

JAMES ISLAND PUBLIC SERVICE DISTRICT

(A Component Unit of County of Charleston, South Carolina)

JAMES ISLAND, SOUTH CAROLINA

REPORT OF AUDIT

AND

FINANCIAL STATEMENTS

JUNE 30, 2010

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ROBERT K. WISE	- DISTRICT MANAGER
SUSAN G. GLADDEN	- DEPUTY MANAGER/CFO

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the **James Island Public Service District** (a component unit of County of Charleston, South Carolina), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the preceding table of contents. These financial statements are the responsibility of the James Island Public Service District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

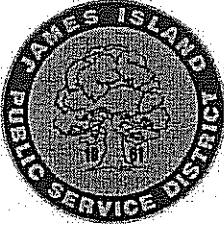
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the **James Island Public Service District**, James Island, South Carolina, as of June 30, 2010, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 9, the budgetary comparison information on pages 30 and 31 and the schedule of funding progress for other post employment benefits on page 32 be presented to supplement the basic financial statements. Such information, although not a required 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. I have applied certain limited procedures to the required supplemental 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion and or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the James Island Public Service District basic financial statements. The schedule of operating expenses of the proprietary fund on page 33 is presented for additional analysis and is not a required part of the basic financial statements. The schedule of proprietary fund operating expenses has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

November 11, 2010





MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) serves as an introduction to the financial statements of the James Island Public Service District (District) for the fiscal year ended June 30, 2010. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

The MD&A represents management's examination and analysis of the District's financial condition and performance and should be read in conjunction with the financial statements as presented in the financial section of this report.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$31,488,617 (net assets). Of this amount, \$6,966,748 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$748,072. This is a result of an increase in net assets of our governmental and business-type activities of \$464,112 and \$283,960, respectively.
- The District's total business-type activity revenues amounted to \$4,658,807 during the year ended June 30, 2010 with related expenses totaling \$4,888,239, a net operating loss before other income, of \$229,432.
- The District's governmental funds reported combined fund balances of \$3,355,828, an increase of \$698,175, or 26.3% in comparison to the prior year.
- At year-end, the District had \$6,422,506 in outstanding debt, which reflects a decrease of \$592,474 or 8.5% when compared to last year.

Using This Annual Report

The financial statement's focus is on both the District as a whole (government-wide) and on the major individual funds. Both perspectives allow the user to address relevant questions, broaden a basis for comparison and enhance the District's accountability.

Government-Wide Financial Statements

Our analysis of the District as a whole begins on page 10. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the District as a whole and about its activities in a way that helps answer this question.

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the District and its governmental and business-type activities. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. One way to measure the District's financial health or financial position is to determine the increases or decrease in the net assets indicating financial improvement or deterioration. However, other nonfinancial factors, such as changes in the property tax base and the condition of the District's infrastructure, will also need to be considered in order to assess the overall health of the District.

Basically, the District is divided into two kinds of activities:

- *Governmental Activities* – Basic services of the District including Fire, Solid Waste and Street Signs and Lighting. Property taxes finance the majority of these services.
- *Business-Type Activities* – Private sector type operations where by the District charges a fee to customers to help recover all or most of the cost of operations, including depreciation. Services reported here include Wastewater Collection and Transportation.

Fund Financial Statements

The fund financial statements begin on page 10 and provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. However, other funds may be established in order to control and manage money for particular purposes or to show legal responsibilities are being met for using certain taxes, grants and other money. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

- *Governmental Funds* – Focus is on how money flows into and out of funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the "modified accrual basis of accounting", which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

- *Proprietary Funds* – While the total column on the Business-type Fund Financial Statement is the same as the Business-type column at the Government-Wide Financial Statement, the Governmental Major Funds Total column requires reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement.

Infrastructure Assets

Until recently, a government's largest group of assets (land, buildings, vehicles and equipment) have not been reported nor depreciated in governmental financial statements. New requirements under GASB 34 financial reporting require that these assets be valued and reported within the governmental column of the Government-Wide Statements using one of two methods: a) depreciate these assets over their estimated useful life, or; b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. The District elected to depreciate its fixed assets.

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GOVERNMENT-WIDE STATEMENT

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets.

Table 1
Statement of Net Assets
As of June 30, 2010
(in thousands)

	Governmental Activities	Business- type Activities	Total Government	Total Government
	2010	2010	2010	2009
Current Assets	\$ 8,517	\$ 6,456	\$ 14,973	\$ 15,518
Net Capital Assets	4,368	26,476	30,844	29,383
Deferred Assets		206	206	232
Total Assets	<u>\$ 12,885</u>	<u>\$ 33,138</u>	<u>\$ 46,023</u>	<u>\$ 45,133</u>
Current and Other Liabilities	\$ 5,358	\$ 713	\$ 6,071	\$ 6,113
Long-term Debt Outstanding	<u>3,203</u>	<u>5,260</u>	<u>8,463</u>	<u>8,279</u>
Total Liabilities	<u>\$ 8,561</u>	<u>\$ 5,973</u>	<u>\$ 14,534</u>	<u>\$ 14,392</u>
Net Assets Invested in Capital Assets	\$ 2,058	\$ 20,830	\$ 22,888	\$ 21,239
Restricted for Debt Service	112	1,523	1,635	1,628
Unrestricted	<u>2,154</u>	<u>4,812</u>	<u>6,966</u>	<u>7,874</u>
Total Net Assets	<u>\$ 4,324</u>	<u>\$ 27,165</u>	<u>\$ 31,489</u>	<u>\$ 30,741</u>

For more detailed information, see the Statement of Net Assets (page 10).

Current Year Analysis and Impacts

In the Governmental Activities column above, the total assets exceed total liabilities by \$4,323,717 (Total Net Assets), of which \$2,154,305 are unrestricted funds. In the Business-type Activities column, the total assets exceed total liabilities by \$27,164,900, of which \$4,812,443 are unrestricted funds. A significant portion of total net assets is capital assets, primarily the wastewater system, land, buildings, vehicles and equipment. The District has decreased its net indebtedness by \$592,474, which decreases current assets and long-term debt. With the implementation of depreciation on governmental assets, this significantly reduces capital assets

and invested in capital assets net of debt. The impact on total capital, which cost \$7,242,161 after deducting accumulated depreciation of \$2,874,439, leaves net capital assets of \$4,367,722.

Normal Impacts

There are six basic (normal) transactions that will affect the comparability of the Statement of Net Assets summary presentation.

- Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net assets.
- Borrowing for Capital – which will increase current assets and long-term debt.
- Spending Borrowed Proceeds on New Capital – this reduces current assets and increases capital assets. There is a second impact, an increase in invested in capital assets and an increase in related net debt which will not change the invested in capital assets, net of related debt.
- Spending of Non-borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets and (b) reduce unrestricted net assets and increase invested capital assets, net of related debt.
- Principal Payment of Debt – which will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase invested in capital assets, net of related debt.
- Reduction of Capital Assets through Depreciation – which will reduce capital assets and invested in capital assets, net of related debt.

