

**FRIPP ISLAND
PUBLIC SERVICE DISTRICT**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022

FRIPP ISLAND PUBLIC SERVICE DISTRICT
Fripp Island, South Carolina

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT	1 - 2
<hr/>	
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Management's Discussion and Analysis	3 - 10
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Notes to Financial Statements	20 - 46
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
Fire Department Fund	47
Bridge and Beach Erosion Fund	48
Notes to Required Supplementary Information – Budget and Actual	49
Required Supplementary Information	
Schedule of the District's Proportionate Share of the Net Pension Liability – South Carolina Retirement System	50
Schedule of the District's Proportionate Share of the Net Pension Liability – Police Officers Retirement System	50
Schedule of Contributions – South Carolina Retirement System	51
Schedule of Contributions – Police Officers Retirement System	51
Notes to Required Supplementary Information - South Carolina Retirement System and Police Officers Retirement System	52
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	53
Notes to Required Supplementary Information - OPEB	54
GOVERNMENT AUDITING STANDARDS REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55 - 56
Schedule of Findings and Responses	57

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of **Fripp Island Public Service District** (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Fripp Island Public Service District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Budgetary Comparison Schedules, Notes to Budgetary Comparison Schedules, Schedules of the District's Proportionate Share of the Net Pension Liability, Schedules of the District's Contributions, Notes to Required Supplementary Information – South Carolina Retirement System and Police Officers Retirement System, Schedule of Changes in the District's Total OPEB Liability, and Notes to Required Supplementary Information – OPEB* on pages 3-10 and 47-54 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 November 2, 2022, 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
November 2, 2022

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

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, 2022. 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 \$2,708,127. Of this amount, \$1,084,510 represents negative unrestricted net position.
- The District's Business-Type Activities' net position at year end was \$12,782,945. Of this amount, \$5,983,575 represents unrestricted net position.
- The District invested in new capital assets in the amount of \$5,504 and \$284,788 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 \$1,978,001, an increase of \$9,451.
- At the end of the year the District's proprietary fund, the Water and Sewer Fund had an increase in net position of \$529,647 to \$12,782,945 of which \$5,983,575 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 \$1,686,974 and negatively impact the unrestricted net position of the District.
- The District implemented Governmental Accounting Standards Board (GASB) Standard No. 87, *Leases*, during the current fiscal year. Implementation of GASB 87 had no effect on the beginning net position, however, the District did recognize a telecommunications and utility lease receivable and related deferred inflows at July 1, 2021. More information is contained in the Notes to the Financial Statements and can be found on pages 25-26 of this report.

Overview of the Financial Statements

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

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

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

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

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

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.

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 government-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 20-46 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.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

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 47-54 of this report.

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 \$15,491,072 at the close of the most recent fiscal year. The largest portion of the District's net position (53.1%) 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	
	2022	2021	2022	2021	2022	2021
<u>Assets</u>						
Current and Other Assets	\$ 2,028,416	\$ 2,163,643	\$ 8,561,069	\$ 7,590,683	\$ 10,589,485	\$ 9,754,326
Capital Assets	4,870,119	5,220,033	12,931,387	13,245,659	17,801,506	18,465,692
Total Assets	<u>6,898,535</u>	<u>7,383,676</u>	<u>21,492,456</u>	<u>20,836,342</u>	<u>28,390,991</u>	<u>28,220,018</u>
Deferred Outflows	<u>145,078</u>	<u>157,815</u>	<u>160,274</u>	<u>190,339</u>	<u>305,352</u>	<u>348,154</u>
<u>Liabilities</u>						
Long-term						
Liabilities	3,413,752	3,543,888	6,529,454	7,354,810	9,943,206	10,898,698
Other Liabilities	761,244	1,052,589	1,133,131	1,314,750	1,894,375	2,367,339
Total Liabilities	<u>4,174,996</u>	<u>4,596,477</u>	<u>7,662,585</u>	<u>8,669,560</u>	<u>11,837,581</u>	<u>13,266,037</u>
Deferred Inflows	<u>160,490</u>	<u>64,368</u>	<u>1,207,200</u>	<u>103,823</u>	<u>1,367,690</u>	<u>168,191</u>
<u>Net Position</u>						
Net Investment in						
Capital Assets	1,814,636	2,040,253	6,418,005	5,904,592	8,232,641	7,944,845
Restricted	1,978,001	1,968,551	381,365	374,195	2,359,366	2,342,746
Unrestricted	<u>(1,084,510)</u>	<u>(1,128,158)</u>	<u>5,983,575</u>	<u>5,974,511</u>	<u>4,899,065</u>	<u>4,846,353</u>
Total Net Position	<u>\$ 2,708,127</u>	<u>\$ 2,880,646</u>	<u>\$ 12,782,945</u>	<u>\$ 12,253,298</u>	<u>\$ 15,491,072</u>	<u>\$ 15,133,944</u>

A portion of the District's net position (\$2,359,366) (15.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$4,899,065, is categorized as unrestricted. The unrestricted net position consists of a surplus of \$5,983,575 in the business type activities, offset by a deficit of \$1,084,510 in the governmental activities.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

The Fripp Island Public Service District Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 30,867	\$ 25,535	\$ 2,538,685	\$ 2,501,770	\$ 2,569,552	\$ 2,527,305
Capital contributions	-	-	-	-	-	-
General revenues						
Property taxes	1,629,406	1,410,587	-	-	1,629,406	1,410,587
Investment earnings (loss)	(10,228)	20,117	(284,717)	2,458	(294,945)	22,575
Gain on sale of assets	3,951	-	-	-	3,951	-
Miscellaneous	1,100	275	-	-	1,100	275
Gain on curtailment of postemployment benefits	-	141,295	-	706,477	-	847,772
Total revenues	<u>1,655,096</u>	<u>1,597,809</u>	<u>2,253,968</u>	<u>3,210,705</u>	<u>3,909,064</u>	<u>4,808,514</u>
Expenses						
Governmental activities						
Public safety	638,391	621,767	-	-	638,391	621,767
Public service	487,473	454,632	-	-	487,473	454,632
Interest and other charges	93,963	85,929	-	-	93,963	85,929
Business-type activities						
Water and sewer	-	-	2,332,109	2,438,207	2,332,109	2,438,207
Total expenses	<u>1,219,827</u>	<u>1,162,328</u>	<u>2,332,109</u>	<u>2,438,207</u>	<u>3,551,936</u>	<u>3,600,535</u>
Transfers in (out)	<u>(607,788)</u>	<u>(103,622)</u>	<u>607,788</u>	<u>103,622</u>	<u>-</u>	<u>-</u>
Change in net position	(172,519)	331,859	529,647	876,120	357,128	1,207,979
Net position, beginning	<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>
Net position, ending	<u>\$ 2,708,127</u>	<u>\$ 2,880,646</u>	<u>\$ 12,782,945</u>	<u>\$ 12,253,298</u>	<u>\$ 15,491,072</u>	<u>\$ 15,133,944</u>

Governmental Activities – Governmental activities decreased the governmental net position by \$172,519, or 6%. Key elements of this decrease are as follows:

Program revenues from charges for services amounting to \$30,867 represent 1.9% 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 \$1,629,406 or 98.4% of the \$1,655,096 total revenues for governmental activities. Decreases in the market value of investments resulted in unrealized losses of \$10,228, an overall decrease of 151% from the prior year.

