

**FRIPP ISLAND
PUBLIC SERVICE DISTRICT**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

FRIPP ISLAND PUBLIC SERVICE DISTRICT
Fripp Island, South Carolina

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Independent Auditors' Report

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

Report on Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Fripp Island Public Service District as of June 30, 2021, 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.

Other Matters

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 46-53 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 October 15, 2021, 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
October 15, 2021

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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, 2021. 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 \$2,880,646. Of this amount, \$1,128,158 represents negative unrestricted net position.
- The District's Business-Type Activities' net position at year end was \$12,253,298. Of this amount, \$5,974,511 represents unrestricted net position.
- The District invested in new capital assets in the amount of \$520,774 and \$73,281 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 \$1,968,551, a decrease of \$143,775.
- At the end of the year the District's proprietary fund, the Water and Sewer Fund had an increase in net position of \$876,120 to \$12,253,298 of which \$5,974,511 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 \$1,976,391 and contribute to the negative unrestricted net position of the District.

Overview of the Financial Statements

This discussion and analysis is 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, 2021**

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 20-45 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 46-53 of this report.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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 \$15,133,944 at the close of the most recent fiscal year. The largest portion of the District's net position (52.5 percent) 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	
	2021	2020	2021	2020	2021	2020
Assets						
Current and Other						
Assets	\$ 2,163,643	\$ 2,146,765	\$ 7,590,683	\$ 7,671,042	\$ 9,754,326	\$ 9,817,807
Capital Assets	5,220,033	5,019,668	13,245,659	13,779,950	18,465,692	18,799,618
Total Assets	<u>7,383,676</u>	<u>7,166,433</u>	<u>20,836,342</u>	<u>21,450,992</u>	<u>28,220,018</u>	<u>28,617,425</u>
Deferred Outflows	<u>157,815</u>	<u>114,283</u>	<u>190,339</u>	<u>149,665</u>	<u>348,154</u>	<u>263,948</u>
Liabilities						
Long-term						
Liabilities	3,543,888	3,667,955	7,354,810	8,167,786	10,898,698	11,835,741
Other Liabilities	1,052,589	995,678	1,314,750	1,998,777	2,367,339	2,994,455
Total Liabilities	<u>4,596,477</u>	<u>4,663,633</u>	<u>8,669,560</u>	<u>10,166,563</u>	<u>13,266,037</u>	<u>14,830,196</u>
Deferred Inflows	<u>64,368</u>	<u>68,296</u>	<u>103,823</u>	<u>56,916</u>	<u>168,191</u>	<u>125,212</u>
Net Position						
Net Investment in						
Capital Assets	2,040,253	1,726,297	5,904,592	5,628,554	7,944,845	7,354,851
Restricted	1,968,551	2,112,326	374,195	361,927	2,342,746	2,474,253
Unrestricted	<u>(1,128,158)</u>	<u>(1,289,836)</u>	<u>5,974,511</u>	<u>5,386,697</u>	<u>4,846,353</u>	<u>4,096,861</u>
Total Net Position	<u>\$ 2,880,646</u>	<u>\$ 2,548,787</u>	<u>\$ 12,253,298</u>	<u>\$ 11,377,178</u>	<u>\$ 15,133,944</u>	<u>\$ 13,925,965</u>

A portion of the District's net position (\$2,342,746) (15.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$4,846,353, is categorized as unrestricted. The unrestricted net position consists of a surplus of \$5,974,511 in the business type activities, offset by a deficit of \$1,128,158 in the governmental activities.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

The Fripp Island Public Service District Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 25,535	\$ 19,310	\$ 2,501,770	\$ 2,385,658	\$ 2,527,305	\$ 2,404,968
Capital contributions	-	804,300	-	-	-	804,300
General revenues						
Property taxes	1,410,587	1,688,257	-	-	1,410,587	1,688,257
Investment earnings (loss)	20,117	29,844	2,458	248,404	22,575	278,248
Miscellaneous	275	1,697	-	-	275	1,697
Gain on curtailment of postemployment benefits	141,295	-	706,477	-	847,772	-
Total revenues	<u>1,597,809</u>	<u>2,543,408</u>	<u>3,210,705</u>	<u>2,634,062</u>	<u>4,808,514</u>	<u>5,177,470</u>
Expenses						
Governmental activities						
Public safety	621,767	562,588	-	-	621,767	562,588
Public service	454,632	344,861	-	-	454,632	344,861
Interest and other charges	85,929	168,979	-	-	85,929	168,979
Business-type activities						
Water and sewer	-	-	2,438,207	2,434,849	2,438,207	2,434,849
Total expenses	<u>1,162,328</u>	<u>1,076,428</u>	<u>2,438,207</u>	<u>2,434,849</u>	<u>3,600,535</u>	<u>3,511,277</u>
Transfers in (out)	<u>(103,622)</u>	<u>(595,956)</u>	<u>103,622</u>	<u>595,956</u>	<u>-</u>	<u>-</u>
Change in net position	331,859	871,024	876,120	795,169	1,207,979	1,666,193
Net position, beginning	<u>2,548,787</u>	<u>1,677,763</u>	<u>11,377,178</u>	<u>10,582,009</u>	<u>13,925,965</u>	<u>12,259,772</u>
Net position, ending	<u>\$ 2,880,646</u>	<u>\$ 2,548,787</u>	<u>\$ 12,253,298</u>	<u>\$ 11,377,178</u>	<u>\$ 15,133,944</u>	<u>\$ 13,925,965</u>

Governmental Activities – Governmental activities increased the governmental net position by \$331,859, or 13 percent. Key elements of this increase are as follows:

Program revenues from charges for services amounting to \$25,535 represent 1.6 percent 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 \$1,410,587 or 88.3 percent of the \$1,597,809 total revenues for governmental activities. A policy change curtailing the District's postemployment benefits resulted in a gain of \$141,295, or 8.8% of the total governmental revenues.

Total governmental revenues decreased by \$945,599 (37.2 percent) from the prior year, largely as the result of a decrease in capital contributions and property tax revenues, while expenditures increased overall by 8 percent (\$85,900).

