

FRIPP ISLAND PUBLIC SERVICE DISTRICT

MEMORANDUM

TO: Edward D. Wetzel, Chairman
Mike M. Murphy
Rick E. Keup
Michael J. Wilt
Dennis Perrone
John F. King

FROM: Jeremy D. Sponseller



SUBJECT: Commission Meeting May 14, 2024

DATE: May 10, 2024

The **May** Commission meeting is scheduled for **Tuesday, May 14, 2024 at 9:30 a.m.** **The meeting will be held in the training room at the Fripp Island Fire Department and electronically via Zoom. All attendees may elect to attend in person or via Zoom. Login/call-in information appears on the agenda.** The agenda and handouts are provided for your review.

Please let me know if you will be unable to attend the meeting.

Enclosures

C: Joshua Horton, Fire Chief
Gary Pope, Jr., Esq.
Yvonne Fireall, Office Manager/HR Benefits Administrator

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Tuesday May 14, 2024
Fripp Island Fire Station
and
Electronic Meeting Via Zoom
9:30 a.m.

Zoom Info:

Join from PC, Mac, Linux, iOS or Android:
<https://us02web.zoom.us/j/3252080233?omn=81824774087>
Or iPhone one-tap (US Toll): +19292056099,,86565978745#
+13017158592,,86565978745#
Or Telephone:
Dial: +1 301 715 8592 (US Toll) or +1 312 626 6799 (US Toll)
Meeting ID: 325 208 0233

AGENDA

1. Call to Order
 - Confirmation of the presence of a quorum
 - Confirmation of public meeting notice, as required by the SC Code of Laws *30-4-80(A)*.
2. Pledge of Allegiance
3. Approval of April 2024 Commission Meeting Minutes
4. Reports
 - Manager Report April 2024
 - Fire Department Report April 2024
 - POA Shoreline Committee
5. Old Business
 - Engineers Estimate Bridge project
 - Financial Update
6. New Business
 - FY 2023 Financial Audit Report (Webster Rogers)
 - FY 2025 Draft Budget
7. Questions and Comments from Visitors
8. Adjourn

FRIPP ISLAND PUBLIC SERVICE DISTRICT

Minutes: Commission Meeting on April 09, 2024

Present: Edward D. Wetzel, Rick E. Keup, Michael J. Wilt, John F. King, Dennis Perrone, Mike Murphy

Absent:

Staff: Jeremy Sponseller, District Manager
Yvonne Fireall, Office Manager
Joshua Horton, Fire Chief
Rob Singletary, Field Operations Superintendent

Guests: John Scappatura (FIR), Jonathan McCarter (FIPOA), John Derrick, Nancy Wingenbach, Jeff Tibbals (Seaglass), Troy Barber (Seaglass)

1. Chairman Wetzel called the meeting to order at 9:30 a.m., confirmed the presence of a quorum and confirmed that all requirements of the SC Code of Laws, Section 30-4-80, pertaining to the notice of meetings of public bodies, have been met for this meeting.
2. Chairman Wetzel led the Commission in the Pledge of Allegiance.
3. The Commission approved the minutes for the March 2024 regular Commission Meeting upon a motion by Mr. Perrone (Vote: unanimous).
4. Reports
 - a) The Commission reviewed the Manager's Report for April 2024. *(Att A)*
 - b) The Commission reviewed and discussed the USG water tower repair with pictures. The tank will receive a new color scheme and logo addition. Work to be completed in April 2024. *(Att B)*
 - c) The Commission reviewed and discussed the waterline repair on the bridge. The District Manager asked contractors to submit bids on the project and after bid solicitation, two quotes were received from BRW Construction and Harper General Contractors. The Commission accepted and approved the bid from Harper General Contractors w/alternate coating in the amount of \$78,500.00 upon a motion by Mr. Murphy (Vote: unanimous). *(Att C)*
 - d) The Commission reviewed the Fire Department Report for April 2024. *(Att D)*
 - e) The Commission received a report on POA Shoreline activities from Commissioner King.
5. Old Business
 - a) The Commission reviewed and discussed the comparison between AMI (Advanced Meter Infrastructure) and AMR (Automated Meter Reading). The Commission approved District Manager to pursue AMR implementation to be included in FY2025 Budget. *(Att E)*
 - b) The Commission reviewed and discussed an update on Financials and the upcoming completion of the 2023 Audit. *(Att F)*

6. New Business
 - a) The Commission reviewed and discussed Russ Point Boat Landing (*Att G*)
 - b) The Commission reviewed and discussed the PSD Letter and Campsen letter regarding Russ Point Bridge. (*Att H*)
7. The Commission entertained questions and comments from visitors.
8. There being no further business, the meeting adjourned at 10:55 a.m., upon a motion by Mr. Keup (Vote: unanimous).



Edward D. Wetzel
Chairman



Jeremy D. Sponseller
Secretary

**FRIPP ISLAND PUBLIC SERVICE DISTRICT
MANAGER'S REPORT FOR April 2024**

I. New Taps

<u>Category</u>	FY 2024		FY 2023		FY 2022	
	<u>Apr</u>	<u>YTD</u>	<u>Apr</u>	<u>YTD</u>	<u>Apr</u>	<u>YTD</u>
Water customers	1	21	3	28	2	28
Res. Ir. customers	0	1	1	1	-	-
Sewer customers						
a. Gravity	0	12	2	22	2	18
b. Vacuum	1	9	1	6	-	8

Total vacuum sewer customers: 603 of 726

II. Operations Update Through Numbers

1. Butcher's Island and Hunting Island Booster Pumps Avg Daily Run Time for April 2024

	<u>2024</u>	<u>Diff</u>	<u>2023</u>	<u>Diff</u>	<u>2022</u>	<u>Diff</u>	<u>2021</u>
Butcher's Isl Pumps Hrs/Day	1.5	(0.3)	1.8	(0.6)	2.4	0.2	2.2
Hunting Isl Pumps Hrs/Day	3.2	(0.4)	3.6	(2.4)	6.0	(1.4)	7.4
Total Hrs/Day	4.7	(0.7)	5.4	(3.0)	8.4	1.2	9.6

2. Fripp Island Master Metered Water Use for April 2024, Average Gallons per Day

	<u>2024</u>	<u>% Change</u>	<u>2023</u>	<u>% Change</u>	<u>2022</u>	<u>% Change</u>	<u>2021</u>
BJW&SA	483,313	(15.0)	568,750	6.2	535,429	(3.1)	552,484
Harbor Island	78,038	(22.5)	100,668	31.9	76,350	(8.3)	83,223
Hunt Island	11,959	23.0	9,721	6.3	9,146	(32.9)	13,635
Fripp Island	383,281	(14.7)	449,536	1.4	443,500	(0.5)	445,839
Accountability,%	97.9	N/A	98.4	N/A	98.8	N/A	98.2
Rainfall, Inches	6.6		2.5		1.9		2.6

3. Fripp Island Water Consumption – Recorded vs. Billed (in 1,000 gals.), March 2024.

	<u>Annual</u>	<u>Qtr 3</u>	<u>Qtr 2</u>	<u>Qtr 1</u>	<u>Qtr 4</u>
	<u>Total</u>	<u>2024</u>	<u>2024</u>	<u>2024</u>	<u>2023</u>
Fripp MM	165,785	25,384	37,645	54,268	48,488
Billed Water	153,545	<u>22,680</u>	<u>33,966</u>	<u>52,194</u>	<u>44,705</u>
Unbilled	12,240	2,704	3,678	2,074	3,783
% Unbilled	7%	11%	10%	4%	8%
Unmetered Use	784	200	584	0	0
Unaccounted Use	11,456	2,504	3,094	2,074	3,783
% Loss	7%	10%	8%	4%	8%

4. Wastewater Treatment Plant Flow for April 2024, Gallons per Day

	<u>2024</u>	<u>% Change</u>	<u>2023</u>	<u>% Change</u>	<u>2022</u>	<u>% Change</u>	<u>2021</u>
Average Daily Flow	257,406	20.7	213,198	(5.7)	225,980	0.3	225,240
Weekly Max Flow	339,000	27.4	266,000	12.2	237,000	(19.9)	296,000
Peak Daily Flow	543,628	73.8	312,709	8.3	288,729	(12.9)	331,600

5. All water and wastewater sampling was satisfactory for the month of April 2024

6. There were no issues with the water tower levels or flows in April 2024.

III. Operations Update Through Field Work and Projects

1. General Water and Wastewater System Activities
 - a. Various utility locates, Daily
 - b. Regular lift station inspections
 - c. Regular WWTP maintenance
 - d. Water break North Hampton Pool
 - e. Replaced 2 meters
 - f. Water meter software demo
 - g. Rob and Jon attended AirVac School
2. Administrative & Personnel Activities (status is continuing this month)
 - a. Banyon implementation is continuing. We have made the request to EmGov for the data needed from them. Waiting on them to supply the requested data.
 - b. Continuing on the lead and copper inventory. We have been investigating the older services and taking pictures. The team is on board and moving in the right direction.
3. Fripp Inlet Bridge
 - a. Still awaiting DHEC permits. Project is under public notice till the end of May. Plan to bid the project this summer and have contractors awarded August/September.
 - b. We have been told that permits should be approved the end of May. The public noticing period is over there were no comments. Would like to bid over the summer and have contractor in place by September.
4. The water tower at the front of the island is almost finished. Should be filling it this week. There is still some work to do with the anchor bolts and final checklist to complete but should be operational by the end of the week.
5. Phil Waters and I will be discussing the necessary easements for the construction of the new line. I am working to get the easement for the Hunting Island Booster Station finalized and filed. This was not finished at the completion of the installation project.
6. The Davis Love lift station internal piping is completed
7. (Same)We met with SCRWA and found out that they did hire a new GIS person. I also found a signed agreement to utilize their services. I will follow up with the new employee as soon as I get all the right contact information.
8. Miscellaneous Activities
 - a. Working with Harper Constuction on scheduling the waterline repair at the south end of the bridge. I engaged Harbor Island Utilities to see if they would have the same contractor replace the parallel section of the Harbor Island Effluent line at the same time. This would potentially save us \$5k if both sections are replace. The contractor is trying to source our pipe.
 - b. We had to have the Backhoe repaired. The repair was just over \$20k.
 - c. Rob and I have noticed, since we started, a number of items that are in need of attention, due to deferred maintenance. These items will be addressed as we prioritize them and budget for the repair or replacement, over time. They will not happen over night but we will be moving in the right direction. If the Commission would like more specifics, please, let me know.

***Fripp Island Fire Department
Monthly Report Summary
April 2024***

Response Activities:

Total calls for service in April, 12

	April 2024	April 2023	YTD CY24	YTD CY23
<input type="checkbox"/> Structure Fires	00	00	00	00
<input type="checkbox"/> Vehicle Fire	00	00	00	00
<input type="checkbox"/> Medical Emergencies	07	10	30	34
<input type="checkbox"/> Brush Fires	00	01	01	01
<input type="checkbox"/> Misc. Fire	02	00	08	05
<input type="checkbox"/> Service Calls	02	04	05	09
<input type="checkbox"/> Mutual Aid	01	00	02	02
<input type="checkbox"/> Auto Accident	00	01	02	01
<input type="checkbox"/> Water Emergencies	00	00	01	01
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	12	16	49	53

Average emergency response time:

5 minutes 55 seconds.

Roster:

Total personnel active for April, 20

Activities of Note:

Apparatus – The committee is still working with the different vendor gathering information.

Station Reno – Counter tops are installed. We will have the tile backsplashes completed this month. Flooring should be completed by June.

Vehicles – Still working with Ford and Chevrolet Government Leasing.

Budgeting Level Fripp Bridge Rehab Cost:

	Quantity	Unit	Unit Cost	Price
Traffic Control	1	EA	8000	\$8,000
Repair Type I: Square Pile Jacket	54.00	LF	\$2,500	\$135,000
Repair Type II: Octagonal Pile Jacket	31.00	LF	\$2,000	\$62,000
Repair Type III: Beam Spall Repair	5.63	CF	\$3,000	\$16,878
Repair Type IV: Concrete Spall Repair	103.88	CF	\$3,000	\$311,641
Repair Type V: Retrofit Bent	2	EA	\$182,385	\$364,770
Subtotal				\$898,289
Mobilization				\$89,829
Contingencies (25% of Subtotal)				\$224,572
Total Estimated Construction Cost				\$1,212,690

PRELIMINARY COST ESTIMATE - FRIPP BRIDGE ABUTMENT REVETMENT

Description of Work	Quantity	UOM	Unit Price	Extended Value
Mobilization	1	LS	\$50,000	\$50,000
Double Layer Armor Stone	1200	Ton	\$350	\$420,000
Single Layer Armor Stone	1200	Ton	\$350	\$420,000
Class "A" Bedding and Choke	750	Ton	\$350	\$262,500
Filter Fabric	500	SY	\$50	\$25,000
Site Work	1	LS	\$10,000	\$10,000

Total \$1,187,500

FRIPP ISLAND
CASH BASIS ACTIVITY
JULY 1, 2023 THRU APRIL 30, 2024

Total

	Balance 7.1.2024	Deposits/Revenue	Checks/Expenses	Net Transactions	Balance 4.30.24
Bank					
MBS/Investments	3,644,760.06	66,593.27	31,933.80	34,659.47	3,679,419.53
GR/Enterprise Fund	902,655.30	2,401,050.75	2,351,470.98	49,579.77	952,235.07
Fire	316,015.95	1,463,839.38	588,549.05	875,290.33	1,191,306.28
Depreciation & Contingency	2,335,706.50	53,826.36	-	53,826.36	2,389,532.86
Capital Projects Fund	287,403.83	196,974.43	353,543.00	(156,568.57)	130,835.26
Erosion and Bridge	44,006.01	3,083,614.60	69,763.99	3,013,850.61	3,057,856.62
Sewer Construction Fund/Enterprise Fund	297,558.51	-	-	-	297,558.51
Beaufort Co. Sewer Assessments	393,478.86	363,236.20	346,349.19	16,887.01	410,365.87
Beaufort Co. Erosion	486,476.54	256,721.18	-	256,721.18	743,197.72
Beaufort Co. Debt Service	415,584.08	273,828.57	349,516.19	(75,687.62)	890,014.30
Beaufort Co. Fire	250,635.31	273,828.57	100,000.00	173,828.57	408,157.89



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Board of Commissioners
Fripp Island Public Service District
 Fripp Island, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of **Fripp Island Public Service District** (the District) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 8, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Fripp Island Public Service District are described in Note 1 to the financial statements. The District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, during the fiscal year ended June 30, 2023. The effect of that change is described in Note 13. The application of existing policies was not changed during fiscal year 2023.

