

**FRIPP ISLAND  
PUBLIC SERVICE DISTRICT**

Financial Statements  
and Accompanying Information  
for the year ended June 30, 2018

# FRIPP ISLAND PUBLIC SERVICE DISTRICT

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Report of Independent Auditor

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

**Report on Financial Statements**

We have audited the accompanying financial statements of Fripp Island Public Service District as of and for the year ended June 30, 2018, as listed in the table of contents, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fripp Island Public Service District as of the year ended June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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#### **Report on Required Supplementary Information**

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

#### **Report on Other Supplementary Information**

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

*Webster Rogers, LLP*

**FRIPP ISLAND PUBLIC SERVICE DISTRICT****Management's Discussion and Analysis****Introduction**

The Commission, management and staff of the Fripp Island Public Service District (the District) are pleased to present the audited, annual financial report for the fiscal year ended June 30, 2018. The report complies with the Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments" (GASB 34).

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

**Organization**

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

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

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

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

**Administration**

Administrative services for all departments are provided by the District manager, the District manager's assistant, and, new in 2018, a part-time clerical assistant. The manager, who answers directly to the Commission, serves as the chief operating officer of the District and is responsible for the overall operation and supervision of all District activities. The manager is responsible for carrying out the policies and mandates of the Commission and ensuring that the District complies with Federal and State laws.

The manager's assistant serves as the human resources officer and performs all accounting functions necessary to support the various departments, such as payroll and accounts payable. Additionally, the manager's assistant is responsible for utility billing and provides customer service for the water and wastewater department. The part-time clerical assistant performs utility billing customer service tasks and minor bookkeeping operations, while also functioning as additional support for the District manager and the manager's assistant.

**Water and Wastewater**

The District purchases drinking water from the Beaufort Jasper Water and Sewer Authority for resale to its customers located on and off Fripp Island. As of June 30, 2018, the District had 1,604 retail water accounts and one wholesale water customer: Hunting Island State Park. The District's water transmission/distribution system begins on St. Helena Island at the Harbor River and terminates on Fripp Island. To provide a reliable supply of water for potable use and fire protection, the District also operates and maintains two water pumping stations and three elevated storage tanks.

The wastewater collection system consists of gravity sewer lines, sewer force mains, fourteen lift stations, and a vacuum sewer station and collection system. Of the current 1,538 residential and commercial wastewater accounts, 559 are customers served by the vacuum sewer system. The collection system conveys the wastewater to a reclaimed water treatment plant capable of handling 750,000 gallons of wastewater per day at build-out. The reclaimed water is used to irrigate the Ocean Point Golf Course on Fripp Island.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

### Management's Discussion and Analysis (continued)

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

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

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

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

#### Fire Department

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

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

#### Erosion and Bridge

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

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

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

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

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

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

# FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis (continued)

In May 2009, a directional boring contractor installing a six-inch steel casing for the local telephone company struck and broke the subaqueous line in multiple locations. Temporary repairs to the subaqueous line were completed in June 2009. Based on the District's consulting engineer's recommendation and assurances from the SC Department of Transportation that there were no plans to replace the bridge across the Harbor River within the next 20-30 years, the Commission approved replacement of the subaqueous portion of the waterline, and construction of the new waterline was completed in June 2011 for an actual cost of \$472,207.

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

In October 2013 the District learned from an independent engineering firm that the South Carolina Department of Transportation planned to begin construction to replace the Harbor River Bridge in 2017. When contacted by the District, the SCDOT confirmed its plans to replace the bridge beginning in 2017-18. As a result, the waterline that was constructed in 2011, due to damage incurred in 2009, will have to be replaced in or about 2018. The preliminary estimated cost to replace the waterline in its entirety was \$1,320,000. In March 2016, the District obtained updated waterline replacement cost estimates ranging from \$1,700,000 to \$3,100,000, depending on the new bridge placement and method of construction of the waterline. In April 2017, the District refined the cost estimate to \$3,200,000 for construction of the waterline, including engineering fees and estimated legal fees associated with issuing bond debt. In January 2018, following discussion and negotiations with the South Carolina Department of Transportation, the District executed a Memorandum of Agreement with the SCDOT whereby the SCDOT agreed to reimburse the District for costs to replace the waterline up to a maximum of \$550,000.

### Major Initiatives and Events – Hurricane Matthew Expenses & Extraordinary Income

In October 2016, Hurricane Matthew struck the barrier islands of Georgia and South Carolina as a Category 1 hurricane. The District incurred hurricane-related damages to the District-owned Fripp Inlet revetment, several sewer lift stations, water booster pump stations, wastewater treatment plant controls, the spillway protecting the water line crossing the marsh at Blue Heron Lake, and one of the timber pile dolphins protecting the bridge bents at the navigable channel under the Fripp Inlet Bridge was washed away during the storm surge.

Expenses associated with recovery from Hurricane Matthew were paid during the fiscal years ending June 30, 2017 and June 30, 2018. Capital expenditures of \$25,000 for the replacement of the missing bridge dolphin and \$1,291,177 for the rebuilding of the Fripp Inlet revetment were also incurred during fiscal years 2017 and 2018. The following tables illustrate the expenditures during each fiscal year:

Expenditures during the fiscal year ending June 30, 2017:

	Fire Department	Erosion and Bridge	Water and Sewer	Total
Evacuation & recovery administrative	\$ 558	\$ -	\$ 5,577	\$ 6,135
Emergency inspections	-	17,542	4,260	21,802
Emergency repairs & operations	981	86,468	72,592	160,041
Capital expenditures	-	154,126	-	154,126
Total paid for Hurricane Matthew	\$ 1,539	\$ 258,136	\$ 82,429	\$ 342,104

Expenditures during the fiscal year ending June 30, 2018:

	Fire Department	Erosion and Bridge	Water and Sewer	Total
Evacuation & recovery administrative	\$ -	\$ -	\$ -	\$ -
Emergency inspections	-	-	-	-
Emergency repairs & operations	-	-	800	800
Capital expenditures	-	1,162,051	-	1,162,051
Total paid for Hurricane Matthew	\$ -	\$ 1,162,051	\$ 800	\$ 1,162,851

Additional expenditures associated with completion of the Fripp Inlet revetment are anticipated during the fiscal year ending June 30, 2019.

Following Hurricane Matthew, the District's Commission authorized application to the Federal Emergency Management Agency (FEMA) for reimbursement of expenses from FEMA's Public Assistance grant program. Insurance claims were filed with the State Insurance Reserve Fund for all insured property that sustained damages. The FEMA grants and approved insurance claims generated income received during the fiscal years ending June 30, 2017 and June 30, 2018. The following tables illustrate the income received during each fiscal year.

# FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis (continued)

Income received during the fiscal year ending June 30, 2017:

	Fire Department	Erosion and Bridge	Water and Sewer	Total
FEMA Public Assistance funds	\$ -	\$ 59,831	\$ -	\$ 59,831
FEMA Public Assistance funds	-	15,000	24,280	39,280
Total hurricane-related income	\$ -	\$ 74,831	\$ 24,280	\$ 99,111

Income received during the fiscal year ending June 30, 2018:

	Fire Department	Erosion and Bridge	Water and Sewer	Total
FEMA Public Assistance funds	\$ 3,245	\$ 29,943	\$ 9,762	\$ 42,950
FEMA Public Assistance funds	-	-	-	-
Total hurricane-related income	\$ 3,245	\$ 29,943	\$ 9,762	\$ 42,950

Additional income from FEMA Public Assistance is expected during the fiscal year ending June 30, 2019.

### Major Initiatives and Events – Tropical Storm Irma Expenses

In September 2017, Tropical Storm Irma caused area-wide flooding and related damage. The District incurred the following expenses related to evacuation response, recovery efforts and property damage.

	Fire Department	Erosion and Bridge	Water and Sewer	Total
Evacuation & recovery administrative	\$ -	\$ -	\$ 339	\$ 339
Emergency bridge inspection	-	7,260	-	7,260
Emergency repairs & operations	-	5,994	10,744	16,738
Total paid for Hurricane Matthew	\$ -	\$ 13,254	\$ 11,083	\$ 24,337

Approximately \$10,000 of the total expenditures incurred was ineligible for reimbursement under FEMA's Public Assistance grants program and none of the damages were to insured property. Due to the administrative expense involved in the FEMA grant application process, the decision was made to fund all Irma-related expenses from available funds.

### Major Initiatives and Events – General Obligation Bond Debt

In April 2017, in anticipation of the need to replace the District's water transmission main across the Harbor River and repairs to the Fripp Inlet revetment, the Commission approved incurring up to \$5,500,000 in general obligation debt and petitioned Beaufort County Council to authorize the issuance of \$5,500,000 in general obligation bonds, contingent upon the passage of a referendum by voters within the District. In June 2017, Beaufort County Council authorized the bonds and ordered a referendum to be held in the District in August 2017. The referendum passed with 95% of voters approving the measure.

In September 2017, based on the estimated cost of the repairs to the Fripp Inlet revetment, the District solicited requests for proposals from banks with respect to a \$2,300,000 general obligation bond. Branch Bank & Trust proposed the most advantageous terms for the District and the closing took place on October 18, 2018. The bond issue carries a fixed interest rate of 2.58% for fifteen years, with no pre-payment penalty for a one-time partial pre-payment of the bond with FEMA funds. The first biannual debt service payment was made on March 1, 2018, using available funds in the District's debt service account held by the Beaufort County Treasurer.

In May 2018, the District applied to the South Carolina Rural Infrastructure Authority State Revolving Fund for a general obligation bond loan in the amount of \$3,200,000 to cover the cost of the replacement of its waterline along US Highway 21 in conjunction with the SC Department of Transportation's Harbor River Bridge replacement project. Based on the final construction contract price, the District's SRF loan application was approved in the amount of \$3,199,654, including engineering, legal fees and construction contingencies. The loan carries a fixed interest rate of 2.1% for 20 years, with no pre-payment penalty.

Beginning in the fiscal year ending June 30, 2019, millage will be imposed on property owners in the District to cover annual debt service payments for both general obligation bond issues.



# FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis (continued)

### Major Initiatives and Events – Fripp Inlet Revetment Repair

Based on the post-Matthew survey of the Fripp Inlet revetment, the repair/rebuild project was initially projected to cost \$2,300,000. During a post-Irma survey of the revetment, an error in the modeling used for the post-Matthew survey was discovered. The revetment repair plans were revised based on corrected modeling, and the anticipated cost amended to \$1,500,000. The project was advertised for bid in December 2017 and the contract awarded to the low bidder in January 2018 at a base bid price of \$789,000. Construction began in February 2018. In March 2018, the Commission approved an additional 2,000 tons of quarried armor stone for the project in order to return the revetment to pre-hurricane condition. Construction was completed in April 2018 at a final cost of \$1,065,200. Overall project cost, including legal and engineering fees, totaled \$1,291,200. Additional expenditures are anticipated in the fiscal year ending June 30, 2019 to complete a small section of the revetment at the northern curve of Porpoise Drive and to assist the Fripp Island Property Owners Association with repairing road damage caused by the District's revetment contractor.