Total governmental revenues increased by \$57,287 (12.6%) from the prior year, as the result of an increase in property tax revenues and gains on sales of assets, while expenditures increased overall by 4.9% (\$57,500).

Public safety was the costliest program, accounting for \$638,391 of the \$1,219,827 total expenses for governmental activities or 52.3% of the total expenses. Public service had the next largest program accounting for \$487,473 (40%) 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, 2022**

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

	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Public safety	\$ 638,391	\$ 630,291	\$ 621,767	\$ 614,267
Public service	487,473	464,706	454,632	436,597
Interest on long term debt	93,963	93,963	85,929	85,929
Total Expenses	<u>\$ 1,219,827</u>	<u>\$ 1,188,960</u>	<u>\$ 1,162,328</u>	<u>\$ 1,136,793</u>

Charges for services of \$30,867 (2.5% of the total costs of services) were received and used to fund the general government expenses of the District. The remaining \$1,188,960 in general government expenses is funded by property taxes and other revenue.

Business-type Activities – Charges for services of \$2,538,685 was the District's largest program revenue, accounting for 112.6% of the total business-type activities' revenues. These charges are for water and sewer services accounted for in the water and sewer enterprise fund. Changes in the market value of investments resulted in unrealized losses of \$284,717, decreasing the total business-type activities' revenue.

Water and sewer rates were increased for fiscal year 2022, with the flat sewer rate increasing by \$1.50/quarter and the volumetric water rate increasing by \$0.08/1,000 gallons. As a result of the sewer rate increase, sewer use revenues increased from prior year earnings by \$17,427 (2.4%). Notwithstanding the water rate increase, water use revenues decreased from prior year earnings by \$31,587 (3.1%). Combined water and sewer use revenues fell short of budgeted projections by \$16,986 (0.97%). Collection of vacuum sewer assessments by the Beaufort County Treasurer decreased by \$3,258 compared to the prior year and exceeded budgeted projections by \$1,001 (0.27%).

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

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

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

As of June 30, 2022, the District's governmental funds reported a combined ending fund balance of \$1,978,001, an increase of \$9,451 over the prior year. \$1,621,524 or 82% of fund balance represents resources whose use is restricted by the purpose of the property tax millage. The remaining \$356,477 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 \$480,497, a \$12,108 increase from prior year.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

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 \$737,545, a \$6,758 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 \$356,477, a \$3,703 decrease from the prior year. The decrease was due to capital outlay purchases of \$3,703 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 \$403,482, a \$5,713 decrease from the prior year.

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

	Fiscal Year		Increase (Decrease)
	2022	2021	
Gallons of water purchased (in thousands)	176,667	181,356	(4,689)
Less gallons of water sold (in thousands)	162,136	166,985	(4,849)
Water gained (lost)	<u>(14,532)</u>	<u>(14,371)</u>	<u>161</u>
Water accountability	91.8%	92.1%	(0.3%)
Water accounts	1686	1667	19
Sewer accounts	1609	1598	11

Net position of the Water and Sewer Fund at the end of the year amounted to \$12,782,945, of which \$5,983,375 was unrestricted. The total increase in net position was \$529,647.

Budgetary Highlights

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

Fire Department Fund

The largest Fire Department expenditures were employee salaries, which totaled \$365,829 (versus \$341,339 in the prior year) Other payroll expenses, which include payroll taxes, employer pension contributions, and medical, life and disability insurance totaled \$107,502 (versus \$98,593 in the prior year). The largest expenditures other than employee expenses were \$17,601 for property and tort liability insurance and \$15,286 for workers' compensation insurance. During fiscal year 2022, to comply with state mandated caps on tax millage increases, the Fire Department limited budgeted expenses. Despite a budgeted deficit of \$86,460, revenues exceeded expenditures by \$12,108, resulting in an overall favorable variance of \$98,568.

Bridge and Beach Erosion Fund

The District collected a total of \$216,592 for maintaining its erosion control structures and the Fripp Inlet Bridge (\$210,380 in tax revenue and \$18,576 in bridge utility attachment fees, offset by \$ 12,364 in unrealized investment losses), falling short of the budget projection of \$220,770. The budget projection for the repair and maintenance of erosion control structures and the Fripp Inlet Bridge was \$193,380 and actual expenditures totaled \$209,834.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Debt Service Fund

The tax levy for debt service was increased by 3.2 mills to 17 mills after being decreased in the prior fiscal year to reduce a surplus in the debt service fund. Tax collections for debt service exceeded budget projections by 2.5% or \$20,316.

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, 2022, was \$17,801,506 (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	
	2022	2021	2022	2021	2022	2021
Land	\$ 132,219	\$ 132,219	\$ 17,001	\$ 17,001	\$ 149,220	\$ 149,220
Infrastructure	3,905,093	4,179,028	-	-	3,905,093	4,179,028
Water and sewer system	-	-	12,674,842	12,980,622	12,674,842	12,980,622
Buildings and improvements	302,911	320,769	175,653	191,676	478,564	512,445
Vehicles	331,272	358,241	25,075	6,877	356,347	365,118
Furniture, fixtures and equipment	198,624	229,776	38,816	49,483	237,440	279,259
	<u>\$ 4,870,119</u>	<u>\$ 5,220,033</u>	<u>\$ 12,931,387</u>	<u>\$ 13,245,659</u>	<u>\$ 17,801,506</u>	<u>\$ 18,465,692</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	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 3,411,960	\$ 3,539,960	\$ 682,487	\$ 729,030	\$ 4,094,447	\$ 4,268,990
Revenue bonds	-	-	2,373,814	2,686,484	2,373,814	2,686,484
State revolving fund loans	-	-	3,457,081	3,925,553	3,457,081	3,925,553
Compensated absences	1,792	3,928	16,072	13,743	17,864	17,671
	<u>\$ 3,413,752</u>	<u>\$ 3,543,888</u>	<u>\$ 6,529,454</u>	<u>\$ 7,354,810</u>	<u>\$ 9,943,206</u>	<u>\$ 10,898,698</u>

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

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.