We noted no transactions entered into by Fripp Island Public Service District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the accumulated depreciation is based on the estimated useful lives of the underlying assets. We evaluated the key factors and assumptions used to develop the accumulated depreciation and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability is based on estimated future employment, rates of retirement, mortality, investment rates of return, and future cost of living trends. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the liability for other postemployment benefits is based on estimated future employment, rates of retirement, mortality, and future health care cost trends. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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Difficulties Encountered in Performing the Audit

The completion of our audit was delayed due to unexpected turnover in the District Manager role, which led to significant delays in audit commencement, significant delays in providing schedules or information requested, and incomplete or unreconciled information throughout the audit. To mitigate these delays in the future, the District has filled the District Manager role and hired a third-party consultant to assist with all accounting and finance related functions.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Material adjustments proposed by us and recorded by the District are included in Appendix A.

Appendix B summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgement, such uncorrected misstatements are immaterial to the financial statements under audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 2, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements and is listed in the engagement letter dated December 8, 2023. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Webster Rogues LLP

Charleston, South Carolina
May 2, 2024

**APPENDIX A
MATERIAL AUDIT ADJUSTMENTS**

Number	Date	Name	Account No	Debit	Credit
4	6/30/2023	Bond Payable-2019 GOB	04-00-246-00 04	132,000.00	
4	6/30/2023	Debt Service Expense	04-00-597-00 04		(132,000.00)
To adjust 2019 general obligation bond to actual					
6	6/30/2023	Def Outflows-Pension	01-00-160-00 01		(11,648.00)
6	6/30/2023	Pension Liability	01-00-240-00 01		(120,328.00)
6	6/30/2023	Deferred Inflows	01-00-240-01 01	100,535.00	
6	6/30/2023	SC Retirement	01-01-506-00 01	31,441.00	
6	6/30/2023	Deferred Outflows-Pension	04-00-160-00 04		(14,451.00)
6	6/30/2023	Deferred Outflows-Pension	04-00-160-00 04		(8,853.00)
6	6/30/2023	Pension Liability	04-00-240-00 04		(57,634.00)
6	6/30/2023	Pension Liability	04-00-240-00 04		(468.00)
6	6/30/2023	Deferred Inflows-Pension	04-00-241-00 04	97,265.00	
6	6/30/2023	Deferred Inflows-Pension	04-00-241-00 04	7,501.00	
6	6/30/2023	Pension Expense	04-00-506-00 04		(23,360.00)
To record changes in pension components					
7	6/30/2023	Pens Contr Subseq to meas date	01-00-160-01 01		(58,312.00)
7	6/30/2023	SC Retirement	01-01-506-00 01	58,312.00	
7	6/30/2023	Pens Contr Subseq to meas date	04-00-160-01 04		(55,657.00)
7	6/30/2023	Pens Contr Subseq to meas date	04-00-160-01 04		(5,092.00)
7	6/30/2023	Pension Expense	04-00-506-00 04	60,749.00	
To recognize contributions deferred in PY					
8	6/30/2023	Pens Contr Subseq to meas date	01-00-160-01 01	68,304.00	
8	6/30/2023	SC Retirement	01-01-506-00 01		(68,304.00)
8	6/30/2023	Pens Contr Subseq to meas date	04-00-160-01 04	59,959.00	
8	6/30/2023	Pens Contr Subseq to meas date	04-00-160-01 04	7,463.00	
8	6/30/2023	Pension Expense	04-00-506-00 04		(59,959.00)
8	6/30/2023	Pension Expense	04-00-506-00 04		(7,463.00)
To defer contributions subsequent to measurement date					
14	6/30/2023	Lease Receivable-noncurrent	01-00-122-02 01	4,328.00	
14	6/30/2023	Lease Receivable-noncurrent	01-00-122-02 01		(308,942.00)
14	6/30/2023	Lease Receivable-noncurrent	01-00-122-02 01	263,819.00	
14	6/30/2023	Deferred Inflows-leases	01-00-240-04 01	311,159.00	
14	6/30/2023	Deferred Inflows-leases	01-00-240-04 01		(263,819.00)
14	6/30/2023	Water Tank Leases	01-00-412-00 01	1,009.00	
14	6/30/2023	Lease Receivable-current	04-00-122-02 04	273.00	
14	6/30/2023	Lease Receivable-current	04-00-122-02 04		(19,133.00)
14	6/30/2023	Deferred Inflows-leases	04-00-241-02 04	13,766.00	
14	6/30/2023	Lease Interest	01-00-416-00-WR 01		(7,554.00)
14	6/30/2023	Lease Income	04-00-400-00-WR 04	5,367.00	
14	6/30/2023	Lease Interest	04-00-400-01-WR 04		(273.00)
To record current year amortization of lease receivable					
17	6/30/2023	Miscellaneous Expense	10-00-549-00 10	11,398.00	
17	6/30/2023	Miscellaneous Expense	10-00-549-00 10	11,398.00	
17	6/30/2023	Capital Outlay-Bridge	10-00-590-01 10		(11,398.00)
17	6/30/2023	Capital Outlay-Bridge	10-00-590-01 10		(11,398.00)
To correct erroneous balance in capital outlay					

APPENDIX A
MATERIAL AUDIT ADJUSTMENTS (Continued)

Number	Date	Name	Account No	Debit	Credit
100	6/30/2023	Utility Billing	01-00-121-00 01		(362,723.00)
100	6/30/2023	Water Consumption	01-00-401-00 01	223,933.00	
100	6/30/2023	Sewer Usage	01-00-402-00 01	138,790.00	
To adjust AR to actual					
101	6/30/2023	Treasurer's Levy 718	03-00-109-00 03	2,886.00	
101	6/30/2023	Taxes receivable	03-00-109-01 03	185.00	
101	6/30/2023	Tax Levies	03-00-408-00 03		(71.00)
101	6/30/2023	Interest - Not Restricted	03-00-416-00 03		(3,000.00)
101	6/30/2023	Operations Levy - Treas 7031	07-00-108-00 07	3,862.00	
101	6/30/2023	Operations Levy Receivable	07-00-108-01 07	62.00	
101	6/30/2023	Tax Levy	07-00-409-00 07		(24.00)
101	6/30/2023	Interest not restricted	07-00-416-00 07		(3,900.00)
To adjust interest accounts to tie to the Beaufort County Confirm					
103	6/30/2023	FI Bridge Construction Fund	10-00-102-00 10	57,675.00	
103	6/30/2023	Vouchers Payable	10-00-211-00 10		(57,675.00)
To adjust the debit balance of vouchers payable					

**APPENDIX B
UNCORRECTED MISSTATEMENTS**

Number	Date	Name	Debit	Credit
12	6/30/2023	Trade accounts payable		(2,599.00)
12	6/30/2023	Miscellaneous	2,599.00	
To adjust AP amount to match the AP detail				

**FRIPP ISLAND
PUBLIC SERVICE DISTRICT**

**BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

FRIPP ISLAND PUBLIC SERVICE DISTRICT
Fripp Island, South Carolina

C O N T E N T S

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of **Fripp Island Public Service District** (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Fripp Island Public Service District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fripp Island Public Service District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fripp Island Public Service District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fripp Island Public Service District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fripp Island Public Service District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Budgetary Comparison Schedules, Notes to Budgetary Comparison Schedules, Schedules of the District's Proportionate Share of the Net Pension Liability, Schedules of the District's Contributions, Notes to Required Supplementary Information – South Carolina Retirement System and Police Officers Retirement System, Schedule of Changes in the District's Total OPEB Liability, and Notes to Required Supplementary Information – OPEB* on pages 3-10 and 45-52 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Charleston, South Carolina
May 2, 2024

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

As management of the Fripp Island Public Service District (the District), we offer the readers of the Fripp Island Public Service District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

Financial Highlights

- The District's Governmental Activities' net position at year end was \$2,671,950. Of this amount, \$990,352 represents negative unrestricted net position.
- The District's Business-Type Activities' net position at year end was \$13,517,075. Of this amount, \$6,137,771 represents unrestricted net position.
- The District invested in new capital assets in the amount of \$57,675 and \$330,954 for its Governmental Activities and Business-Type Activities, respectively.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$2,082,991, an increase of \$104,990.
- At the end of the year the District's proprietary fund, the Water and Sewer Fund had an increase in net position of \$734,130 to \$13,517,075 of which \$6,137,771 was unrestricted.
- The requirements of Governmental Accounting Standards Board (GASB) Standard No. 68, *Accounting and Financial Reporting for Pensions* and GASB Standard No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, require the District to record a liability for the future pension and healthcare costs associated with current employees. Those liabilities total \$1,843,354 and negatively impact the unrestricted net position of the District.
- The requirements for Governmental Accounting Standards Board (GASB) Standard No. 87, *Leases*, requires the District to recognize a telecommunications and utility lease receivable and related deferred inflows.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The *government-wide financial statements* provide a broad overview of the Fripp Island Public Service District's operations in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in *net position* may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and all intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Fripp Island Public Service District include fire protection, public works, beach erosion control, and debt service. The business-type activities include water and sewer operations.

The government-wide financial statements can be found on pages 11-12 of this report.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fripp Island Public Service District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Fripp Island Public Service District can be classified into two categories: governmental and proprietary.

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. All of the District's basic services are reported in the governmental funds financial statements which focus on how money flows into and out of those funds in the near-term and the balances left at year-end that are available for commitment. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be committed in the near future to finance the Fripp Island Public Service District's programs. This information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Fire Department Fund, the Bridge and Beach Erosion Fund, the Capital Projects Fund, and the Debt Service Fund, all of which are major funds. The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

Proprietary Funds – The District maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses an enterprise fund to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water and sewer operations which is considered to be a major fund of the District.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-44 of this report.

Other Information – The basic financial statements are followed by a section of required supplementary information (RSI). This section includes budgetary comparison schedules for the Fire Department Fund and the Bridge and Beach Erosion Fund, the major governmental funds with adopted budgets that are required to be reported under governmental generally accepted accounting practices. The budgetary comparison schedules are presented to demonstrate compliance with the budget.

This section also includes schedules of the District's proportionate share of the net pension liability of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS), as well as a history of the District's contributions to the SCRS and PORS.

In addition, the RSI includes a schedule of changes in the District's OPEB liability and related ratios.

Required supplementary information can be found on pages 45-52 of this report.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$16,189,025 at the close of the most recent fiscal year. The largest portion of the District's net position (52.91%) is its investment in capital assets (e.g., land, infrastructure, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Fripp Island Public Service District Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and Other Assets	\$ 2,102,181	\$ 2,028,416	\$ 8,722,687	\$ 8,561,069	\$ 10,824,868	\$ 10,589,485
Capital Assets	4,571,867	4,870,119	12,653,793	12,931,387	17,225,660	17,801,506
Total Assets	6,674,048	6,898,535	21,376,480	21,492,456	28,050,528	28,390,991
Deferred Outflows	127,310	145,078	158,478	160,274	285,788	305,352
Liabilities						
Long-term Liabilities	3,281,821	3,413,752	5,690,989	6,529,454	8,972,810	9,943,206
Other Liabilities	796,830	761,244	1,253,138	1,133,131	2,049,968	1,894,375
Total Liabilities	4,078,651	4,174,996	6,944,127	7,662,585	11,022,778	11,837,581
Deferred Inflows	50,757	160,490	1,073,756	1,207,200	1,124,513	1,367,690
Net Position						
Net Investment in Capital Assets	1,579,311	1,814,636	6,985,825	6,418,005	8,565,136	8,232,641
Restricted	2,082,991	1,978,001	393,479	381,365	2,476,470	2,359,366
Unrestricted	(990,352)	(1,084,510)	6,137,771	5,983,575	5,147,419	4,899,065
Total Net Position	\$ 2,671,950	\$ 2,708,127	\$ 13,517,075	\$ 12,782,945	\$ 16,189,025	\$ 15,491,072

A portion of the District's net position (\$2,476,470) (15.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$5,147,419, is categorized as unrestricted. The unrestricted net position consists of a surplus of \$6,137,771 in the business type activities, offset by a deficit of \$990,352 in the governmental activities.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

The Fripp Island Public Service District Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 15,064	\$ 30,867	\$ 2,610,079	\$ 2,538,685	\$ 2,625,143	\$ 2,569,552
Capital contributions	-	-	-	-	-	-
General revenues						
Property taxes	1,742,090	1,629,406	-	-	1,742,090	1,629,406
Investment earnings						
(loss)	18,922	(10,228)	(53,642)	(284,717)	(34,720)	(294,945)
Gain on sale of assets	4,331	3,951	-	-	4,331	3,951.00
Miscellaneous	1,660	1,100	-	-	1,660	1,100
Gain on curtailment of postemployment benefit	-	-	-	-	-	-
Total revenues	1,782,067	1,655,096	2,556,437	2,253,968	4,338,504	3,909,064
Expenses						
Governmental activities						
Public safety	666,739	638,391	-	-	666,739	638,391
Public service	448,869	487,473	-	-	448,869	487,473
Interest and other charges	92,242	93,963	-	-	92,242	93,963
Business-type activities						
Water and sewer	-	-	2,432,701	2,332,109	2,432,701	2,332,109
Total expenses	1,207,850	1,219,827	2,432,701	2,332,109	3,640,551	3,551,936
Transfers in (out)	(610,394)	(607,788)	610,394	607,788	-	-
Change in net position	(36,177)	(172,519)	734,130	529,647	697,953	357,128
Net position, beginning	2,708,127	2,880,646	12,782,945	12,253,298	15,491,072	15,133,944
Net position, ending	\$2,671,950	\$2,708,127	\$13,517,075	\$12,782,945	\$16,189,025	\$15,491,072

Governmental Activities – Governmental activities decreased the governmental net position by \$36,177, or 1%. Key elements of this decrease are as follows:

Program revenues from charges for services amounting to \$15,064 represent less than 1% of total revenues. The charges for services are for fees related to utility attachment to the District's infrastructure and tap fees for access to water used for fire protection. Property tax revenues amount to \$1,742,090 or 97.8% of the \$1,782,067 total revenues for governmental activities. Changes in the market value of investments resulted in unrealized gain of \$18,922, an overall increase of 285% from the prior year.