Public safety was the costliest program, accounting for \$621,767 of the \$1,162,328 total expenses for governmental activities or 53.5 percent of the total expenses. Public service had the next largest program accounting for \$454,632 (39.1 percent) 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, 2021**

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

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Public safety	\$ 621,767	\$ 614,267	\$ 562,588	\$ 560,788
Public service	454,632	436,597	344,861	(476,949)
Interest on long term debt	85,929	85,929	168,979	168,979
Total Expenses	<u>\$ 1,162,328</u>	<u>\$ 1,136,793</u>	<u>\$ 1,076,428</u>	<u>\$ 252,818</u>

Charges for services of \$25,535 (2.2 percent of the total costs of services) were received and used to fund the general government expenses of the District. The remaining \$1,136,793 in general government expenses is funded by property taxes and other revenue.

Business-type Activities – Charges for services of \$2,501,770 was the District's largest program revenue, accounting for 77.9 percent of the total business-type activities' revenues. These charges are for water and sewer services accounted for in the water and sewer enterprise fund. A policy change curtailing the District's postemployment benefits resulted in a gain of \$706,477, or 22% of the total business activities revenues.

Water and sewer rates were increased for fiscal year 2021, with the flat sewer rate increasing by \$2.50/quarter and the base water rate increasing by \$0.50/quarter. As a result of the sewer rate increase, sewer use revenues increased from prior year earnings by \$18,453 (2.6%). As a result of the increase in the base water rate and increases in water sales, water use revenues increased from prior year earnings by \$46,380 (4.7%). Combined water and sewer use revenues exceeded budgeted projections by \$4,616 (0.3%). Collection of vacuum sewer assessments by the Beaufort County Treasurer increased by \$3,766 compared to the prior year and exceeded budgeted projections by \$4,259 (1.2%).

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, 2021, the District's governmental funds reported a combined ending fund balance of \$1,968,551, a decrease of \$143,775 from the prior year. The majority of the overall decrease in fund balance was caused by debt reduction. \$1,608,371 or 81.7 percent of fund balance represents resources whose use is restricted by the purpose of the property tax millage. The remaining \$360,180 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 \$468,389, a \$11,079 increase from prior year.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

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 \$730,787, a \$20,224 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 \$360,180, a \$11,409 decrease from the prior year. The decrease was due to capital outlay purchases of \$11,396 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 \$409,195, a \$163,669 decrease from 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)
	2021	2020	
Gallons of water purchased (in thousands)	181,356	174,751	14,964
Less gallons of water sold (in thousands)	166,985	163,264	1,674
Water gained (lost)	<u>(14,371)</u>	<u>(11,487)</u>	<u>(13,290)</u>
Water accountability	92.1%	93.4%	(7.6%)
Water accounts	1667	1632	35
Sewer accounts	1598	1565	33

Net position of the Water and Sewer Fund at the end of the year amounted to \$12,253,298, of which \$5,974,511 was unrestricted. The total increase in net position was \$876,120.

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 expenditure was capital expenditures totaling \$509,378, for the purchase of a replacement pumper truck and related equipment for fire protection. Employee salaries totaled \$341,339 (vs. \$332,605 in the prior year). The largest expenditures other than capital purchases and employee expenses were \$17,183 for property and tort liability insurance and \$14,670 for legal fees related to exploration of funding options for capital expenditures. During fiscal year 2021, in order to comply with state mandated caps on tax millage increases, the Fire Department limited budgeted expenses. Despite a budgeted deficit of \$32,730, revenues exceeded expenditures, resulting in an overall favorable variance of \$10,890.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Bridge and Beach Erosion Fund

The District collected a total of \$200,024 for maintaining its erosion control structures and the Fripp Inlet Bridge (\$174,452 in tax revenue, \$7,537 in investment earnings and \$18,035 in bridge utility attachment fees), falling short of the budget projection of \$201,237. The budget projection for the repair and maintenance of erosion control structures and the Fripp Inlet Bridge was \$179,460 and actual expenditures totaled \$177,235.

Debt Service Fund

The tax levy for debt service was decreased by 6.6 mills to 13.8 mills to reduce a surplus in the debt service fund caused by pre-payments on debt in the prior year. Tax collections for debt service exceeded budget projections by 2.3% or \$15,167.

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, 2021, was \$18,465,692 (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	
	2021	2020	2021	2020	2021	2020
Land	\$ 132,219	\$ 132,219	\$ 17,001	\$ 17,001	\$ 149,220	\$ 149,220
Infrastructure	4,179,028	4,444,994	-	-	4,179,028	4,444,994
Water and sewer system	-	-	12,980,622	13,482,301	12,980,622	13,482,301
Buildings and improvements	320,769	338,972	191,676	211,501	512,445	550,473
Vehicles	358,241	25,848	6,877	14,252	365,118	40,100
Furniture, fixtures and equipment	229,776	77,635	49,483	54,895	279,259	132,530
	<u>\$ 5,220,033</u>	<u>\$ 5,019,668</u>	<u>\$ 13,245,659</u>	<u>\$ 13,779,950</u>	<u>\$ 18,465,692</u>	<u>\$ 18,799,618</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	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 3,539,960	\$ 3,664,960	\$ 729,030	\$ 774,654	\$ 4,268,990	\$ 4,439,614
Revenue bonds	-	-	2,686,484	2,992,933	2,686,484	2,992,933
State revolving fund loans	-	-	3,925,553	4,383,809	3,925,553	4,383,809
Compensated absences	3,928	2,995	13,743	16,390	17,671	19,385
	<u>\$ 3,543,888</u>	<u>\$ 3,667,955</u>	<u>\$ 7,354,810</u>	<u>\$ 8,167,786</u>	<u>\$ 10,898,698</u>	<u>\$ 11,835,741</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, 2021**