**FRIPP ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

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, 2022

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 92,911	\$ 3,155,257	\$ 3,248,168
Investments	110,125	2,709,556	2,819,681
Due from County Treasurer	1,018,647	-	1,018,647
Taxes receivable	-	-	-
Accounts receivable	5,269	490,964	496,233
Lease receivable - current portion	18,860	333,786	352,646
Lease receivable - noncurrent portion		641,500	641,500
Inventory	-	29,391	29,391
Prepaid expenses	-	41,422	41,422
Restricted assets			
Cash and cash equivalents	379,122	111,204	490,326
Investments	-	666,624	666,624
Due from County Treasurer	403,482	381,365	784,847
Capital assets, not being depreciated	132,219	138,461	270,680
Capital assets, net of accumulated depreciation	4,737,900	12,792,926	17,530,826
TOTAL ASSETS	6,898,535	21,492,456	28,390,991
DEFERRED OUTFLOWS OF RESOURCES			
Pension benefit	137,264	113,388	250,652
OPEB	7,814	46,886	54,700
TOTAL DEFERRED OUTFLOWS OF RESOURCES	145,078	160,274	305,352
LIABILITIES			
Accounts payable and accrued expenses	31,555	117,555	149,110
Accrued interest payable	23,456	34,835	58,291
Unearned revenue	-	-	-
Net pension liability	647,070	625,760	1,272,830
OPEB liability	59,163	354,981	414,144
Long-term liabilities			
Due within one year	133,792	858,617	992,409
Due in more than one year	3,279,960	5,670,837	8,950,797
TOTAL LIABILITIES	4,174,996	7,662,585	11,837,581
DEFERRED INFLOWS OF RESOURCES			
Pension benefit	126,618	117,323	243,941
OPEB	19,203	115,215	134,418
Leases	14,669	974,662	989,331
TOTAL DEFERRED INFLOWS OF RESOURCES	160,490	1,207,200	1,367,690
NET POSITION			
Net investment in capital assets	1,814,636	6,418,005	8,232,641
Restricted for:			
Debt service	403,482	381,365	784,847
Public safety	480,497	-	480,497
Public service	737,545	-	737,545
Capital Projects	356,477	-	356,477
Unrestricted	(1,084,510)	5,983,575	4,899,065
TOTAL NET ASSETS	\$ 2,708,127	\$ 12,782,945	\$ 15,491,072

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, 2022

	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	\$ 638,391	\$ 8,100	\$ -	\$ (630,291)	\$ -	\$ (630,291)
Public service	487,473	22,767	-	(464,706)	-	(464,706)
Interest and other charges	93,963	-	-	(93,963)	-	(93,963)
Total governmental services	<u>1,219,827</u>	<u>30,867</u>	<u>-</u>	<u>(1,188,960)</u>	<u>-</u>	<u>(1,188,960)</u>
Business type activities						
Water and sewer	2,332,109	2,538,685	-	-	206,576	206,576
Total business type activities	<u>2,332,109</u>	<u>2,538,685</u>	<u>-</u>	<u>-</u>	<u>206,576</u>	<u>206,576</u>
Total primary government	<u>\$ 3,551,936</u>	<u>\$ 2,569,552</u>	<u>\$ -</u>	<u>(1,188,960)</u>	<u>206,576</u>	<u>(982,384)</u>
General revenues						
Taxes						
Property taxes - fire department				591,710	-	591,710
Property taxes - erosion and bridge				210,380	-	210,380
Property taxes - debt				827,316	-	827,316
Investment earnings				(10,228)	(284,717)	(294,945)
Other income				1,100	-	1,100
Gain on sale of capital assets				3,951	-	3,951
Interfund transfers				(607,788)	607,788	-
Total general revenues				<u>1,016,441</u>	<u>323,071</u>	<u>1,339,512</u>
Change in net assets				(172,519)	529,647	357,128
Net assets - beginning of year				<u>2,880,646</u>	<u>12,253,298</u>	<u>15,133,944</u>
Net assets - end of year				<u>\$ 2,708,127</u>	<u>\$ 12,782,945</u>	<u>\$ 15,491,072</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, 2022

	<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	\$ -	\$ 92,911	\$ -	\$ -	\$ 92,911
Investments	-	110,125	-	-	110,125
Taxes receivable	-	-	-	-	-
Due from County Treasurer	468,671	549,976	-	403,482	1,422,129
Accounts receivable	5,269	-	-	-	5,269
Restricted assets					
Cash and cash equivalents	<u>22,645</u>	<u>-</u>	<u>356,477</u>	<u>-</u>	<u>379,122</u>
TOTAL ASSETS	<u>\$ 496,585</u>	<u>\$ 753,012</u>	<u>\$ 356,477</u>	<u>\$ 403,482</u>	<u>\$ 2,009,556</u>
LIABILITIES					
Vouchers and accounts payable	<u>\$ 16,088</u>	<u>\$ 15,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,555</u>
TOTAL LIABILITIES	<u>16,088</u>	<u>15,467</u>	<u>-</u>	<u>-</u>	<u>31,555</u>
FUND EQUITY					
Fund balance					
Restricted for debt service	-	-	-	403,482	403,482
Restricted for capital projects	-	-	356,477	-	356,477
Restricted for public safety	480,497	-	-	-	480,497
Restricted for public service	<u>-</u>	<u>737,545</u>	<u>-</u>	<u>-</u>	<u>737,545</u>
TOTAL FUND EQUITY	<u>480,497</u>	<u>737,545</u>	<u>356,477</u>	<u>403,482</u>	<u>1,978,001</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 496,585</u>	<u>\$ 753,012</u>	<u>\$ 356,477</u>	<u>\$ 403,482</u>	<u>\$ 2,009,556</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, 2022

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

Ending fund balance-governmental funds		\$ 1,978,001
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,870,119
Leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		18,860
Pension related deferrals are not reported in governmental funds, but are reported in governmental activities as follows:		
Deferred outflows		137,264
Deferred inflows		(126,618)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(647,070)
OPEB related deferrals are not reported in governmental funds, but are reported in governmental activities.		
Deferred outflows		7,814
Deferred inflows		(19,202)
OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(59,163)
Lease related deferrals are not reported in governmental funds, but are reported in governmental activities.		
Deferred inflows		(14,669)
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	(3,411,960)	
Compensated absences	(1,793)	
Accrued interest	(23,456)	
	(3,437,209)	(3,437,209)
Net assets of governmental activities		\$ 2,708,127