Total governmental revenues increased by \$126,971 (7.7%) from the prior year, as the result of an increase in property tax revenues and investments, while expenditures decreased overall by 1% (\$11,977).

Public safety was the costliest program, accounting for \$666,739 of the \$1,207,850 total expenses for governmental activities or 55.2% of the total expenses. Public service had the next largest program accounting for \$448,869 (37.2%) of the total governmental expenses.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

The following table for governmental activities indicates the total cost of services and the net cost of services. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Governmental Activities – Cost of Services

	2023		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Public safety	\$ 666,739	\$ 657,439	\$ 638,391	\$ 630,291
Public service	448,869	443,105	487,473	464,706
Interest on long term debt	92,242	92,242	93,963	93,963
Total Expenses	\$ 1,207,850	\$ 1,192,786	\$ 1,219,827	\$ 1,188,960

Charges for services of \$15,064 (1.3% of the total costs of services) were received and used to fund the general government expenses of the District. The remaining \$1,192,786 in general government expenses is funded by property taxes and other revenue.

Business-type Activities – Charges for services of \$2,610,079 was the District's largest program revenue, accounting for 102.1% of the total business-type activities' revenues. These charges are for water and sewer services accounted for in the water and sewer enterprise fund. Changes in the market value of investments resulted in unrealized losses of \$53,642, decreasing the total business-type activities' revenue.

Basic water rates were increased from \$46 to \$51.70. The water consumption volumetric rates were adjusted based on the tiered structure, with 0 to 10,000 gallons being decreased by \$0.65/1,000 gallons. The basic sewer rates decreased from \$105 to 69.50. The sewer consumption volumetric rates were added to \$2.94/1,000 gallons. As a result of the various rate changes, water use revenues increased from prior year earnings by \$25,091 (2.4%) and sewer use revenues increased from the prior year earnings by \$36,324 (3.2%). Combined water and sewer use revenues fell short of budgeted projections by \$7,551 (0.42%). Collection of vacuum sewer assessments by the Beaufort County Treasurer basically remained unchanged with an increase of \$5 compared to the prior year and exceeded budgeted projections by \$996 (0.27%).

Financial Analysis of the Fripp Island Public Service District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds – The purpose of the District's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

As of June 30, 2023, the District's governmental funds reported a combined ending fund balance of \$2,082,991, an increase of \$104,990 over the prior year. \$1,795,587 or 86% of fund balance represents resources whose use is restricted by the purpose of the property tax millage. The remaining \$287,404 are resources restricted for capital projects under the terms of bond issuance documents.

The **Fire Department Fund** accounts for the collection and expenditure of property taxes imposed for the purpose of providing fire protection, emergency medical service, and beach rescue for the residents and guests on Fripp Island. At the end of the fiscal year, fund balance was \$549,811, a \$69,314 increase from prior year.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

The **Bridge and Beach Erosion Fund** accounts for the collection and expenditure of property taxes imposed for the maintenance of the Fripp Inlet Bridge and various 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 rights of way for water and sewer lines. At the end of the fiscal year, fund balance was \$830,192, a \$92,647 increase from prior year.

The **Capital Project Fund** accounts for the collection and expenditure of proceeds of debt issued for the purpose of governmental capital projects, including repair of the Fripp Inlet revetment and the Fripp Inlet Bridge. At the end of the fiscal year, fund balance was \$287,404, a \$69,073 decrease from the prior year. The decrease was due to capital outlay purchases of \$69,073 for the continuing Fripp Inlet Bridge rehabilitation.

The **Debt Service Fund** accounts for the collection and expenditure of property taxes imposed for the payment of general obligation debt. At the end of the fiscal year, fund balance was \$415,584, a \$12,102 increase from the prior year.

Proprietary Funds – The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Additional selected statistics regarding the Water and Sewer Fund are as follows:

	Fiscal Year		Increase (Decrease)
	2023	2022	
Gallons of water purchased (in thousands)	165,663	176,667	(11,004)
Less gallons of water sold (in thousands)	153,110	162,136	(9,026)
Water gained (lost)	(12,553)	(14,532)	1,978
Water accountability	92.4%	91.8%	(0.6%)
Water accounts	1735	1686	49
Sewer accounts	1654	1609	45

Net position of the Water and Sewer Fund at the end of the year amounted to \$13,517,075, of which \$6,137,771 was unrestricted. The total increase in net position was \$734,130.

Budgetary Highlights

By state statute, the District Commission adopts the annual operating budget for the District by the last day of June.

Fire Department Fund

The largest Fire Department expenditures were employee salaries, which totaled \$370,939 (versus \$365,829 in the prior year) Other payroll expenses, which include payroll taxes, employer pension contributions, and medical, life and disability insurance totaled \$114,717 (versus \$107,502 in the prior year). The largest expenditures other than employee expenses were \$18,168 for property and tort liability insurance and \$19,619 for workers' compensation insurance. During fiscal year 2023, to comply with state mandated caps on tax millage increases, the Fire Department limited budgeted expenses. Despite a budgeted deficit of \$47,240, revenues exceeded expenditures by \$69,314, resulting in an overall favorable variance of \$116,554.

Bridge and Beach Erosion Fund

The District collected a total of \$251,258 for maintaining its erosion control structures and the Fripp Inlet Bridge (\$228,373 in tax revenue, \$19,133 in bridge utility attachment fees, and \$3,752 in unrealized investment gains), exceeding budget projection of \$247,730. The budget projection for the repair and maintenance of erosion control structures and the Fripp Inlet Bridge was \$156,420 and actual expenditures totaled \$158,611.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Debt Service Fund

The tax levy for debt service was decreased by .5 mills to 16.5 mills after being increased in the prior fiscal year to increase funds in the debt service fund. Tax collections for debt service exceeded budget projections by 1.4% or \$11,905.

Capital Assets and Debt Administration

Capital Assets – The District's investment in capital assets for its governmental and business-type activities as of June 30, 2023, was \$17,225,660 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, water and sewer systems, buildings, improvements, vehicles, computers, software, furniture, and equipment.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 132,219	\$ 132,219	\$ 17,001	\$ 17,001	\$ 149,220	\$ 149,220
Construction in progress	-	-	37,980	-	37,980	-
Infrastructure	3,683,908	3,905,093	-	-	3,683,908	3,905,093
Water and sewer system	-	-	12,397,110	12,674,842	12,397,110	12,674,842
Buildings and improvements	285,053	302,911	156,294	175,653	441,347	478,564
Vehicles	302,446	331,272	16,128	25,075	318,574	356,347
Furniture, fixtures and equipment	168,241	198,624	29,280	38,816	197,521	237,440
	<u>\$4,571,867</u>	<u>\$4,870,119</u>	<u>\$12,653,793</u>	<u>\$12,931,387</u>	<u>\$17,225,660</u>	<u>\$17,801,506</u>

Additional information on the District's capital assets can be found in Note 3.

Long-Term Debt – During the year, the District did not issue any additional debt.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$3,279,960	\$3,411,960	\$ 635,006	\$ 682,487	\$ 3,914,966	\$ 4,094,447
Revenue bonds	-	-	2,054,797	2,373,814	2,054,797	2,373,814
State revolving fund loans	-	-	2,978,165	3,457,081	2,978,165	3,457,081
Compensated absences	1,861	1,792	23,021	16,072	24,882	17,864
	<u>\$3,281,821</u>	<u>\$3,413,752</u>	<u>\$ 5,690,989</u>	<u>\$ 6,529,454</u>	<u>\$ 8,972,810</u>	<u>\$ 9,943,206</u>

Additional information on the District's long-term debt can be found in Note 4.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Economic Factors and Next Year's Budget

During the current fiscal year, the District's total fund balance increased due to investments in capital assets and decreases in long term debt, allowing the District to continue to provide quality service to the residents. Notwithstanding the increase in fund balance, anticipated increased maintenance costs and debt service payments required water and sewer rate and tax increases in the next fiscal year.

The District is a vibrant community that will continue to grow in the coming years. The budget will continue to expand to meet the service needs of the growing community.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Fripp Island Public Service District Treasurer, 291 Tarpon Boulevard, Fripp Island, SC 29920.

BASIC FINANCIAL STATEMENTS

FRIPP ISLAND PUBLIC SERVICE DISTRICT
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 43,992	\$ 3,249,651	\$ 3,293,643
Investments	299,998	2,876,327	3,176,325
Due from County Treasurer	737,175	-	737,175
Taxes receivable	185	-	185
Accounts receivable	2,566	496,656	499,222
Lease receivable - current portion	-	547,095	547,095
Lease receivable - noncurrent portion	-	312,922	312,922
Inventory	-	38,924	38,924
Prepaid expenses	-	41,638	41,638
Restricted assets			
Cash and cash equivalents	602,681	297,559	900,240
Investments	-	468,436	468,436
Due from County Treasurer	415,584	393,479	809,063
Capital assets, not being depreciated	132,219	54,981	187,200
Capital assets, net of accumulated depreciation	4,439,648	12,598,812	17,038,460
TOTAL ASSETS	6,674,048	21,376,480	28,050,528
DEFERRED OUTFLOWS OF RESOURCES			
Pension benefit	120,632	111,732	232,364
OPEB	6,678	46,746	53,424
TOTAL DEFERRED OUTFLOWS OF RESOURCES	127,310	158,478	285,788
LIABILITIES			
Accounts payable and accrued expenses	19,190	133,571	152,761
Accrued interest payable	23,456	30,347	53,803
Unearned revenue	-	50	50
Net pension liability	705,172	746,088	1,451,260
OPEB liability	49,012	343,082	392,094
Long-term liabilities			
Due within one year	136,861	750,933	887,794
Due in more than one year	3,144,960	4,940,056	8,085,016
TOTAL LIABILITIES	4,078,651	6,944,127	11,022,778
DEFERRED INFLOWS OF RESOURCES			
Pension benefit	21,852	16,788	38,640
OPEB	19,727	138,092	157,819
Leases	9,178	918,876	928,054
TOTAL DEFERRED INFLOWS OF RESOURCES	50,757	1,073,756	1,124,513
NET POSITION			
Net investment in capital assets	1,579,311	6,985,825	8,565,136
Restricted for:			
Debt service	415,584	393,479	809,063
Public safety	549,811	-	549,811
Public service	830,192	-	830,192
Capital Projects	287,404	-	287,404
Unrestricted	(990,352)	6,137,771	5,147,419
TOTAL NET POSITION	\$ 2,671,950	\$ 13,517,075	\$ 16,189,025

The Notes to the Financial Statements are an integral part of these financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
JUNE 30, 2023

	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges For Services	Capital Contributions	Governmental Activities	Business Type Activities	Total
Functions/programs						
Primary government						
Governmental activities						
Public safety	\$ 666,739	\$ 9,300	\$ -	\$ (657,439)	\$ -	\$ (657,439)
Public service	448,869	5,764	-	(443,105)	-	(443,105)
Interest and other charges	92,242	-	-	(92,242)	-	(92,242)
Total governmental services	<u>1,207,850</u>	<u>15,064</u>	<u>-</u>	<u>(1,192,786)</u>	<u>-</u>	<u>(1,192,786)</u>
Business type activities						
Water and sewer	2,432,701	2,610,079	-	-	177,378	177,378
Total business type activities	<u>2,432,701</u>	<u>2,610,079</u>	<u>-</u>	<u>-</u>	<u>177,378</u>	<u>177,378</u>
Total primary government	<u>\$ 3,640,551</u>	<u>\$ 2,625,143</u>	<u>\$ -</u>	<u>(1,192,786)</u>	<u>177,378</u>	<u>(1,015,408)</u>
General revenues						
Taxes						
Property taxes - fire department				674,812	-	674,812
Property taxes - erosion and bridge				228,373	-	228,373
Property taxes - debt				838,905	-	838,905
Investment earnings				18,922	(53,642)	(34,720)
Other income				1,660	-	1,660
Gain on sale of capital assets				4,331	-	4,331
Interfund transfers				(610,394)	610,394	-
Total general revenues				<u>1,156,609</u>	<u>556,752</u>	<u>1,713,361</u>
Change in net position				(36,177)	734,130	697,953
Net position - beginning of year				2,708,127	12,782,945	15,491,072
Net position - end of year				<u>\$ 2,671,950</u>	<u>\$ 13,517,075</u>	<u>\$ 16,189,025</u>

The Notes to the Financial Statements are an integral part of these financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	Fire Department	Bridge and Beach Erosion	Capital Projects	Debt Service	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 43,992	\$ -	\$ -	\$ 43,992
Investments	-	299,998	-	-	299,998
Taxes receivable	185	-	-	-	185
Due from County Treasurer	250,635	486,540	-	415,584	1,152,759
Accounts receivable	405	2,161	-	-	2,566
Restricted assets					
Cash and cash equivalents	315,277	-	287,404	-	602,681
TOTAL ASSETS	\$ 566,502	\$ 832,691	\$ 287,404	\$ 415,584	\$ 2,102,181
LIABILITIES					
Vouchers and accounts payable	\$ 16,691	\$ 2,499	\$ -	\$ -	\$ 19,190
TOTAL LIABILITIES	16,691	2,499	-	-	19,190
FUND BALANCE					
Fund balance					
Restricted for debt service	-	-	-	415,584	415,584
Restricted for capital projects	-	-	287,404	-	287,404
Restricted for public safety	549,811	-	-	-	549,811
Restricted for public service	-	830,192	-	-	830,192
TOTAL FUND BALANCE	549,811	830,192	287,404	415,584	2,082,991
TOTAL LIABILITIES AND FUND BALANCE	\$ 566,502	\$ 832,691	\$ 287,404	\$ 415,584	\$ 2,102,181

The Notes to the Financial Statements are an integral part of these financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
JUNE 30, 2023