Remainder of page intentionally left blank.

Statement of Activities

The following schedule compares the revenues and expenses for the current and previous fiscal year.

Table 2
Statement of Activities
As of June 30, 2010
(in thousands)

Program Revenues	Governmental Activities	Business- type Activitites	Total	Total
	2010	2010	2010	2009
Service Revenues:				
Charges for Services	\$	\$ 4,659	\$ 4,659	\$ 4,732
General Revenues:				
Property Taxes	6,641		6,641	6,346
Interest Income	10	38	48	152
Merchants' Inventory and Motor Carrier Tax	26		26	26
Other Income	76	475	551	716
Total Revenues	<u>\$ 6,753</u>	<u>\$ 5,172</u>	<u>\$ 11,925</u>	<u>\$ 11,972</u>
Expenses				
Governmental Activities:				
General Government	\$ 750	\$	\$ 750	\$ 777
Public Safety	3,619		3,619	3,437
Health	1,844		1,844	1,879
Interest on Long-Term Debts	76		76	88
Business-type Activities:				
Wastewater		4,888	4,888	4,974
Total Expenses	<u>\$ 6,289</u>	<u>\$ 4,888</u>	<u>\$ 11,177</u>	<u>\$ 11,155</u>
Net Increase	\$ 464	\$ 284	\$ 748	\$ 817
Net Assets, Beginning	<u>3,860</u>	<u>26,881</u>	<u>30,741</u>	<u>29,923</u>
Net Assets, Ending	<u>\$ 4,324</u>	<u>\$ 27,165</u>	<u>\$ 31,489</u>	<u>\$ 30,740</u>

Current Year Financial Analysis

As of year-end, the District reported changes in assets of \$748,072, which is a decrease of \$69,129 from the end of last year. The Governmental activity reported an increase in net assets of \$235,908, and the Business-type activity realized a decrease of \$305,037 over last year. The

increase in the Governmental activity is a result of controlled spending and tax revenue collections greater than budgeted by approximately \$184,000. The decrease in the Business-type activity is a result of a reduction in wastewater revenues.

Capital Assets and Debt Administration

Capital Assets

As of year-end, the District had \$30,843,721 invested in a variety of Capital Assets (additions less retirements less depreciation), as reflected in the following schedule. Also, the District had \$46,114,372 in total Capital Assets, which reflects a net increase of \$2,062,420 or 4.7% when compared to the previous year.

Table 3
JIPSD Capital Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 212	\$ 212	\$ 332	\$ 332	\$ 544	\$ 544
Buildings/Fencing/Paving	1,065	1,065	495	495	1,560	1,560
Vehicles	4,070	3,426	830	761	4,900	4,187
Equipment	1,895	2,145	470	360	2,365	2,505
Wastewater System			35,669	35,066	35,669	35,066
Construction in Progress			1,076	190	1,076	190
Total	\$ 7,242	\$ 6,848	\$ 38,872	\$ 37,204	\$ 46,114	\$ 44,052
Less: Depreciation	\$ (2,874)	\$ (2,982)	\$ (12,396)	\$ (11,687)	\$ (15,270)	\$ (14,669)
Net Capital Assets	\$ 4,368	\$ 3,866	\$ 26,476	\$ 25,517	\$ 30,844	\$ 29,383

Debt

As of year-end, the District had \$6,422,506 in outstanding bonds payable and capital lease obligations compared to \$7,014,980 last year, a decrease of \$592,474 or 8.5%. In November 2010, the District received loan proceeds from the SC Department of Environmental Control of \$717,520 for the Schooner Road project. Loans totaling \$2,800,000 will be secured in the next fiscal year for three major wastewater projects: 1) Harborview Force Main Rehabilitation, 2) Pump Station #33 Rehab, and 3) Folly Creek Bridge Line Relocation.

Table 4
Outstanding Debt
(in thousands)

	Governmental		Business-type		Total	
	2010	2009	2010	2009	2010	2009
General Obligation	\$ 380	\$ 389			\$ 380	\$ 389
Compensated Absences	363	321	\$ 63	\$ 44	426	365
Capital Leases	1,930	1,523	66	128	1,996	1,651
Net Other Post Emp. Benefits	965	632	112	68	1,077	700
Revenue Bonds			6,043	6,626	6,043	6,626
Less Deferred Refunding Cost			(463)	(521)	(463)	(521)
Total	\$ 3,638	\$ 2,865	\$5,821	\$6,345	\$9,459	\$ 9,210

Economic Factors and Next Year's Budgets

When setting the fiscal year 2011 budget, the District considered many factors and most notably is the economic downturn. The District's financial position is expected to remain solid; however, it will be critical to monitor revenues and expenditures closely throughout the year and adjust if necessary for any further downturns or dramatic changes in the economy which might have a significant impact on tax revenues and wastewater fee collections.

Financial Contact

This financial report is designed to present our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about the report or need additional financial information, contact Susan Gladden, Deputy Manager/Chief Financial Officer @ 1739 Signal Point Road/PO Box 12140, Charleston, South Carolina 29422-2140 or 843-762-5234 ext. 102.

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
<u>Current Assets</u>			
Cash		\$ 200	\$ 200
Cash and cash equivalents	\$ 2,509,427	4,895,341	7,404,768
Restricted assets:			
Cash and cash equivalents		1,522,760	1,522,760
Due from Charleston County	136,881		136,881
Net receivables	4,982,697	188,275	5,170,972
Other receivables	680,187		680,187
Internal balances	150,448	(150,448)	
Inventory and prepaids	57,419		57,419
Total current assets	<u>8,517,059</u>	<u>6,456,128</u>	<u>14,973,187</u>
<u>Noncurrent Assets</u>			
Capital assets, net of accumulated depreciation	4,367,722	26,475,999	30,843,721
Deferred debt issue cost		205,874	205,874
Total noncurrent assets	<u>4,367,722</u>	<u>26,681,873</u>	<u>31,049,595</u>
Total Assets	<u>12,884,781</u>	<u>33,138,001</u>	<u>46,022,782</u>
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts payable	155,363	102,478	257,841
Accrued salaries and benefits	65,515	17,772	83,287
Accrued interest payable	11,951	30,985	42,936
Deferred revenues	4,689,908		4,689,908
Current portion of long-term debt	10,361	545,812	556,173
Current portion of capital leases	425,278	15,865	441,143
Total current liabilities	<u>5,358,376</u>	<u>712,912</u>	<u>6,071,288</u>
<u>Noncurrent Liabilities</u>			
Bonds payable	369,250	5,034,186	5,403,436
Capital leases	1,504,904	50,439	1,555,343
Net other post employment liability	965,207	112,394	1,077,601
Compensated absences	363,327	63,170	426,497
Total noncurrent liabilities	<u>3,202,688</u>	<u>5,260,189</u>	<u>8,462,877</u>
Total Liabilities	<u>8,561,064</u>	<u>5,973,101</u>	<u>14,534,165</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	2,057,929	20,829,697	22,887,626
Unrestricted	2,154,305	4,812,443	6,966,748
Restricted for Debt service	111,483	1,522,760	1,634,243
Total net assets	<u>4,323,717</u>	<u>27,164,900</u>	<u>31,488,617</u>
Total Liabilities and Net Assets	<u>\$ 12,884,781</u>	<u>\$ 33,138,001</u>	<u>\$ 46,022,782</u>