### Major Initiatives and Events – Harbor River Waterline Replacement

In October 2017, the District's engineers began the design and engineering of the replacement of the waterline located within the footprint of the SC Department of Transportation's Harbor River Bridge replacement project. The District applied to the South Carolina Rural Infrastructure Authority State Revolving Fund for a general obligation bond loan to cover the cost of the project. The project was advertised for bid on May 1, 2018 and bid opening occurred on June 15, 2018. The low bid received was \$2,695,294 and the contract was awarded to the low bidder in June 2018. The District's SRF loan application was approved in the amount of \$3,199,654, including engineering, legal fees and construction contingencies. Completion of the project is anticipated during the fiscal year ending June 30, 2019.

### Major Initiatives and Events – Unrealized Investment Losses

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

Due to improvements in market volatility and an increase in capital gains experienced in fiscal year 2016, the District increased investments for fiscal year 2017 by \$299,102. On June 30, 2017, the investments held by the District totaled \$3,543,616 based on cost. For the year, the District showed an unrealized loss of \$42,993, reducing its investments to a fair market value of \$3,500,623.

Redemption of securities during fiscal year 2018 resulted in a decrease of \$48,819 in investments and an increase in unrealized losses further decreased the fair market value of the District's investments. On June 30, 2018, the investments held by the District totaled \$3,494,797 based on cost. For the year, the District showed an unrealized loss of \$139,800 decreasing its investments to a fair market value of \$3,354,997.

Because the District intends to hold the securities until maturity, a realized loss is not anticipated. A comparison of the District's investments as of June 30, 2018 and 2017 are as follows:

Investments	June 30, 2018	Increase (Decrease)	June 30, 2017
At cost	\$ 3,494,797	\$ (48,819)	\$ 3,543,616
Capital gain (loss)	(139,800)	(96,807)	(42,993)
Fair market value	<u>\$ 3,354,997</u>	<u>\$ (145,626)</u>	<u>\$ 3,500,623</u>

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis (continued)

Financial Overview

The management's discussion and analysis, which follows, serves as an introduction to the audited financial statements of the District for the fiscal year ending June 30, 2018 and should be read in conjunction with the audited financial statements, data and notes presented in this report.

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

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

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

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

Financial Position (Statement of Net Assets)

The District's financial position continues to be strong with adequate cash and debt service coverage. Total net assets of \$12,627,923 as of June 30, 2018 increased \$340,256 (2.8%) compared to an increase of \$197,743 (1.6%) in the previous fiscal year. (Total net assets in the previous fiscal year were positively influenced by increased income from effluent treatment, decreased legal and personnel expenses and pension liability reporting requirements.) Increased investments in erosion control structures and bridges contributed to the fiscal year 2018 increase in total net assets. Of the total amount, \$5,676,986 is unrestricted and available to support current operations; \$1,343,889 is restricted for the payment of debt service; and \$5,607,048 represents the depreciated investment in capital assets (net of related debt). The following tables compare the net assets of the current fiscal year and fiscal years 2018 and 2017:

## Comparison of 2018 to 2017:

	June 30, 2018	Increase (Decrease)	June 30, 2017
Net assets			
Unrestricted	\$ 5,676,986	\$ 1,438,066	\$ 4,238,920
Restricted	1,343,889	(68,095)	1,411,984
Capital assets	5,607,048	(1,029,715)	6,636,763
Total net assets	<u>\$ 12,627,923</u>	<u>\$ 340,256</u>	<u>\$ 12,287,667</u>

## Comparison of 2017 to 2016:

	June 30, 2017	Increase (Decrease)	June 30, 2016
Net assets			
Unrestricted	\$ 4,238,920	\$ 109,950	\$ 4,128,970
Restricted	1,411,984	101,648	1,310,336
Capital assets	6,636,763	(13,855)	6,650,618
Total net assets	<u>\$ 12,287,667</u>	<u>\$ 197,743</u>	<u>\$ 12,089,924</u>

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis (continued)

The unrestricted net assets as of June 30, 2018 by department consist of the following:

	Fire Department	Erosion and Bridge	Water and Sewer	Totals
Cash for operations	\$ 85,254	\$ 259,410	\$ 461,882	\$ 806,546
Cash for system improvements	-	1,008,848	1,784,429	2,793,277
Total cash	85,254	1,268,258	2,246,311	3,599,823
Cash due from Beaufort County	347,960	97,096	-	445,056
Available cash	433,214	1,365,354	2,246,311	4,044,879
Certificates of deposit at cost	-	350,199	2,490,799	2,840,998
Unrealized gains (losses)	-	(11,387)	(90,546)	(101,933)
Certificates of deposit at fair value	-	338,812	2,400,253	2,739,065
Total unrestricted funds	433,214	1,704,166	4,646,564	6,783,944
Accounts receivable	1,800	102	439,582	441,484
Inventory	-	-	21,950	21,950
Prepaid expenses	-	-	25,135	25,135
Deferred pension outflows	146,066	-	145,249	291,315
Accounts payable	(25,470)	(2,728)	(165,136)	(193,334)
Bonds payable	-	(2,243,000)	-	(2,243,000)
Net pension liability	(720,722)	-	(716,693)	(1,437,415)
Deferred pension inflows	(116,728)	-	(116,076)	(232,804)
Unrestricted net assets	\$ (281,840)	\$ (541,460)	\$ 4,280,575	\$ 3,457,275
Unrestricted net assets not adjusted for pension liabilities	\$ 409,544	\$ (541,460)	\$ 4,968,095	\$ 4,836,179

A comparison of the unrestricted net assets by department as of June 30, 2018 and 2017 are as follows:

	Fire Department	Erosion and Bridge	Water and Sewer	Totals
Unrestricted net assets at June 30, 2017	\$ (371,943)	\$ 628,007	\$ 3,982,856	\$ 4,238,920
Increase (decrease)	90,103	(1,169,467)	297,719	(781,645)
Unrestricted net assets at June 30, 2018	\$ (281,840)	\$ (541,460)	\$ 4,280,575	\$ 3,457,275

For fiscal year 2018, the unrestricted net assets for the fire department increased due to a decrease in pension liability and additional revenue from taxes imposed to establish a reserve.

The decrease in unrestricted net assets for the erosion and bridge department in fiscal year 2018 was the result of increased debt for erosion control structures and an increase in unrealized losses on securities.

For the water and wastewater department, increases in available cash and investments were partially offset by increases in unrealized losses on securities and pension liability, resulting in an overall increase in unrestricted net assets for fiscal year 2018.

The restricted net assets available for debt service as of June 30, 2018 are as follows:

	Debt Service	Water and Sewer	Totals
Cash for debt service	\$ -	\$ 57,551	\$ 57,551
Due from Beaufort County	296,700	350,417	647,117
Total restricted cash	296,700	407,968	704,668
Certificates of deposit at cost	-	677,088	677,088
Unrealized gains	-	(37,867)	(37,867)
Certificates of deposit at fair value	-	639,221	639,221
Total restricted funds and net assets	\$ 296,700	\$ 1,047,189	\$ 1,343,889

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis (continued)

A comparison of the restricted net assets available for debt service as of June 30, 2018 and 2017 are as follows:

	Debt Service	Water and Sewer	Totals
Restricted net assets at June 30, 2017	\$ 364,066	\$ 1,047,918	\$ 1,411,984
Increase (decrease)	(67,366)	(729)	(68,095)
Restricted net assets at June 30, 2018	<u>\$ 296,700</u>	<u>\$ 1,047,189</u>	<u>\$ 1,343,889</u>

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

Due to the timing of the referendum for the general obligation bond issue to fund the revetment repairs, taxes were not collected in fiscal year 2018 for payment of the revetment general obligation bond. The first biannual debt service payment became due and payable during the year, decreasing restricted net assets for the debt service fund in fiscal year 2018.

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

Interest income and tax penalties collected combined to partially offset an increase in unrealized losses on securities, resulting in a small decrease in the water and sewer department's restricted net assets.

The investment in capital assets, net of related debt, as of June 30, 2018 is itemized by department as follows:

	Fire Department	Erosion and Bridge	Water and Sewer	Totals
Capital assets at June 30, 2017	\$ 1,569,630	\$ 4,506,818	\$ 19,748,624	\$ 25,825,072
Accumulated depreciation at June 30, 2017	(983,206)	(3,448,825)	(7,107,876)	(11,539,907)
Asset additions (deletions).net	39,445	25,000	31,944	96,389
Construction in progress	-	1,137,051	203,840	1,340,891
Depreciation for the year ending June 30, 2018	(34,306)	(257,037)	(565,772)	(857,115)
Net capital assets at June 30, 2018	591,563	1,963,007	12,310,760	14,865,330
Unamortized debt costs	-	-	146,481	146,481
Bonds payable	-	(2,243,000)	(7,161,763)	(9,404,763)
Capital assets net of debt	<u>\$ 591,563</u>	<u>\$ (279,993)</u>	<u>\$ 5,295,478</u>	<u>\$ 5,607,048</u>

A comparison of the investment in capital assets, net of related debt as of June 30, 2018 and 2017 are as follows:

	Fire Department	Erosion and Bridge	Water and Sewer	Totals
Capital assets, net of related debt at June 30, 2017	\$ 586,424	\$ 1,057,993	\$ 4,992,346	\$ 6,636,763
Increase (decrease)	5,139	(1,337,986)	303,132	(1,029,715)
Capital assets, net of related debt at June 30, 2018	<u>\$ 591,563</u>	<u>\$ (279,993)</u>	<u>\$ 5,295,478</u>	<u>\$ 5,607,048</u>

Construction in progress during the year, a component of the investment in capital assets, totaled \$1,340,891 and was comprised of legal, engineering, consulting and construction fees for repair of erosion control structures (\$1,137,051) and the replacement of water system infrastructure (\$203,840). Expenditures for repair of erosion control structures were paid from proceeds of the revetment general obligation bond issue. Expenditures for replacement of water system infrastructure were paid from available funds but are anticipated to be reimbursed from a loan issued by the State Revolving Fund in fiscal year 2019.

Asset additions for the Fire Department were partially offset by depreciation, resulting in a 0.8% increase in net capital assets. Notwithstanding \$1,162,051 in asset additions and capital improvements, the net capital investment for the Erosion and Bridge Department decreased by 126% from the prior fiscal year due to new long-term debt related to erosion control structures. For the Water and Sewer Department, asset additions and payment of outstanding debt combined to offset depreciation and resulted in a net increase of 6.1% in capital investments.

# FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis (continued)

### Accounts Receivable

As of June 30, 2018, accounts receivable by department consisted of the following items:

	Fire Department	Erosion and Bridge	Water and Sewer	Totals
Utility billing for water and sewer service	\$ -	\$ -	\$ 421,149	\$ 421,149
Casual sales and reimbursable repairs	-	102	18,433	18,535
Inter-fund interest transfers and payments	1,800	-	-	1,800
	<u>\$ 1,800</u>	<u>\$ 102</u>	<u>\$ 439,582</u>	<u>\$ 441,484</u>

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

### Accounts Payable

As of June 30, 2018, accounts payable by department consisted of the following items:

	Fire Department	Erosion and Bridge	Water and Sewer	Totals
Vendors payable normal and recurring	\$ 9,778	\$ 4,320	\$ 84,499	\$ 98,597
Wholesale water purchases BJW&SA	-	-	55,608	55,608
Accrued employee expenses	15,692	-	22,550	38,242
Inter-fund interest transfers and payments	-	(1,592)	2,479	887
Totals	<u>\$ 25,470</u>	<u>\$ 2,728</u>	<u>\$ 165,136</u>	<u>\$ 193,334</u>

Accrued employee expenses include \$18,496 in accrued salaries, \$15,624 in accrued vacation, and \$4,122 in employment tax and retirement liabilities. Because the employees of the District participate in the South Carolina State Employee's Retirement System, the District does not have to maintain a pension plan liability reserve.

### Debt and Debt Service Coverage

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

As of July 1, 2017, the District had \$7,809,950 in outstanding long-term debt: \$3,933,770 for the wastewater treatment plant and \$3,876,180 for the vacuum sewer system. During the fiscal year ending June 30, 2018, the District issued general obligation bonds in the amount of \$2,300,000 for the repair of the Porpoise Drive revetment damaged by Hurricane Matthew in 2016. Debt principal payments for the year totaled \$705,187: \$359,668 for the wastewater treatment plant general obligation bonds (\$42,973 for the series 2014 wastewater treatment plant improvements bond issue, \$316,695 for the 2005 wastewater treatment plant note payable), \$288,519 for the vacuum sewer system series 2013 refunding revenue bond, and \$57,000 for the series 2017 revetment bond issue.

The general obligation debt is paid by taxes collected by the Beaufort County Treasurer, who acts as the trustee for the debt. For fiscal year 2018, the Beaufort County Treasurer collected \$454,488 in taxes, penalties and interest to pay the District's general obligation debt. The taxes levied for payment of the annual debt service of the District's outstanding general obligation bond debt totaled 9.51 mills, which was increased from 9.34 mills the previous year due to a change in the value of a mill. At the end of the year, the treasurer's debt service account had available funds totaling \$296,700 for payment of the outstanding general obligation debt.

The Beaufort County Treasurer also collected \$370,299 in special assessments and \$3,403 in penalties and interest to pay the revenue bond debt for the vacuum sewer project. Assessments collected as of June 30, 2018 were \$3,309 more than the \$366,990 budgeted projection. At the end of the year, funds held by the Beaufort County Treasurer and Bond Trustee for the payment of revenue bond debt totaled \$350,417.

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

The District's Bond Resolutions, which govern the issuance of revenue bonds for the water and wastewater system, require that the combined annual net earnings of the water and wastewater systems, at all times, equal one hundred twenty percent (120%) of the annual debt service payments for all outstanding revenue bonds. For fiscal year 2018, actual net earnings equaled one hundred seventy-five percent (176%) of the annual debt service. The budgeted projection of net earnings to debt service was one hundred sixty-five percent (159%).

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis (continued)

As of June 30, 2018, the outstanding long-term debt for the District totaled \$9,404,763: \$3,587,661 in revenue bond debt for the vacuum sewer system and \$5,817,102 in general obligation bond debt for the wastewater treatment plant and revetment. The general obligation bond debt includes \$2,710,887 for the 2005 wastewater treatment plant general obligation bond, \$863,215 for the 2014 wastewater treatment plant improvements general obligation bond, and \$2,243,000 for the 2017 revetment general obligation bond.

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

The water and wastewater department's gross profit from operations (operating revenues less the cost of water purchased) decreased from prior year earnings by 1.2% (\$22,121): \$1,830,057 versus \$1,852,178 in the prior year. Compared to budgeted projections of \$1,767,090, gross profit for the year showed a favorable variance of 3.6% (\$62,967). The favorable budget comparison resulted from water and sewer sales and tap fees that were higher than expected and extraordinary income generated by FEMA reimbursements related to Hurricane Matthew.

Water and sewer rates were increased for fiscal year 2018, with the flat sewer rate and the base water rate increasing by \$1/quarter and \$0.50/quarter, respectively. The volumetric water rates were also increased by \$0.15/1,000 gallons to absorb an increase of \$0.08/1,000 gallons in the wholesale water rate and to provide for anticipated decreases in water usage during the year. As a result, water use revenues and sewer use revenues increased from prior year earnings by \$41,530 (4.7%) and \$13,734 (2.0%), respectively. Combined water and sewer use revenues exceeded budgeted projections by \$60,622 (3.9%). Collection of vacuum sewer assessments by the Beaufort County Treasurer increased by \$3,601 compared to the prior year, and exceeded budgeted projections by \$3,309 (0.9%).

Income for cellular telephone tower leases decreased by \$33,097 (12.5%) from the prior year and met budget projections

"Other" revenues, including penalties, tap fees and charges to Harbor Island Utilities, Inc. for potable water transmission and effluent disposal, decreased by \$9,853 (17.1%) compared to the prior year. Compared to budgeted projections, "other" revenues had a favorable variance of 28.3%: \$47,876 actual vs. \$37,310 budget.

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

	Fiscal Year		Increase (Decrease)
	2018	2017	
Gallons of water purchased (in thousands)	158,198	157,087	1,111
Gallons of water sold (in thousands)	152,993	150,580	2,413
Water gained (lost)	(5,205)	(6,507)	1,302
Water accountability percentage	97	96	1
Water accounts	1,605	1,601	4
Sewer accounts	1,538	1,533	5
Operating revenues:			
Water sold	\$ 921,970	\$ 880,440	\$ 41,530
Sewer use	690,572	676,838	13,734
Vacuum sewer assessment	370,299	366,698	3,601
Cellular tower leases	230,950	264,047	(33,097)
Extraordinary income	9,762	24,280	(14,518)
Other	47,876	57,729	(9,853)
Total operating revenues	2,271,429	2,270,032	1,397
Less water purchased	441,372	417,854	23,518
Gross profit before expenses	\$ 1,830,057	\$ 1,852,178	\$ (22,121)
Gross profit less extraordinary income	\$ 1,820,295	\$ 1,827,898	\$ (7,603)

Non-operating income (interest earned) increased by \$6,897 (12.6%) compared to the prior year, due to higher interest rates on investments. Non-operating income exceeded budget projections by \$1,832 (3.1%): \$61,832 actual vs. \$60,000 budget.

Total operating expenses for the current year were under budget by 7.1%: \$913,954 actual vs. \$983,990 budget; and decreased by 2.5% or \$23,901 compared to the prior year. The prior year ended with a favorable variance of 1.5%: \$937,855 actual vs. \$952,020 budget.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis (continued)

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

	Fiscal Year		Increase (Decrease)
	2018	2017	
Actual operating expenses:			
General and administrative	\$ 582,333	\$ 553,736	\$ 28,597
Travel and training	2,611	6,535	(3,924)
Operations	96,687	80,123	16,564
Maintenance	135,926	196,951	(61,025)
Utilities	96,397	100,510	(4,113)
Total operating expenses	913,954	937,855	(23,901)
Budgeted operating expenses:	983,990	952,020	31,970
Less actual operating expenses	913,954	937,855	(23,901)
Favorable (unfavorable) variance	\$ 70,036	\$ 14,165	\$ 55,871

Administrative support provided to the fire department and for erosion and bridge operations reduced general and administrative expenses by \$6,640 in fiscal year 2018 and \$16,690 in fiscal year 2017.

Engineering consulting expenses and legal fees for fiscal year 2018 were \$14,621 (98%) and \$4,157 (55%) lower, respectively, than the projected budget due to the capitalization of costs associated with the District's Harbor River waterline replacement. Bank service charges were \$4,743 (41%) lower than projected budgets, due to an increase in bank account balances related to the 2017 revetment bond proceeds, which offset bank service charges for the District's accounts.

Bond interest expense for fiscal year 2018 decreased from the prior year by \$13,674 and met budget projections.

Compared to the prior year:

- Salaries, including overtime, decreased 2.1% (\$6,664).
- Employee training decreased 30.9% (\$672).
- Insurance premiums decreased 0.6% (\$745): a 7.8% (\$6,752) decrease for employee health coverage and workmen's comp was offset by a 16.9% (\$6,007) increase for property and liability coverage.

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

- Engineering/consulting not for capitalized construction decreased 94% (\$6,140).
- Legal fees increased 113% (\$1,770).
- Miscellaneous expenses decreased 53% (\$5,648).
- Building maintenance expense decreased 63% (\$8,341).
- Commissioner expenses decreased 75% (\$3,252).
- Wastewater treatment chemicals expense decreased 56% (3,610).
- Sludge disposal costs increased 44% (\$18,040).
- Water and sewer tap costs increased 1088% (\$7,657).
- Generator repairs and maintenance decreased 90% (\$22,577).
- Repair/maintenance of water and sewer controls and instruments increased 262% (\$7,105).
- Wastewater treatment costs decreased 53% (\$16,164).
- Water and sewer pumping system repairs increased 159% (\$22,681).
- Repair of water and sewer system lines, force mains and meters decreased 72% (\$60,592).

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis (continued)

The most significant budget variances for expenses during fiscal year 2018 are listed below.

Account	Comments	Actual	Budget	Favorable (Unfavorable) Variance
Bank service charges	Increase balances	\$ 6,817	\$ 11,560	\$ 4,743
Engineering fees	Costs capitalized	379	15,000	14,621
Legal fees	Costs capitalized	3,343	7,500	4,157
Miscellaneous expenses	Evacuation preparation	5,052	2,500	(2,552)
Commissioner expenses	Evacuation preparation	1,105	600	(505)
Seminars & training	Less than anticipated	1,506	5,500	3,994
Chemicals	Less than anticipated	2,817	5,700	2,883
Effluent monitring	Less than anticipated	20,662	28,510	7,848
Tap costs	Increase in new taps	8,361	1,280	(7,081)
Auxillary generator	Less than anticipated	2,587	5,980	3,393
Building and grounds	Less than anticipated	3,484	5,040	1,556
Controls and instruments	VFD repairs	9,821	2,850	(6,971)
Wastewater treatment units	Less than anticipated	14,397	41,840	27,443
Water sewer line repair	Less than anticipated	20,194	31,500	11,306
Water sewer pump systems	Unexpected repairs	36,912	13,000	(23,912)
Water meter repairs	Less than anticipated	2,946	4,000	1,054

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

Section 6-1-320 of the South Carolina Code of Laws limits local governments' ability to increase taxes for operation and maintenance activities. (This requirement does not apply to debt service or taxes imposed to establish a reserve.) Tax increases are restricted to the percentage increase of the consumer price index plus population growth over the prior calendar year. The law allows this limitation to be suspended and taxes increased by a two-thirds vote of the local government's governing body to recover from a natural disaster. To fund operations and maintenance activities in fiscal year 2018, the District was limited to an increase of 0.40 mills (3.13%) over the prior year: 12.86 mills to 13.26 mills, however, the District's Commission voted unanimously to suspend the tax increase limitation and impose additional millage of 1.24 mills to cover the Hurricane Matthew recovery costs which were ineligible for FEMA reimbursement or insurance claims. The Commission also voted to impose additional millage of 1.07 mills to establish an emergency reserve of \$50,000 for the Fire Department. The tax levy for debt service was increased by 0.17 mills to 9.51 mills due to a decrease in the value of a mill.