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 SERVICES DISTRICT
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 92,019	\$ 3,055,581	\$ 3,147,600
Investments	200,542	2,790,807	2,991,349
Due from County Treasurer	914,223	-	914,223
Taxes receivable	167	-	167
Accounts receivable	4,800	478,289	483,089
Inventory	-	22,750	22,750
Prepaid expenses	-	35,739	35,739
Restricted assets			
Cash and cash equivalents	542,787	44,497	587,284
Investments	-	788,825	788,825
Due from County Treasurer	409,105	374,195	783,300
Capital assets, not being depreciated	132,219	17,001	149,220
Capital assets, net of accumulated depreciation	<u>5,087,814</u>	<u>13,228,658</u>	<u>18,316,472</u>
TOTAL ASSETS	<u>7,383,676</u>	<u>20,836,342</u>	<u>28,220,018</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension benefit	146,898	135,756	282,654
OPEB	<u>10,917</u>	<u>54,583</u>	<u>65,500</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>157,815</u>	<u>190,339</u>	<u>348,154</u>
LIABILITIES			
Accounts payable and accrued expenses	195,092	131,348	326,440
Accrued interest payable	25,230	39,228	64,458
Unearned revenue	-	50	50
Net pension liability	753,192	748,749	1,501,941
OPEB liability	79,075	395,375	474,450
Long-term liabilities			
Due within one year	131,928	711,617	843,545
Due in more than one year	<u>3,411,960</u>	<u>6,643,193</u>	<u>10,055,153</u>
TOTAL LIABILITIES	<u>4,596,477</u>	<u>8,669,560</u>	<u>13,266,037</u>
DEFERRED INFLOWS OF RESOURCES			
Pension benefit	53,240	48,185	101,425
OPEB	<u>11,128</u>	<u>55,638</u>	<u>66,766</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>64,368</u>	<u>103,823</u>	<u>168,191</u>
NET POSITION			
Net investment in capital assets	2,040,253	5,904,592	7,944,845
Restricted for:			
Debt service	409,195	374,195	783,390
Public safety	468,389	-	468,389
Public service	730,787	-	730,787
Capital Projects	360,180	-	360,180
Unrestricted	<u>(1,128,158)</u>	<u>5,974,511</u>	<u>4,846,353</u>
TOTAL NET ASSETS	<u>\$ 2,880,646</u>	<u>\$ 12,253,298</u>	<u>\$ 15,133,944</u>

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, 2021

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges For Services	Capital Contributions	Governmental Activities	Business Type Activities	Total
Functions/programs						
Primary government						
Governmental activities						
Public safety	\$ 621,767	\$ 7,500	\$ -	\$ (614,267)	\$ -	\$ (614,267)
Public service	454,632	18,035	-	(436,597)	-	(436,597)
Interest and other charges	85,929	-	-	(85,929)	-	(85,929)
Total governmental services	<u>1,162,328</u>	<u>25,535</u>	<u>-</u>	<u>(1,136,793)</u>	<u>-</u>	<u>(1,136,793)</u>
Business type activities						
Water and sewer	2,438,207	2,501,770	-	-	63,563	63,563
Total business type activities	<u>2,438,207</u>	<u>2,501,770</u>	<u>-</u>	<u>-</u>	<u>63,563</u>	<u>63,563</u>
Total primary government	<u>\$ 3,600,535</u>	<u>\$ 2,527,305</u>	<u>\$ -</u>	<u>(1,136,793)</u>	<u>63,563</u>	<u>(1,073,230)</u>
General revenues						
Taxes						
Property taxes - fire department				573,968	-	573,968
Property taxes - erosion and bridge				174,452	-	174,452
Property taxes - debt				662,167	-	662,167
Investment earnings				20,117	2,458	22,575
Other income				275	-	275
Gain on curtailment of postemployment benefits				141,295	706,477	847,772
Interfund transfers				(103,622)	103,622	-
Total general revenues				<u>1,468,652</u>	<u>812,557</u>	<u>2,281,209</u>
Change in net assets				331,859	876,120	1,207,979
Net assets - beginning of year				<u>2,548,787</u>	<u>11,377,178</u>	<u>13,925,965</u>
Net assets - end of year				<u>\$ 2,880,646</u>	<u>\$ 12,253,298</u>	<u>\$ 15,133,944</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, 2021

	<u>Fire Department</u>	<u>Bridge and Beach Erosion</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 92,019	\$ -	\$ -	\$ 92,019
Investments	-	200,542	-	-	200,542
Taxes receivable	77	-	-	90	167
Due from County Treasurer	475,850	438,373	-	409,105	1,323,328
Accounts receivable	4,800	-	-	-	4,800
Restricted assets					
Cash and cash equivalents	<u>182,607</u>	<u>-</u>	<u>360,180</u>	<u>-</u>	<u>542,787</u>
TOTAL ASSETS	<u><u>\$ 663,334</u></u>	<u><u>\$ 730,934</u></u>	<u><u>\$ 360,180</u></u>	<u><u>\$ 409,195</u></u>	<u><u>\$ 2,163,643</u></u>
LIABILITIES					
Vouchers and accounts payable	<u>\$ 194,945</u>	<u>\$ 147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,092</u>
TOTAL LIABILITIES	<u>194,945</u>	<u>147</u>	<u>-</u>	<u>-</u>	<u>195,092</u>
FUND EQUITY					
Fund balance					
Restricted for debt service	-	-	-	409,195	409,195
Restricted for capital projects	-	-	360,180	-	360,180
Restricted for public safety	468,389	-	-	-	468,389
Restricted for public service	<u>-</u>	<u>730,787</u>	<u>-</u>	<u>-</u>	<u>730,787</u>
TOTAL FUND EQUITY	<u>468,389</u>	<u>730,787</u>	<u>360,180</u>	<u>409,195</u>	<u>1,968,551</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 663,334</u></u>	<u><u>\$ 730,934</u></u>	<u><u>\$ 360,180</u></u>	<u><u>\$ 409,195</u></u>	<u><u>\$ 2,163,643</u></u>

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

FRIPP ISLAND PUBLIC SERVICE DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

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

Ending fund balance-governmental funds		\$ 1,968,551
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,220,033
Pension related deferrals are not reported in governmental funds, but are reported in governmental activities as follows:		
Deferred outflows		146,898
Deferred inflows		(53,240)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(753,192)
OPEB related deferrals are not reported in governmental funds, but are reported in governmental activities.		
Deferred outflows		10,917
Deferred inflows		(11,128)
OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(79,075)
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	\$ (3,539,960)	
Compensated absences	(3,928)	
Accrued interest	(25,230)	
	(3,569,118)	(3,569,118)
Net assets of governmental activities		\$ 2,880,646