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, 2022**

	Fire Department	Bridge and Beach Erosion	Capital Projects	Debt Service	Total Governmental Funds
Revenues					
Taxes	\$ 591,710	\$ 210,380	\$ -	\$ 827,316	\$ 1,629,406
Intergovernmental Revenue	-	-	-	-	-
Assessments	8,100	-	-	-	8,100
Net investment income	1,033	(12,364)	-	1,103	(10,228)
Lease revenue	-	18,576	-	-	18,576
Donations	1,100	-	-	-	1,100
Total revenues	601,943	216,592	-	828,419	1,646,954
Expenditures					
Current					
Public safety	594,591	-	-	-	594,591
Public service	-	209,834	-	-	209,834
Debt Service					
Principal	-	-	-	128,000	128,000
Interest	-	-	-	95,737	95,737
Other	-	-	-	-	-
Capital outlay	1,801	-	3,703	-	5,504
Total expenditures	596,392	209,834	3,703	223,737	1,033,666
Excess of revenues over (under) expenditures	5,551	6,758	(3,703)	604,682	613,288
Other financing sources (uses)					
Bond proceeds	-	-	-	-	-
Proceeds from sale of capital assets	3,951	-	-	-	3,951
Transfers in	2,606	-	-	-	2,606
Transfers out	-	-	-	(610,394)	(610,394)
Total other financing sources (uses)	6,557	-	-	(610,394)	(603,837)
Net change in fund balance	12,108	6,758	(3,703)	(5,712)	9,451
Fund balance					
Beginning	468,389	730,787	360,180	409,194	1,968,550
Ending	\$ 480,497	\$ 737,545	\$ 356,477	\$ 403,482	\$ 1,978,001

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, 2022**

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

Net changes in fund balances-total governmental funds	\$	9,451
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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	5,504		
Depreciation	<u>(355,419)</u>		(349,915)

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		128,000
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Some revenues reported in the Statement of Activities do not generate current financial resources and, therefore, are not reported as revenues in the governmental funds. The details are as follows:

Amortization of lease revenue		4,191
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Other post-employment expense		8,734	
District's portion of collective pension expense		23,110	
Compensated absence expense		2,136	
Interest		<u>1,774</u>	

Change in net assets of governmental activities	\$	<u><u>(172,519)</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, 2022

ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,155,257
Investments	2,709,556
Accounts receivable water and sewer system	490,964
Lease receivable - current portion	333,786
Lease receivable - noncurrent portion	641,500
Inventory	29,391
Prepaid expenses	41,422
Restricted assets	
Cash	111,204
Investments	666,624
Due from County Treasurer	381,365
Total current assets	8,561,069
Property, plant and equipment (net of accumulated depreciation)	12,931,387
Total assets	21,492,456
DEFERRED OUTFLOWS OF RESOURCES	
Pension benefit	113,388
OPEB	46,886
Total deferred outflows of resources	160,274
Total assets and deferred outflows of resources	\$ 21,652,730
LIABILITIES	
Current liabilities	
Vouchers and accounts payable	\$ 108,262
Payroll and related liabilities	9,293
Accrued compensated absences	16,072
Unearned revenue	-
Bonds and loans payable	842,545
Payable from restricted assets	
Accrued interest	34,835
Bonds and loans payable	346,530
Total current liabilities	1,357,537
Noncurrent liabilities	
Bonds and loans payable	5,324,307
Net pension liability	625,760
OPEB liability	354,981
Total noncurrent liabilities	6,305,048
Total liabilities	7,662,585
DEFERRED INFLOWS OF RESOURCES	
Pension benefit	117,323
OPEB	115,215
Leases	974,662
Total deferred inflows of resources	1,207,200
NET POSITION	
Net investment in capital assets	6,418,005
Restricted for debt service	381,365
Unrestricted	5,983,575
Total net position	12,782,945
Total liabilities, deferred inflows of resources, and net position	\$ 21,652,730

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, 2022

<hr/>	
Operating revenue	
Water sales	\$ 999,840
Sewer usage and assessments	1,106,115
Other operating income	<u>432,730</u>
Total operating revenue	<u>2,538,685</u>
Operating expenses	
Water purchases	522,958
Operations and maintenance	1,074,341
Depreciation	<u>599,062</u>
Total operating expenses	<u>2,196,361</u>
Operating income	<u>342,324</u>
Non-operating revenues (expenses)	
Investment income	(284,717)
Interest	(142,348)
Gain on sale	7,800
Other expenses	<u>(1,200)</u>
Total non-operating revenues (expenses)	<u>(420,465)</u>
Gain before transfers and contributions	(78,141)
Transfers	<u>607,788</u>
Change in net position	529,647
Net position, at beginning of year	<u>12,253,298</u>
Net position, at end of year	<u>\$ 12,782,945</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, 2022

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 1,543,504
Payments to suppliers	(46,251)
Payments to employees	(596,979)
Net cash provided by operating activities	<u>900,274</u>
Cash Flows From Non-Capital Financing Activities	
Interfund transfers	<u>607,788</u>
Net cash flows from non-capital financing activities	<u>607,788</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on capital debt	(827,685)
Interest paid on capital debt	(146,741)
Bond fee	(1,200)
Acquisition of capital assets	(284,788)
Net cash used in capital and related financing activities	<u>(1,260,414)</u>
Cash Flows From Investing Activities	
Investment income	63,735
Purchase of CD's	(345,000)
Proceeds from sale of CD's	200,000
Net cash provided by investing activities	<u>(81,265)</u>
Net increase in cash and cash equivalents	166,383
Cash and Cash Equivalents at Beginning of Year	<u>3,100,078</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,266,461</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	342,324
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	599,062
(Increase) decrease in:	
Accounts receivable	(987,961)
Inventory	(6,641)
Prepaid expenses	(5,683)
Due from County Treasurer	(7,170)
Deferred outflows	30,065
Increase (decrease) in:	
Accounts payable	(868)
Accrued salaries and fringe benefits	(12,927)
Compensated absences	2,329
Unearned revenue	(50)
Pension liability	(122,989)
OPEB liability	(32,594)
Deferred inflows	1,103,377
Net cash provided by operating activities	<u>\$ 900,274</u>
Reconciliation of Cash and Cash Equivalent Balances	
Unrestricted cash and cash equivalents	\$ 3,155,257
Restricted cash and cash equivalents	<u>111,204</u>
	<u>\$ 3,266,461</u>

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, 2022

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's financial statements. The District (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

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

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

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

Government-wide Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District) 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, 2022**

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.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as the amounts become susceptible to accrual by becoming measurable and available to finance the District's operations. Net investment income and revenue from intergovernmental reimbursement grants is recorded as earned. Other revenues are considered available to be used to pay liabilities of the current period if they are collectible within the current period or within 60 days thereafter.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements (continued)

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

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

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

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

Receivables – All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance is recorded for the year ended June 30, 2022, as management believes all reported receivables to be collectible.