The following table compares the total tax levy (including general obligation bond debt service) for fiscal year 2018 and fiscal year 2017. The tax levy was based on a tax collection rate of 100%.

	Tax levy		Increase (Decrease)
	Year ending June 30, 10-Jul-05	2017	
Operation and maintenance levy			
Erosion and bridge	1.67	1.14	0.53
Fire department	11.59	11.72	(0.13)
Total operation and maintenance levy	13.26	12.86	0.40
Natural disaster levy			
Erosion and bridge	1.24	0.00	1.24
Reserve levy			
Fire department	1.07	0.00	1.07
Debt service levy			
Wastewater treatment plant	9.51	9.34	0.17
Total debt service levy	9.51	9.34	0.17
Total levy	25.08	22.20	0.57
Value of one mill	\$ 46,573	\$ 47,429	\$ (856)

The actual mill value for fiscal year 2018 was \$46,459. Notwithstanding the erosion in the value of a mill, tax collections exceeded budgeted projections by a combined total of \$16,125 (\$8,697 for erosion and bridge and fire department and \$7,428 for debt service) due to collections of delinquent taxes from the prior year.



## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Management's Discussion and Analysis (continued)

Tax collections for debt service exceeded budget projections by 1.7% or \$7,428. The following table compares the current and prior year tax collections for general obligation bond debt service.

	Fiscal Year		Increase (Decrease)
	2018	2017	
General Obligation Debt Service			
Actual tax collections	\$ 450,388	\$ 442,640	\$ 7,748
Budgeted tax collections	442,960	442,960	-
Favorable (unfavorable) variance	\$ 7,428	\$ (320)	\$ 7,748

Actual tax revenues collected for the fire department and bridge and erosion operations exceeded budget projections by 1.2% or \$8,697. The following table compares the current and prior year tax collections for the fire department and erosion and bridge operations.

	Fiscal Year		Increase (Decrease)
	2018	2017	
Fire Department & Erosion Operations			
Actual tax collections	\$ 734,177	\$ 608,809	\$ 125,368
Budgeted tax collections	725,480	609,938	115,542
Favorable (unfavorable) variance	\$ 8,697	\$ (1,129)	\$ 9,826

Total revenues for the fire department and the erosion and bridge department, which included interest earned, special assessments and miscellaneous income in addition to taxes, showed favorable budget variances of \$16,919 and \$38,724, respectively. The favorable variances were the result of tax penalties collected, interest earned on investments, and FEMA reimbursements.

The District collected a total of \$174,524 for maintaining its erosion control structures and the Fripp Inlet Bridge (\$135,708 in tax revenue, \$8,256 in investment interest, and \$30,560 in miscellaneous income), exceeding the budget projection of \$135,800. Actual expenditures totaled \$233,906 compared to \$213,303 in the prior year. Budget projections for the repair and maintenance of erosion control structures and the Fripp Inlet Bridge was \$176,540. Expenses incurred to maintain the Fripp Inlet Bridge were partially funded by the amount remaining from the \$625,000 transferred from the Fripp Island Property Owners Association in fiscal year 2014. Capital expenditures to repair erosion control structures (\$1,137,051) and the Fripp Inlet bridge (\$25,000) totaled \$1,162,051 and were paid from the proceeds of the 2017 series general obligation bond issue, insurance claim proceeds and FEMA reimbursements.

The District's erosion control structures are not insurable. Therefore, the District maintains an emergency reserve for the repair of unforeseeable, storm related damage. Due to FEMA reimbursements and an increase in taxes, the District was able to replenish its emergency reserve and had \$228,800 available for emergency repairs at the end of fiscal year 2018, meeting the budgeted projection

The largest Fire Department expenditure was employee salaries totaling \$310,985 (vs. \$322,542 in the prior year), which allows the District to hire part-time, trained firefighters to provide improved fire protection for Fripp Island twenty-four hours per day, seven days per week. Total employee expenses, which also include retirement, employee insurance and workmen's compensation, were \$62,734 under budget. Total employee expenses were \$42,571 under budget in the prior year. The largest account expenditures other than employee expenses were \$39,445 for capital purchases and \$12,960 for property and tort liability insurance. Capital purchases included a new six-wheeler and trailer to replace the aging six-wheeler used to assist in beach rescue operations and bunker gear for firefighters. In fiscal year 2017, the Fire Department limited expenses to recover from a budget deficit in the prior year, and revenues exceeded expenses by \$50,096. During fiscal year 2018, the Fire Department continued to rely on available funds and limited budgeted expenses, resulting in an excess of revenues over expenditures of \$95,379.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Statement of Net Assets

June 30, 2018

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,353,512	\$ 2,246,311	\$ 3,599,823
Certificates of deposit	338,812	2,376,964	2,715,776
Due from Beaufort County Treasurer	445,056	350,417	795,473
Accounts receivable	1,902	439,582	441,484
Inventory	-	21,950	21,950
Prepaid expenses	-	25,135	25,135
Restricted cash	296,700	57,551	354,251
Restricted certificates of deposit	-	639,221	639,221
Property, plant and equipment (net of accumulated depreciation)	2,554,570	12,310,760	14,865,330
Unamortized debt acquisition costs	-	146,481	146,481
Total assets	4,990,552	18,614,372	23,604,924
DEFERRED OUTFLOWS OF RESOURCES	146,066	145,249	291,315
<b>LIABILITIES</b>			
Vouchers and accounts payable	28,198	165,136	193,334
Net pension liability	720,722	716,693	1,437,415
General obligation and revenue bonds payable	2,243,000	7,161,763	9,404,763
Total liabilities	2,991,920	8,043,592	11,035,512
DEFERRED INFLOWS OF RESOURCES	116,728	116,076	232,804
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	311,570	5,295,478	5,607,048
Restricted net assets	296,700	1,085,057	1,381,757
Accumulated restricted unrealized gain (loss) on securities	-	(37,868)	(37,868)
Unrestricted net assets	1,431,087	4,347,831	5,778,918
Accumulated unrestricted unrealized gain (loss) on securities	(11,387)	(90,545)	(101,932)
Total net assets	\$ 2,027,970	\$ 10,599,953	\$ 12,627,923

See notes to financial statements.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Statement of Activities

Year ended June 30, 2018

	Expenses	Program Revenues		Net (expense) revenues And changes in net assets		
		Charges For Services	Capital Contributions	Governmental Activities	Business Type Activities	Total
Functions/programs						
Primary government						
Governmental activities						
Public safety	\$ 769,594	\$ 41,255	\$ -	\$ (728,339)	\$ -	\$ (728,339)
Public service	255,829	0	-	(255,829)	-	(255,829)
Total governmental services	<u>1,025,423</u>	<u>41,255</u>	<u>-</u>	<u>(984,168)</u>	<u>-</u>	<u>(984,168)</u>
Business type activities						
Water	956,270	1,201,336	-	-	245,066	245,066
Sewer	1,151,316	1,070,093	-	-	(81,223)	(81,223)
Total business type activities	<u>2,107,586</u>	<u>2,271,429</u>	<u>-</u>	<u>-</u>	<u>163,843</u>	<u>163,843</u>
Total primary government	<u>\$ 1,082,163</u>	<u>\$ 2,230,174</u>	<u>\$ -</u>	<u>(984,168)</u>	<u>163,843</u>	<u>(820,325)</u>
General revenues						
Taxes						
Property taxes-general				734,177	-	734,177
Property taxes-debt				450,388	-	450,388
Interfund transfers				(442,931)	442,931	-
Investment earnings				10,991	61,832	72,823
Total general revenues				<u>752,625</u>	<u>504,763</u>	<u>1,257,388</u>
Change in net assets				(231,543)	668,606	437,063
Net assets-beginning of year				2,264,547	10,023,120	12,287,667
Unrealized gain (loss) on investments				<u>(5,034)</u>	<u>(91,773)</u>	<u>(96,807)</u>
Net assets-end of year				<u>\$ 2,027,970</u>	<u>\$ 10,599,953</u>	<u>\$ 12,627,923</u>

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2018

	Special Revenue	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,353,512	\$ -	\$ 1,353,512
Certificates of deposit	338,812	-	338,812
Due from Beaufort County Treasurer	445,056	296,700	741,756
Accounts receivable	1,902	-	1,902
<b>Total assets</b>	<b>2,139,282</b>	<b>296,700</b>	<b>2,435,982</b>
<b>LIABILITIES</b>			
Vouchers and accounts payable	28,198	-	28,198
Bond payable	2,243,000	-	2,243,000
<b>Total liabilities</b>	<b>2,271,198</b>	<b>-</b>	<b>2,271,198</b>
<b>FUND EQUITY</b>			
Fund balance-Reserved for debt service	-	296,700	296,700
Fund balance-Unrestricted	(120,529)	-	(120,529)
Accumulated unrealized gain (loss) on securities	(11,387)	-	(11,387)
<b>Total fund equity</b>	<b>(131,916)</b>	<b>296,700</b>	<b>164,784</b>
<b>Total liabilities and fund equity</b>	<b>\$ 2,139,282</b>	<b>\$ 296,700</b>	<b>\$ 2,435,982</b>

See notes to financial statements.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

Balance Sheet  
Proprietary Fund

June 30, 2018

## ASSETS

## Current assets

Cash and cash equivalents	\$ 2,246,311
Certificates of deposit	2,376,964
Due from Beaufort County Treasurer	350,417
Accounts receivable water and sewer system	439,582
Inventory	21,950
Prepaid expenses	25,135
Restricted cash	57,551
Restricted certificates of deposit	639,221
Total current assets	<u>6,157,131</u>

Property, plant and equipment (net of accumulated depreciation) 12,310,760

Unamortized debt acquisition costs 146,481

Total assets 18,614,372

## DEFERRED OUTFLOWS OF RESOURCES

145,249

Total assets and deferred outflows of resources 18,759,621

## LIABILITIES

## Current liabilities

Vouchers and accounts payable	165,136
Vouchers and accounts payable from restricted assets	-
Net pension liability	716,693
Total current liabilities	<u>881,829</u>

Long-term debt 7,161,763

Total liabilities 8,043,592

## DEFERRED INFLOWS OF RESOURCES

116,076

## FUND EQUITY

Contributed capital	2,270,705
Retained earnings-Restricted	1,085,057
Accumulated restricted unrealized gain (loss) on securities	(37,868)
Retained earnings-Unrestricted	7,372,604
Accumulated unrestricted unrealized gain (loss) on securities	(90,545)

Total fund equity 10,599,953

Total liabilities, deferred inflows of resources, and fund equity \$ 18,759,621

See notes to financial statements.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