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, 2021**

	<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	\$ 573,968	\$ 174,452	\$ -	\$ 662,167	\$ 1,410,587
Assessments	7,500	-	-	-	7,500
Net investment income	6,441	4,970	-	8,706	20,117
Bridge attachment fee	-	18,035	-	-	18,035
Donations	250	-	-	-	250
Other	-	-	25	-	25
Total revenues	<u>588,159</u>	<u>197,457</u>	<u>25</u>	<u>670,873</u>	<u>1,456,514</u>
Expenditures					
Current					
Public safety	574,474	-	-	-	574,474
Public service	-	177,233	38	-	177,271
Debt Service					
Principal	-	-	-	125,000	125,000
Interest	-	-	-	99,148	99,148
Capital outlay	<u>509,378</u>	<u>-</u>	<u>11,396</u>	<u>-</u>	<u>520,774</u>
Total expenditures	<u>1,083,852</u>	<u>177,233</u>	<u>11,434</u>	<u>224,148</u>	<u>1,496,667</u>
Excess of revenues over (under) expenditures	<u>(495,693)</u>	<u>20,224</u>	<u>(11,409)</u>	<u>446,725</u>	<u>(40,153)</u>
Other financing sources (uses)					
Transfers in	506,772	-	-	-	506,772
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(610,394)</u>	<u>(610,394)</u>
Total other financing sources (uses)	<u>506,772</u>	<u>-</u>	<u>-</u>	<u>(610,394)</u>	<u>(103,622)</u>
Net change in fund balance	11,079	20,224	(11,409)	(163,669)	(143,775)
Fund balance					
Beginning	<u>457,310</u>	<u>710,563</u>	<u>371,589</u>	<u>572,864</u>	<u>2,112,326</u>
Ending	<u>\$ 468,389</u>	<u>\$ 730,787</u>	<u>\$ 360,180</u>	<u>\$ 409,195</u>	<u>\$ 1,968,551</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, 2021**

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

Net changes in fund balances-total governmental funds	\$ (143,775)
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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	\$ 520,774	
Depreciation	<u>(320,409)</u>	200,365

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	125,000
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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	126,916	
District's portion of collective pension expense	11,067	
Compensated absence expense	(933)	
Interest	<u>13,219</u>	

Change in net assets of governmental activities	<u><u>\$ 331,859</u></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 FUNDS
YEAR ENDED JUNE 30, 2021

ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,055,581
Investments	2,790,807
Accounts receivable water and sewer system	478,289
Inventory	22,750
Prepaid expenses	35,739
Restricted assets	
Cash	44,497
Investments	788,825
Due from County Treasurer	374,195
Total current assets	<u>7,590,683</u>
Property, plant and equipment (net of accumulated depreciation)	<u>13,245,659</u>
Total assets	<u>20,836,342</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension benefit	135,756
OPEB	<u>54,583</u>
Total deferred outflows of resources	<u>190,339</u>
Total assets and deferred outflows of resources	<u><u>\$ 21,026,681</u></u>
LIABILITIES	
Current liabilities	
Vouchers and accounts payable	\$ 109,128
Payroll and related liabilities	22,220
Accrued compensated absences	13,743
Unearned revenue	50
Bonds and loans payable	697,874
Payable from restricted assets	
Accrued interest	39,228
Bonds and loans payable	<u>334,967</u>
Total current liabilities	<u>1,217,210</u>
Noncurrent liabilities	
Bonds and loans payable	6,308,226
Net pension liability	748,749
OPEB liability	<u>395,375</u>
Total noncurrent liabilities	<u>7,452,350</u>
Total liabilities	<u>8,669,560</u>
DEFERRED INFLOWS OF RESOURCES	
Pension benefit	48,185
OPEB	<u>55,638</u>
Total deferred inflows of resources	<u>103,823</u>
NET POSITION	
Net investment in capital assets	5,904,592
Restricted for debt service	374,195
Unrestricted	<u>5,974,511</u>
Total net position	<u>12,253,298</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 21,026,681</u></u>

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 FUNDS
YEAR ENDED JUNE 30, 2021

<hr/>	
Operating revenue	
Water sales	\$ 1,031,427
Sewer usage and assessments	1,091,946
Other operating income	<u>378,397</u>
Total operating revenue	<u>2,501,770</u>
Operating expenses	
Water purchases	536,631
Operations and maintenance	1,132,947
Depreciation	<u>607,571</u>
Total operating expenses	<u>2,277,149</u>
Operating income	<u>224,621</u>
Non-operating revenues (expenses)	
Investment income	2,458
Interest	(159,858)
Gain on curtailment of postemployment benefits	706,477
Other expenses	<u>(1,200)</u>
Total non-operating revenues (expenses)	<u>547,877</u>
Gain before transfers and contributions	772,498
Transfers	<u>103,622</u>
Change in net position	876,120
Net position, at beginning of year	<u>11,377,178</u>
Net position, at end of year	<u><u>\$ 12,253,298</u></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 FUNDS
YEAR ENDED JUNE 30, 2021

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 2,435,533
Payments to suppliers	(1,139,213)
Payments to employees	(445,740)
Net cash provided by operating activities	850,580
Cash Flows From Non-Capital Financing Activities	
Interfund transfers	103,622
Net cash flows from non-capital financing activities	103,622
Cash Flows From Capital and Related Financing Activities	
Principal paid on capital debt	(810,329)
Interest paid on capital debt	(164,160)
Bond fee	(1,200)
Acquisition of capital assets	(73,281)
Net cash used in capital and related financing activities	(1,048,970)
Cash Flows From Investing Activities	
Investment income	76,132
Purchase of CD's	(1,509,000)
Proceeds from sale of CD's	1,634,000
Net cash provided by investing activities	201,132
Net increase in cash and cash equivalents	106,364
Cash and Cash Equivalents at Beginning of Year	2,993,714
Cash and Cash Equivalents at End of Year	\$ 3,100,078
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 224,621
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	607,571
(Increase) decrease in:	
Accounts receivable	(1,756)
Inventory	(3,957)
Prepaid expenses	6,030
Due from County Treasurer	(12,268)
Deferred outflows	(40,674)
Increase (decrease) in:	
Accounts payable	3,714
Accrued salaries and fringe benefits	5,971
Compensated absences	(2,647)
Unearned revenue	(52,214)
Pension liability	47,102
OPEB liability	22,180
Deferred inflows	46,907
Net cash provided by operating activities	\$ 850,580
Reconciliation of Cash and Cash Equivalent Balances	
Unrestricted cash and cash equivalents	\$ 3,055,581
Restricted cash and cash equivalents	44,497
	\$ 3,100,078

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, 2021

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' 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) and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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, 2021

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 governmental 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 expenditure 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.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

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. 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, 2021, as management believes all reported receivables to be collectible.