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

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

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

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

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

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

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, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as the projects are constructed. All reported capital assets are depreciated if applicable. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

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

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

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District may have five items that qualify for reporting in this category, as follows:

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

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources (continued)

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District may have the following items that qualify for reporting in this category:

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

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

Fund Balances

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

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

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources (continued)

Fund Balances (continued)

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

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

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

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

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

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

Change in Accounting Principle and Restatement - The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* effective July 1, 2021. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources, except for certain regulated leases. Although the implementation of GASB 87 had no effect on the beginning net position of the general fund (business-type activities) and bridge and beach fund (governmental activities), it did result in the recognition of the District's telecommunications and utility leases receivable and the related deferred inflows at July 1, 2021.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources (continued)

Change in Accounting Principle and Restatement (continued)

	Busines - Type Activities
Net Position July 1, 2021	\$ 12,253,298
Adjustments:	
Lease Receivable	1,252,487
Deferred Inflows - Leases	(1,252,487)
Restated Net Position July 1, 2021	\$ 12,253,298
	Governmental Activities
Net Position July 1, 2021	\$ 730,934
Adjustments:	
Lease Receivable	36,673
Deferred Inflows - Leases	(36,673)
Restated Net Position July 1, 2021	\$ 730,934

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, 2022, the carrying amount of the District's cash, certificates of deposit, and U.S. government bonds was \$7,224,799 and the balance per the bank statements was \$7,327,656, 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 \$3,486,305 at June 30, 2022, 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, 2022**

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	\$ 3,295,434	\$ 570,229	\$ 1,291,669	\$ 1,433,536
US Government Bonds	N/A	190,871	-	90,376	100,495
		<u>\$ 3,486,305</u>	<u>\$ 570,229</u>	<u>\$ 1,382,045</u>	<u>\$ 1,534,031</u>

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

Carrying value of deposits	\$ 3,738,294
US government bonds	190,871
Certificates of deposit	3,295,434
Cash on hand	200
	<u>\$ 7,224,799</u>
Unrestricted	
Cash and cash equivalents	\$ 3,248,168
Investments	2,819,681
Restricted	
Cash and cash equivalents	490,326
Investments	666,624
	<u>\$ 7,224,799</u>

Note 3. Property, Plant and Equipment

Capital asset activity for governmental activities for the year ended June 30, 2022, was as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
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	8,523,454	3,703	-	8,527,157
Buildings and improvements	689,559	-	-	689,559
Equipment, furniture and fixtures	640,497	-	-	640,497
Vehicles	714,759	1,801	(90,106)	626,454
Total being depreciated	<u>\$ 10,568,269</u>	<u>\$ 5,504</u>	<u>\$ (90,106)</u>	<u>\$ 10,483,667</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 3. Property, Plant and Equipment (Continued)

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Less accumulated depreciation				
Infrastructure	\$ 4,344,426	\$ 277,638	\$ -	\$ 4,622,064
Buildings and improvements	368,790	17,858	-	386,648
Equipment, furniture and fixtures	410,721	31,152	-	441,873
Vehicles	356,518	28,770	(90,106)	295,182
	<u>5,480,455</u>	<u>355,418</u>	<u>(90,106)</u>	<u>5,745,767</u>
Net capital assets being depreciated	<u>5,087,814</u>	<u>(349,914)</u>	<u>-</u>	<u>4,737,900</u>
Net governmental activity capital assets	<u>\$ 5,220,033</u>	<u>\$ (349,914)</u>	<u>\$ -</u>	<u>\$ 4,870,119</u>

Capital asset activity for business-type activities for the year ended June 30, 2022, was as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets not being depreciated:				
Waterline restoration - CIP	\$ -	\$ 121,460	\$ -	\$ 121,460
Land	17,001	-	-	17,001
Total not being depreciated	<u>17,001</u>	<u>121,460</u>	<u>-</u>	<u>138,461</u>
Capital assets being depreciated:				
Building and fixtures	439,790	3,693		443,483
Water system	6,479,751	46,428		6,526,179
Collection system	5,795,734	-		5,795,734
Lift stations	1,927,592	-		1,927,592
Sewer system/treatment plant	7,675,286	83,994		7,759,280
Vehicles	87,598	26,841	(41,000)	73,439
Computer equipment-software	42,081	2,370		44,451
Equipment	118,735	-	(1,232)	117,503
Total being depreciated	<u>22,566,567</u>	<u>163,326</u>	<u>(42,232)</u>	<u>22,687,661</u>
Less: accumulated depreciation				
Building and fixtures	248,114	19,716		267,830
Water system	2,628,449	132,962		2,761,411
Collection system	2,338,815	142,424		2,481,239
Lift stations	1,130,333	53,222		1,183,555
Sewer system/treatment plant	2,800,144	229,056		3,029,200
Vehicles	80,721	8,643	(41,000)	48,364
Computer equipment-software	37,336	2,266		39,602
Equipment	73,995	10,773	(1,232)	83,536
Total accumulated depreciation	<u>9,337,907</u>	<u>599,062</u>	<u>(42,232)</u>	<u>9,894,737</u>
Net capital assets being depreciated	<u>13,228,660</u>	<u>(435,736)</u>	<u>-</u>	<u>12,792,924</u>
Net property, plant and equipment	<u>\$ 13,245,661</u>	<u>\$ (314,276)</u>	<u>\$ -</u>	<u>\$ 12,931,385</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 3. Property, Plant and Equipment (Continued)

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

Public safety	\$ 77,780
Public service	\$277,639

Note 4. Long-Term Debt

The following is a summary of note and bond transactions of the District for the year ended June 30, 2022:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2022</u>	<u>Amounts Due Within One year</u>
Governmental activities					
General obligation bonds	\$ 3,539,960	\$ -	\$ (128,000)	\$ 3,411,960	\$ 132,000
Compensated absences	3,928	8,233	(10,369)	1,792	1,792
	<u>\$ 3,543,888</u>	<u>\$ 8,233</u>	<u>\$ (138,369)</u>	<u>\$ 3,413,752</u>	<u>\$ 133,792</u>
Business-type activities					
General obligation bonds	\$ 729,030	\$ -	\$ (46,543)	\$ 682,487	\$ 47,245
Revenue bonds	2,686,484	-	(312,670)	2,373,814	319,017
State revolving fund loans	3,925,553	-	(468,472)	3,457,081	476,283
	7,341,067	-	(827,685)	6,513,382	842,545
Compensated absences	13,743	24,073	(21,744)	16,072	16,072
	<u>\$ 7,354,810</u>	<u>\$ 24,073</u>	<u>\$ (849,429)</u>	<u>\$ 6,529,454</u>	<u>\$ 858,617</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, 2022, 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%.