June 30, 2018

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

Ending fund balance-governmental funds	\$	164,784
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		2,554,570
Debt proceeds used in governmental activities are not financial resources and, therefore, are not reported in the funds.		0
Other long term assets related to pension expense are not available to pay for current expenditures and are, therefore, not reported or are deferred in funds:		
Contributions made subsequent to measurement date	36,588	
Differences between expected and actual experience	109,478	146,066
Net pension liabilities are not due and payable in the current period and, therefore are not reported in the funds		(720,722)
Investment earnings on retirement plan fiduciary held assets		<u>(116,728)</u>
Net assets of governmental activities	\$	<u><u>2,027,970</u></u>

See notes to financial statements.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year ended June 30, 2018

	Special Revenue	Debt Service	Total Governmental Funds
Revenues			
Taxes	\$ 734,177	\$ 450,388	\$ 1,184,565
Assessments	1,800	-	1,800
Interest	9,339	1,652	10,991
Bridge	-	-	-
Other	37,007	2,448	39,455
Total revenues	<u>782,323</u>	<u>454,488</u>	<u>1,236,811</u>
Expenditures			
Current:			
Employee expenses	411,656	-	411,656
Operating expenses	295,225	-	295,225
Interest expense on bonds	21,923	-	21,923
Capital outlay	1,201,496	-	1,201,496
Total expenditures	<u>1,930,300</u>	<u></u>	<u>1,930,300</u>
Interfund transfers	<u>(78,923)</u>	<u>521,854</u>	<u>442,931</u>
Excess (deficiency) of revenues over expenditures	(1,069,054)	(67,366)	(1,136,420)
Fund balance at beginning of year	<u>948,525</u>	<u>364,066</u>	<u>1,312,591</u>
Fund balance at end of year	<u>\$ (120,529)</u>	<u>\$ 296,700</u>	<u>\$ 176,171</u>

See notes to financial statements.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year ended June 30, 2018

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 734,177	\$ 725,480	\$ 8,697
Assessments	1,800	1,200	600
Interest	9,339	-	9,339
Bridge	-	-	-
Other	37,007	-	37,007
Total revenues	<u>782,323</u>	<u>726,680</u>	<u>55,643</u>
Expenditures			
Employee expenses	411,656	474,390	62,734
Operating expenses	295,225	236,240	(58,985)
Interest expense on bonds	21,923	-	-
Capital outlay	1,201,496	23,260	(1,178,236)
Total expenditures	<u>1,930,300</u>	<u>733,890</u>	<u>(1,174,487)</u>
Interfund transfers	<u>78,923</u>	<u>-</u>	<u>78,923</u>
Excess (deficiency) of revenues over expenditures	(1,069,054)	(7,210)	1,309,053
Fund balance at beginning of year	<u>1,127,295</u>	<u>1,127,295</u>	<u>-</u>
Fund balance at end of year	<u>\$ 58,241</u>	<u>\$ 1,120,085</u>	<u>\$ 1,309,053</u>

See notes to financial statements.



## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year ended June 30, 2018

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 450,388	\$ 442,960	\$ 7,428
Interest	1,652	-	1,652
Other	2,448	-	2,448
Total revenues	<u>454,488</u>	<u>442,960</u>	<u>11,528</u>
Expenditures	-	-	-
Interfund transfers	521,854	442,960	(78,894)
Total interfund transfers	<u>521,854</u>	<u>442,960</u>	<u>(78,894)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(67,366)	-	(67,366)
Fund balance at beginning of year	<u>364,066</u>	<u>364,066</u>	<u>-</u>
Fund balance at end of year	<u>\$ 296,700</u>	<u>\$ 364,066</u>	<u>\$ (67,366)</u>

See notes to financial statements.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year ended June 30, 2018

	Water	Sewer	Total 2018 (Memorandum) (Only)	Total 2017 (Memorandum) (Only)
Revenues				
Operating revenue	\$ 1,201,336	\$ 1,070,093	\$ 2,271,429	\$ 2,270,032
Cost of sales	441,372	-	441,372	417,854
Gross profit from operations	<u>759,964</u>	<u>1,070,093</u>	<u>1,830,057</u>	<u>1,852,178</u>
Operating expenses				
General and administrative	289,500	292,833	582,333	553,736
Travel and training	1,306	1,305	2,611	6,535
Operations	5,564	91,123	96,687	80,123
Maintenance	67,979	67,947	135,926	196,951
Utilities	12,833	83,564	96,397	100,510
Depreciation	137,716	428,056	565,772	561,198
Total expenditures	<u>514,898</u>	<u>964,828</u>	<u>1,479,726</u>	<u>1,499,053</u>
Earnings (loss) from operations	<u>245,066</u>	<u>105,265</u>	<u>350,331</u>	<u>353,125</u>
Nonoperating revenues (expenses):				
Other revenues	46,526	15,306	61,832	54,935
Other expenses	-	(186,488)	(186,488)	(188,963)
Net nonoperating revenues (expenses)	<u>46,526</u>	<u>(171,182)</u>	<u>(124,656)</u>	<u>(134,028)</u>
Interfund transfers	<u>-</u>	<u>442,931</u>	<u>442,931</u>	<u>442,932</u>
Net earnings (loss)	291,592	377,014	668,606	662,029
Retained earnings, at beginning of year	<u>5,857,490</u>	<u>1,931,565</u>	<u>7,789,055</u>	<u>7,127,026</u>
Retained earnings, at end of year	<u>\$ 6,149,082</u>	<u>\$ 2,308,579</u>	<u>\$ 8,457,661</u>	<u>\$ 7,789,055</u>

See notes to financial statements.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year ended June 30, 2018

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

Net changes in fund balances-total governmental funds	\$ (1,136,420)
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 capital outlays exceeds depreciation expense in the current period.	910,153
Interest on debt	0
Pension expense that is related to net pension liability as recorded in the statement of activities is based on the District's proportionate share of pension expense of the retirement system as a whole, whereas pension expense recorded in the funds are based on the use of current financial resources (e.g. required contributions).	<u>(5,276)</u>
Change in net assets of governmental activities	\$ <u><u>(231,543)</u></u>

See notes to financial statements.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Statement of Fiduciary Net Assets

June 30, 2018

ASSETS	
Cash and cash equivalents	\$ 1,044
Total assets	\$ 1,044
LIABILITIES	
Accounts payable	\$ 22
Total liabilities	22
NET ASSETS	
Unrestricted fund balance	1,022
Total net assets	\$ 1,022

See notes to financial statements.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Statement of Cash Flows - Proprietary Fund

Year ended June 30, 2018

	2018	2017 (Memorandum) (Only)
Cash flows from operating activities		
Cash received from customers	\$ 2,266,573	\$ 2,231,626
Deferred cash inflows for pension liability	74,078	(3,720)
Deferred cash outflows for pension liability	(1,669)	(27,295)
Cash paid for water purchases	(441,372)	(417,854)
Cash paid for operating expenses	(923,999)	(915,160)
Cash provided by operating activities	<u>973,611</u>	<u>867,597</u>
Cash flows from investing activities		
Purchase (sale) of certificates of deposit	(9,408)	(232,884)
Unrealized gain (loss) in investments	(91,773)	(66,218)
Interest	61,832	54,935
Net cash provided (used) by investing activities	<u>(39,349)</u>	<u>(244,167)</u>
Cash flows from capital and related financing activities		
Interest paid on borrowings	(171,421)	(173,896)
Transfers from other funds	442,931	442,932
Acquisition of capital assets	(235,784)	(49,562)
Proceeds of debt	0	-
Principal payments on debt	(648,187)	(634,572)
Net cash provided (used) by financing activities	<u>(612,461)</u>	<u>(415,098)</u>
Net increase (decrease) in cash and cash equivalents	321,801	208,332
Cash and cash equivalents at beginning of year	<u>2,332,478</u>	<u>2,124,146</u>
Cash and cash equivalents at end of year	<u>\$ 2,654,279</u>	<u>\$ 2,332,478</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 350,331	\$ 353,125
Adjustments:		
Depreciation	565,772	561,198
Change in net deferred inflows and outflows of resources	72,409	(31,015)
Change in assets and liabilities		
Accounts receivable	(4,856)	(38,406)
Inventory	1,904	1,342
Prepaid expenses	(1,649)	1,063
Accounts payable	42,956	15,895
Pension liability	(53,256)	4,395
Net cash provided (used) by operating activities	<u>\$ 973,611</u>	<u>\$ 867,597</u>

See notes to financial statements.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

### Notes to Financial Statements

June 30, 2018

#### **Note 1 - Summary of significant accounting policies**

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

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

#### **Basis of Presentation - Basis of Accounting**

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major business-type funds:

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

#### **Measurement Focus, Basis of Accounting**

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

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Notes to Financial Statements

June 30, 2018

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

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

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

**Capital Assets**

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

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

	Years
Buildings and improvements	15-50
Infrastructure improvements	15
Machinery and equipment	10
Vehicles	5-15

**Long-term obligations**

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

**Net Assets**

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

**Fund balances**

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

**Budgets and Budgetary Accounting**

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

**Certificates of deposit**

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

**Inventory**

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

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Notes to Financial Statements

June 30, 2018

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

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

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

**Property tax**

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

**Fixed Assets**

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

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

	Years
Water system	15-40
Buildings	25-50
Improvements	10-20
Equipment	3-10
Vehicles	3

**Amortization of bond expenses**

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

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

**Pensions**

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

**Statement of Cash Flows**

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



## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Notes to Financial Statements

June 30, 2018

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

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

**Note 2 - Cash and Cash Equivalents**

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

At June 30, 2018, the carrying amount of the District's cash and cash equivalents was \$3,204,888 and the balance per the bank statements was \$3,302,276. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$3,052,276 was covered by collateral held by the bank or institution in the District's name.