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Totals</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Governmental Activities					
General government	\$ 749,807		\$ (749,807)		\$ (749,807)
Public safety - fire	3,619,109		(3,619,109)		(3,619,109)
Health	1,844,021		(1,844,021)		(1,844,021)
Interest charges	76,384		(76,384)		(76,384)
Total governmental activities	<u>6,289,321</u>		<u>(6,289,321)</u>		<u>(6,289,321)</u>
Business-Type Activities					
Wastewater	<u>4,888,239</u>	\$ <u>4,658,807</u>		\$ <u>(229,432)</u>	<u>(229,432)</u>
Totals	\$ <u>11,177,560</u>	\$ <u>4,658,807</u>		<u>(229,432)</u>	<u>(6,518,753)</u>
General Revenues					
Taxes			6,641,431		6,641,431
Merchants' inventory and motor carrier taxes			26,458		26,458
Interest income			9,608	38,495	48,103
Gain on sale of capital assets				4,294	
Other income			75,936	470,603	546,539
Total general revenues			<u>6,753,433</u>	<u>513,392</u>	<u>7,266,825</u>
Changes in net assets			464,112	283,960	748,072
Net assets, beginning			<u>3,859,605</u>	<u>26,880,940</u>	<u>30,740,545</u>
Net assets, ending			\$ <u>4,323,717</u>	\$ <u>27,164,900</u>	\$ <u>31,488,617</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Debt Service	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,509,427		\$ 2,509,427
Receivables:			
Due from Charleston County	44,953	\$ 91,928	136,881
Taxes receivable (net of allowances)	4,629,021	353,676	4,982,697
Due from other funds	133,900	17,760	151,660
Other governments	680,187		680,187
Prepaid expenditures	47,734		47,734
Inventory of fuel	9,685		9,685
Total Assets	<u>8,054,907</u>	<u>463,364</u>	<u>8,518,271</u>
<u>LIABILITIES</u>			
Accounts payable	155,363		155,363
Accrued payroll	65,515		65,515
Due to other fund		1,212	1,212
Deferred revenues	4,589,684	350,669	4,940,353
Total Liabilities	<u>4,810,562</u>	<u>351,881</u>	<u>5,162,443</u>
<u>FUND BALANCES</u>			
Reserved for:			
Inventory and prepaids	57,419		57,419
Debt service		111,483	111,483
Unreserved	3,186,926		3,186,926
Total Fund Balances	<u>3,244,345</u>	<u>111,483</u>	<u>3,355,828</u>
Total Liabilities and Fund Balances	<u>\$ 8,054,907</u>	<u>\$ 463,364</u>	<u>\$ 8,518,271</u>

Reconciliation of Governmental Fund Balances to Net Assets of Governmental Activities

Total Governmental Fund Balances	\$ 3,355,828
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: property taxes receivable	250,445
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,879,439.	4,367,722
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and capital leases payable	(2,309,793)
Accrued compensated absences payable	(363,327)
Net other post-employment liability	(965,207)
Accrued interest payable	(11,951)
Net Assets of Governmental Activities	<u>\$ 4,323,717</u>

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2010

		<u>Business-Type Activity</u> <u>Wastewater</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Petty cash	\$ 200	
Cash and cash equivalents	4,895,341	
Restricted cash, cash equivalents and investments	1,522,760	
Customer receivables (net of allowance)	188,275	
Total current assets		\$ 6,606,576
<u>Noncurrent Assets</u>		
Capital assets (net of accumulated depreciation)	26,475,999	
Deferred debt issue costs	205,874	
Total noncurrent assets		26,681,873
Total Assets		33,288,449
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	102,478	
Accrued salaries and benefits	17,772	
Interest payable	30,985	
Current portion of long-term debts	545,812	
Current portion of capital leases payable	15,865	
Due to other funds	150,448	
Total current liabilities		863,360
<u>Noncurrent Liabilities</u>		
Long-term debts	5,034,186	
Capital leases payable	50,439	
Net other post employment liability	112,394	
Accrued compensated absences	63,170	
Total noncurrent liabilities		5,260,189
Total Liabilities		6,123,549
<u>Net Assets</u>		
Invested in capital assets, net of debt	20,829,697	
Restricted for debt service	1,522,760	
Unrestricted	4,812,443	
Total Net Assets		27,164,900
Total Liabilities and Net Assets		\$ 33,288,449

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

Operating Revenue

Charges for services	\$	4,658,807
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Operating Expenses (Schedule 3)

Personnel services	\$	1,299,916
Operations and maintenance		2,359,014
Administrative		129,207
Depreciation and amortization		728,825
Total operating expenses		4,516,962

Operating Income		141,845
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Nonoperating Revenues/(Expenses)

Gain on sales of fixed assets		4,294
Interest income		38,495
Interest expense		(371,277)
Total nonoperating expenses		(328,488)

Income/(loss) before other revenue		(186,643)
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Capital contributions		470,603
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Change in Net Assets		283,960
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Total Net Assets, June 30, 2009		26,880,940
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Total Net Assets, June 30, 2010	\$	27,164,900
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JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:		
Cash received from customers	\$ 4,619,426	
Cash paid to suppliers for goods and services	(2,616,343)	
Cash paid to employees for services	(1,265,372)	
Net cash provided from operating activities		\$ 737,711
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,208,626)	
Proceeds from sales of fixed assets	4,294	
Principal paid on revenues bonds and debts	(583,110)	
Principal paid on capital lease obligation	(61,287)	
Interest paid on revenues bonds and debts	(289,095)	
Net cash (used) for capital and related financing activities		(2,137,824)
Cash flows from investing activities:		
Interest received	38,495	
Net cash provided by investing activities		38,495
Net (decrease) in cash and cash equivalents		(1,361,618)
Cash and cash equivalents, beginning of year		7,779,919
Cash and cash equivalents, end of year		\$ 6,418,301
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Petty cash		\$ 200
Cash and cash equivalents		4,895,341
Restricted investments, cash and cash equivalents		1,522,760
Total cash and cash equivalents		\$ 6,418,301
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income		\$ 141,845
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	\$ 728,825	
Bad debt allowance	17,926	
Changes in assets and liabilities:		
Increase in accounts receivable	(39,381)	
Decrease in accounts payable	(84,228)	
Decrease in accrued payroll and compensated absences	(9,680)	
Increase in net other post-employment benefit payable	44,224	
Decrease in due to other funds	(61,820)	
Total Adjustments		595,866
Net cash provided by operations		\$ 737,711