2,809,000

\$ 3,411,960

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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. \$ 1,370,600

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. 2,373,814

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%. 682,487

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%. 2,086,481

\$ 6,513,382

The annual requirements to amortize all debt outstanding as of June 30, 2022, including interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 844,734	\$ 201,271	\$ 1,046,005
2023	995,591	202,343	1,197,934
2024	1,018,025	180,156	1,198,181
2025	1,143,855	157,463	1,301,318
2026	961,195	134,681	1,095,876
2027-2030	2,654,168	270,255	2,924,423
2031-2035	2,023,611	127,513	2,151,124
2036-2037	284,163	5,952	290,115
	<u>\$ 9,925,342</u>	<u>\$ 1,279,634</u>	<u>\$ 11,204,976</u>

Note 5. Risk Management

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

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 5. Risk Management (Continued)

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

Note 6. Interfund Receivables, Payables and Transfers

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. There were no interfund balances at June 30, 2022.

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 \$2,606 from the Water and Sewer Fund into the Fire Department Fund was made to reimburse capital costs incurred by that fund.

Note 7. Telecommunications and Utility Agreements

The District is party to six telecommunication leases with various commencement dates ranging from May 27, 2018, to December 13, 2021, for the lease of antenna attachment rights to a water tower owned by the District. Based on these agreements, the District will receive monthly and annual payments through fiscal year 2027. Each lease agreement has provisions for four additional five-year renewal options.

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

Lease receivables as of June 30, 2022, were \$994,146 and \$1,252,487 as of July 1, 2021. Lease revenue for fiscal year 2022 was \$299,829 and lease related interest revenue was \$7,048.

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

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

June 30	Principal	Interest
2023	\$ 345,351	\$ 7,294
2024	284,361	4,357
2025	232,353	2,505
2026	91,026	1,539
2027	41,055	679
Total	\$ 994,146	\$ 16,374

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 8. Defined Benefit Pension Plans

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

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

PEBA issues 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.

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.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8. Defined Benefit Pension Plans (Continued)

Membership

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and 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.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8. Defined Benefit Pension Plans (Continued)

Benefits (continued)

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

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

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. 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, 2022	SCRS	PORS
Required contributions	\$ 113,970	\$ 5,092
Actual contributions	\$ 113,970	\$ 5,092

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 8. Defined Benefit Pension Plans (Continued)

Contributions (continued)

Required contribution rates for fiscal year 2021-2022 are as follows:

	<u>Required Employee Contributions</u>	
	<u>Fiscal year 2022*</u>	<u>Fiscal year 2021*</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 2022*</u>	<u>Fiscal year 2021*</u>
SCRS		
Employer Class Two	16.41%	15.41%
Employer Class Three	16.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	18.84%	17.84%
Employer Class Three	18.84%	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.

The June 30, 2021, 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, 2020. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2021, using generally accepted actuarial principles.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 8. Defined Benefit Pension Plans (Continued)

Actuarial assumptions and methods (continued)

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2021:

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

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

Assumptions used in the determination of the June 30, 2021, TPL are as follows:

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

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position.

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

	<u>Fiscal Year Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Measurement Period Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
SCRS		
Governmental Activities	\$ 597,383	\$ 710,800
Business Type Activities	625,760	748,749
Total SCRS	<u>\$ 1,223,143</u>	<u>\$ 1,459,549</u>
PORS		
Governmental Activities	\$ 49,687	\$ 42,392
Total PORS	<u>\$ 49,687</u>	<u>\$ 42,392</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 8. Defined Benefit Pension Plans (Continued)

Net Pension Liability (continued)

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The District's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ended June 30, 2021, the District's percentage of the SCRS and PORS net pension liability were 0.00565190% and 0.00193100%, 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 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.00% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.25% inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public Equity	46%	6.87%	3.16%
Bonds	26%	0.27%	0.07%
Private Equity	9%	9.68%	0.87%
Private Debt	7%	5.47%	0.39%
Real Assets	12%		
Real Estate	9%	6.01%	0.54%
Infrastructure	3%	5.08%	0.15%
Total Expected Real Return	<u>100%</u>		5.18%
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.43%</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 8. Defined Benefit Pension Plans (Continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

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

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

	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
SCRS			
Governmental Activities	\$ 782,497	\$ 597,383	\$ 443,515
Business-type Activities	819,668	625,760	464,583
	1,602,165	1,223,143	908,098
PORS			
Governmental Activities	72,084	49,687	31,333
	72,084	49,687	31,333
	\$ 1,674,249	\$ 1,272,830	\$ 939,431

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, 2022, the District recognized pension expense of \$46,239 for governmental activities and \$48,513 for business-type activities.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 8. Defined Benefit Pension Plans (Continued)

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

At June 30, 2022, 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	\$ 55,657	\$ -
Differences between actual and expected experience	10,176	806
Assumption changes	32,699	-
Net difference between projected and actual earnings on plan investments	-	86,778
Changes in proportionate share and differences between District's contributions and proportionate share of contributions	<u>9,704</u>	<u>24,419</u>
	<u>\$ 108,236</u>	<u>\$ 112,003</u>
	PORS	
Pension contributions subsequent to measurement date	\$ 5,092	\$ -
Differences between actual and expected experience	1,690	155
Assumption changes	3,544	-
Net difference between projected and actual earnings on plan investments	-	11,139
Changes in proportionate share and differences between District's contributions and proportionate share of contributions	<u>18,702</u>	<u>3,321</u>
	<u>29,028</u>	<u>14,615</u>
Total Governmental Activities	<u>\$ 137,264</u>	<u>\$ 126,618</u>
	SCRS	
<u>Business-type Activities</u>		
Pension contributions subsequent to measurement date	\$ 58,313	\$ -
Differences between actual and expected experience	10,659	845
Assumption changes	34,252	-
Net difference between projected and actual earnings on plan investments	-	90,900
Changes in proportionate share and differences between District's contributions and proportionate share of contributions	<u>10,164</u>	<u>25,578</u>
Total Business-type Activities	<u>113,388</u>	<u>117,323</u>
	<u>\$ 250,652</u>	<u>\$ 243,941</u>

The District reported \$119,061 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, 2023. 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, 2022**

Note 8. Defined Benefit Pension Plans (Continued)

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

The following schedule reflects the amortization of the District's proportionate share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2022. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2021, was 3.91 years for SCRS and 4.13 years for PORS.