At June 30, 2018, the District had cash and cash equivalent amounts available as follows:

Available for operations	\$ 1,251,602
Available for debt service	704,668
Available for fire department donations	1,044
Available for systems replacement	1,784,429
Total cash	<u>\$ 3,741,743</u>

**Note 3 - Certificates of deposit**

Certificates of deposit are classified as assets available for sale and are stated at fair value with unrealized gains and losses reported as a separate component of fund equity. Fair values and unrealized gains are as follows at June 30, 2018:

	Cost	Fair Value	Unrealized Gain (Loss)
Unrestricted-business type activities	\$ 2,467,509	\$ 2,376,964	\$ (90,545)
Restricted-business type activities	677,089	639,221	(37,868)
Unrestricted-government type activities	350,199	338,812	(11,387)
Total certificates of deposit	<u>\$ 3,494,797</u>	<u>\$ 3,354,997</u>	<u>\$ (139,800)</u>

**Note 4 - Property, Plant and Equipment**

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

	Proprietary Fund
Land	\$ 17,001
Buildings and fixtures	438,334
Water system	3,891,983
Collection system	5,795,734
Lift stations	1,894,799
Sewer system/treatment plant	7,544,447
Vehicles	100,186
Computer equipment-software	35,396
Equipment	62,063
	<u>19,779,943</u>
Less accumulated depreciation	7,673,023
Add construction in progress	203,840
Net property, plant and equipment	<u>\$ 12,310,760</u>

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Notes to Financial Statements

June 30, 2018

**Note 4 - Property, Plant and Equipment (continued)**

Capital asset activity for governmental activities for the year ended June 30, 2018 was as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital asset not being depreciated				
Land	\$ 132,219	\$ -	\$ -	\$ 132,219
Construction in progress	154,126	-	-	154,126
	<u>286,345</u>	<u>-</u>	<u>-</u>	<u>286,345</u>
Capital assets being depreciated:				
Infrastructure	4,352,692	1,162,051	-	5,514,743
Buildings and improvements	682,811	-	-	682,811
Equipment, furniture and fixtures	417,784	39,445	-	457,229
Vehicles	336,816	-	-	336,816
Total being depreciated	<u>5,790,103</u>	<u>1,201,496</u>	<u>-</u>	<u>6,991,599</u>
Less: accumulated depreciation				
Infrastructure	3,448,825	257,037	-	3,705,862
Buildings and improvements	296,700	18,325	-	315,025
Equipment, furniture and fixtures	350,582	10,032	-	360,614
Vehicles	335,924	5,949	-	341,873
Total accumulated depreciation	<u>4,432,031</u>	<u>291,343</u>	<u>-</u>	<u>4,723,374</u>
Net capital assets being depreciated	<u>1,358,072</u>	<u>910,153</u>	<u>-</u>	<u>2,268,225</u>
Net governmental activity capital assets	<u>\$ 1,644,417</u>	<u>\$ 910,153</u>	<u>\$ -</u>	<u>\$ 2,554,570</u>

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

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

The following is a summary of note and bond transactions of the District for the year ended June 30, 2018:

	General Long Term Debt Account Group	Enterprise Revenue Bonds	Total
Balance at July 1, 2017	\$ 3,933,770	\$ 3,876,180	\$ 7,809,950
Notes and bonds issued	2,300,000	-	2,300,000
Payments	(416,668)	(288,519)	(705,187)
Balance at June 30, 2018	<u>\$ 5,817,102</u>	<u>\$ 3,587,661</u>	<u>\$ 9,404,763</u>

Notes and bonds payable at June 30, 2018 are comprised of the following individual issues:

**Waterworks & Sewer System General Obligation Bonds**

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

\$ 863,215

**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.

3,587,661

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Notes to Financial Statements

June 30, 2018

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

## General obligation note payable

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

2,710,887

## 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%.

2,243,000  
\$ 9,404,763

The annual requirements to amortize all debt outstanding as of June 30, 2018, including interest payments are as follows:

Year Ended June 30,	General Obligation	Revenue	Total
2019	\$ 515,867	\$ 364,218	\$ 880,085
2020	552,813	364,157	916,970
2021	552,497	364,095	916,592
2022	553,156	364,032	917,188
2023	552,788	363,967	916,755
2024	553,370	363,902	917,272
2025	552,925	363,835	916,760
2026	547,889	363,767	911,656
2027	375,751	363,697	739,448
2028	377,854	363,625	741,479
2029	378,966	363,553	742,519
2030	378,922	-	378,922
2031	379,673	-	379,673
2032	379,242	-	379,242
2033	60,789	-	60,789
2034	60,788	-	60,788
2035	49,787	-	49,787
	\$ <u>6,823,077</u>	\$ <u>4,002,848</u>	\$ <u>10,825,925</u>

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

Cash and cash equivalents for proprietary funds consist of the following as of June 30, 2018:

Cash and cash equivalents	\$ 2,596,728
Restricted cash	57,551
Cash and cash equivalents at end of year	\$ <u>2,654,279</u>

**Note 7 - Defined Benefit Pension Plans**

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

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Notes to Financial Statements

June 30, 2018

**Note 7 - Defined Benefit Pension Plans (continued)**

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](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

**Plan Description**

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

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

**Membership**

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

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

**Benefits**

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

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

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Notes to Financial Statements

June 30, 2018

**Note 7 - Defined Benefit Pension Plans (continued)**

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

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

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

**Contributions**

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

Required employee contribution rates for fiscal year 2017-2018 are as follows:

**SCRS**

Employee Class Two	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation

**PORS**

Employee Class Two	9.75% of earnable compensation
Employee Class Three	9.75% of earnable compensation

Required employer contribution rates for fiscal year 2017-2018 are as follows:

**SCRS**

Employer Class Two	13.41% of earnable compensation
Employer Class Three	13.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

**PORS**

Employer Class Two	15.84% of earnable compensation
Employer Class Three	15.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

Required and actual contributions are as follows:

	SCRS	PORS
Year ended June 30, 2018		
Required contributions	\$ 72,965	\$ 2,104
Actual contributions	72,965	2,104

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Notes to Financial Statements

June 30, 2018

**Note 7 - Defined Benefit Pension Plans (continued)****Actuarial Assumptions and Methods**

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2018 annual valuation is complete.

The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2017, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

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

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases (varies by service)	3.0% to 12.5%	3.5% to 9.5%
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

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

**Males:**

Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 92%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%
Public Safety, Firefighters and members South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 125%

**Females:**

Educators and Judges	RP-2000 Females(with White Collar adjustment)multipplied by 98%
General Employees and Members of the General Assembly	RP-2000 Females multiplied by 111%
Public Safety, Firefighters and members South Carolina National Guard	RP-2000 Females(with Blue Collar adjustment)multipplied by 111%

**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. As of June 30, 2017, the District's proportional share of the NPL amounts for SCRS and PORS are presented below:

Governmental Activities			SCRS	PORS
Measurement Period Ended	Fiscal Year Ended			
June 30, 2016	June 30, 2017	\$	700,583	\$ 21,142
June 30, 2017	June 30, 2018		702,413	18,310
Business Type Activities			SCRS	PORS
Measurement Period Ended	Fiscal Year Ended			
June 30, 2016	June 30, 2017	\$	814,044	\$ 24,565
June 30, 2017	June 30, 2018		698,484	18,208

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Notes to Financial Statements

June 30, 2018

**Note 7 - Defined Benefit Pension Plans (continued)**

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The District's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the year ended June 30, 2017, the District's percentage of the SCRS and PORS net pension liability were 0.007277% and .00203%, respectively.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Long-term Expected Rate of Return**

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

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>45%</b>		
Global Public Equity	31%	6.72%	2.08%
Private Equity	9%	9.60%	0.86%
Equity Options Strategies	5%	5.91%	0.30%
<b>Real Assets</b>	<b>8%</b>		
Real Estate (Private)	5%	4.32%	0.22%
Real Estate (REITs)	2%	6.33%	0.13%
Infrastructure	1%	6.26%	0.06%
<b>Opportunistic</b>	<b>17%</b>		
GTAA/Risk Parity	10%	4.16%	0.42%
Hedge Funds (non PA)	4%	3.82%	0.15%
Other Opportunistic Strategies	3%	4.16%	0.12%
<b>Diversified Credit</b>	<b>18%</b>		
Mixed Credit	6%	3.92%	0.24%
Emerging Markets Debt	5%	5.01%	0.25%
Private Debt	7%	4.37%	0.31%
<b>Conservative Fixed Income</b>	<b>12%</b>		
Hedge Funds (Low Beta)	10%	1.60%	0.16%
Commodities	2%	0.92%	0.02%
Total Expected Real Return	100%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Notes to Financial Statements

June 30, 2018

**Note 7 - Defined Benefit Pension Plans (continued)**

## Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

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

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Governmental Activities			
System			
SCRS	905,313	702,413	579,300
PORS	24,723	18,310	13,260
Business-type Activities			
System			
SCRS	900,251	698,484	576,060
PORS	24,584	18,208	13,185

**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, 2018, the District recognized pension expense of \$36,966 for governmental activities and \$9,390 for business-type activities.

At June 30, 2018, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Governmental Activities		
Pension contributions subsequent to measurement date	\$ 37,640	\$ -
Differences between actual and expected experience	108,426	-
Net difference between projected and actual earnings on plan investments	-	116,728
Total	<u>\$ 146,066</u>	<u>\$ 116,728</u>
Business-type Activities		
Pension contributions subsequent to measurement date	\$ 37,429	\$ -
Differences between actual and expected experience	107,820	-
Net difference between projected and actual earnings on plan investments	-	116,076
Total	<u>\$ 145,249</u>	<u>\$ 116,076</u>

The District reported \$290,970 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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, 2018

**Note 7 - Defined Benefit Pension Plans (continued)**

The following schedule reflects the amortization of the District's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2018. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2017 was 4.233 years for SCRS and 4.856 years for PORS.

Governmental Activities			SCRS	PORS
Measurement Period Ending	Fiscal Year Ending			
June 30, 2017	June 30, 2018	\$	(2,875)	\$ (702)
June 30, 2018	June 30, 2019		5,254	(453)
June 30, 2019	June 30, 2020		(1,227)	(778)
June 30, 2020	June 30, 2021		(6,938)	(582)
Net balance of deferred outflows/inflows of resources		\$	<u>(5,786)</u>	<u>(2,515)</u>
Business Type Activities				
Measurement Period Ending	Fiscal Year Ending		SCRS	PORS
June 30, 2017	June 30, 2018	\$	(2,859)	\$ (699)
June 30, 2018	June 30, 2019		5,225	(451)
June 30, 2019	June 30, 2020		(1,220)	(774)
June 30, 2020	June 30, 2021		(6,900)	(578)
Net balance of deferred outflows/inflows of resources		\$	<u>(5,754)</u>	<u>(2,502)</u>

**Payables to the pension plans**

At June 30, 2018, the District reported a payable of \$707 and \$9 for the outstanding amount of contributions due to SCRS and PORS, respectively for governmental activities and \$970 for the outstanding amount of contributions due to SCRS for business-type activities. The liability will be paid in the normal course of paying year-end obligations.

**Note 8 - Commitments**

The District is obligated under contract, to purchase water from the Beaufort-Jasper Water and Sewer Authority (BJWSA) of Beaufort, South Carolina, at the lowest wholesale rate provided to similar customers. Amounts paid to BJWSA totaled \$417,854 for the year ended June 30, 2018.