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Sheet 1

The James Island Public Service District was formed under Act Number 498 of the 1961 General Assembly of the State of South Carolina. The District operates under a Commission/manager form of government and provides the following services: fire protection, solid waste and wastewater collection. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to local governmental entities. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1 - Summary of Significant Accounting Policies

- a. Reporting Entity. The District has established criteria for determining the reporting entity for financial statement presentation, in accordance with generally accepted governmental accounting principles. The reporting entity has been defined to include only those functions over which the District exercises budgetary control (i.e., fire department, solid waste department, maintenance department, wastewater department and the administrative department). There are no component units for the District. The District is a component unit of County of Charleston, SC due to the County's budgetary oversight authority.

b. Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity and revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds in the financial statements in this report are grouped into two broad fund categories.

Governmental funds include the general, debt service, special revenue and capital projects funds. The business-type fund consists of the enterprise (wastewater) fund.

c. Basis of Presentation

(1) GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from the business type activities, which primarily rely on fees and charges for services. Fiduciary funds are excluded from the government-wide financial statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same method used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the governmental funds. The primary effect, if any, of internal activity has been eliminated from the government-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activity of the District and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges for services paid by the recipients of the services offered by the program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Sheet 2

Net assets are reported as restricted when constraints are placed on net asset use by external creditors (such as through debt covenants), grantors, contributors or laws or regulations of the other governments or when imposed by law through enabling legislation. Restricted assets are used prior to unrestricted assets when permissible.

Separate financial statements are provided for governmental funds and the proprietary fund government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statement is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column.

d. Major Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, with the exception of interest on long-term debts.

The major government funds are:

(1) General Fund: This is the District's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

(2) Debt Service Fund: This fund is used to accumulate debt service revenues collected by the County Treasurer for Charleston County and to remit the principal and interest due on general obligation bonds and capital leases. These debt issues were sold to finance construction of various projects and pay for capital equipment such as fire and solid waste trucks.

(3) Capital Projects Fund: This fund is used to account for various capital projects financed by general obligation debt and capital leases.

(4) Special Revenue Fund: When applicable, this fund is used to account for specific grants and expenditures.

e. Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days after year end and available to pay obligations of the current period): property taxes and interest. This includes investment earnings.

Property taxes and special assessments in the debt service fund, though measurable, are not available soon enough in the subsequent year to finance current obligations. Therefore, property tax and special assessment receivables are recorded and deferred until they become available. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time.

f. The measurement focus of governmental fund accounting is on decreases in current financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Unmatured interest and principal on general long-term debts are recognized when paid. Depreciation and amortization are not recognized in the governmental funds.

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

1 - Significant Accounting Policies (continued)

- g. The proprietary fund uses the accrual method of accounting. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. This fund accounts for operations that are primarily financed by user charges. Revenues are recognized when earned rather than when collected and expenses are recognized when incurred rather than when paid. The allocation of costs, such as depreciation and amortization, are recorded in proprietary funds. The proprietary fund applies all Accounting Principals Board and Financial Accounting Standards Board pronouncements issued through November 30, 1989 in accounting and reporting for its proprietary operations unless they conflict with or contradict GASB pronouncements, in which case, GASB is followed.
- h. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with its principal ongoing operations. The principal operating revenues of the proprietary fund are charged to its customers for services. Operating expenses for the enterprise fund includes the cost of services, administrative expenses and depreciation of its capital assets. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District's proprietary fund is engaged in providing wastewater transportation and treatment.
- i. Cash and cash equivalents. For purposes of the statement of cash flows, the wastewater proprietary fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.
- j. The proprietary fund's receivables represent charges for services provided net of an allowance for uncollectible accounts of \$35,000.

Property taxes receivable in the general fund and debt service fund consist of uncollected property taxes from the following years, less an allowance for estimated uncollected taxes of \$321,000.

<u>Tax Year</u>	As of June 30, 2010	
	General Fund	Debt Service Fund
2010	\$4,819,222	\$ 369,324
2009	28,179	1,966
2008	16,387	1,143
2007	13,051	910
2006	8,829	616
Prior to 2006	41,353	2,717
Total	\$4,927,021	\$ 376,676
Less allowance	(298,000)	(23,000)
Net taxes	\$4,629,021	\$ 353,676

- k. Inventory and Prepaid Items The general fund inventory is valued at cost using the first in first out method. The prepaid items, if any, represent an expense that is applicable to a future period. The cost of the fuel inventory is recorded as an expenditure at the time it is used. These prepayments are equally offset by fund balance reserves which indicate that this portion of the fund balance does not constitute available spendable resources.
- l. The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the government fund and capitalized in the government-wide financial statements. The valuation bases for general capital assets are historical costs, or if historical cost is not available, estimated historical cost based on replacement cost. The District capitalizes only those individual capital assets exceeding \$ 5,000 in cost and which have a useful life exceeding one year.

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Sheet 4

1 - Significant Accounting Policies (continued)

Capital assets in the business-type fund are capitalized following the same criteria as in the general fund. Donated capital assets are capitalized at estimated fair market value on the date donated. During the current year, the enterprise fund received system assets valued at \$470,603 from developers.

Depreciation of all capitalized assets is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows: building 50 years; wastewater system (constructed and purchased) 20 - 60 years; office furniture and equipment 5 - 10 years; vehicles, machinery and equipment 5 - 15 years.

- m. 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 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.
- n. Unpaid Compensated Absences Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums. Annual leave exceeding the maximum accrual and not used by October 31 will be forfeited. The portion of this liability which is not expected to be liquidated with expendable available financial resources is not reported as a fund liability in accordance with Interpretation No. 6 of the Governmental Accounting Standards Board - Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. The amount applicable to the proprietary fund is charged to expense and as a corresponding liability. Sick leave is not accrued since the benefits are not vested and are not payable upon termination.