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 attaches a lien 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.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and similar items), are reported in the governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary funds. Capital assets are defined by the District as property with an estimated useful life in excess of three years.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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/Inflows of Resources and Unearned Revenue

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, 2021

Note 1. Summary of Significant Accounting Policies (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.

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

Nonspendable 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.

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.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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, 2021, the carrying amount of the District's cash, certificates of deposit and U.S. government bonds was \$7,515,058, and the balance per the bank statements was \$7,410,152, 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 of the US Government. The District has no investment policy that would further limit its investment choices.

The District's investments totaling \$3,780,174 at June 30, 2021, 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, 2021**

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 - 4	Over 5
Certificates of Deposit	N/A	\$ 3,625,634	\$ 146,908	\$ 1,718,405	\$ 1,760,321
US Government Bonds	N/A	154,540	-	-	154,540
		<u>\$ 3,780,174</u>	<u>\$ 146,908</u>	<u>\$ 1,718,405</u>	<u>\$ 1,914,861</u>

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

Carrying value of deposits	\$ 3,734,684
US government bonds	154,540
Certificates of deposit	3,625,634
Cash on hand	<u>200</u>
	<u>\$ 7,515,058</u>
Unrestricted	
Cash and cash equivalents	\$ 3,147,600
Investments	2,991,349
Restricted	
Cash and cash equivalents	587,284
Investments	<u>788,825</u>
	<u>\$ 7,515,058</u>

Note 3. Property, Plant and Equipment

Capital asset activity for governmental activities for the year ended June 30, 2021, was as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
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	8,512,058	11,396	-	8,523,454
Buildings and improvements	689,559	-	-	689,559
Equipment, furniture and fixtures	472,876	167,621	-	640,497
Vehicles	373,002	341,757	-	714,759
Total being depreciated	<u>10,047,495</u>	<u>520,774</u>	<u>-</u>	<u>10,568,269</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 3. Property, Plant and Equipment (Continued)

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Less accumulated depreciation				
Infrastructure	4,067,064	277,362	-	4,344,426
Buildings and improvements	350,587	18,203	-	368,790
Equipment, furniture and fixtures	395,241	15,480	-	410,721
Vehicles	347,154	9,364	-	356,518
Total accumulated depreciation	5,160,046	320,409	-	5,480,455
Net capital assets being depreciated	4,887,449	200,365	-	5,087,814
Net governmental activity capital assets	\$ 5,019,668	\$ 200,365	\$ -	\$ 5,220,033

Capital asset activity for business-type activities for the year ended June 30, 2021, was as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets not being depreciated:				
Land	\$ 17,001	\$ -	\$ -	\$ 17,001
Total not being depreciated	17,001	-	-	17,001
Capital assets being depreciated:				
Building and fixtures	440,211	-	(421)	439,790
Water system	6,520,547	3,150	(43,947)	6,479,750
Collection system	5,795,734	-	-	5,795,734
Lift stations	1,927,592	-	-	1,927,592
Sewer system/treatment plant	7,612,067	63,219	-	7,675,286
Vehicles	88,384	-	(786)	87,598
Computer equipment-software	37,993	4,087	-	42,080
Equipment	117,684	2,825	(1,775)	118,734
Total being depreciated	22,540,212	73,281	(46,929)	22,566,564
Less: accumulated depreciation				
Building and fixtures	228,710	19,825	(421)	248,114
Water system	2,533,495	138,899	(43,947)	2,628,447
Collection system	2,196,391	142,424	-	2,338,815
Lift stations	1,067,388	62,945	-	1,130,333
Sewer system/treatment plant	2,576,365	223,780	-	2,800,145
Vehicles	74,132	7,375	(786)	80,721
Computer equipment-software	35,788	1,548	-	37,336
Equipment	64,994	10,776	(1,775)	73,995
Total accumulated depreciation	8,777,263	607,572	(46,929)	9,337,906
Net capital assets being depreciated	13,762,949	(534,291)	-	13,228,658
Net property, plant and equipment	\$ 13,779,950	\$ (534,291)	\$ -	\$ 13,245,659

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 3. Property, Plant and Equipment (Continued)

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

Public safety	\$ 43,048
Public service	\$277,361

Note 4. Long-Term Debt

The following is a summary of note and bond transactions of the District for the year ended June 30, 2021:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>	<u>Amounts Due Within One year</u>
Governmental activities					
General obligation bonds	\$ 3,664,960	\$ -	\$ (125,000)	\$ 3,539,960	\$ 128,000
Compensated absences	2,995	7,389	(6,456)	3,928	3,928
	<u>\$ 3,667,955</u>	<u>\$ 7,389</u>	<u>\$ (131,456)</u>	<u>\$ 3,543,888</u>	<u>\$ 131,928</u>
Business-type activities					
General obligation bonds	\$ 774,654	\$ -	\$ (45,624)	\$ 729,030	\$ 34,820
Revenue bonds	2,992,933	-	(306,449)	2,686,484	312,670
State revolving fund loans	4,383,809	-	(458,256)	3,925,553	350,384
	8,151,396	-	(810,329)	7,341,067	697,874
Compensated absences	16,390	24,321	(26,968)	13,743	13,743
	<u>\$ 8,167,786</u>	<u>\$ 24,321</u>	<u>\$ (837,297)</u>	<u>\$ 7,354,810</u>	<u>\$ 711,617</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, 2021, 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%.

2,937,000

\$ 3,539,960

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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. \$ 1,717,031

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. 2,686,484

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%. 729,030

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%. 2,208,522

\$ 7,341,067

The annual requirements to amortize all debt outstanding as of June 30, 2021, including interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 825,874	\$ 245,284	\$ 1,071,158
2023	974,545	224,058	1,198,603
2024	995,591	202,348	1,197,939
2025	1,018,025	180,156	1,198,181
2026	1,143,855	157,463	1,301,318
2027-2030	3,615,363	404,936	4,020,299
2031-2035	2,023,611	127,513	2,151,124
3036-3037	284,163	5,952	290,115
	<u>\$ 10,881,027</u>	<u>\$ 1,547,710</u>	<u>\$ 12,428,737</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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.

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, 2021.

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 general obligation debt. A transfer of \$506,772 from the Water and Sewer Fund into the Fire Department Fund was made to reimburse capital costs incurred by that fund.