**Note 9 - 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 10 -Subsequent Events**

The District has evaluated subsequent events through September 23, 2018, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

## Special Revenue Funds- Combining Balance Sheet

June 30, 2018

	Fire Department	Bridge and Beach Erosion	Total
Assets			
Cash and cash equivalents	\$ 85,254	\$ 1,268,258	\$ 1,353,512
Certificates of deposit	-	338,812	338,812
Due from Beaufort County Treasurer	347,960	97,096	445,056
Accounts receivable	1,800	102	1,902
	<u>435,014</u>	<u>1,704,268</u>	<u>2,139,282</u>
Total assets			
	<u>435,014</u>	<u>1,704,268</u>	<u>2,139,282</u>
Liabilities:			
Accounts payable	25,470	2,728	28,198
	<u>-</u>	<u>2,243,000</u>	<u>2,243,000</u>
Bonds payable			
	<u>25,470</u>	<u>2,245,728</u>	<u>2,271,198</u>
Total liabilities			
	<u>25,470</u>	<u>2,245,728</u>	<u>2,271,198</u>
Fund balance:			
Unreserved-undesignated	409,544	(530,073)	(120,529)
Accumulated unrealized gain (loss) on securities	-	(11,387)	(11,387)
Total fund balance	<u>409,544</u>	<u>(541,460)</u>	<u>(131,916)</u>
Total liabilities and fund balance	\$ <u>435,014</u>	\$ <u>1,704,268</u>	\$ <u>2,139,282</u>

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year ended June 30, 2018

	Fire Department	Bridge and Beach Erosion	Total
Revenues			
Taxes	\$ 598,469	\$ 135,708	\$ 734,177
Assessments	1,800	-	1,800
Interest	1,083	8,256	9,339
Bridge	-	-	-
Other	6,447	30,560	37,007
Total revenues	<u>607,799</u>	<u>174,524</u>	<u>782,323</u>
Expenditures			
Employee expenses	411,656	-	411,656
Operating expenses	61,319	233,906	295,225
Interest expense	-	21,923	21,923
Capital outlay	39,445	1,162,051	1,201,496
Total expenditures	<u>512,420</u>	<u>1,417,880</u>	<u>1,930,300</u>
Interfund transfer	-	78,923	78,923
Excess (deficiency) of revenues over expenditures	95,379	(1,164,433)	(1,069,054)
Fund balance (deficit) at beginning of year	<u>314,165</u>	<u>634,360</u>	<u>948,525</u>
Fund balance (deficit) at end of year	<u>\$ 409,544</u>	<u>\$ (530,073)</u>	<u>\$ (120,529)</u>

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year ended June 30, 2018

	Fire Department Fund			Bridge and Beach Erosion Fund			Total		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Revenues									
Taxes	\$ 598,469	\$ 589,680	\$ 8,789	\$ 135,708	\$ 135,800	\$ (92)	\$ 734,177	\$ 725,480	\$ 8,697
Assessments	1,800	1,200	600	-	-	-	1,800	1,200	600
Interest	1,083	-	1,083	8,256	-	8,256	9,339	-	9,339
Bridge	-	-	-	-	-	-	-	-	-
Other	6,447	-	6,447	30,560	-	30,560	37,007	-	37,007
Total revenues	<u>607,799</u>	<u>590,880</u>	<u>16,919</u>	<u>174,524</u>	<u>135,800</u>	<u>38,724</u>	<u>782,323</u>	<u>726,680</u>	<u>55,643</u>
Expenditures									
Employee expenses									
Salaries	310,985	356,530	45,545	-	-	-	310,985	356,530	45,545
Payroll expense	25,481	27,270	1,789	-	-	-	25,481	27,270	1,789
Retirement	38,048	48,120	10,072	-	-	-	38,048	48,120	10,072
Medical, life and disability insurance	16,080	16,170	90	-	-	-	16,080	16,170	90
Employee uniforms and gear	3,380	3,000	(380)	-	-	-	3,380	3,000	(380)
Workers compensation insurance	17,682	23,000	5,318	-	-	-	17,682	23,000	5,318
Physicals	-	300	300	-	-	-	-	300	300
Total employee expenses	<u>411,656</u>	<u>474,390</u>	<u>62,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>411,656</u>	<u>474,390</u>	<u>62,734</u>

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year ended June 30, 2017

	Fire Department Fund			Bridge and Beach Erosion Fund			Total		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Expenditures (continued)									
Operating expenses									
Accounting and audit	5,463	5,630	167	1,262	1,300	38	6,725	6,930	205
Administrative support	-	-	-	6,640	6,640	-	6,640	6,640	-
Bank service charges	-	-	-	114	-	(114)	114	-	(114)
Beverages and compliments	558	700	142	-	-	-	558	700	142
Bridge	-	-	-	81,541	73,400	(8,141)	81,541	73,400	(8,141)
Cleaning supplies	742	1,000	258	-	-	-	742	1,000	258
Commissioners' expenses	-	100	100	-	200	200	-	300	300
Dues	195	350	155	-	-	-	195	350	155
Fire fighting supplies	1,473	750	(723)	-	-	-	1,473	750	(723)
Fire fighting prevention	1,106	1,000	(106)	-	-	-	1,106	1,000	(106)
Radios	83	350	267	-	-	-	83	350	267
Gas and oil	5,065	6,400	1,335	-	-	-	5,065	6,400	1,335
General insurance	12,960	12,340	(620)	126,664	80,000	(46,664)	139,624	92,340	(47,284)
Legal fees	963	430	(533)	4,719	5,000	281	5,682	5,430	(252)
Taxes and licenses	494	-	(494)	-	-	-	494	-	(494)
Office supplies	268	400	132	-	-	-	268	400	132
Small tools	218	300	82	-	-	-	218	300	82
Printing	-	50	50	-	-	-	-	50	50
Subscriptions	1,664	1,450	(214)	-	-	-	1,664	1,450	(214)
Equipment maintenance	4,172	1,500	(2,672)	-	-	-	4,172	1,500	(2,672)
Grounds and station maintenance	5,018	5,000	(18)	-	-	-	5,018	5,000	(18)
Vehicles	2,991	5,200	2,209	-	-	-	2,991	5,200	2,209
Emergencies	1,568	250	(1,318)	-	-	-	1,568	250	(1,318)
Medical supplies	147	500	353	-	-	-	147	500	353
Training aids	443	1,600	1,157	-	-	-	443	1,600	1,157
Travel and related	100	200	100	-	-	-	100	200	100
Electricity	6,197	6,200	3	-	-	-	6,197	6,200	3
Garbage collection	2,236	1,300	(936)	-	-	-	2,236	1,300	(936)
Telephone	3,882	3,500	(382)	-	-	-	3,882	3,500	(382)
Miscellaneous	3,313	3,200	(113)	200	-	(200)	3,513	3,200	(313)
Groin and revetment repair	-	-	-	12,766	10,000	(2,766)	12,766	10,000	(2,766)
Total operating expense	61,319	59,700	(1,619)	233,906	176,540	(57,366)	295,225	236,240	(58,985)

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year ended June 30, 2018

	Fire Department Fund			Bridge and Beach Erosion Fund			Total		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Interest expense on bonds	-	-	-	21,923	-	(21,923)	21,923	-	(21,923)
Capital outlay	39,445	23,260	(16,185)	1,162,051	-	(1,162,051)	1,201,496	23,260	(1,178,236)
Excess (deficiency) of revenues over expenditures	95,379	33,530	61,849	(1,243,356)	(40,740)	(1,202,616)	(1,147,977)	(7,210)	(1,140,767)
Fund balance (deficit), beginning of year	314,165	314,165	-	634,360	634,360	-	948,525	948,525	-
Fund balance (deficit), end of year	\$ 409,544	\$ 347,695	\$ 61,849	\$ (608,996)	\$ 593,620	\$ (1,202,616)	\$ (199,452)	\$ 941,315	\$ (1,140,767)

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

Proprietary Fund  
Statement of Revenues and Expenses-Budget and Actual

Year ended June 30, 2018

	Water			Sewer			Total		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Operating revenues									
Water consumption and sewer use	\$ 921,970	\$ 882,170	\$ 39,800	\$ 690,572	\$ 673,750	\$ 16,822	\$ 1,612,542	\$ 1,555,920	\$ 56,622
Water and sewer availability	-	-	-	370,299	366,990	3,309	370,299	366,990	3,309
Tap in fees	3,400	2,200	1,200	8,400	4,800	3,600	11,800	7,000	4,800
Water transport and effluent fees	8,795	10,110	(1,315)	822	1,140	(318)	9,617	11,250	(1,633)
Tower lease	230,953	230,950	3	-	-	-	230,953	230,950	3
Other	36,218	19,060	17,158	-	-	-	36,218	19,060	17,158
Total operating revenues	1,201,336	1,144,490	56,846	1,070,093	1,046,680	23,413	2,271,429	2,191,170	80,259
Cost of sales									
Water purchase	441,372	424,080	(17,292)	-	-	-	441,372	424,080	(17,292)
Total cost of sales	441,372	424,080	(17,292)	-	-	-	441,372	424,080	(17,292)
Gross profit from operations	759,964	720,410	39,554	1,070,093	1,046,680	23,413	1,830,057	1,767,090	62,967
Operating expenses									
General and administrative									
Accounting and auditing	3,368	3,375	7	3,367	3,375	8	6,735	6,750	15
Bad debts	70	100	30	69	100	31	139	200	61
Bank service charges	3,409	5,780	2,371	3,408	5,780	2,372	6,817	11,560	4,743
Dues and subscriptions	2,023	2,275	252	2,022	2,275	253	4,045	4,550	505
Electric	1,123	1,000	(123)	1,122	1,000	(122)	2,245	2,000	(245)
Telephone	3,356	3,400	44	3,355	3,400	45	6,711	6,800	89
Equipment maintenance	33	300	267	33	300	267	66	600	534
Engineering consulting	190	7,500	7,310	189	7,500	7,311	379	15,000	14,621
Insurance	20,802	18,820	(1,982)	20,801	18,820	(1,981)	41,603	37,640	(3,963)
Legal fees	-	-	-	3,343	7,500	4,157	3,343	7,500	4,157
Licenses and taxes	5,614	5,730	116	5,614	5,730	116	11,228	11,460	232
Miscellaneous	2,526	1,250	(1,276)	2,526	1,250	(1,276)	5,052	2,500	(2,552)
Office supplies	1,471	1,300	(171)	1,471	1,300	(171)	2,942	2,600	(342)
Postage and freight	3,668	3,790	122	3,668	3,790	122	7,336	7,580	244
Printing and microfilm	494	525	31	493	525	32	987	1,050	63
Program maintenance	2,297	2,000	(297)	2,297	2,000	(297)	4,594	4,000	(594)
Building maintenance	2,496	2,730	234	2,496	2,730	234	4,992	5,460	468
Office rent	-	-	-	-	-	-	-	-	-
Salaries	144,317	148,500	4,183	144,317	148,500	4,183	288,634	297,000	8,366
Payroll taxes	11,459	11,800	341	11,459	11,800	341	22,918	23,600	682
Retirement	28,494	30,145	1,651	28,494	30,145	1,651	56,988	60,290	3,302
Employee insurance	37,161	39,000	1,839	37,161	39,000	1,839	74,322	78,000	3,678
Overtime	9,306	5,790	(3,516)	9,305	5,790	(3,515)	18,611	11,580	(7,031)
Administrative support	(3,320)	(3,320)	-	(3,320)	(3,320)	-	(6,640)	(6,640)	-
Workers compensation insurance	2,602	3,245	643	2,602	3,245	643	5,204	6,490	1,286
Uniforms	98	225	127	98	225	127	196	450	254
Vehicle	6,443	6,900	457	6,443	6,900	457	12,886	13,800	914
Graphic services	-	100	100	-	100	100	-	200	200
Total general and administrative	289,500	302,260	12,760	292,833	309,760	16,927	582,333	612,020	29,687