2 - Compliance and Accountability

Budget Requirements - The District is required by law to adopt an annual budget. The following procedures are followed in establishing the budgetary data reflected in the financial statements: (a) Prior to March 15 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The general fund budget includes proposed expenditures based on the modified accrual basis of accounting and the means of financing them, and (b) the proposed budget as adopted by the Commission is then forwarded to the Charleston County, SC Council for its approval. Charleston County, SC exercises full budgetary authority and bonded debt approval authority over the District. The District Commission may make line item transfers after the county adopts the budget up to \$ 25,000 that do not increase the total budget. Changes greater than \$ 25,000 require approval of the Charleston County Administrator and changes greater than \$ 100,000 require approval from Charleston County Council prior to being adopted by the District.

3 - Advances to/from Other Funds

The net advance from the General Fund of \$ 132,688 was used to cover operating expenses of the Wastewater Fund. This amount is to be repaid out of future revenues of the Wastewater Fund. The inter-fund receivable/(payable) is eliminated in the government-wide financial statements.

The advance from the Debt Service Fund of \$ 17,760 for the Wastewater Fund was to cover a capital lease payment. This amount will be repaid out of future revenue.

During the current year, the Debt Service Fund reimbursed the General Fund \$ 85,407 to repay a capital lease payment and the principal payment on a general obligation bond that were made by the General Fund during the previous fiscal year. The General Fund transferred \$103,167 to the Debt Service Fund for the initial lease payments on two new capital leases.

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

4 - Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and the net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of that difference are as follows:

Bonds payable	\$ 379,611
Capital leases payable	1,930,182
Net other post-employment liability	965,207
Compensated absences	<u>363,327</u>
Net adjustment to reduce fund balance - total Governmental funds to arrive at net assets - governmental funds	<u>\$3,638,327</u>

Explanation of certain differences between governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between the net changes in fund balances - total governmental funds and the changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this difference are as follows:

Capital outlay	\$ 882,909
Depreciation	<u>(301,941)</u>
Net adjustment to increase net changes in fund balances - governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 580,968</u>

5 - Deposits and Investments

A reconciliation of cash and investments reflected on the Balance Sheet is as follows:

Total carrying amount of cash	<u>\$ 8,927,528</u>
Cash and cash equivalents	\$ 7,404,768
Restricted cash and cash equivalents and investments	<u>1,522,760</u>
Total cash amount of cash and cash equivalents	<u>\$ 8,927,528</u>

Custodial Credit Risk *Custodial Credit Risk* for deposits exists when, in the event of the failure of the depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in the possession of the outside party. The District follows state law which requires depository financial institutions to provide FDIC insurance or pledge collateral obligations sufficient to cover its deposits and investments as described in the following paragraph. Under the FDIC's "Temporary Liquidity Guarantee Program" the District's FDIC insurance coverage is increased to \$250,000 per account for interest and non-interest bearing accounts.

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

5 - Deposits and Investments (continued)

State of South Carolina statutes authorize the District to invest in the following: 1) obligations of the State of South Carolina or any of its political subdivisions; 2) obligations of the United States and agencies thereof; 3) bank or savings and loan deposits and certificates of deposit to the extent insured by the Federal Deposit Insurance Corporation (FDIC); 4) repurchase agreements collateralized by securities of the type described in 1) and 2) preceding; and 5) no-load open and closed-end portfolios of certain investment companies or trusts which hold issues of the U. S. government.

The credit risks for deposits and investments are categorized into three categories of risk: 1) insured or registered with securities held by the District or its agent in the District's name; 2) uninsured and unregistered with securities held by the counter-party's trust department or agent in the District's name; 3) uninsured and unregistered with securities held by the counter-party or by its trust department or agent but not in the District's name.

At year end the carrying amount of the District's deposits and investments was \$8,927,428 and the bank balances were \$9,098,988. \$750,000 of the bank balances were covered by FDIC insurance and \$8,348,988 had specific collateral pledged. The District's deposits and investments that were insured or collateralized were in Category 1 or 2. The District carries all investments when owned at fair value based on quoted market values.

6 - Restricted Cash and Investments

The revenue bond agreements in the proprietary fund require the establishment of the following funds: debt service, debt service reserve, depreciation, contingent, rebate and cushion. The District is required to fund these accounts out of revenues and impact fees generated by the wastewater system. These funds cannot be used for any other purpose. The cash reserves required by the revenue bonds consist of the following at June 30, 2010:

Debt service reserve - 2010	\$ 50,101
Debt service	308,665
Depreciation	333,900
Contingent	770,430
Cushion - 1992	27,960
Cushion - 1996	<u>31,704</u>
 Total	 <u>\$1,522,760</u>

7 - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied during September by an intermediary government which is responsible for the collection of the taxes and may be paid without penalty until January 15 of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16 - 3%; February 1 - an additional 7%; March 16 - additional 5%. On March 16, the intermediary government turns unpaid taxes over to the delinquent tax office and the properties are subject to sale. Personal property taxes on vehicles are levied on a monthly basis when the owners' registration is due for renewal.

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

Sheet 7

8 - Capital Assets and Depreciation

A summary of the changes in the governmental fund activities is as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Transfers/</u> <u>Additions</u>	<u>Sales/Other</u> <u>Disposals</u>	<u>Balance</u> <u>June 30, 2010</u>
Assets not being depreciated:				
Land	\$ 212,173			\$ 212,173
Assets being depreciated:				
Buildings	1,017,870			1,017,870
Fencing, paving and landscaping	46,964			46,964
Vehicles	3,425,676	\$ 868,943	\$(224,419)	4,070,200
Machinery and fire equipment	1,196,433	13,966	(24,401)	1,185,998
Furniture and office equipment	165,668			165,668
Communication system	782,794		(239,506)	543,288
Totals	<u>\$ 6,847,578</u>	<u>\$ 882,909</u>	<u>\$(488,326)</u>	<u>\$ 7,242,161</u>
Less accumulated depreciation	<u>\$ 2,981,558</u>	<u>\$ 301,941</u>	<u>\$(409,060)</u>	<u>(2,874,439)</u>
Net capital assets				<u>\$ 4,367,722</u>

Depreciation has been charged to functions as follows in the Governmental activities:

General government	\$ 13,597
Public Safety	193,461
Health	94,883
Total	<u>\$ 301,941</u>

Changes in the business type activities are summarized as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Transfers/</u> <u>Additions</u>	<u>Sales/Other</u> <u>Disposals</u>	<u>Balance</u> <u>June 30, 2010</u>
Assets not being depreciated:				
Land and easements	\$ 332,057			\$ 332,057
Construction in progress	189,645	\$ 990,556	\$(104,008)	1,076,193
Subtotals	521,702	990,556	(104,008)	1,408,250
Assets being depreciated:				
Buildings	494,730			494,730
Sewer System	31,851,830	132,434	(1,752,900)	30,231,364
Contributed systems	3,035,436	2,223,503		5,258,939
Purchased systems	179,566			179,566
Equipment	99,803			99,803
Vehicles	760,864	88,632	(19,732)	829,764
Communication system	260,443	109,352		369,795
Totals	<u>\$ 37,204,374</u>	<u>\$ 3,544,477</u>	<u>\$(1,876,640)</u>	<u>\$ 38,872,211</u>
Less accumulated depreciation	\$ 11,594,260	\$ 700,953	(19,732)	(12,275,481)
accumulated amortization	92,859	27,872		(120,731)
Totals	<u>\$ 11,687,119</u>	<u>\$ 728,825</u>	<u>\$(19,732)</u>	<u>(12,396,212)</u>
Net capital assets				<u>\$ 26,475,999</u>

The District capitalizes interest incurred on all construction projects. During the current year, interest of \$8,340 was capitalized.