Governmental Activities

<u>Measurement Period Ending</u>	<u>Fiscal Year Ending</u>	<u>SCRS</u>	<u>PORS</u>
June 30, 2022	June 30, 2022	\$ 5,738	\$ (3,385)
June 30, 2023	June 30, 2023	12,080	(5,365)
June 30, 2024	June 30, 2024	9,135	(3,919)
June 30, 2025	June 30, 2025	32,471	3,348
Net balance of deferred outflows/(inflows) of resources		<u>\$ 59,424</u>	<u>\$ (9,321)</u>

Business Type Activities

<u>Measurement Period Ending</u>	<u>Fiscal Year Ending</u>	<u>SCRS</u>	<u>PORS</u>
June 30, 2022	June 30, 2022	\$ 6,011	\$ -
June 30, 2023	June 30, 2023	12,653	-
June 30, 2024	June 30, 2024	9,570	-
June 30, 2025	June 30, 2025	34,014	-
Net balance of deferred outflows/(inflows) of resources		<u>\$ 62,248</u>	<u>\$ -</u>

Payables to the pension plans

At June 30, 2022, the District reported a payable of \$15,332 and \$740 for the outstanding amount of contributions due to SCRS and PORS, respectively. The liabilities will be paid in the normal course of paying year-end obligations.

Note 9. Other Post-Employment Benefit Plan

General information

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

Non-spouse dependent would pay full premium. Surviving spouse of a deceased retiree could continue coverage for life by paying the full premium.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

Plan description (continued)

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, 2022, were \$12,034.

Actuarial Assumptions and Methods

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

Actuarial Cost Method:	Entry age normal cost method
Discount Rate:	4.09% based on S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2022.
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-2021 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.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Actuarial Assumptions and Methods (continued)

Healthcare Trend Rates: 6.5% in 2022 through 2024. Rates gradually decrease from 5.5% in 2024 to 3.9% 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 2.18% as of June 30, 2021 to 4.09% as of June 30, 2022.

Changes in Total OPEB Liability

	Governmental Activities	Business Type Activities	Total
Balance at July 1, 2021	\$ 67,779	\$ 406,671	\$ 474,450
Changes for the year			
Service cost	3,486	20,919	24,405
Interest on total OPEB liability	1,533	9,200	10,733
Changes of benefit terms	-	-	-
Experience changes	-	-	-
Assumption changes	(11,916)	(71,494)	(83,410)
Benefit payments	(1,719)	(10,315)	(12,034)
Net change in total OPEB liability	(8,616)	(51,690)	(60,306)
Net liability for OPEB, end of year	\$ 59,163	\$ 354,981	\$ 414,144

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the plan's total OPEB liability, calculated using a discount rate of 4.09%, 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:

	1% Decrease 3.09%	Current Discount Rate Assumption 4.09%	1% Increase 5.09%
Governmental Activities	\$ 65,133	\$ 59,163	\$ 53,917
Business-Type Activities	390,800	354,981	323,503
	\$ 455,933	\$ 414,144	\$ 377,420

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 9. 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	\$ 55,710	\$ 59,163	\$ 63,119
Business Type Activities	334,263	354,981	378,711
	<u>\$ 389,973</u>	<u>\$ 414,144</u>	<u>\$ 441,830</u>

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

For the year ended June 30, 2022, the District recognized OPEB expense from governmental activities of \$(8,734) and from business-type activities of \$30,872.

At June 30, 2022, the District reported deferred outflows for employer contributions subsequent to the measurement date of \$563 and \$3,376 in the governmental activities and business type activities, respectively.

	Governmental 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	\$ 563	\$ -	\$ 3,376	\$ -
Experience changes	-	(8,478)	-	(50,868)
Assumption changes	7,251	(10,725)	43,510	(64,347)
	7,251	(19,203)	43,510	(115,215)
Grand total	<u>\$ 7,814</u>	<u>\$ (19,203)</u>	<u>\$ 46,886</u>	<u>\$ (115,215)</u>

Measurement Period Ending	Fiscal Year Ending	Governmental Activities	Business-Type Activities
June 30, 2022	June 30, 2023	\$ (1,346)	\$ (8,068)
June 30, 2023	June 30, 2024	(1,346)	(8,068)
June 30, 2024	June 30, 2025	(1,346)	(8,068)
June 30, 2025	June 30, 2026	(1,346)	(8,068)
June 30, 2026	June 30, 2027	(1,346)	(8,068)
	Thereafter	<u>(5,222)</u>	<u>(31,365)</u>
	Net balance of deferred outflows/(inflows) of resources	<u>\$ (11,952)</u>	<u>\$ (71,705)</u>

FRIPP ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 10. Commitments and Contingencies

The District is obligated under contract, to purchase water from the Beaufort-Jasper Water and Sewer Authority (BJWSA) of Beaufort, South Carolina, at the lowest wholesale rate provided to similar customers. Amounts paid to BJWSA totaled \$522,958 for the year ended June 30, 2022.

Note 11. Deferred Compensation Plan

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

Note 12. Pending GASB Pronouncements

GASB Statement No. 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.

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.

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.

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

GASB Statement No. 99, Omnibus 2022, the objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 12. Pending GASB Pronouncements (Continued)

- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that are effective as follows:

- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The District will implement the new guidance with the 2023 financial statements.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The District will implement the new guidance with the 2024 financial statements.

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

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

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

FRIPP ISLAND PUBLIC SERVICE DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

Note 13. 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 14. Subsequent Events

In July, the Commission approved the expenditure of \$85,500 for updating a 2017 bridge replacement cost estimate and engineering fees for the partial design of recommended bridge repairs. These expenditures will be paid from remaining 2019 bond proceeds approved by referendum in 2019 for bridge repairs.

In July, the Commission approved the expenditure of \$13,630 outside of the approved budget for professional consultant services to prepare a grant application for submission to the SC Infrastructure Investment Program. This expense is to be paid from water and sewer contingency funds as the grant is intended to cover the cost of repairs to the bridge as the main conveyance of water to the District.

