjusting the interest rate to 2.75% per annum and the quarterly payments were adjusted to \$95,539.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Schedule of Bonds Outstanding (continued)
June 30, 2016**2013 Waterworks and Sewer System Revenue Bonds**

Year ending June 30,	Amount Due		Remaining Principal Balance
	Interest	Principal	
2017	\$ 81,557	\$ 282,779	\$ 3,876,180
2018	75,758	288,519	3,587,661
2019	69,842	294,376	3,293,285
2020	63,805	300,352	2,992,933
2021	57,646	306,449	2,686,484
2022	51,362	312,670	2,373,814
2023	44,950	319,017	2,054,797
2024	38,409	325,493	1,729,304
2025	31,734	332,101	1,397,203
2026	24,924	338,843	1,058,360
2027	17,976	345,721	712,639
2028	10,886	352,739	359,900
2029	3,653	359,900	-
	<u>\$ 572,502</u>	<u>\$ 4,158,959</u>	

These waterworks and sewer system advance refunding revenue bonds, dated May 23, 2013, bear interest at 2.03% per annum are to be used to liquidate the 2005 Waterworks and Sewer System Revenue Bonds payable. Interest and principal are payable April 1 and October 1 of each year. The bonds are payable from, and shall be secured by, a pledge of and a lien upon the net revenues from the operation of the waterworks and sewer systems. The original issue amount was \$4,580,317.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Required Supplementary Information (Unaudited)
 Schedule of Proportionate Share of the Net Pension Liability
 South Carolina Retirement System
 Last 3 Fiscal Years

<u>Year Ended June 30</u>	<u>District's proportion of the net pension liability</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered employee payroll</u>	<u>District's share of the net pension liability (asset) as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2016	0.00728%	\$ 1,380,118	\$ 686,669	201%	57.00%
2015	0.00715%	1,230,476	682,315	180%	59.92%
2014	0.00715%	1,281,917	648,889	198%	56.39%

Note: Each year the District will add an additional year of data until a total of ten years is presented.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Required Supplementary Information (Unaudited)
 Schedule of Proportionate Share of the Net Pension Liability
 Police Officer's Retirement System
 Last 3 Fiscal Years

Year Ended <u>June 30</u>	District's proportion of the net pension <u>liability</u>	District's proportionate share of the net pension liability <u>(asset)</u>	District's covered employee <u>payroll</u>	District's share of the net pension liability (asset) as a percentage of its covered employee <u>payroll</u>	Plan fiduciary net position as a percentage of the total pension <u>liability</u>
2016	0.00203%	\$ 44,287	\$ 686,669	6%	64.60%
2015	0.00193%	37,025	682,315	5%	67.55%
2014	0.00193%	40,091	648,889	6%	62.98%

Note: Each year the District will add an additional year of data until a total of ten years is presented.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Required Supplementary Information (Unaudited)
 Schedule of Proportionate Share of the Net Pension Liability
 South Carolina Retirement System
 Last 10 Fiscal Years

<u>Year Ended June 30</u>	<u>Contractually required contribution</u>	<u>Contributions relative to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2016	74,916	74,916	-	686,669	10.91%
2015	74,382	74,382	-	682,315	10.90%
2014	68,782	68,782	-	648,889	10.60%
2013	67,727	67,727	-	638,934	10.60%
2012	61,328	61,328	-	643,185	9.54%
2011	60,541	60,541	-	644,735	9.39%
2010	58,238	58,238	-	620,218	9.39%
2009	56,233	56,233	-	598,863	9.39%
2008	52,480	52,480	-	569,820	9.21%
2007	43,505	43,505	-	530,543	8.20%

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Required Supplementary Information (Unaudited)
 Schedule of Proportionate Share of the Net Pension Liability
 Police Officer's Retirement System
 Last 10 Fiscal Years

Year Ended <u>June 30</u>	Contractually required <u>contribution</u>	Contributions relative to contractually required <u>contribution</u>	Contribution deficiency <u>(excess)</u>	District's covered employee <u>payroll</u>	Contributions as a percentage of covered employee <u>payroll</u>
2016					
2015	25,176	25,176	-	682,315	3.69%
2014	23,261	23,261	-	648,889	3.58%
2013	22,264	22,264	-	638,934	3.48%
2012	-	-	-	-	-
2011	-	-	-	-	-
2010	-	-	-	-	-
2009	-	-	-	-	-
2008	-	-	-	-	-
2007	-	-	-	-	-