Note 7. 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.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 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 comprehensive annual financial report of the state.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 7. Defined Benefit Pension Plans (Continued)

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, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

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.

Membership

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

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; 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.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 7. Defined Benefit Pension Plans (Continued)

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.

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. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rate as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

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

Required and actual contributions are as follows:

Year ended June 30, 2021	SCRS	PORS
Required contributions	\$ 99,412	\$ 5,297
Actual contributions	\$ 99,412	\$ 5,297

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 7. Defined Benefit Pension Plans (Continued)

Required contribution rates for fiscal year 2020-2021 are as follows:

	<u>Required Employee Contributions</u>	
	<u>Fiscal year 2021*</u>	<u>Fiscal year 2020*</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 2021*</u>	<u>Fiscal year 2020*</u>
SCRS		
Employer Class Two	15.41%	15.41%
Employer Class Three	15.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	17.84%	17.84%
Employer Class Three	17.84%	17.84%
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, for first use in the July 1, 2021, actuarial valuation.

The June 30, 2019, 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, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 7. Defined Benefit Pension Plans (Continued)

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020:

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)*	3.5% to 9.5% (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 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for the future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2020, TPL are as follows:

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

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>2021</u>	<u>2020</u>
	<u>Measurement Period Ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
SCRS		
Governmental Activities	\$ 710,800	\$ 679,005
Business Type Activities	748,749	701,647
Total SCRS	<u>\$ 1,459,549</u>	<u>\$ 1,380,652</u>
PORS		
Governmental Activities	\$ 42,392	\$ 27,851
Total PORS	<u>\$ 42,392</u>	<u>\$ 27,851</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 7. Defined Benefit Pension Plans (Continued)

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The District's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ended June 30, 2020, the District's percentage of the SCRS and PORS net pension liability were 0.005712% and 0.001278%, 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 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% 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>
Global Equity	51%		
Global Public Equity	35%	7.81%	2.73%
Private Equity	9%	8.91%	0.80%
Equity Options Strategy	7%	5.09%	0.36%
Real Assets	12%		
Real Estate (Private)	8%	5.55%	0.44%
Real Estate (REITs)	1%	7.78%	0.08%
Infrastructure (Private)	2%	4.88%	0.10%
Infrastructure (Public)	1%	7.05%	0.07%
Opportunistic	8%		
Global Tactical Asset Allocation	7%	3.56%	0.25%
Other Opportunistic Strategies	1%	4.41%	0.04%
Credit	15%		
High Yield Bonds/ Bank Loans	4%	4.21%	0.17%
Emerging Markets Debt	4%	3.44%	0.14%
Private Debt	7%	5.79%	0.40%
Rate Sensitive	14%		
Core Fixed Income	13%	1.60%	0.21%
Cash and Short Duration (Net)	1%	0.56%	0.01%
Total Expected Real Return	<u>100%</u>		5.80%
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>8.05%</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 7. Defined Benefit Pension Plans (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.25%. 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 7.25% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate.

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

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS			
Governmental Activities	\$ 880,931	\$ 710,800	\$ 568,711
Business-type Activities	927,962	748,749	599,073
	<u>1,808,893</u>	<u>1,459,549</u>	<u>1,167,784</u>
PORS			
Governmental Activities	56,106	42,392	31,361
	<u>56,106</u>	<u>42,392</u>	<u>31,361</u>
	<u>\$ 1,864,999</u>	<u>\$ 1,501,941</u>	<u>\$ 1,199,145</u>

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, 2021, the District recognized pension expense of \$42,385 for governmental activities and \$54,559 for business-type activities.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 7. Defined Benefit Pension Plans (Continued)

At June 30, 2021, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
	SCRS	
<u>Governmental Activities</u>		
Pension contributions subsequent to measurement date	\$ 48,415	\$ -
Differences between actual and expected experience	8,202	2,688
Assumption changes	871	-
Net difference between projected and actual earnings on plan investments	52,285	-
Changes in proportionate share and differences between District's contributions and proportionate share of contributions	<u>19,106</u>	<u>43,055</u>
	<u>\$ 128,879</u>	<u>\$ 45,743</u>
	PORS	
Pension contributions subsequent to measurement date	\$ 5,297	\$ -
Differences between actual and expected experience	901	187
Assumption changes	517	-
Net difference between projected and actual earnings on plan investments	4,341	-
Changes in proportionate share and differences between District's contributions and proportionate share of contributions	<u>6,963</u>	<u>7,310</u>
	<u>18,019</u>	<u>7,497</u>
Total Governmental Activities	<u>\$ 146,898</u>	<u>\$ 53,240</u>
	SCRS	
<u>Business-type Activities</u>		
Pension contributions subsequent to measurement date	\$ 50,997	\$ -
Differences between actual and expected experience	8,639	2,831
Assumption changes	917	-
Net difference between projected and actual earnings on plan investments	55,077	-
Changes in proportionate share and differences between District's contributions and proportionate share of contributions	<u>20,126</u>	<u>45,354</u>
Total Business-type Activities	<u>135,756</u>	<u>48,185</u>
	<u>\$ 282,654</u>	<u>\$ 101,425</u>

The District reported \$104,709 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, 2022. 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, 2021**

Note 7. Defined Benefit Pension Plans (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, 2021. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2020, was 3.984 years for SCRS and 4.176 years for PORS.

Governmental Activities

<u>Measurement Period Ending</u>	<u>Fiscal Year Ending</u>	<u>SCRS</u>	<u>PORS</u>
June 30, 2020	June 30, 2021	\$ (3,851)	\$ 184
June 30, 2021	June 30, 2022	15,768	802
June 30, 2022	June 30, 2023	9,462	2,772
June 30, 2023	June 30, 2024	13,342	1,467
Net balance of deferred outflows/(inflows) of resources		<u>\$ 34,721</u>	<u>\$ 5,225</u>

Business Type Activities

<u>Measurement Period Ending</u>	<u>Fiscal Year Ending</u>	<u>SCRS</u>	<u>PORS</u>
June 30, 2020	June 30, 2021	\$ (4,056)	\$ -
June 30, 2021	June 30, 2022	16,609	-
June 30, 2022	June 30, 2023	9,967	-
June 30, 2023	June 30, 2024	14,054	-
Net balance of deferred outflows/(inflows) of resources		<u>\$ 36,574</u>	<u>\$ -</u>

Payables to the pension plans

At June 30, 2021, the District reported a payable of \$12,395 and \$348 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 8. Other Post-employment Benefit Plan

General information

The District's defined benefit OPEB plan, Fripp Island Public Service District Postemployment Benefits 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.