The District reclassified system assets with an estimated value of \$1,752,900 to "contributed systems" to better describe those assets during the current year.

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Sheet 8

9 - Pensions and Other Post-Employment Benefits

Description. The District contributes to the State of SC Retirement System (SCRS), a cost sharing multiple-employer, defined benefit pension administered by the State of South Carolina. SCRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 9 of the State of SC Code of Laws assigns the authority to establish and amend benefit provisions to the SCRS. The SCRS issues a publicly available financial report that includes financial statements and required supplementary information for SCRS. That report may be obtained by writing to SC Retirement System, P O Box 11960, Columbia, SC 29211 or by calling 1-800-868-9002.

Funding policy. Plan members must contribute 6.5% of their annual covered salary, and the District must also contribute 9.39% effective July 1, 2008, of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Commission. The District's contributions to SCRS for the year ending June 30, 2010 were \$ 393,616; for the year ended June 30, 2009 were \$402,807; and for the year ended June 30, 2008, \$363,871. The District has contributed 100% of the required contributions for the last three years.

Deferred Compensation Plan

The District offers its employees several deferred compensation plans under programs administered by the S. C. Deferred Compensation Commission. The multiple-employer plans were created in accordance with Internal Revenue Code Sections 457 and 401(k). The plans, available to all full-time District employees at their option, permit the employees to defer a portion of their earnings to future years. The deferred compensation is available to the employee only upon termination, retirement, disability, death or an approved hardship. The District's only duty is that of due care required of any ordinary prudent investor; it does not have any liability for losses under the plan.

Other Post-employment Benefits (OPEB)

Description

The District provides post-employment health, life and dental care benefits for certain retirees and their dependents. Substantially all employees who retire under the state retirement plan are eligible to continue their coverage with the District paying 100% of health insurance premiums if the retiree is over 65 years of age and a portion if under 65 years of age. The retiree pays 100% of life and dental insurance premiums and all health insurance premiums for family coverage. At July 1, 2009, the measurement date, there were 141 covered participants. Of this number, 116 participants are current employees and 25 are retirees. The District's regular insurance providers underwrite the retirees' insurance policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. The District may amend the terms of the plan.

Funding Policy

The District finances the plan on a pay-as-you-go basis. For the year ended June 30, 2010, the District had 25 retirees receiving benefits and recognized expense of \$ 133,185 for healthcare, which is net of retiree contributions of \$ 34,150. The net expense is allocated \$ 79,072 to the General Fund and \$ 54,113 to the enterprise fund.

The District's annual cost (expense) for other post employment benefits is calculated based on the annual required contribution (ARC) of the employer, which is actuarially determined based upon the requirements and parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents the amount of funding required that, if paid on an annual basis, is projected to cover the normal cost for each year plus the amount necessary to amortize any unfunded liability over a period not to exceed 30 years.

For the current year, the annual OPEB expense of \$ 510,638 is equal to the ARC. The ARC for the year ended June 30, 2010, is computed as follows:

Normal cost for current year	\$ 281,597
Amortization of the unamortized accrued liability	<u>229,041</u>
Total Annual Required Contribution	<u>\$ 510,638</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Sheet 9

9 - Pensions and Other Post-Employment Benefits (continued)

Calculations of benefits for financial reporting purposes are based on the substantive plan understood by the employer and the plan members. The calculations include the types of benefits provided at the time of each valuation and the historical costs shared by the employer and the plan members. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about future events and costs. The Projected Unit Credit, Level Percent of Payroll actuarial cost method was used to calculate the ARC for this valuation. The current rate used to compute the ARC is based on a level percentage of payroll and assumed a 4.5% rate of return on investments for the current year. The schedule of the District's funding progress is presented as supplementary information and follows the notes to the financial statements.

10 - Contingent Liabilities

All amounts received by the District from federal grants are subject to audit adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may be refundable and would constitute a liability of the applicable fund. Management has not been informed of any disallowed claims or significant matters of non-compliance. No estimate has been made of possible disallowed expenditures since none are known to exist, but the District believes any amounts would be immaterial.

The District is contingently liable for lawsuits and claims that may arise in the course of its operations. Management believes the ultimate resolution of any such matters will not materially affect the District's financial position.

The District serves a geographic area which is subject to annexation by a local municipality. In the event an area is annexed by the municipality, there could be a significant impact on the operations of the District. South Carolina law requires a municipality which annexes properties currently served by another political subdivision to assume responsibility for payment of the pro-rata bonded debt outstanding on the area(s) annexed.

11 - Risk Management

The District is exposed to various risks of loss related to torts, theft, loss for damage to assets, errors or omissions, and natural disasters. The District is a member of the State of South Carolina Insurance Reserve Fund, which is a public entity risk pool currently operating as an insurance program and risk management facility for local governments. The District pays annual insurance premiums to the State Insurance Reserve Fund for its general insurance coverages. The State Insurance Reserve Fund is self-sustaining through member insurance premiums and reinsures through commercial companies for certain claims.

In addition, the District insures for the risk of job related injury or illness to its employees through South Carolina State Accident Fund, a public entity risk pool operating for the benefit of local governments. The District pays an annual premium to the Worker's Compensation Trust for its insurance coverage.

The District is also subject to risks of loss from providing health, life, accident, dental and other medical benefits for employees, retirees and their dependents. The District utilizes a state health insurance plan administered by the South Carolina Budget and Control Board. The state reinsures through commercial companies for these risks.

For all of the above programs, the District has not significantly reduced insurance coverages from the previous year, and settled claims in excess of insurance coverage for the last three years were immaterial. For each of the insurance programs, the District has effectively transferred all risk with no liability for unfunded claims.

12 - Long-Term Debt

The District reports long-term debt of governmental funds at face value in the governmental fund. Long-term debt and other obligations financed by proprietary funds are reported as proprietary fund liabilities. For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond or capital lease proceeds are reported as an "other financing source" net of the applicable premium or discount. Issuance costs, if any, paid or withheld from the proceeds, are reported as debt service expenditures. For business-type funds, bond premiums or discounts and any deferred refunding costs (if applicable) are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium, discount or deferred refunding costs. Costs of issuance are reported as deferred and amortized over the life of the bonds on the straight-line basis.