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

Ending fund balance-governmental funds		\$ 2,082,991
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital cost		4,571,866
Less accumulated depreciation		-
Leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Pension related deferrals are not reported in governmental funds, but are reported in governmental activities as follows:		
Deferred outflows		120,632
Deferred inflows		(21,852)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
		(705,172)
OPEB related deferrals are not reported in governmental funds, but are reported in governmental activities.		
Deferred outflows		6,678
Deferred inflows		(19,727)
OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
		(49,012)
Lease related deferrals are not reported in governmental funds, but are reported in governmental activities.		
Deferred inflows		(9,178)
Long-term liabilities, including bonds and notes, are not due or payable in the current period, and therefore are not reported as liabilities in the funds.		
Bonds	(3,279,960)	
Compensated absences	(1,860)	
Accrued interest	(23,456)	
	(3,305,276)	(3,305,276)
Net position of governmental activities		\$ 2,671,950

The Notes to the Financial Statements are an integral part of these financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	<u>Fire Department</u>	<u>Bridge and Beach Erosion</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 674,812	\$ 228,373	\$ -	\$ 838,905	\$ 1,742,090
Assessments	9,300	-	-	-	9,300
Net investment income	7,337	3,752	-	7,833	18,922
Lease revenue	-	19,133	-	-	19,133
Donations	1,660	-	-	-	1,660
Total revenues	<u>693,109</u>	<u>251,258</u>	<u>-</u>	<u>846,738</u>	<u>1,791,105</u>
Expenditures					
Current					
Public safety	628,126	-	-	-	628,126
Public service	-	158,611	11,398	-	170,009
Debt Service					
Principal	-	-	-	132,000	132,000
Interest	-	-	-	92,242	92,242
Capital outlay	-	-	57,675	-	57,675
Total expenditures	<u>628,126</u>	<u>158,611</u>	<u>69,073</u>	<u>224,242</u>	<u>1,080,052</u>
Excess (deficiency) of revenues over (under) expenditures	<u>64,983</u>	<u>92,647</u>	<u>(69,073)</u>	<u>622,496</u>	<u>711,053</u>
Other financing sources (uses)					
Proceeds from sale of capital assets	4,331	-	-	-	4,331
Transfers out	-	-	-	(610,394)	(610,394)
Total other financing sources (uses)	<u>4,331</u>	<u>-</u>	<u>-</u>	<u>(610,394)</u>	<u>(606,063)</u>
Net change in fund balance	69,314	92,647	(69,073)	12,102	104,990
Fund balance					
Beginning	<u>480,497</u>	<u>737,545</u>	<u>356,477</u>	<u>403,482</u>	<u>1,978,001</u>
Ending	<u>\$ 549,811</u>	<u>\$ 830,192</u>	<u>\$ 287,404</u>	<u>\$ 415,584</u>	<u>\$ 2,082,991</u>

The Notes to the Financial Statements are an integral part of these financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

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

Net changes in fund balances-total governmental funds \$ 104,990

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.

Capital outlay	57,675	
Depreciation	<u>(355,928)</u>	(298,253)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The effect of the difference in the treatment of general obligation bonds is as follows:

Repayment of principal		132,000
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Some revenues reported in the Statement of Activities do not generate current financial resources and, therefore, are not reported as revenues in the governmental funds. The details are as follows:

Amortization of lease revenue		(13,369)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Other post-employment expense		8,491
District's portion of collective pension expense		30,033
Compensated absence expense		(69)
Interest		<u>-</u>

Change in net position of governmental activities		<u>\$ (36,177)</u>
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The Notes to the Financial Statements are an integral part of these financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,249,651
Investments	2,876,327
Accounts receivable water and sewer system	496,656
Lease receivable - current portion	547,095
Inventory	38,924
Prepaid expenses	41,638
Restricted assets	
Cash	297,559
Investments	468,436
Due from County Treasurer	393,479
Total current assets	8,409,765
Noncurrent assets	
Lease receivable - noncurrent portion	312,922
Property, plant and equipment (net of accumulated depreciation)	12,653,793
Total noncurrent assets	12,966,715
Total assets	21,376,480
DEFERRED OUTFLOWS OF RESOURCES	
Pension benefit	111,732
OPEB	46,746
Total deferred outflows of resources	158,478
Total assets and deferred outflows of resources	\$ 21,534,958
LIABILITIES	
Current liabilities	
Vouchers and accounts payable	\$ 126,129
Payroll and related liabilities	7,442
Accrued compensated absences	23,021
Unearned revenue	50
Bonds and loans payable	727,912
Payable from restricted assets	
Accrued interest	30,347
Bonds and loans payable	363,132
Total current liabilities	1,278,033
Noncurrent liabilities	
Bonds and loans payable	4,576,924
Net pension liability	746,088
OPEB liability	343,082
Total noncurrent liabilities	5,666,094
Total liabilities	6,944,127
DEFERRED INFLOWS OF RESOURCES	
Pension benefit	16,788
OPEB	138,092
Leases	918,876
Total deferred inflows of resources	1,073,756
NET POSITION	
Net investment in capital assets	6,985,825
Restricted for debt service	393,479
Unrestricted	6,137,771
Total net position	13,517,075
Total liabilities, deferred inflows of resources, and net position	\$ 21,534,958

The Notes to the Financial Statements are an integral part of these financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

Operating revenue	
Water sales	\$ 1,024,931
Sewer usage and assessments	1,142,434
Other operating income	442,714
Total operating revenue	<u>2,610,079</u>
Operating expenses	
Water purchases	528,671
Operations and maintenance	1,169,821
Depreciation	608,531
Total operating expenses	<u>2,307,023</u>
Operating income	<u>303,056</u>
Non-operating revenues (expenses)	
Investment income	(53,642)
Interest	(124,460)
Loss on sale	(19)
Other expenses	(1,199)
Total non-operating revenues (expenses)	<u>(179,320)</u>
Gain before transfers and contributions	123,736
Transfers	<u>610,394</u>
Change in net position	734,130
Net position, at beginning of year	<u>12,782,945</u>
Net position, at end of year	<u>\$ 13,517,075</u>

The Notes to the Financial Statements are an integral part of these financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 2,707,592
Payments to suppliers	(1,248,781)
Payments to employees	(459,715)
Net cash provided by operating activities	999,096
Cash Flows From Non-Capital Financing Activities	
Interfund transfers	610,394
Net cash flows from non-capital financing activities	610,394
Cash Flows From Capital and Related Financing Activities	
Principal paid on capital debt	(845,414)
Interest paid on capital debt	(128,948)
Bond fee	(1,200)
Acquisition of capital assets	(330,954)
Net cash used in capital and related financing activities	(1,306,516)
Cash Flows From Investing Activities	
Investment income	(98,225)
Purchase of CD's	(494,000)
Proceeds from sale of CD's	570,000
Net cash (used in) by investing activities	(22,225)
Net increase in cash and cash equivalents	280,749
Cash and Cash Equivalents at Beginning of Year	3,266,461
Cash and Cash Equivalents at End of Year	\$ 3,547,210
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	303,056
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	608,531
(Increase) decrease in:	
Accounts receivable	109,577
Inventory	(9,533)
Prepaid expenses	(216)
Due from County Treasurer	(12,114)
Deferred outflows	1,796
Increase (decrease) in:	
Accounts payable	17,866
Accrued salaries and fringe benefits	(1,851)
Compensated absences	6,949
Unearned revenue	50
Pension liability	120,328
OPEB liability	(11,899)
Deferred inflows	(133,444)
Net cash provided by operating activities	\$ 999,096
Reconciliation of Cash and Cash Equivalent Balances	
Unrestricted cash and cash equivalents	\$ 3,249,651
Restricted cash and cash equivalents	297,559
	\$ 3,547,210

The Notes to the Financial Statements are an integral part of these financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Fripp Island Public Service District (the 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 District follows GASB Statement No. 61, The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34, which provides additional guidance to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. In evaluating the District as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the District may be financially accountable and, as such, should be included within the District' financial statements. The District (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

The District is a legally separate and fiscally independent entity whose governing body is a Commission whose members are elected in a general election and should therefore be considered a primary government. There are no entities which meet the criteria detailed above for inclusion with the District's financial statements as component units.

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

Government-wide Statements

The Statement of Net Position 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 avoid the double counting of interfund 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 primarily by fees charged to external parties.

The Statement of Net Position reports all financial and capital resources of the District and reports the difference between assets plus deferred outflows and liabilities plus deferred inflows as net position. The Statement of Activities presents a comparison between direct expenses and program revenues for each activity of the District. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular activity.

Program revenues include: (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the programs and, (b) grants and contributions that are restricted to meet the operations or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

The accounts of the reporting entity are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts comprised of assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues, and expenditures or expenses, as appropriate. The fund financial statements provide information about the District's funds. Separate statements for each fund category - governmental, proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds with each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major funds:

- Fire Department Fund accounts for revenues and expenditures associated with public safety which primarily include the fire and rescue operations.
- The Bridge and Beach Erosion Fund accounts for revenues and expenditures for public services associated with erosion control operations and bridge maintenance.
- The Debt Service Fund accumulates financial resources for the payment of principal and interest on the general long-term debt of the District, other than debt service payments in proprietary fund types.
- The Capital Projects Fund accounts for the expenditure of debt proceeds issued for costs incurred for the construction and renovation of District infrastructure.
- The Enterprise Fund is a proprietary fund used to account for the activities of the District's Water and Sewer utilities.

C. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Statements

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded 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, grants, and entitlements. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. For Water and Sewer Utilities, principal operating revenues include sales to existing customers for services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 as the amounts become susceptible to accrual by becoming measurable and available to finance the District's operations. Net investment income and revenue from intergovernmental reimbursement grants is recorded as earned. Other revenues are considered available to be used to pay liabilities of the current period if they are collectible within the current period or within 60 days thereafter.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements (continued)

The primary revenues susceptible to accrual include property taxes and intergovernmental revenues. Expenditures are recorded when the related fund liability is incurred, except that principal and interest on general long-term debt and certain other general long-term obligations, such as compensated absences, are recognized only to the extent they have matured. General capital asset acquisitions are reported as capital outlays in governmental funds. The issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources. The effect of interfund activity has not been eliminated from the governmental fund financial statements.

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

Cash and cash equivalents – The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments – Investments in all funds are stated at fair value.

Receivables – All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance is recorded for the year ended June 30, 2023, as management believes all reported receivables to be collectible.

Lease Receivables – Lease receivables are measured using a present value of lease payments to be received for the lease term (less estimates for uncollectible amounts). The measurement includes fixed, variable, variable payments that are fixed in substance, and residual value guarantee payments that are fixed in substance. Discounting the future lease payments is based on the discount rate implicit in the lease contract, typically imputed at inception of the lease.

Property Taxes – 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.

Tax Calendar – Property is valued for taxation at December 31 of the prior fiscal year with the tax bills due between September 30 and January 15 of the current fiscal year. Unpaid taxes are assessed a 3% penalty during the period January 16 to February 1, an additional 7% penalty is assessed February 2 to March 16, and a further 5% penalty is assessed for tax bills unpaid after March 16.

South Carolina law allows a lien for unpaid taxes on the property at the December 31 valuation date. The County Treasurer transfers the delinquent tax accounts to the delinquent tax collector after March 17 for collection efforts as prescribed by state law.

Motor vehicle taxes are billed annually to coincide with the vehicles registration month and are due by the last day of that month. Real property taxes billed but not collected as of June 30 are reflected in the governmental fund balance sheet as taxes receivable.

Restricted Assets – Restricted assets are liquid assets which have third-party limitations on their use. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Items – Inventories are valued at cost using the average cost method. The consumption method of accounting for inventories is used. Under this method, inventories are expensed as they are consumed as operating supplies and spare parts in the period to which they apply. Inventories consist of operating supplies. Payments to vendors that reflect costs applicable to future periods are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items consist primarily of insurance coverage paid in advance.

Capital assets – Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. 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. Major outlays for capital assets and improvements are capitalized as the projects are constructed. All reported capital assets are depreciated if applicable. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Water system	10 - 50
Buildings and improvements	10 - 50
Infrastructure and improvements	10 - 50
Machinery and equipment	3 - 20
Vehicles	3 - 20

Interfund Receivables and Payables – Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts as "due to/from" funds.

Compensated Absences – District employees may accumulate unused vacation leave hours but may only carry 120 hours of unused vacation forward from one fiscal year to the next. Employees separating from service are paid their regular pay rate for accrued and unused vacation leave. Employees may accumulate sick leave, but the District does not pay employees separating from service for unused sick leave. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds only when they mature because an employee resigns or retires.

Deferred Outflows 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District may have five items that qualify for reporting in this category, as follows:

1. Pension and other post-employment benefits (OPEB) contributions made subsequent to the measurement date which will be recognized as a reduction of the net pension and OPEB liability in the subsequent year.
2. The net difference between the projected and actual earnings on pension plan investments which is deferred and amortized over a closed five-year period. There are no plan investments in the OPEB plan.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources (continued)

3. The differences between expected and actual experience which is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.
4. The changes in proportion and differences between employer contribution and proportionate share of contributions which will be deferred and amortized over the remaining service lives of all plan participants.
5. Changes in actuarial assumptions of pension plans which will be deferred and amortized over remaining service lives of all plan participants.

Deferred Inflows of Resources

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District may have the following items that qualify for reporting in this category:

1. The differences between expected and actual experience which is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.
2. The changes in proportion and differences between employer contribution and proportionate share of contributions which will be deferred and amortized over the remaining service lives of all plan participants.
3. The present value of lease payments to be received for the term of leased assets (less any estimated uncollectible amounts). Lease deferred inflows also include any amounts received prior to the initial lease term that are related to future periods. Lease deferred inflows of resources are recognized as inflows in a systematic and rational manner over the term of the lease.

Net Position – Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the statement of net position. Net position is comprised of three categories: net investment in capital assets, restricted net position, and unrestricted net position. The first category of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, loans, and leases that are attributable to these capital assets. Restricted net position consists of net positions with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulation of other governments, or (2) law through constitutional provisions or enabling legislation. Net position, which is neither restricted nor related to net investment in capital assets, is reported as unrestricted net position. When the District funds outlays for a particular purpose from both restricted and unrestricted sources, it is the District's policy to use funds restricted for that purpose first before using unrestricted net position.

Fund Balances

Non-spendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources (continued)

Fund Balances (continued)

Committed Fund Balance – The District Commission, as the highest level of authority within the District, establishes the commitment of any unrestricted fund balance to purposes through the approval of the annual budget plan by ordinance. As a result, all unrestricted amounts directed toward a purpose are shown as committed.