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.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8. Other Post-employment Benefit Plan (Continued)

Non-spouse dependent would pay full premium. 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, 2021, were \$19,420.

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:	2.18% based on S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2021.
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 4% to 0%.
Mortality:	Current employees: SOA Pri-2012 Headcount-Weighted Total Mortality Table Incorporated into the table are rates projected generationally by MP-2019 to reflect mortality improvement.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 8. Other Post-employment Benefit Plan (Continued)

Retirees: 2016 Public Retirees of South Carolina Mortality Table Incorporated into the table are rates projected from 2016 by Scale AA to reflect mortality improvement.

Healthcare Trend Rates: 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% 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 2.66% as of June 30, 2020 to 2.18% as of June 30, 2021.

Changes in Total OPEB Liability

	<u>Government-Wide</u>	<u>Business-Type</u>	<u>Total</u>
Balance at July 1, 2020	\$ 215,934	\$ 1,079,672	\$ 1,295,606
Changes for the year			
Service cost	10,235	51,176	61,411
Interest on total OPEB liability	5,970	29,848	35,818
Changes of benefit terms	(141,295)	(706,477)	(847,772)
Experience changes	(12,364)	(61,820)	(74,184)
Assumption changes	3,832	19,159	22,991
Benefit payments	(3,237)	(16,183)	(19,420)
Net change in total OPEB liability	(136,859)	(684,297)	(821,156)
Net liability for OPEB, end of year	\$ 79,075	\$ 395,375	\$ 474,450

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 2.18%, 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>Current Discount Rate Assumption</u>	<u>1% Increase</u>
	<u>1.18%</u>	<u>2.18%</u>	<u>3.18%</u>
Governmental Activities	\$ 87,943	\$ 79,075	\$ 71,367
Business-Type Activities	439,715	395,375	356,837
	\$ 527,658	\$ 474,450	\$ 428,204

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 8. Other Post-employment Benefit Plan (Continued)

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:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Governmental Activities	\$ 74,699	\$ 79,075	\$ 84,089
Business Type Activities	373,493	395,375	420,444
	<u>\$ 448,192</u>	<u>\$ 474,450</u>	<u>\$ 504,533</u>

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

For the year ended June 30, 2021, the District recognized OPEB expense from governmental activities of \$21,123 and from business-type activities of \$105,614. Excluded from this amount, the District recognized a gain from government activities of \$141,295 and from business-type activities of \$706,477, related to the curtailment of postemployment benefits.

At June 30, 2021, the District reported deferred outflows for employer contributions subsequent to the measurement date of \$1,399 and \$9,518 in the governmental activities and business type activities, respectively.

	Governmental Activities		Business-type Activities	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 1,399	\$ -	\$ 6,993	\$ -
Experience changes	-	(11,128)	-	(55,638)
Assumption changes	9,518	-	47,590	-
	<u>\$ 10,917</u>	<u>\$ (11,128)</u>	<u>\$ 54,583</u>	<u>\$ (55,638)</u>

Measurement Period Ending	Fiscal Year Ending	Governmental Activities	Business-Type Activities
		<u></u>	<u></u>
June 30, 2021	June 30, 2022	\$ (179)	\$ (894)
June 30, 2022	June 30, 2023	(179)	(894)
June 30, 2023	June 30, 2024	(179)	(894)
June 30, 2024	June 30, 2025	(179)	(894)
June 30, 2025	June 30, 2026	(179)	(894)
	Thereafter	<u>(715)</u>	<u>(3,578)</u>
	Net balance of deferred outflows/(inflows) of resources	<u>\$ (1,610)</u>	<u>\$ (8,048)</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 9. 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 \$536,631 for the year ended June 30, 2021.

Note 10. Deferred Compensation Plan

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

Note 11. Pending GASB Pronouncements

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. This Statement establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset with the goal of enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement, as amended by GASB Statement No. 95, are effective for reporting periods beginning after June 15, 2021. The District will implement the new guidance with the 2022 financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, intended to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and simplify accounting for interest cost incurred before the end of a construction period. The Statement requires that such interest cost be recognized as an expense in the period in which the cost is incurred for financial statements using the economic resources measurement focus, and accordingly, this interest cost will not be included in the historical cost of a capital asset reported in a business- type activity or enterprise fund. The requirements of this Statement, as amended by GASB Statement No. 95, are effective for reporting periods beginning after December 15, 2020, with earlier application encouraged. The requirements of this Statement should be applied prospectively. The District will implement the new guidance with the 2022 financial statements.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, is intended to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the government's holding of the equity interest meets the definition of an investment. The requirements of this Statement, as amended by GASB Statement No. 95, are effective for reporting periods beginning after December 15, 2019, with earlier application encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100% equity interest. Those provisions should be applied on a prospective basis. The District will implement the new guidance with the 2022 financial statements, in accordance with one-year extension under GASB Statement No. 95.

GASB Statement No. 91, *Conduit Debt Obligations*, intends to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement, as amended by GASB Statement No. 95, are effective for reporting periods beginning after December 15, 2021, with earlier application encouraged. The District will implement the new guidance with the 2023 financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11. Pending GASB Pronouncements (Continued)

GASB Statement No. 92, *Omnibus 2020*, 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:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports.
- Reporting of intra entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.
- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective, as amended by GASB Statement 94, for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective, as amended by GASB Statement 94, for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective, as amended by GASB Statement 94, for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by topic. The District will implement the new guidance with the 2022 financial statements.

GASB Statement 93, *Replacement of Interbank Offered Rates*, intended to address issues expected to arise in debt or other agreements related to the cessation of the London Interbank Offered Rate (LIBOR) at the end of 2021. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement, as amended by GASB Statement No. 95, are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The District will implement the new guidance with the 2022 financial statements.

GASB Statement No. 94, *Public-Private and Public Partnerships and Available Payment Arrangements*, intended to improve financial reporting by addressing issues related to public private and public partnership arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The District will implement the new guidance with the 2023 financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11. Pending GASB Pronouncements (Continued)

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, intended to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update - 2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update - 2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

The requirements of this Statement are effective immediately. The District will implement this guidance immediately.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The District will implement the new guidance with the 2023 financial statements.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11. Pending GASB Pronouncements (Continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, intended to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The District will implement the new guidance with the 2022 financial statements.