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year ended June 30, 2018

	Water			Sewer			Total		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Operating expenses (continued)									
Travel and training									
Business meals	-	50	50	-	50	50	-	100	100
Commissioners expense	553	300	(253)	552	300	(252)	1,105	600	(505)
Land travel	-	200	200	-	200	200	-	400	400
Seminar and convention fees	753	2,750	1,997	753	2,750	1,997	1,506	5,500	3,994
Total travel and training	1,306	3,300	1,994	1,305	3,300	1,995	2,611	6,600	3,989
Operations									
Chemicals	-	200	200	2,817	5,500	2,683	2,817	5,700	2,883
Effluent monitoring	-	-	-	20,662	28,510	7,848	20,662	28,510	7,848
Sludge disposal	-	-	-	59,400	64,000	4,600	59,400	64,000	4,600
Small tools and supplies	845	1,000	155	1,744	2,150	406	2,589	3,150	561
Tap costs	1,861	1,280	(581)	6,500	-	(6,500)	8,361	1,280	(7,081)
Water quality monitoring	2,858	3,380	522	-	-	-	2,858	3,380	522
Total operations	5,564	5,860	296	91,123	100,160	9,037	96,687	106,020	9,333
Maintenance									
Auxiliary generator	-	-	-	2,587	5,980	3,393	2,587	5,980	3,393
Booster pumps	4,453	4,500	47	-	-	-	4,453	4,500	47
Buildings and grounds	-	-	-	3,484	5,040	1,556	3,484	5,040	1,556
Disinfection system	-	-	-	-	500	500	-	500	500
Controls and instruments	269	250	(19)	9,552	2,600	(6,952)	9,821	2,850	(6,971)
Fire hydrants	260	1,000	740	-	-	-	260	1,000	740
Irrigation system	-	-	-	6,820	3,340	(3,480)	6,820	3,340	(3,480)
Secondary treatment units	-	-	-	7,577	38,500	30,923	7,577	38,500	30,923
Sewer force mains	-	-	-	73	2,000	1,927	73	2,000	1,927
Sewer pumping system	-	-	-	32,459	8,500	(23,959)	32,459	8,500	(23,959)
Support equipment maintenance	43	500	457	-	-	-	43	500	457
Water and sewer lines	14,726	20,500	5,774	5,395	9,000	3,605	20,121	29,500	9,379
Water meter repair	2,946	4,000	1,054	-	-	-	2,946	4,000	1,054
Water tanks	45,282	45,720	438	-	-	-	45,282	45,720	438
Total maintenance	67,979	76,470	8,491	67,947	75,460	7,513	135,926	151,930	16,004



## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year ended June 30, 2018

	Water			Sewer			Total		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Operating expenses (continued)									
Utilities									
Electricity	10,579	11,750	1,171	82,593	92,500	9,907	93,172	104,250	11,078
Telephone	2,254	2,460	206	971	710	(261)	3,225	3,170	(55)
Total utilities	12,833	14,210	1,377	83,564	93,210	9,646	96,397	107,420	11,023
Total operating expenses	377,182	402,100	24,918	536,772	581,890	45,118	913,954	983,990	70,036
Other revenues:									
Interest-not restricted	45,356	50,000	(4,644)	-	-	-	45,356	50,000	(4,644)
Capital gain	1,170	-	1,170	-	-	-	1,170	-	1,170
Interest-restricted	-	-	-	15,306	10,000	5,306	15,306	10,000	5,306
Total other revenues	46,526	50,000	(3,474)	15,306	10,000	5,306	61,832	60,000	1,832
Other expenses									
Interest expense on bonds	-	-	-	159,022	159,020	(2)	159,022	159,020	(2)
Bond issue and payment fees	-	-	-	27,466	16,270	(11,196)	27,466	16,270	(11,196)
Total other expenses	-	-	-	186,488	175,290	(11,198)	186,488	175,290	(11,198)
Interfund transfers	-	-	-	442,931	(442,960)	885,891	442,931	(442,960)	885,891
Depreciation	137,716	143,490	5,774	428,056	430,100	2,044	565,772	573,590	7,818
Net earnings (loss)	\$ 291,592	\$ 224,820	\$ 66,772	\$ 377,014	\$ (573,560)	\$ 950,574	\$ 668,606	\$ (348,740)	\$ 1,017,346

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

Schedule of Bonds Outstanding  
June 30, 2018**2014 Waterworks and Sewer System General Obligation Bonds**

Year ending June 30,	Amount Due		Remaining Principal Balance
	Interest	Principal	
2019	\$ 17,158	\$ 43,630	\$ 819,585
2020	16,279	44,509	775,076
2021	15,382	45,406	729,670
2022	14,467	46,321	683,349
2023	13,534	47,254	636,095
2024	12,582	48,206	587,889
2025	11,610	49,178	538,711
2026	10,620	50,169	488,542
2027	9,609	51,180	437,362
2028	8,577	52,211	385,151
2029	7,525	53,263	331,888
2030	6,452	54,336	277,552
2031	5,357	55,431	222,121
2032	4,240	56,548	165,573
2033	3,101	57,688	107,885
2034	1,938	58,850	49,035
2035	752	49,035	-

\$ 159,183 \$ 863,215

These waterworks and sewer system general obligation bonds, dated September 10, 2014, bear interest at 2.00% per annum. Interest and principal are payable quarterly January 1, April 1, July 1 and October 1 of each year. The bonds are payable from, and shall be secured by, a pledge of and a lien upon the assets of the District.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

Schedule of Bonds Outstanding (continued)  
June 30, 2018

## General obligation note payable

Year ending June 30,	Amount Due		Remaining Principal Balance
	Interest	Principal	
2019	\$ 58,275	\$ 323,881	\$ 2,387,006
2020	50,926	331,230	2,055,776
2021	43,410	338,745	1,717,031
2022	35,724	346,432	1,370,599
2023	27,863	354,292	1,016,307
2024	19,824	362,332	653,975
2025	11,603	370,553	283,422
2026	3,194	283,422	-
	<u>\$ 250,819</u>	<u>\$ 2,710,887</u>	

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

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

Schedule of Bonds Outstanding (continued)  
June 30, 2018**2013 Waterworks and Sewer System Revenue Bonds**

Year ending June 30,	Amount Due		Remaining Principal Balance
	Interest	Principal	
2019	\$ 69,842	\$ 294,376	\$ 3,293,285
2020	63,805	300,352	2,992,933
2021	57,646	306,449	2,686,484
2022	51,362	312,670	2,373,814
2023	44,950	319,017	2,054,797
2024	38,409	325,493	1,729,304
2025	31,734	332,101	1,397,203
2026	24,924	338,843	1,058,360
2027	17,976	345,721	712,639
2028	10,886	352,739	359,900
2029	3,653	359,900	-
	<u>\$ 415,187</u>	<u>\$ 3,587,661</u>	

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

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

Schedule of Bonds Outstanding (continued)  
June 30, 2018**Series 2017 General Obligation Bonds**

Year ending June 30,	Amount Due		Remaining Principal Balance
	Interest	Principal	
2019	\$ 21,923	\$ 51,000	\$ 2,192,000
2020	57,869	52,000	2,140,000
2021	56,554	53,000	2,087,000
2022	55,212	55,000	2,032,000
2023	53,845	56,000	1,976,000
2024	52,426	58,000	1,918,000
2025	50,981	59,000	1,859,000
2026	49,484	151,000	1,708,000
2027	47,962	267,000	1,441,000
2028	44,066	273,000	1,168,000
2029	37,178	281,000	887,000
2030	30,134	288,000	599,000
2031	22,885	296,000	303,000
2032	15,454	303,000	-
	<u>\$ 595,973</u>	<u>\$ 2,243,000</u>	

These bonds were issued to fund repairs to an erosion control structure and waterline replacement as a result of damaged caused by a storm in 2016. These bonds amounted to \$2,300,000 and are 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%.

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

Required Supplementary Information (Unaudited)  
Schedule of Proportionate Share of the Net Pension Liability  
South Carolina Retirement System  
Last 4 Fiscal Years

Year Ended <u>June 30</u>	District's proportion of the net pension <u>liability</u>	District's proportionate share of the net pension liability <u>(asset)</u>	District's covered employee <u>payroll</u>	District's share of the net pension liability (asset) as a percentage of its covered employee <u>payroll</u>	Plan fiduciary net position as a percentage of the total pension <u>liability</u>
2018	0.00622%	\$ 1,400,897	\$ 605,656	231%	53.30%
2017	0.00709%	1,514,627	645,954	234%	52.90%
2016	0.00728%	1,380,118	686,669	201%	57.00%
2015	0.00715%	1,230,476	682,315	180%	59.92%
2014	0.00715%	1,281,917	648,889	198%	56.39%

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

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

Required Supplementary Information (Unaudited)  
Schedule of Proportionate Share of the Net Pension Liability  
Police Officer's Retirement System  
Last 4 Fiscal Years

Year Ended <u>June 30</u>	District's proportion of the net pension <u>liability</u>	District's proportionate share of the net pension liability <u>(asset)</u>	District's covered employee <u>payroll</u>	District's share of the net pension liability (asset) as a percentage of its covered employee <u>payroll</u>	Plan fiduciary net position as a percentage of the total pension <u>liability</u>
2018	0.00133%	\$ 36,436	\$ 605,656	6%	60.90%
2017	0.00180%	45,707	645,954	7%	60.40%
2016	0.00203%	44,287	686,669	6%	64.60%
2015	0.00193%	37,025	682,315	5%	67.55%
2014	0.00193%	40,091	648,889	6%	62.98%

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

## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year Ended <u>June 30</u>	Contractually required <u>contribution</u>	Contributions relative to contractually required <u>contribution</u>	Contribution deficiency <u>(excess)</u>	District's covered employee <u>payroll</u>	Contributions as a percentage of covered employee <u>payroll</u>
2018	79,761	79,761	-	605,656	13.17%
2017	72,965	72,965	-	645,954	11.30%
2016	74,916	74,916	-	686,669	10.91%
2015	74,382	74,382	-	682,315	10.90%
2014	68,782	68,782	-	648,889	10.60%
2013	67,727	67,727	-	638,934	10.60%
2012	61,328	61,328	-	643,185	9.54%
2011	60,541	60,541	-	644,735	9.39%
2010	58,238	58,238	-	620,218	9.39%
2009	56,233	56,233	-	598,863	9.39%
2008	52,480	52,480	-	569,820	9.21%
2007	43,505	43,505	-	530,543	8.20%



## FRIPP ISLAND PUBLIC SERVICE DISTRICT

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

Year Ended <u>June 30</u>	Contractually required <u>contribution</u>	Contributions relative to contractually required <u>contribution</u>	Contribution deficiency <u>(excess)</u>	District's covered employee <u>payroll</u>	Contributions as a percentage of covered employee <u>payroll</u>
2018	3,218	3,218	-	605,656	0.53%
2017	2,104	2,104	-	645,954	0.33%
2016	3,156	3,156	-	686,669	0.46%
2015	25,176	25,176	-	682,315	3.69%
2014	23,261	23,261	-	648,889	3.58%
2013	22,264	22,264	-	638,934	3.48%
2012	-	-	-	-	-
2011	-	-	-	-	-
2010	-	-	-	-	-
2009	-	-	-	-	-
2008	-	-	-	-	-
2007	-	-	-	-	-