Assigned Fund Balance – Balances shown as assigned represent balances management has allocated for a specific purpose but which is neither restricted nor committed.

Unassigned Fund Balance – Balances shown as unassigned include amounts that have not been assigned to other funds and have not been restricted, committed, or assigned for specific purposes within the fund.

The District considers restricted balances to be expended first in cases where both restricted and unrestricted amounts are available. When utilizing unrestricted balances, committed balances are applied first, followed by assigned then unassigned balances.

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), 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.

Use of Estimates – The financial statements include estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenditures. Actual results could differ from these estimates and the difference could be material.

Note 2. Cash and Cash Equivalents

Custodial Credit Risk - Cash Deposits -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, 2023, the carrying amount of the District's cash, certificates of deposit, and U.S. government bonds was \$7,838,644 and the balance per the bank statements was \$7,828,306, all of which was covered by federal depository insurance or collateral held by the bank or institution in the District's name.

Investments - State law limits local government investments to (1) obligations of the United States and agencies thereof; (2) general obligations of the State of South Carolina or any of its political units; (3) savings and loan association deposits to the extent insured by the FDIC; (4) certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, at a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and (5) no load open and closed-end portfolios of certain investment companies with issues with the US Government.

The District's investments totaling \$3,644,761 at June 30, 2023, are invested in certificates of deposit and U.S. government bonds. These investments are carried at fair value. The change in fair value is recognized as an increase or decrease to investment assets and investment income. Fair value for all investments is determined on a recurring basis based on quoted market prices.

FRIPP ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 2. Cash and Cash Equivalents (Continued)

Credit Risk and Interest Rate Risk - The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuating interest rates or from credit risk arising from concentration of investments in a limited number of investment vehicles. Investment maturities are as follows:

Investment type	Rating	Fair Value	Investment Maturity in Years		
			Less than 1	1 - 5	Over 5
Certificates of Deposit	N/A	\$ 3,113,654	\$ 172,422	\$ 1,944,542	\$ 996,690
US Government Bonds	N/A	531,107	149,682	185,453	195,972
		<u>\$ 3,644,761</u>	<u>\$ 322,104</u>	<u>\$ 2,129,995</u>	<u>\$ 1,192,662</u>

A reconciliation of cash and investments as shown on the government-wide statement of net position is as follows:

Carrying value of deposits	\$ 4,193,683
US government bonds	531,107
Certificates of deposit	3,113,654
Cash on hand	200
	<u>\$ 7,838,644</u>
Unrestricted	
Cash and cash equivalents	\$ 3,293,643
Investments	3,176,325
Restricted	
Cash and cash equivalents	900,240
Investments	468,436
	<u>\$ 7,838,644</u>

Note 3. Property, Plant and Equipment

Capital asset activity for governmental activities for the year ended June 30, 2023, was as follows:

	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023
Capital assets not being depreciated:				
Land	\$ 132,219	\$ -	\$ -	\$ 132,219
Total not being depreciated	<u>132,219</u>	<u>-</u>	<u>-</u>	<u>132,219</u>
Capital assets being depreciated:				
Infrastructure	8,527,157	57,675	-	8,584,832
Buildings and improvements	689,559	-	-	689,559
Equipment, furniture and fixtures	640,497	-	-	640,497
Vehicles	626,454	-	-	626,454
Total being depreciated	<u>\$ 10,483,667</u>	<u>\$ 57,675</u>	<u>\$ -</u>	<u>\$ 10,541,342</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 3. Property, Plant and Equipment (Continued)

	Balance at July 1, 2022	Additions	Deletions	Balance at June 30, 2023
Less accumulated depreciation				
Infrastructure	\$ 4,622,064	\$ 278,860	\$ -	\$ 4,900,924
Buildings and improvements	386,648	17,858	-	404,506
Equipment, furniture and fixtures	441,873	30,383	-	472,256
Vehicles	295,182	28,826	-	324,008
Total accumulated depreciation	<u>5,745,767</u>	<u>355,927</u>	<u>-</u>	<u>6,101,694</u>
Net capital assets being depreciated	<u>4,737,900</u>	<u>(298,252)</u>	<u>-</u>	<u>4,439,648</u>
Net governmental activity capital assets	<u>\$ 4,870,119</u>	<u>\$ (298,252)</u>	<u>\$ -</u>	<u>\$ 4,571,867</u>

Capital asset activity for business-type activities for the year ended June 30, 2023, was as follows:

	Balance at July 1, 2022	Additions	Deletions	Transfers	Balance at June 30, 2023
Capital assets not being depreciated:					
Construction in Progress	\$ 121,460	\$ 37,980	\$ -	\$ (121,460)	\$ 37,980
Land	17,001	-	-	-	17,001
Total not being depreciated	<u>138,461</u>	<u>37,980</u>	<u>-</u>	<u>(121,460)</u>	<u>54,981</u>
Capital assets being depreciated:					
Building and fixtures	443,483	-	-	-	443,483
Water system	6,526,179	265,775	(3,245)	121,460	6,910,169
Collection system	5,795,734	-	-	-	5,795,734
Lift stations	1,927,592	24,247	-	-	1,951,839
Sewer system/treatment plant	7,759,280	-	-	-	7,759,280
Vehicles	73,439	-	-	-	73,439
Computer equipment-software	44,451	2,955	-	-	47,406
Equipment	117,503	-	-	-	117,503
Total being depreciated	<u>22,687,661</u>	<u>292,977</u>	<u>(3,245)</u>	<u>121,460</u>	<u>23,098,853</u>
Less: accumulated depreciation					
Building and fixtures	267,830	19,359	-	-	287,189
Water system	2,761,411	136,037	(3,226)	-	2,894,222
Collection system	2,481,239	142,424	-	-	2,623,663
Lift stations	1,183,555	53,929	-	-	1,237,484
Sewer system/treatment plant	3,029,200	235,343	-	-	3,264,543
Vehicles	48,364	8,947	-	-	57,311
Computer equipment-software	39,602	2,306	-	-	41,908
Equipment	83,536	10,185	-	-	93,721
Total accumulated depreciation	<u>9,894,737</u>	<u>608,530</u>	<u>(3,226)</u>	<u>-</u>	<u>10,500,041</u>
Net capital assets being depreciated	<u>12,792,924</u>	<u>(315,553)</u>	<u>(19)</u>	<u>121,460</u>	<u>12,598,812</u>
Net business-type activities capital assets	<u>\$ 12,931,385</u>	<u>\$ (277,573)</u>	<u>\$ (19)</u>	<u>\$ -</u>	<u>\$ 12,653,793</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 3. Property, Plant and Equipment (Continued)

Depreciation expense was charged to governmental functions/programs as follows:

Public safety	\$ 77,067
Public service	\$278,860

Note 4. Long-Term Debt

The following is a summary of note and bond transactions of the District for the year ended June 30, 2023:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Amounts Due Within One year</u>
Governmental activities					
General obligation bonds	\$ 3,411,960	\$ -	\$ (132,000)	\$ 3,279,960	\$ 135,000
Compensated absences	1,792	8,380	(8,311)	1,861	1,861
	<u>\$ 3,413,752</u>	<u>\$ 8,380</u>	<u>\$ (140,311)</u>	<u>\$ 3,281,821</u>	<u>\$ 136,861</u>
Business-type activities					
General obligation bonds	\$ 682,487	\$ -	\$ (47,481)	\$ 635,006	\$ 36,238
Revenue bonds	2,373,814	-	(319,017)	2,054,797	325,493
State revolving fund loans	3,457,081	-	(478,916)	2,978,165	366,181
	6,513,382	-	(845,414)	5,667,968	727,912
Compensated absences	16,072	27,468	(20,519)	23,021	23,021
	<u>\$ 6,529,454</u>	<u>\$ 27,468</u>	<u>\$ (865,933)</u>	<u>\$ 5,690,989</u>	<u>\$ 750,933</u>

General obligation debt is paid from resources accumulated in the debt service fund. Revenue bonds and revolving fund loans are paid from revenues collected in the water and sewer fund.

Notes and bonds payable at June 30, 2023, are comprised of the following individual issues:

Governmental activities

General obligation note payable

\$2,300,000 - Bond payable due in annual installments of principal and semi-annual installments of interest from March 1, 2018, through March 1, 2032, with interest at 2.58%. At February 18, 2020, the terms of the note were modified by postponing annual installments of principal until March 1, 2027. \$ 602,960

General obligation note payable

\$3,160,000 - Bond payable due in annual installments of principal and semi-annual installments of interest from April 1, 2020, through April 1, 2032, with interest at 2.73%. 2,677,000

\$ 3,279,960

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 4. Long-Term Debt (Continued)

Business-type activities

State Revolving Loan

\$6,035,000 - Revolving note payable due in quarterly installments of principal and interest of \$100,593 from April 1, 2006, through April 1, 2026, with interest at 3.00%. At October 2, 2011, the terms of the note were modified by adjusting the interest rate to 2.25% per annum, and the quarterly payments were adjusted to \$95,539. \$ 1,016,307

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. 2,054,797

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%. 635,006

State Revolving Loan

\$2,729,085 - Revolving note payable due in quarterly installments of \$41,866 through January 1, 2037; which includes interest at 2.10%. 1,961,858

\$ 5,667,968

The annual requirements to amortize all debt outstanding as of June 30, 2023, including interest payments are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 135,000	\$ 88,638	\$ 727,911	\$ 93,786	\$ 862,911	\$ 182,424
2025	139,000	84,953	879,025	95,203	1,018,025	180,156
2026	246,000	81,158	897,855	76,305	1,143,855	157,463
2027	429,499	74,442	531,696	60,239	961,195	134,681
2028	440,990	62,859	542,599	49,265	983,589	112,124
2029-2033	1,889,471	129,142	1,370,368	134,378	3,259,839	263,520
2034-2037	-	-	718,514	28,076	718,514	28,076
	<u>\$ 3,279,960</u>	<u>\$ 521,192</u>	<u>\$ 5,667,968</u>	<u>\$ 537,252</u>	<u>\$ 8,947,928</u>	<u>\$ 1,058,444</u>

Note 5. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and job-related illnesses and accidents. The District carries insurance for these risks of loss. Premiums for workers' compensation are paid to a public entity risk pool. The public entity risk pool promises to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with the insurance policy and benefit program limits. Management believes such coverage is sufficient to preclude any significant uninsured losses for covered risks. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in any of the last three years.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 5. Risk Management (Continued)

The District is also subject to risks of loss from providing health, life, accident, dental, and other medical benefits to employees, retirees, and their dependents. The District has enrolled substantially all its eligible, full-time employees in the State's health insurance plans administered by the Public Employee Benefit Authority.

Note 6. Interfund Receivables, Payables and Transfers

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. There were no interfund balances at June 30, 2023.

During the course of normal operations, the District makes numerous transactions between funds. Transfers of resources from a fund receiving revenue to a fund through which the resources are expended are recorded as transfers and are reported as other financing sources (uses) in the governmental funds and as nonoperating revenues (expenses) in proprietary funds. A transfer of \$610,394 from the Debt Service Fund into the Water and Sewer Fund was made to transfer the funds necessary to pay proprietary fund debt.

Note 7. Telecommunications and Utility Agreements

The District is party to six telecommunication leases with various commencement dates ranging from May 27, 2018, to May 27, 2023, for the lease of antenna attachment rights to a water tower owned by the District. Based on these agreements, the District will receive monthly and annual payments through fiscal year 2029. Each lease agreement has provisions for four additional five-year renewal options.

On February 23, 2019, the District entered into a five-year lease agreement with Hargray Communications for the lease of utility attachment rights on Fripp Inlet Bridge. Based on this agreement, the District is receiving annual payments through fiscal year 2023. The lease agreement has provisions for four additional five-year renewal options.

Lease receivables as of June 30, 2023, were \$860,017 and \$994,146 as of July 1, 2022. Lease revenue for fiscal year 2023 was \$331,702 and lease related interest revenue was \$7,827.

Lease receivables were discounted to a net present value as of the implementation date of GASB 87, July 1, 2021, using discount rates ranging between .13% to 2.57%.

Future payments due to the District are as follows for the years ending June 30:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 129,465	\$ 53,667
2025	278,891	9,126
2026	207,949	6,805
2027	94,268	4,598
2028	97,739	2,379
Thereafter	51,705	667
Total	<u>\$ 860,017</u>	<u>\$ 77,242</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 8. Defined Benefit Pension Plans

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the State of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee, and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the State of South Carolina, and therefore, retirement trust fund financial information is also included in the ACFR for 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, higher education institutions, other participating local subdivisions of government and first-term individuals newly elected to the South Carolina General Assembly.

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 and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 8. Defined Benefit Pension Plans (Continued)

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 first-term individuals newly elected to the South Carolina General Assembly. 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; be a coroner in a full-time permanent position; 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.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. 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.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 8. Defined Benefit Pension Plans (Continued)

Benefits (continued)

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for applicable year. The Board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

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

Required and actual contributions are as follows:

Year ended June 30, 2023	SCRS	PORS
Required contributions	\$ 128,263	\$ 7,463
Actual contributions	\$ 128,263	\$ 7,463

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 8. Defined Benefit Pension Plans (Continued)

Contributions (continued)

Required contribution rates for fiscal year 2022-2023 are as follows:

	<u>Required Employee Contributions</u>	
	<u>Fiscal year 2023*</u>	<u>Fiscal year 2022*</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%
	<u>Required Employer Contributions</u>	
	<u>Fiscal year 2023*</u>	<u>Fiscal year 2022*</u>
SCRS		
Employer Class Two	17.41%	16.41%
Employer Class Three	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	19.84%	18.84%
Employer Class Three	19.84%	18.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

*Contribution rates are calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

Actuarial assumptions and methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ended June 30, 2019.

The June 30, 2022, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in PEBA's report were determined by their consulting actuary, Gabriel, Roeder, Smith, and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during 2022 legislative session that had a material change in the benefit provisions for any of the systems.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 8. Defined Benefit Pension Plans (Continued)

Actuarial assumptions and methods (continued)

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022:

	<u>SCRS</u>	<u>PORS</u>
	Entry age normal	Entry age normal
Actuarial cost method		
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases	3.0% to 11.0% (varies by service)*	3.5% to 10.5% (varies by service)*
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
* Includes inflation at 2.25%		

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

Assumptions used in the determination of the June 30, 2022, TPL are as follows:

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

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.