In October, the Commission approved the expenditure of \$60,000 for engineer-recommended repairs to an erosion control structure. This expenditure will be paid from remaining 2017 bond proceeds approved by referendum in 2019 for revetment repairs.

The district evaluated subsequent events through November 2, 2022, 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, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 569,374	\$ 569,370	\$ 591,710	\$ 22,340
Assessments	3,000	3,000	8,100	5,100
Revenue from use of money and property	-	-	1,033	1,033
Donations	1,100	1,100	1,100	-
Total revenues	<u>573,474</u>	<u>573,470</u>	<u>601,943</u>	<u>28,473</u>
Expenditures				
Current				
Public safety	648,930	648,930	594,591	(54,339)
Capital outlay	11,000	11,000	1,801	(9,199)
Total expenditures	<u>659,930</u>	<u>659,930</u>	<u>596,392</u>	<u>(63,538)</u>
Other financing sources (uses)				
Transfers in	-	-	6,557	6,557
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,557</u>	<u>6,557</u>
Net change in fund balance	<u>\$ (86,456)</u>	<u>\$ (86,460)</u>	12,108	<u>\$ 98,568</u>
Fund balance at beginning of year			<u>468,389</u>	
Fund balance at end of year			<u>\$ 480,497</u>	

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

YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes	\$ 198,360	\$ 198,360	\$ 210,380	\$ 12,020
Revenue from use of money and property	3,840	3,840	(12,364)	(16,204)
Lease revenue	18,570	18,570	18,576	6
Total revenues	<u>220,770</u>	<u>220,770</u>	<u>216,592</u>	<u>(4,178)</u>
Expenditures				
Current				
Public service	193,380	193,380	209,834	16,454
Total expenditures	<u>193,380</u>	<u>193,380</u>	<u>209,834</u>	<u>16,454</u>
Net change in fund balance	<u>\$ 27,390</u>	<u>\$ 27,390</u>	6,758	<u>\$ (20,632)</u>
Fund balance at beginning of year			<u>730,787</u>	
Fund balance at end of year			<u>\$ 737,545</u>	

FRIPP ISLAND PUBLIC SERVICE DISTRICT

JUNE 30, 2022

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, 2022

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
2021	2022	0.00565%	\$ 1,223,142	\$ 688,217	178%	60.70%
2020	2021	0.00571%	\$ 1,459,549	\$ 637,265	229%	50.70%
2019	2020	0.00605%	\$ 1,380,652	\$ 633,914	218%	54.40%
2018	2019	0.00568%	\$ 1,272,524	\$ 585,892	217%	54.10%
2017	2018	0.00622%	\$ 1,400,897	\$ 631,181	222%	53.30%
2016	2017	0.00709%	\$ 1,514,627	\$ 686,669	221%	52.90%
2015	2016	0.00728%	\$ 1,380,118	\$ 682,315	202%	57.00%
2014	2015	0.00715%	\$ 1,230,476	\$ 648,889	190%	59.92%

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

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

Note: The District implemented GASB 68 during fiscal year 2015; therefore, only the last eight 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, 2022

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
LAST NINE 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
2022	\$ 113,969	\$ 113,969	\$ -	\$ 688,217	16.56%
2021	\$ 99,412	\$ 99,412	\$ -	\$ 638,895	15.56%
2020	\$ 99,159	\$ 99,159	\$ -	\$ 637,265	15.56%
2019	\$ 88,489	\$ 88,489	\$ -	\$ 633,914	13.96%
2018	\$ 75,781	\$ 75,781	\$ -	\$ 585,892	12.93%
2017	\$ 79,761	\$ 79,761	\$ -	\$ 631,181	12.64%
2016	\$ 92,132	\$ 92,132	\$ -	\$ 686,669	13.42%
2015	\$ 74,916	\$ 74,916	\$ -	\$ 682,314	10.98%
2014	\$ 74,382	\$ 74,382	\$ -	\$ 648,889	11.46%

SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM
LAST NINE 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
2022	\$ 5,092	\$ 5,092	\$ -	\$ 26,467	19.24%
2021	\$ 5,297	\$ 5,297	\$ -	\$ 29,038	18.24%
2020	\$ 3,522	\$ 3,522	\$ -	\$ 19,311	18.24%
2019	\$ 2,430	\$ 2,430	\$ -	\$ 14,096	17.24%
2018	\$ 3,210	\$ 3,210	\$ -	\$ 19,765	16.24%
2017	\$ 2,104	\$ 2,104	\$ -	\$ 14,773	14.24%
2016	\$ 3,156	\$ 3,156	\$ -	\$ 22,967	13.74%
2015	\$ 3,376	\$ 3,376	\$ -	\$ 25,176	13.41%
2014	\$ 2,987	\$ 2,987	\$ -	\$ 23,261	12.84%

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

FRIPP ISLAND PUBLIC SERVICE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICERS RETIREMENT SYSTEM
JUNE 30, 2022

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, 2021, the most recent measurement date.

	SCRS	PORS
Valuation date	07/01/20	07/01/20
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	level percent of pay	level percent of pay
Amortization period	28 years maximum, closed period	28 years maximum, closed period
Asset Valuation method	5-Year Smoothed	5-Year Smoothed
Actuarial assumptions		
Inflation rate	2.25%	2.25%
Projected salary increases	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Investment rate of return	7.00%	7.00%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

B. Contribution Rates

The actual contribution rates and the actuarially determined contribution rates for the SCRS and PORS 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, 2022

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

Note: The District implemented GASB 75 during fiscal year 2019; therefore, only four 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, 2022**

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 2022. The discount rate increased from 2.18% to 4.09%.

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, 2021, rolled forward to June 30, 2022, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Actuarial Cost Method:	Entry age normal cost method
Discount Rate:	4.09% based on S&P Municipal Bond 20-Year High Grade Rate Index at June 30, 2022.
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-2021 to reflect mortality improvement. Retirees: 2016 Public Retirees of South Carolina Mortality Table Incorporated into the table are rates projected from 2021 by Scale AA to reflect mortality improvement.
Healthcare Trend Rates:	6.5% in 2022 through 2024. Rates gradually decrease from 5.5% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Participation Rates:	100% of eligible employees are assumed to elect coverage.
Expenses:	Administrative expenses related to the health care benefits are included in the age adjusted claims costs.

GOVERNMENT AUDITING STANDARDS REPORT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Fripp Island Public Service District, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 2022.

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 2022-001.

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 cursive script.

Charleston, South Carolina
November 2, 2022

FRIPP ISLAND PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022

Ref #	Department/ Program/ Grant	Finding/Noncompliance
2022-001	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>