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

Note 12. Uncertainties

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health District has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting global and national economies and affecting donors of all types. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the District's donors, employees, and related Districts, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the District's financial condition or results of operations is uncertain.

Note 13. Subsequent Events

On September 28, 2021, the Commission authorized the purchase of a prefabricated pumping station for a total cost of approximately \$121,500 for the Hunting Island Booster Pump Station Upgrade. Bidding for the construction portion of the project was advertised on October 13, 2021, and will be opened on November 3, 2021. The overall budget for the project is \$500,000.

The Commission selected a firm to complete a cost of service and rate study in September 2021. The study is planned to begin on October 15, 2021, be completed by January 14, 2022, and results presented to the Commission on February 8, 2022.

The district evaluated subsequent events through October 15, 2021, the date the financial statements were available to be issued. There were no additional 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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 559,457	\$ 560,460	\$ 573,968	\$ 13,508
Assessments	1,500	3,600	7,500	3,900
Revenue from use of money and property	-	-	6,441	6,441
Total revenues	<u>560,957</u>	<u>564,060</u>	<u>588,159</u>	<u>24,099</u>
Expenditures				
Current				
Public safety	640,840	596,770	574,474	(22,296)
Capital outlay	12,500	510,300	509,378	(922)
Total expenditures	<u>653,340</u>	<u>1,107,070</u>	<u>1,083,852</u>	<u>(23,218)</u>
Other financing sources (uses)				
Transfers in	-	510,300	506,772	(3,528)
Total other financing sources (uses)	<u>-</u>	<u>510,300</u>	<u>506,772</u>	<u>(3,528)</u>
Net change in fund balance	<u>\$ (92,383)</u>	<u>\$ (32,710)</u>	11,079	<u>\$ 43,789</u>
Fund balance at beginning of year			<u>457,310</u>	
Fund balance at end of year			<u>\$ 468,389</u>	

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

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 176,610	\$ 176,402	\$ 174,452	\$ (1,950)
Revenue from use of money and property	4,000	6,800	4,970	(1,830)
Bridge attachment fee	18,035	18,035	18,035	-
Total revenues	<u>198,645</u>	<u>201,237</u>	<u>197,457</u>	<u>(3,780)</u>
Expenditures				
Current				
Public service	<u>205,400</u>	<u>179,460</u>	<u>177,233</u>	<u>(2,227)</u>
Total expenditures	<u>205,400</u>	<u>179,460</u>	<u>177,233</u>	<u>(2,227)</u>
Net change in fund balance	<u>\$ (6,755)</u>	<u>\$ 21,777</u>	20,224	<u>\$ (1,553)</u>
Fund balance at beginning of year			<u>710,563</u>	
Fund balance at end of year			<u>\$ 730,787</u>	

FRIPP ISLAND PUBLIC SERVICE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2021

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, 2021

**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
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
2020	2021	0.00128%	\$ 42,392	\$ 19,311	220%	58.80%
2019	2020	0.00097%	27,850	14,096	198%	62.70%
2018	2019	0.00143%	40,563	19,765	205%	61.70%
2017	2018	0.00133%	36,436	14,773	247%	60.90%
2016	2017	0.00180%	45,707	22,967	199%	60.40%
2015	2016	0.00203%	44,287	25,176	176%	64.60%
2014	2015	0.00193%	37,025	23,261	159%	67.55%

Note: The District implemented GASB 68 during fiscal year 2015; therefore, only the last seven 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, 2021

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
LAST EIGHT 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
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 EIGHT 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
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%

Note: The District implemented GASB 68 during fiscal year 2015; therefore, only the last eight 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
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICERS RETIREMENT SYSTEM
JUNE 30, 2021

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, 2020, the most recent measurement date.

	<u>SCRS</u>	<u>PORS</u>
Valuation date	07/01/19	07/01/19
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	level percent of pay	level percent of pay
Amortization period	29 years maximum, closed period	29 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 12.5% (varies by service)	3.0% to 9.5% (varies by service)
Investment rate of return	7.25%	7.25%
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 are determined in accordance with Section 9-1-1085 of the South Carolina Code. 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% for SCRS and 9.75% 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 contributions 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. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a 10-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

FRIPP ISLAND PUBLIC SERVICE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 61,412	\$ 54,710	\$ 51,729
Interest on total OPEB liability	35,817	34,165	32,239
Assumption changes	22,991	44,507	-
Change in experience	(74,184)	-	-
Change in benefit terms	(847,772)	-	-
Benefit payments	<u>(19,420)</u>	<u>(16,624)</u>	<u>(19,420)</u>
Net change in total OPEB liability	(821,156)	116,758	64,548
Net liability for OPEB, beginning of year	<u>1,295,606</u>	<u>1,178,848</u>	<u>1,114,300</u>
Net liability for OPEB, end of year	<u>\$ 474,450</u>	<u>\$ 1,295,606</u>	<u>\$ 1,178,848</u>
Covered employee payroll	<u>\$ 414,974</u>	<u>\$ 398,048</u>	<u>\$ 374,236</u>
Total OPEB liability as a percentage of covered employee payroll	<u>114.33%</u>	<u>325.49%</u>	<u>315.00%</u>

Note: The District implemented GASB 75 during fiscal year 2019; therefore, only three 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, 2021**

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 2021. The discount rate decreased from 2.66% to 2.18%.

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, 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:	2.18% based on S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2021.
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 4% to 0%.
Mortality:	Current employees: SOA Pri-2012 Headcount-Weighted Total Mortality Table Incorporated into the table are rates projected generationally by MP-2019 to reflect mortality improvement. Retirees: 2016 Public Retirees of South Carolina Mortality Table Incorporated into the table are rates projected from 2016 by Scale AA to reflect mortality improvement.
Healthcare Trend Rates:	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% 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

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

Independent Auditors' Report

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 15, 2021.

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 2021-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Districts 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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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.

Handwritten signature of Webster Rogus LLP in black ink.

Charleston, South Carolina
October 15, 2021

FRIPP ISLAND PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021

Ref #	Department/ Program/ Grant	Finding/Noncompliance
2021-001	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>