The District's proportional share of the NPL amounts for SCRS and PORS are presented below:

	<u>Fiscal Year Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Measurement Period Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
SCRS		
Governmental Activities	\$ 655,017	\$ 597,383
Business Type Activities	746,088	625,760
Total SCRS	<u>\$ 1,401,105</u>	<u>\$ 1,223,143</u>
PORS		
Governmental Activities	\$ 50,155	\$ 49,687
Total PORS	<u>\$ 50,155</u>	<u>\$ 49,687</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 8. Defined Benefit Pension Plans (Continued)

Net Pension Liability (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, 2021, the District's percentage of the SCRS and PORS net pension liability were 0.00578000% and 0.0016700%, respectively.

Long-term expected rate of return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.00% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.25% inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public Equity	46%	6.79%	3.12%
Bonds	26%	(0.35)%	(0.09)%
Private Equity	9%	8.75%	0.79%
Private Debt	7%	6.00%	0.42%
Real Assets	12%		
Real Estate	9%	4.12%	0.37%
Infrastructure	3%	5.88%	0.18%
 Total Expected Real Return	 <u>100%</u>		 <u>4.79%</u>
 Inflation for Actuarial Purposes			 <u>2.25%</u>
 Total Expected Nominal Return			 <u>7.04%</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 8. Defined Benefit Pension Plans (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in 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.

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.00% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

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

	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
SCRS			
Governmental Activities	\$ 839,867	\$ 655,017	\$ 501,416
Business-type Activities	956,639	746,088	571,131
	1,796,506	1,401,105	1,072,547
PORS			
Governmental Activities	69,921	50,155	33,952
	69,921	50,155	33,952
	\$ 1,866,427	\$ 1,451,260	\$ 1,106,499

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, 2023, the District recognized pension expense of \$57,249 for governmental activities and \$65,209 for business-type activities.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 8. Defined Benefit Pension Plans (Continued)

Pension Expense and Deferred Outflows (Inflows) of Resources (continued)

At June 30, 2023, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Governmental Activities		
	SCRS	
Pension contributions subsequent to measurement date	\$ 59,959	\$ -
Differences between actual and expected experience	5,691	2,855
Assumption changes	21,008	-
Net difference between projected and actual earnings on plan investments	1,010	-
Changes in proportionate share and differences between District's contributions and proportionate share of contributions	10,418	11,884
	\$ 98,086	\$ 14,739
PORS		
Pension contributions subsequent to measurement date	\$ 7,463	\$ -
Differences between actual and expected experience	841	990
Assumption changes	2,089	-
Net difference between projected and actual earnings on plan investments	151	-
Changes in proportionate share and differences between District's contributions and proportionate share of contributions	12,002	6,123
	22,546	7,113
Total Governmental Activities	\$ 120,632	\$ 21,852
Business-type Activities		
	SCRS	
Pension contributions subsequent to measurement date	\$ 68,304	\$ -
Differences between actual and expected experience	6,482	3,252
Assumption changes	23,929	-
Net difference between projected and actual earnings on plan investments	1,151	-
Changes in proportionate share and differences between District's contributions and proportionate share of contributions	11,866	13,536
Total Business-type Activities	111,732	16,788
	\$ 232,364	\$ 38,640

The District reported \$135,726 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 ended June 30, 2024. 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, 2023**

Note 8. Defined Benefit Pension Plans (Continued)

Pension Expense and Deferred Outflows (Inflows) of Resources (continued)

The following schedule reflects the amortization of the District's proportionate share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2023. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2022, was 3.767 years for SCRS and 3.846 years for PORS.

Governmental Activities

<u>Measurement Period Ending</u>	<u>Fiscal Year Ending</u>	<u>SCRS</u>	<u>PORS</u>
June 30, 2022	June 30, 2023	\$ (8,141)	\$ (5,106)
June 30, 2023	June 30, 2024	(10,830)	(3,716)
June 30, 2024	June 30, 2025	12,665	2,804
June 30, 2025	June 30, 2026	(17,082)	(1,952)
Net balance of deferred outflows/(inflows) of resources		<u>\$ (23,388)</u>	<u>\$ (7,970)</u>

Business Type Activities

<u>Measurement Period Ending</u>	<u>Fiscal Year Ending</u>	<u>SCRS</u>	<u>PORS</u>
June 30, 2022	June 30, 2023	\$ (9,273)	\$ -
June 30, 2023	June 30, 2024	(12,336)	-
June 30, 2024	June 30, 2025	14,426	-
June 30, 2025	June 30, 2026	(19,457)	-
Net balance of deferred outflows/(inflows) of resources		<u>\$ (26,640)</u>	<u>\$ -</u>

Payables to the pension plans

At June 30, 2023, the District reported a payable of \$21,869 and \$1,263 for the outstanding amount of contributions due to SCRS and PORS, respectively. The liabilities will be paid in the normal course of paying year-end obligations.

Note 9. Other Post-Employment Benefit Plan

General information

The District's defined benefit OPEB plan, Fripp Island Public Service District Postemployment Benefits Plan (the Plan), was established and may be amended by the Commissioners. The District currently finances the Plan on a pay-as-you go basis. The Plan does not issue separate financial statements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75, as enumerated below:

Plan Assets

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 9. Other Post-Employment Benefit Plan (Continued)

Plan description

Prior to December 15, 2020, for ages 60-64, the retiree and spouse would receive District paid health and dental coverage through the Standard State Health Plan provided by the South Carolina Public Benefit Authority (PEBA). Upon reaching age 65, the retiree and spouse would receive fully paid Medicare Supplement coverage provided by PEBA. A non-spouse dependent would pay full premium. The surviving spouse of a deceased retiree could continue coverage for life by paying the full premium.

For employees hired after July 1, 1999, if they had less than 20 years of consecutive service but more than 10 years of consecutive service with the District, retirees were eligible for a partial benefit if they met all other requirements. The partial benefit was equal to the current employer cost-sharing responsibility for an active employee which was set annually by PEBA. The retiree would pay the difference in premiums.

Effective December 15, 2020, for any retiree who satisfies eligibility requirements, the retiree will receive District paid health and dental coverage through the Standard State Health Plan provided by the South Carolina Public Employee Benefit Authority (SC PEBA). Upon reaching the age of eligibility for Medicare, the retiree or spouse will receive an amount not to exceed \$200 per month for the retiree and not to exceed \$200 per month for the retiree's spouse towards Medicare supplement and prescription drug coverage provided by SC PEBA. Eligible retiree and eligible retiree's spouse are responsible for paying any remaining premium for coverage through SC PEBA directly to the District no later than the 1st day of each covered month.

Eligibility

Prior to December 15, 2020, all full-time employees must be at least 60 years old and eligible for retirement under the South Carolina Retirement System. For employees hired before July 1, 1999, 15 years of District Service was required. For employees hired on or after July 1, 1999, 20 consecutive years of District Service was required. At July 1, 2018, the plan membership consisted of six active participants, two retired participants, and no vested former participants.

Effective December 15, 2020, employees must be classified as full-time and eligible for both retirement and retiree health insurance coverage prescribed by the South Carolina Public Benefit Authority (SC PEBA). Employees must be hired prior to December 15, 2020, and have 30 years of District service or be at least 60 years of age. The eligible employee's spouse must be covered for the five years preceding retirement to qualify for the spouse benefit. Employees hired on or after December 15, 2020, are eligible for retiree coverage, but the retiree must pay the full premium. There are no groups of employees or retirees grandfathered under prior benefits.

The District's required and actual contributions to the plan for the year ended June 30, 2023, were \$15,363.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 9. Other Post-Employment Benefit Plan (Continued)

Actuarial Assumptions and Methods

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, rolled forward to June 30, 2021, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method:	Entry age normal cost method
Discount Rate:	4.13% based on S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2023.
Inflation Rate:	Implicit in the discount and healthcare cost trend rates
Salary Increases:	Salary increases are composed of 2.25% cost of living adjustment, 0.75% real wage growth, and a merit increase which varies by years of service from 6.5% to 0%.
Mortality:	Current employees: PubG-2010 Headcount-Weighted Mortality Table including rates for contingent survivors. Incorporated into the table are rates projected generationally by MP-2021 to reflect mortality improvement.
Healthcare Trend Rates:	7.0% in 2023 with decrease per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Participation Rates:	100% of eligible employees are assumed to elect coverage.
Expenses:	Administrative expenses related to the health care benefits are included in the age adjusted claims costs.
Notes:	The discount rate changed from 4.09% as of June 30, 2022 to 4.13% as of June 30, 2023.

Changes in Total OPEB Liability

	Governmental Activities	Business Type Activities	Total
Balance at July 1, 2022	\$ 51,768	\$ 362,376	\$ 414,144
Changes for the year			
Service cost	2,242	15,694	17,936
Interest on total OPEB liability	2,167	15,166	17,333
Changes of benefit terms	(399)	(2,790)	(3,189)
Experience changes	661	4,628	5,289
Assumption changes	(5,507)	(38,549)	(44,056)
Benefit payments	(1,920)	(13,443)	(15,363)
Net change in total OPEB liability	(2,756)	(19,294)	(22,050)
Net liability for OPEB, end of year	\$ 49,012	\$ 343,082	\$ 392,094

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 9. Other Post-Employment Benefit Plan (Continued)

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the plan's total OPEB liability, calculated using a discount rate of 4.13%, as well as what the OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	<u>1% Decrease</u> <u>3.13%</u>	<u>Current Discount</u> <u>Rate Assumption</u> <u>4.13%</u>	<u>1% Increase</u> <u>5.13%</u>
Governmental Activities	\$ 54,267	\$ 49,012	\$ 44,403
Business-Type Activities	379,870	343,082	310,818
	<u>\$ 434,137</u>	<u>\$ 392,094</u>	<u>\$ 355,221</u>

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

The following presents the plan's total OPEB liability, calculated using the current healthcare cost trend rate percent, as well as what the OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	<u>1% Decrease</u>	<u>Current</u> <u>Healthcare Cost</u> <u>Trend Rate</u> <u>Assumption</u>	<u>1% Increase</u>
Governmental Activities	\$ 46,480	\$ 49,012	\$ 51,878
Business Type Activities	325,363	343,082	363,149
	<u>\$ 371,843</u>	<u>\$ 392,094</u>	<u>\$ 415,027</u>

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

For the year ended June 30, 2023, the District recognized OPEB expense from governmental activities of \$(8,491) and from business-type activities of \$19,914.

At June 30, 2023, the District reported deferred outflows for employer contributions subsequent to the measurement date of \$492 and \$3,346 in the governmental activities and business type activities, respectively.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
OPEB contributions subsequent to measurement date	\$ 492	\$ -	\$ 3,446	\$ -
Experience changes	588	(6,491)	4,113	(45,440)
Assumption changes	5,598	(13,236)	39,187	(92,652)
	6,186	(19,727)	43,300	(138,092)
Grand total	<u>\$ 6,678</u>	<u>\$ (19,727)</u>	<u>\$ 46,746</u>	<u>\$ (138,092)</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Note 9. Other Post-Employment Benefit Plan (Continued)

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

		<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Measurement Period Ending	Fiscal Year Ending		
June 30, 2022	June 30, 2023	\$ (1,715)	\$ (12,005)
June 30, 2023	June 30, 2024	(1,715)	(12,005)
June 30, 2024	June 30, 2025	(1,715)	(12,005)
June 30, 2025	June 30, 2026	(1,715)	(12,005)
June 30, 2026	June 30, 2027	(1,715)	(12,005)
	Thereafter	<u>(4,966)</u>	<u>(34,767)</u>
Net balance of deferred outflows/(inflows) of resources		<u>\$ (13,541)</u>	<u>\$ (94,792)</u>

Note 10. Commitments and Contingencies

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 \$528,671 for the year ended June 30, 2023.

Note 11. 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 12. Pending GASB Pronouncements

GASB Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62, the primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The District will implement the new guidance with the 2024 financial statements.

GASB Statement No. 101, Compensated Absences, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The District will implement the new guidance with the 2025 financial statements.

Management has not yet determined the impact implementation of these standards will have on the District's financial statements, if any.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 13. GASB Statements Implemented in Current Year

GASB Statement No. 92, Omnibus 2022, intended to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following which have been determined to be relevant to the District:

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

These provisions are effective for fiscal years beginning after June 15, 2022. The District evaluated the impact of these pronouncements at July 1, 2022, and June 30, 2023, and determined they did not have any significant SBITA's or contracts as defined in the pronouncements and, therefore, they have no impact on the financial statements.

Note 14. Subsequent Events

In July 2023, the Commission approved the expenditure of \$46,730 for an emergency construction contract to repair and replace the Blue Heron Lake Spillway.

In August 2023, the Commission approved the expenditure of \$40,904 for purchase of a vehicle.

In January 2024, the Commission issued a \$4.38 million 2024 Series General Obligation Bond.

The district evaluated subsequent events through May 2, 2024, the date the financial statements were available to be issued. There were no additional material subsequent events requiring disclosure as of this date.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

FRIPP ISLAND PUBLIC SERVICE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
FIRE DEPARTMENT FUND
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 643,290	\$ 643,290	\$ 674,812	\$ 31,522
Assessments	3,000	3,000	9,300	6,300
Revenue from use of money and property	-	-	7,337	7,337
Donations	-	-	1,660	1,660
Total revenues	<u>646,290</u>	<u>646,290</u>	<u>693,109</u>	<u>46,819</u>
Expenditures				
Current				
Public safety	685,530	681,830	628,126	(53,704)
Capital outlay	11,700	11,700	-	(11,700)
Total expenditures	<u>697,230</u>	<u>693,530</u>	<u>628,126</u>	<u>(65,404)</u>
Other financing sources (uses)				
Transfers in	-	-	4,331	4,331
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,331</u>	<u>4,331</u>
Net change in fund balance	<u>\$ (50,940)</u>	<u>\$ (47,240)</u>	69,314	<u>\$ 116,554</u>
Fund balance at beginning of year			<u>480,497</u>	
Fund balance at end of year			<u>\$ 549,811</u>	

FRIPP ISLAND PUBLIC SERVICE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BRIDGE AND BEACH EROSION FUND
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 225,300	\$ 225,300	\$ 228,373	\$ 3,073
Revenue from use of money and property	3,300	3,300	3,752	452
Lease revenue	19,130	19,130	19,133	3
Total revenues	<u>247,730</u>	<u>247,730</u>	<u>251,258</u>	<u>3,528</u>
Expenditures				
Current				
Public service	156,420	156,420	158,611	2,191
Total expenditures	<u>156,420</u>	<u>156,420</u>	<u>158,611</u>	<u>2,191</u>
Net change in fund balance	<u>\$ 91,310</u>	<u>\$ 91,310</u>	92,647	<u>\$ 1,337</u>
Fund balance at beginning of year			<u>737,545</u>	
Fund balance at end of year			<u>\$ 830,192</u>	

FRIPP ISLAND PUBLIC SERVICE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY POLICIES

JUNE 30, 2023

Budgetary Data

The District uses the following procedures to establish the budgetary data reflected in the financial statements:

- a. In March of each year, all departments of the District submit requests for appropriations to the District Manager so that a budget may be prepared. A proposed budget is presented to the District Commission for review at or before the regular May Commission meeting. The Commission holds a public hearing, and the final budget must be prepared and adopted by the District Commission no later than June 30.
- b. The budget adoption appropriates amounts for activities/departments of the Water/Sewer, Debt Service, Fire Department and Bridge & Erosion Funds. GAAP does not require or permit the presentation of budget to actual comparison statements as required supplementary information for non-major, debt service, capital project, or proprietary funds. Therefore, the Debt Service and Water/Sewer Funds do not present budget to actual schedules. The Capital Projects Fund does not adopt an annual budget.
- c. All funds reflect the legal level of budgetary control at the fund level.

FRIPP ISLAND PUBLIC SERVICE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
– SOUTH CAROLINA RETIREMENT SYSTEM

Measurement Year Ended June 30	Fiscal Year Ended June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	2023	0.00578%	\$ 1,401,105	\$ 570,815	245%	57.10%
2021	2022	0.00565%	\$ 1,223,142	\$ 688,217	178%	60.70%
2020	2021	0.00571%	\$ 1,459,549	\$ 637,265	229%	50.70%
2019	2020	0.00605%	\$ 1,380,652	\$ 633,914	218%	54.40%
2018	2019	0.00568%	\$ 1,272,524	\$ 585,892	217%	54.10%
2017	2018	0.00622%	\$ 1,400,897	\$ 631,181	222%	53.30%
2016	2017	0.00709%	\$ 1,514,627	\$ 686,669	221%	52.90%
2015	2016	0.00728%	\$ 1,380,118	\$ 682,315	202%	57.00%
2014	2015	0.00715%	\$ 1,230,476	\$ 648,889	190%	59.92%

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
– POLICE OFFICERS RETIREMENT SYSTEM

Measurement Year Ended June 30	Fiscal Year Ended June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	2023	0.00167%	\$ 50,155	\$ 29,916	168%	66.40%
2021	2022	0.00193%	\$ 49,687	\$ 26,467	188%	70.40%
2020	2021	0.00128%	\$ 42,392	\$ 29,038	146%	58.80%
2019	2020	0.00097%	\$ 27,850	\$ 19,311	144%	62.70%
2018	2019	0.00143%	\$ 40,563	\$ 14,096	288%	61.70%
2017	2018	0.00133%	\$ 36,436	\$ 19,765	184%	60.90%
2016	2017	0.00180%	\$ 45,707	\$ 14,773	309%	60.40%
2015	2016	0.00203%	\$ 44,287	\$ 22,967	193%	64.60%
2014	2015	0.00193%	\$ 37,025	\$ 25,176	147%	67.55%

Note: The District implemented GASB 68 during fiscal year 2015; therefore, only the last nine years of data are available. Over time, ten years of historical data will be presented.

FRIPP ISLAND PUBLIC SERVICE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2023	\$ 128,263	\$ 128,263	\$ -	\$ 570,815	22.47%
2022	\$ 113,969	\$ 113,969	\$ -	\$ 688,217	16.56%
2021	\$ 99,412	\$ 99,412	\$ -	\$ 638,895	15.56%
2020	\$ 99,159	\$ 99,159	\$ -	\$ 637,265	15.56%
2019	\$ 88,489	\$ 88,489	\$ -	\$ 633,914	13.96%
2018	\$ 75,781	\$ 75,781	\$ -	\$ 585,892	12.93%
2017	\$ 79,761	\$ 79,761	\$ -	\$ 631,181	12.64%
2016	\$ 92,132	\$ 92,132	\$ -	\$ 686,669	13.42%
2015	\$ 74,916	\$ 74,916	\$ -	\$ 682,314	10.98%
2014	\$ 74,382	\$ 74,382	\$ -	\$ 648,889	11.46%

SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2023	\$ 7,463	\$ 7,463	\$ -	\$ 29,916	24.95%
2022	\$ 5,092	\$ 5,092	\$ -	\$ 26,467	19.24%
2021	\$ 5,297	\$ 5,297	\$ -	\$ 29,038	18.24%
2020	\$ 3,522	\$ 3,522	\$ -	\$ 19,311	18.24%
2019	\$ 2,430	\$ 2,430	\$ -	\$ 14,096	17.24%
2018	\$ 3,210	\$ 3,210	\$ -	\$ 19,765	16.24%
2017	\$ 2,104	\$ 2,104	\$ -	\$ 14,773	14.24%
2016	\$ 3,156	\$ 3,156	\$ -	\$ 22,967	13.74%
2015	\$ 3,376	\$ 3,376	\$ -	\$ 25,176	13.41%
2014	\$ 2,987	\$ 2,987	\$ -	\$ 23,261	12.84%

FRIPP ISLAND PUBLIC SERVICE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICERS RETIREMENT SYSTEM
JUNE 30, 2023

A. Summary of Actuarial Methods and Significant Assumptions

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2022, the most recent measurement date.

	<u>SCRS</u>	<u>PORS</u>
Valuation date	07/01/20	07/01/20
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	level percent of pay	level percent of pay
Amortization period	27 years maximum, closed period	27 years maximum, closed period
Asset Valuation method	5-Year Smoothed	5-Year Smoothed
Actuarial assumptions		
Inflation rate	2.25%	2.25%
Projected salary increases	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Investment rate of return	7.00%	7.00%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

B. Contribution Rates

The actual contribution rates and the actuarially determined contribution rates for the SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for applicable year. The Board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

FRIPP ISLAND PUBLIC SERVICE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 17,936	\$ 24,405	\$ 61,412	\$ 54,710	\$ 51,729
Interest on total OPEB liability	17,332	10,733	35,817	34,165	32,239
Assumption changes	(44,056)	(83,410)	22,991	44,507	-
Change in experience	5,289	-	(74,184)	-	-
Change in benefit terms	(3,188)	-	(847,772)	-	-
Benefit payments	<u>(15,363)</u>	<u>(12,034)</u>	<u>(19,420)</u>	<u>(16,624)</u>	<u>(19,420)</u>
Net change in total OPEB liability	(22,050)	(60,306)	(821,156)	116,758	64,548
Net liability for OPEB, beginning of year	<u>414,144</u>	<u>474,450</u>	<u>1,295,606</u>	<u>1,178,848</u>	<u>1,114,300</u>
Net liability for OPEB, end of year	<u>\$ 392,094</u>	<u>\$ 414,144</u>	<u>\$ 474,450</u>	<u>\$1,295,606</u>	<u>\$1,178,848</u>
Covered employee payroll	<u>\$ 493,461</u>	<u>\$ 460,794</u>	<u>\$ 414,974</u>	<u>\$ 398,048</u>	<u>\$ 374,236</u>
Total OPEB liability as a percentage of covered employee payroll	<u>79.46%</u>	<u>89.88%</u>	<u>114.33%</u>	<u>325.49%</u>	<u>315.00%</u>

Note: The District implemented GASB 75 during fiscal year 2019; therefore, only five years of data are available. Over time, ten years of historical data will be presented.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT
NOTES TO
REQUIRED SUPPLEMENTARY INFORMATION - OPEB
JUNE 30, 2023**

A. Funding Information

The District currently finances the plan on a pay-as-you go basis. The plan does not issue separate financial statements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

B. Change in Assumptions

There was a change with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to the discount rate in 2023. The discount rate increased from 4.09% to 4.13%.

C. Plan Curtailment

The District will not pay any portion of the cost of retiree or retiree/spouse insurance coverage for employees hired after December 15, 2020.

D. Summary of Actuarial Methods and Significant Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, rolled forward to June 30, 2023, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method:	Entry age normal cost method
Discount Rate:	4.13% based on S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2023.
Inflation Rate:	Implicit in the discount and healthcare cost trend rates.
Salary Increases:	Salary increases are composed of 2.25% cost of living adjustment, 0.75% real wage growth, and a merit increase which varies by years of service from 6.5% to 0%.
Mortality:	Current employees: PubG-2010 Headcount-Weighted Total Mortality Table including rates for contingent survivors. Incorporated into the table are rates projected generationally by MP-2021 to reflect mortality improvement.
Healthcare Trend Rates:	7.0% in 2023 with decrease per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Participation Rates:	100% of eligible employees are assumed to elect coverage.
Expenses:	Administrative expenses related to the health care benefits are included in the age adjusted claims costs.

GOVERNMENT AUDITING STANDARDS REPORT

***Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Fripp Island Public Service District, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 2, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency. Refer to finding 2023-001.

Report on Compliance and Other Matters

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

Fripp Island Public Service District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Purpose of this Report

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



Charleston, South Carolina
May 2, 2024

FRIPP ISLAND PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023

Ref #	Department/ Program/ Grant	Finding/Noncompliance
2023-001	Finance	<p><u>Criteria:</u> Segregation of duties is necessary to ensure proper safeguarding of assets of the District.</p> <p><u>Condition:</u> As was noted in a prior year, the District does not maintain sufficient segregation of duties among accounting functions.</p> <p><u>Cause:</u> The District has a limited number of personnel to whom accounting tasks can be assigned.</p> <p><u>Effect:</u> The District had insufficient internal controls to monitor the risk of material misstatements whether due to fraud or error that could result from erroneous or fraudulent journal entries.</p> <p><u>Recommendation:</u> To the extent possible, the District should cross-train individuals to perform various functions and reassign duties to minimize concentration of accounting functions to a few individuals. The District should consider leveraging the use of technology and outsourcing to mitigate risks associated with a small staff.</p> <p><u>Management's Response:</u> The cost of adding additional staff or outsourcing tasks outweighs the benefit that would be received. The District Commission reviews the financial statements as presented by management on a quarterly basis. Management will continue to assess internal control risk and add procedures to strengthen internal controls wherever possible in a cost-effective manner.</p>

**FRIPP ISLAND PUBLIC SERVICE DISTRICT
WATER & WASTEWATER OPERATIONS BUDGET
FISCAL YEAR 2025**

ACCT NO	ACTUAL FY 2023	BUDGET FY 2024	(AMEND)		BUDGET INC (DEC)
			ESTIMATED FY 2024	PROPOSED FY 2025	
OPERATING REVENUES					
01-00-401-00	1,024,931	1,155,840		1,239,381	83,541
01-00-402-00	774,449	828,890		921,597	92,707
01-00-403-00	8,713	8,240		8,240	-
01-00-404-03	367,986	366,990	366,990	366,990	-
01-00-406-02	16,300	7,500	12,500	8,000	500
01-00-406-03	37,200	18,000	28,800	19,200	1,200
01-00-407-00	5,460	5,510	5,180	5,350	(160)
01-00-408-00	3,840	3,450	90	3,450	-
01-00-410-00	18,762	19,040	16,753	19,040	-
01-00-410-01	16,343	9,550	62,000	9,550	-
01-00-412-00	379,606	289,860	281,465	289,860	-
01-00-429-00	16,523	17,430		14,000	(3,430)
TOTAL OPERATING REVENUES	2,670,113	2,730,300	773,778	2,904,658	174,358
COST OF SALES					
01-00-451-00	-	-	-	-	-
01-00-452-00	528,671	585,780	532,170	639,200	53,420
TOTAL COST OF SALES	528,671	585,780	532,170	639,200	53,420
GROSS PROFIT FROM OPERATIONS	2,141,442	2,144,520	241,608	2,265,458	120,938
GENERAL & ADMINISTRATION					
01-01-500-00	639	1,100	961	1,100	-
01-01-501-00	379,648	535,000	430,000	535,000	-
01-01-502-00	19,721	21,000	16,950	18,000	(3,000)
01-01-504-00	24,012	34,470	27,710	34,290	(180)
01-01-505-00	5,616	8,060	6,480	8,020	(40)
01-01-506-00	66,505	102,360	84,210	104,190	1,830
01-01-509-00	63,865	87,010	81,100	87,010	-
01-01-509-01	8,794	7,200	8,900	9,000	1,800
01-01-510-00	5,784	8,340	8,340	8,340	-
01-01-512-00	508	520	225	520	-
01-01-513-00	2,535	2,100	1,100	2,500	400
01-01-514-00	138	650	700	1,000	350
01-01-515-00	62	860	1,000	1,500	640
01-01-516-00	119	210	400	500	290
01-01-517-00	280	2,580	300	2,580	-
01-01-518-00	(30,860)	(32,400)	(32,400)	(34,020)	(1,620)
01-01-519-00	(7,530)	(7,910)	(7,910)	8,306	16,216
01-01-521-00	16,305	23,250	52,000	50,000	26,750
01-01-522-00	-	550	-	550	-
01-01-523-00	507	5,000	3,500	5,000	-
01-01-523-01	5,250	4,000	5,000	5,000	1,000
01-01-526-00	5,275	5,950	3,775	5,950	-

**FRIPP ISLAND PUBLIC SERVICE DISTRICT
WATER & WASTEWATER OPERATIONS BUDGET
FISCAL YEAR 2025**

ACCT NO	ACTUAL FY 2023	BUDGET FY 2024	(AMEND)		BUDGET INC (DEC)
			ESTIMATED FY 2024	PROPOSED FY 2025	
01-01-528-00	23,428	15,450	-	15,450	-
01-01-531-00	66,136	68,080	68,080	70,122	2,042
01-01-532-00	12,380	7,430	3,500	7,000	(430)
01-01-533-00	11,296	12,610	11,700	12,988	378
01-01-535-00	-	12,500	-	2,400	(10,100)
01-01-537-00	3,555	3,470	4,730	4,000	530
01-01-538-00	5,030	4,730	-	4,967	237
01-01-539-00	1,970	1,500	1,400	1,500	-
01-01-540-00	17,806	19,670	18,100	20,654	984
01-01-543-00	13,672	14,700	17,500	18,000	3,300
01-01-549-00	10,216	4,650	12,250	2,500	(2,150)
01-01-558-00	9,260	8,510	8,000	8,936	426
01-01-562-00	-	210	-	210	-
01-01-568-00	1,039	2,010	2,000	2,111	101
01-01-569-00	1,290	1,580	2,300	2,500	920
01-01-581-00	1,943	2,320	2,000	2,321	1
01-01-583-00	4,563	4,870	7,175	7,500	2,630
TOTAL G & A EXPENSES	750,756	994,190	851,076	1,037,495	43,305
WATER SYSTEM EXPENSES					
01-02-524-00	-	200	-	200	-
01-02-542-00	988	2,500	2,250	2,500	-
01-02-545-00	10,495	6,750	5,700	6,750	-
01-02-557-00	333	530	-	4,500	3,970
01-02-560-00	1,116	1,260	-	2,500	1,240
01-02-561-00	-	3,000	-	10,000	7,000
01-02-568-00	177	530	-	1,000	470
01-02-570-00	4,896	8,650	22,500	25,000	16,350
01-02-571-00	2,576	4,200	600	1,000	(3,200)
01-02-572-00	1,602	2,290	2,000	2,405	115
01-02-573-00	46,136	51,380	43,500	51,300	(80)
01-02-581-00	12,562	14,180	11,000	14,889	709
01-02-583-00	2,326	2,710	-	2,846	136
TOTAL WATER O&M EXPENSES	83,206	98,180	87,550	124,890	26,710
WASTEWATER EXPENSES					
01-03-524-00	8,076	6,300	6,300	6,615	315
01-03-525-00	35	170	170	179	9
01-03-527-00	22,957	25,200	25,000	26,460	1,260
01-03-529-00	850	7,700	900	8,085	385
01-03-529-02	650	5,410	4,200	5,681	271
01-03-541-00	86,474	121,530	96,000	121,500	(30)
01-03-542-00	2,278	2,180	1,200	2,000	(180)
01-03-545-00	6,900	7,250	-	7,250	-
01-03-558-00	7,188	22,610	5,500	15,000	(7,610)

**FRIPP ISLAND PUBLIC SERVICE DISTRICT
WATER & WASTEWATER OPERATIONS BUDGET
FISCAL YEAR 2025**

ACCT NO	ACTUAL FY 2023	BUDGET FY 2024	(AMEND)		BUDGET INC (DEC)	
			ESTIMATED FY 2024	PROPOSED FY 2025		
01-03-559-00	UV DISINFECTION SYSTEM, WWTP	-	520	-	5,000	4,480
01-03-560-00	CONTROLS/INSTRUMENTS, WWTP	9,091	4,200	8,000	10,000	5,800
01-03-563-00	GRAVITY SEWER LINES	2,615	3,930	1,000	4,127	197
01-03-563-02	VAC SEWER LINES & SUMPS	8,732	15,020	16,500	15,771	751
01-03-564-00	EFFLUENT DISPOSAL, WWTP	3,055	3,810	10,000	4,000	190
01-03-565-00	WASTEWATER TREATMENT	56,276	58,800	44,500	58,800	-
01-03-566-00	SEWER FORCE MAINS	2,774	7,000	-	7,000	-
01-03-567-00	WASTEWATER PUMPING STATIONS	3,995	3,150	20	3,150	-
01-03-567-02	VACUUM SEWER STATION	1,126	1,580	-	1,580	-
01-03-581-00	ELECTRICITY-WWPS	13,806	14,070	11,700	14,774	704
01-03-581-01	ELECTRICITY-WWTP	52,863	55,130	51,100	57,887	2,757
01-03-581-02	ELECTRICITY-VAC SEWER	14,414	15,270	15,800	17,000	1,730
01-03-583-00	TELEPHONE	273	220	-	200	(20)
	TOTAL WASTEWATER O&M EXPENSES	304,428	381,050	297,890	392,059	11,009
	TOTAL OPERATING EXPENSES	1,138,390	1,473,420	1,236,516	1,554,444	81,024
	NET OPERATING REVENUES	1,003,052	671,100	(994,908)	711,014	39,914
	OTHER INCOME					
01-00-416-00	INTEREST/NOT RESTRICTED	84,058	72,940	97,000	84,000	11,060
01-00-417-00	INTEREST/RESTRICTED	17,718	7,470	-	-	(7,470)
01-00-418-00	CAPITAL GAIN (LOSS)	-	-	-	-	-
01-00-419-00	UNREALIZED INV GAIN (LOSS)	(155,418)	-	-	-	-
	TOTAL OTHER INCOME	(53,642)	80,410	97,000	84,000	3,590
	OTHER EXPENSES					
01-01-595-00	AMORT OF DEFERRED DEBT	-	-	-	-	-
01-01-596-00	INTEREST ON BONDS	128,948	110,770	-	92,206	(18,564)
01-01-597-00	BOND PAYMENT FEES	1,200	1,200	1,200	1,200	-
01-01-598-00	BOND ISSUE FEES	-	-	-	-	-
	TOTAL OTHER EXPENSES	130,148	111,970	1,200	93,406	(18,564)
01-00-499-00	INTERFUND TRANSFERS IN (OUT)	610,394	610,400	-	610,400	-
01-00-499-01	INTERFUND TRANS (OUT) fr SURPLUS	-	-	-	-	-
	NET INCOME BEFORE DEPRECIATION	1,429,656	1,249,940	(899,108)	1,312,008	62,068
	DEPRECIATION					
01-01-611-00	G&A DEPRECIATION	30,612	41,700	-	41,700	-
01-02-611-00	WATER SYSTEM DEPRECIATION	146,223	167,600	-	167,600	-
01-03-611-00	WASTEWATER SYS DEPRECIATION	431,696	434,750	-	434,750	-
	TOTAL DEPRECIATION	608,531	644,050	-	644,050	-
	NET INCOME (LOSS)	821,125	605,890	(899,108)	667,958	62,068

**FRIPP ISLAND PUBLIC SERVICE DISTRICT
WATER & WASTEWATER OPERATIONS BUDGET
FISCAL YEAR 2025**

ACCT NO	ACTUAL FY 2023	BUDGET FY 2024	(AMEND)		BUDGET INC (DEC)	
			ESTIMATED FY 2024	PROPOSED FY 2025		
CAPITAL EXPENDITURES CASH FUNDED BUDGET						
01-00-172-00	BUILDINGS & GROUNDS	-	-	-	12,500	12,500
01-00-173-00	WATER SYSTEM	-	500,000	-	675,000	175,000
01-00-174-00	OFFICE FURNITURE & EQUIPMENT	-	-	-	-	-
01-00-175-00	FIELD SUPPORT EQUIPMENT	-	2,000	-	-	(2,000)
01-00-176-00	WELLS & PUMP STATIONS	121,460	-	-	-	-
01-00-177-00	LIFT STATIONS	-	24,000	-	-	(24,000)
01-00-178-00	COLLECTION SYSTEMS	-	370,000	-	-	-
01-00-179-00	WASTEWATER TREATMENT PLANT	-	30,000	-	-	(30,000)
01-00-180-00	COMPUTERS, SOFTWARE, ETC	2,370	5,000	-	5,000	-
01-00-181-00	VEHICLES	-	35,000	-	-	(35,000)
TOTAL CAPITAL EXPENDITURES		123,830	966,000	-	692,500	96,500
CONSTRUCTION IN PROGRESS		-	85,000	85,000	85,000	-
CAPITAL RESERVE (2013 REVENUE REF BOND)		35,000	35,000	35,000	35,000	-
TOTAL CAPITAL EXPENDITURES & RESERVES		158,830	1,086,000	120,000	812,500	96,500

**FRIPP ISLAND PUBLIC SERVICE DISTRICT FIRE DEPARTMENT BUDGET
FISCAL YEAR 2025**

ACCT NO	EXPENSES	ACTUAL FY-2023	BUDGET FY-2024	ESTIMATED FY-2024	PROPOSED FY-2025	BUDGET INC (DEC)
EMPLOYEE EXPENSES						
03-00-500-00	PAYROLL EXPENSE	1,650	1,850	1,790	1,850	-
03-00-501-00	SALARIES	370,940	465,230	350,000	517,700	52,470
03-00-504-00	FICA	22,990	28,840	26,780	39,600	10,760
03-00-505-00	FMED	5,380	6,750	5,080	7,510	760
03-00-506-00	RETIREMENT	64,380	85,650	65,940	97,530	11,880
03-00-509-00	MEDICAL INSURANCE	20,340	29,250	23,500	30,000	750
03-00-510-00	WORKMAN'S COMP	19,620	18,000	18,000	18,000	-
03-00-511-00	EMPLOYEE PHYSICAL	-	300	-	300	-
03-00-516-00	UNIFORMS & GEAR	1,550	3,700	3,500	4,000	300
03-00-519-00	FIREFIGHTER RECOGNITION	-	150	-	150	-
	TOTAL EMPLOYEE EXPENSES	506,850	639,720	494,590	716,640	76,920
OPERATING EXPENSES						
03-00-513-00	TRAINING & CONVENTION	176	1,000	800	1,500	500
03-00-514-00	TRAVEL & RELATED	130	200	150	300	100
03-00-517-00	COMMISSIONERS EXPENSES	-	100	1,273	500	400
03-00-521-00	ACCOUNTING & AUDIT	15,440	22,220	22,072	22,220	-
03-00-522-00	BANK SERVICE CHARGES	110	-	-	-	-
03-00-523-00	BEVERAGES & COMPLEMENTS	640	700	600	750	50
03-00-525-00	CLEAN SUPPLIES/SUNDRIES	1,200	1,000	1,000	1,000	-
03-00-526-00	DUES	1,480	300	150	300	-
03-00-532-00	GENERAL INSURANCE	18,170	18,500	20,159	20,000	1,500
03-00-533-00	LEGAL FEES	1,200	550	9,250	1,000	450
03-00-533-01	TAXES & FEES	430	450	413	450	-
03-00-534-00	ADMINISTRATIVE SUPPORT	30,860	32,400	32,400	34,020	1,620
03-00-537-00	OFFICE SUPPLIES	300	350	300	350	-
03-00-539-00	PRINTING	-	-	-	-	-
03-00-542-00	SUBSCRIPTIONS	2,150	1,900	1,747	2,000	100
03-00-549-00	MISCELLANEOUS	920	1,500	-	1,500	-
03-00-581-00	ELECTRICITY	6,270	6,300	7,075	7,500	1,200
03-00-582-00	LP GAS & GARBAGE	3,600	2,600	-	2,600	-
03-00-583-00	TELEPHONE	4,840	4,600	4,800	5,500	900
	G&A Expenses	87,916	94,670	102,190	101,490	6,820
03-00-527-00	FIRE FIGHTING SUPPLIES	2,110	1,000	850	1,000	-
03-00-530-00	FIRE PREVENTION	-	1,000	1,000	1,000	-
03-00-531-00	MEDICAL SUPPLIES	620	500	500	500	-
03-00-541-00	SMALL TOOLS	320	300	300	300	-
03-00-543-00	GAS & OIL	6,650	7,000	4,000	7,500	500
03-00-558-00	BUILDING & GROUNDS	5,460	15,000	1,500	7,500	(7,500)
03-00-561-00	FIRE HYDRANTS	-	-	-	-	-
03-00-564-00	RADIOS & PAGERS	-	350	250	350	-
03-00-568-00	EQUIPMENT MAINTENANCE	1,410	2,200	1,900	2,500	300
03-00-569-00	VEHICLE MAINTENANCE	4,260	5,500	5,000	5,500	-
03-00-575-00	EMERGENCY/NATURAL DISAST	280	500	210	500	-
03-00-589-00	PURCHASES FROM DONATIONS	-	-	-	-	-
	O&M Expense	21,110	33,350	15,510	26,650	(6,700)
	TOTAL OPERATING EXPENSES	615,876	767,740	612,290	844,780	77,040
ASSET ADDITIONS						
03-00-590-00	PURCHASE OF FIXED ASSETS	-	32,000	2,200	10,000	(22,000)
03-00-799-00	2024 GO BOND EPENDITURES	-	-	-	-	-
	TOTAL ASSET ADDITIONS	-	32,000	2,200	10,000	(22,000)
	TOTAL EXPENDITURES	615,876	799,740	614,490	854,780	55,040

**FRIPP ISLAND PUBLIC SERVICE DISTRICT
EROSION & BRIDGE BUDGET
FISCAL YEAR 2024**

	ACTUAL FY 2023	BUDGET FY 2024	ESTIMATED FY 2024	PROPOSED FY 2025	Budget Inc (Dec)
OPERATING EXPENSES					
07-00-501-00 ADMINISTRATION	7,530	7,910	7,910	7,910	-
07-00-517-00 COMMISSIONERS EXPENSES	83	300	-	300	-
07-00-521-00 ACCOUNTING & AUDIT	4,308	7,040	7,000	7,040	-
07-00-522-00 LEGAL FEES	5,250	4,500	1,000	2,500	(2,000)
07-00-531-00 BRIDGE INSURANCE	132,765	160,000	181,000	200,000	40,000
07-00-533-00 LICENSES & TAXES	-	-	-	-	-
07-00-549-00 MISCELLANEOUS EXPENSE	-	1,500	-	1,500	-
07-00-562-00 GROIN REPAIR	-	-	-	-	-
07-00-564-00 REVETMENT REPAIR/MAINT	8,000	15,000	16,820	15,000	-
07-00-566-00 BRIDGE INSPECT/MAINTENANCE	350	6,000	1,000	6,000	-
TOTAL O&M EXPENSES	158,286	202,250	214,730	240,250	38,000
07-00-190-00 CAPITAL EXPENDITURES	-	-	-	-	-
TOTAL EXPENDITURES	158,286	202,250	214,730	240,250	38,000