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

12 - Long-Term Debt (continued)

Governmental Activities

For governmental activities, compensated absences are generally liquidated by the general fund. The District issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are direct obligations and pledge the full faith and credit of the District. All of the general obligation bonds are held by the Farmers Home Administration. In the Statement of Activities, interest expense is allocated as part of the indirect expenses. Interest expense was incurred by the following departments: public safety (fire) - \$ 43,996; health (solid waste) - \$ 32,388.

Business Type Activities: Revenue Bonds Payable

In 1980, the District began issuing revenue bonds payable from the revenues generated by the wastewater proprietary fund which pays for the construction and expansion of the wastewater transportation system. A summary of the changes in the long term debts payable for the year ended June 30, 2010, is as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amount Due</u>
	<u>July 1, 2009</u>			<u>June 30, 2010</u>	<u>in 2011</u>
<u>Governmental Activities</u>					
General obligation debt	\$ 388,975		\$ 9,364	\$ 379,611	\$ 10,361
Capital leases	1,522,744	\$ 845,163	437,725	1,930,182	425,278
Net other post employment benefits	631,978	333,229		965,207	
Compensated absences	320,937	42,390		363,327	
Governmental Fund Subtotals	<u>2,864,634</u>	<u>1,220,782</u>	<u>447,089</u>	<u>3,638,327</u>	<u>435,639</u>
<u>Business Type Activity</u>					
Revenue bonds	6,626,005		583,110	6,042,895	604,284
Less deferred refunding costs	(521,369)		(58,472)	(462,897)	(58,472)
Capital leases	127,591		61,287	66,304	15,865
Net other post employment benefits	68,170	44,224		112,394	
Compensated absences	44,460	18,710		63,170	
Business Type Activity Subtotals	<u>6,344,857</u>	<u>62,934</u>	<u>585,925</u>	<u>5,821,866</u>	<u>561,677</u>
Totals	<u>\$9,209,491</u>	<u>\$ 1,283,716</u>	<u>\$1,033,014</u>	<u>\$ 9,460,193</u>	<u>\$ 997,316</u>

Debt Service Requirements to Maturity

The principal and interest requirements to retire the District's long-term obligations, exclusive of compensated absences and the unfunded OPEB liability, are as follows:

<u>Business Type Activity</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
Year ended June 30, 2011	\$ 262,856	\$ 604,284	\$ 867,140
2012	238,006	635,733	873,739
2013	211,866	662,474	874,340
2014	184,622	684,518	869,140
2015	156,199	716,880	873,079
2016-2020	342,572	2,171,221	2,513,793
2021-2025	131,090	167,230	298,320
2026-2030	78,797	219,523	298,320
2031-2035	25,846	152,390	178,236
2036-2037	747	28,642	29,389
Sub-totals	<u>\$1,632,601</u>	<u>\$ 6,042,895</u>	<u>\$ 7,675,496</u>
<u>Governmental Activities</u>			
Year ended June 30, 2011	\$ 20,541	\$ 10,361	\$ 30,902
2012	19,995	10,907	30,902
2013	19,421	11,481	30,902
2014	18,817	12,085	30,902
2015	18,180	12,722	30,902
2016-2020	80,116	74,394	154,510
2021-2025	61,329	58,115	119,444
2026-2030	45,035	68,095	113,130
2031-2035	24,133	88,997	113,130
2036-2037	2,424	32,454	34,878
Sub-totals	<u>\$ 309,991</u>	<u>\$ 379,611</u>	<u>\$ 689,602</u>
Totals	<u>\$1,942,592</u>	<u>\$ 6,422,506</u>	<u>\$ 8,365,098</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

12 - Long-Term Debt (continued)

The revenue bonds outstanding for the business type activity at June 30, 2010, are as follows:

<u>Title of Issues</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	
		<u>Original</u>	<u>Outstanding</u>
Sol Legare Project issued 3/31/92	5.750%	\$ 437,000	\$ 337,989
Refunding Revenue Bonds issued 5/19/04, Series 2004	2.00-4.45%	6,535,000	4,280,000
Harbor View Road Project issued 2/1/97	4.250%	2,231,021	970,568
Grimball Road Expansion issued 11/14/96	5.125%	538,000	454,338
Totals		<u>\$ 9,741,021</u>	<u>\$ 6,042,895</u>

The revenues of the proprietary fund are pledged as collateral on all of the revenue bonds. The District has complied with all material covenants and restrictions.

The governmental fund general obligation bonds outstanding at June 30, 2010, are as follows:

<u>Issue Date</u>	<u>Title of Issues</u>	<u>Principal Amount</u>	
		<u>Original</u>	<u>Outstanding</u>
February 17, 1981	Fire station 4; 5%; matures February 17, 2021	\$ 142,000	\$ 67,597
November 14, 1996	Fire station 3; 5.5%; matures November 14, 2036	363,000	312,014
Totals		<u>\$ 505,000</u>	<u>\$ 379,611</u>

13 - Capital Leases Obligations

The District has various leases on equipment used in the business type activity and the general fund which are being accounted for as capital leases. The leased assets have been capitalized at a cost of \$334,644 in the proprietary fund and \$3,626,557 in the governmental fund. Amortization expense of \$27,872 is included in the proprietary fund and \$168,248 in the Statement of Activities for the general fund. Under the terms of the leases, the District is responsible for all operating costs associated with the equipment. The future minimum lease payments, including interest, by year ended June 30 are as follows:

<u>Governmental Fund</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 425,278	\$ 67,539	\$ 492,817
2012	387,086	52,126	439,212
2013	338,524	38,499	377,023
2014	243,958	26,674	270,632
2015	128,704	18,580	147,284
2016-2018	406,632	31,828	438,460
Sub-total	<u>\$1,930,182</u>	<u>\$235,246</u>	<u>\$2,165,428</u>
<u>Business Type Activity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 15,865	\$ 1,895	\$ 17,760
2012	16,319	1,441	17,760
2013	16,786	974	17,760
2014	17,334	426	17,760
Sub-Totals	<u>\$ 66,304</u>	<u>\$ 4,736</u>	<u>\$ 71,040</u>
Totals	<u>\$1,996,486</u>	<u>\$ 239,982</u>	<u>\$2,236,468</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

14 - Short-term Financing

During the current year, the District's general fund borrowed \$ 650,000 at .75% from the proprietary fund. The note was repaid on April 8, 2011. The borrowed funds were used to finance operating expenditures until current year tax revenues were collected by the County. A summary of the activity in short-term financing is as follows:

	Balance 06/30/09	Addition	Reduction	Balance 06/30/10
Governmental Activities	\$ _____	\$650,000	\$ 650,000	\$ _____

15 - Contributed Capital - Wastewater System

The District, in completing the wastewater system, received contributed capital through grants, contributions of capital or contributions of existing systems. All tap fees from consumers were capitalized through 1981 as were the related expenses of connecting the properties to the system. In addition to the tap fees, the District charged developers impact fees to help offset the costs incurred for additions to the system. After 1981, only large additions to the system and any related tap fees and impact fees were capitalized. In accordance with GASB 34, the District recognizes contributed capital through the proprietary fund's operating statement since its adoption of the provisions of this statement. Contributed capital received prior to the adoption of GASB 34 and now included in retained earnings consists of the following:

	Balance June 30, 2009	Additions (Reduction)	Balance June 30, 2010
Farmers Home Administration Grants	\$ 4,356,919		\$ 4,356,919
Environmental Protection Agency Grants	2,354,057		2,354,057
State of South Carolina (FEMA)	144,629		144,629
Charleston County, SC grant	170,000		170,000
Tap fees and contributions by developers	2,315,758		2,315,758
Contributed systems	453,535		453,535
Total	\$ 9,794,898		\$ 9,794,898

16 - Commitments and Contingencies

At June 30, 2010, the District was involved in several capital projects. Costs have been incurred on various wastewater upgrade projects which total \$1,076,193 at June 30, 2010. The total estimated costs of the projects is \$ 2,949,889. The wastewater project costs will be paid through impact fees held by the District and proceeds of a revenue bond.

Subsequent to the current fiscal year end, the City of Charleston, SC completed an audit of the taxes remitted to the District for the last five years relating to properties which were annexed into the City of Charleston. The City of Charleston is required to remit to the District the portion of ad valorem tax the city collects from annexed properties representing the District's fire department budget that would have been collected by the District had the properties not been annexed into the city. As a result of this audit, the City determined the District had been overpaid \$ 395,328 in the general fund and overpaid \$ 35,946 in debt service. The District will repay the excess remittances over a five (5) year period beginning in fiscal year 2011 at the rate of \$ 79,066 per year in the general fund and \$ 7,189 through the debt service fund. The City will reduce future year tax payments due to the District.

17 - Subsequent Events

At year end, the District was waiting on the approved loan proceeds from the SC Department of Environmental Control. The loan is to be used to pay \$717,520 of the cost of the Schooner Road project which cost \$974,889, and was completed in July 2010. The SCDHEC-SC Water Quality Revolving Fund Authority loan was approved February 26, 2010. The loan will be amortized in 79 quarterly payments of \$12,509 and a final payment of \$12,508. Payments will begin 90 days after receipt of the loan proceeds. As of November 4, 2010, the District was still waiting to receive the proceeds of this loan.

18 - Deferred Revenues

In the Governmental Fund financial statements, the District accounts for delinquent taxes receivable collected more than 60 days following the end of its fiscal year as deferred revenues.

JAMES ISLAND PUBLIC SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

19 - Non-Cash Transactions: Proprietary Fund

The Statement of Cash Flow for the proprietary fund only reflects transactions that affect its cash flows during the year. Capital assets of \$ 470,603 were donated to the district by developers during the current year and resulted in additions to the District's capital assets but did not result in any cash flows during the year.

JAMES ISLAND PUBLIC SERVICE DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Schedule 1

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<u>Beginning budgetary fund balance</u>	\$ 2,444,737	\$ 2,444,737	\$ 2,444,737	
Resources (inflows):				
Taxes	5,998,149	5,998,149	6,181,687	\$ 183,538
Intergovernmental	26,233	26,233	26,233	
Other income	24,116	24,116	85,544	61,428
Amounts available for appropriation	8,493,235	8,493,235	8,738,201	244,966
<u>General government</u>				
Salaries and allowances	268,146	268,146	258,432	9,714
Retirement contributions	24,837	24,837	24,631	206
Payroll taxes	20,904	20,904	20,080	824
Group health and workmen's compensation insurance	23,682	23,682	22,607	1,075
Commission expenses	3,000	3,000	2,267	733
Professional services	13,350	13,350	15,349	(1,999)
Travel	1,200	1,200	338	862
Maintenance and fuel	9,316	9,316	6,422	2,894
Office supplies and expenses	15,790	15,790	5,989	9,801
Advertising	2,558	2,558	2,125	433
Dues and subscriptions	1,976	1,976	2,185	(209)
Employee relations	4,271	4,271	2,608	1,663
Telephone and communication	6,040	6,040	4,211	1,829
Insurance	3,500	3,500	2,791	709
Interest - TAN	5,000	5,000	2,031	2,969
Training, education and conferences	2,450	2,450	292	2,158
Operating leases	1,400	1,400	1,756	(356)
Contingency	15,000	15,000		15,000
Totals	422,420	422,420	374,114	48,306
<u>Maintenance</u>				
Salaries and allowances	201,231	201,231	168,701	32,530
Retirement contributions	18,594	18,594	16,230	2,364
Payroll taxes	15,828	15,828	13,318	2,510
Group health and workmen's compensation insurance	44,924	44,924	41,166	3,758
Fuel	3,000	3,000	3,087	(87)
Travel and transportation	2,460	2,460	227	2,233
Maintenance	4,750	4,750	8,112	(3,362)
Office supplies and expenses	600	600	794	(194)
Advertising	850	850	712	138
Professional services	795	795	714	81
Supplies and other expenses	14,855	14,855	37,988	(23,133)
Telephone and communications	2,803	2,803	2,020	783
Insurance	2,500	2,500	2,232	268
Training, education and conferences	3,695	3,695	188	3,507
Uniforms	4,100	4,100	2,914	1,186
Utilities	6,100	6,100	5,598	502
Totals	327,085	327,085	304,001	23,084
Sub-totals - General Government	\$ 749,505	\$ 749,505	\$ 678,115	\$ 71,390

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 1

(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable
				(Unfavorable)
Sub-totals brought forward	\$ 749,505	\$ 749,505	\$ 678,115	\$ 71,390
Public Safety - Fire				
Salaries and allowances	2,049,097	2,049,097	2,035,401	13,696
Retirement contributions	189,337	189,337	192,255	(2,918)
Payroll taxes	161,617	161,617	157,463	4,154
Group health and workmen's compensation insurance	494,725	494,725	483,516	11,209
Fuel and fluids	33,640	33,640	27,304	6,336
Maintenance	66,514	66,514	85,870	(19,356)
Office supplies and expenses	4,045	4,045	3,556	489
Professional services	4,370	4,370	21,535	(17,165)
Advertising	2,700	2,700	1,816	884
Dues	1,335	1,335	125	1,210
Supplies and other	65,610	65,610	56,097	9,513
Telephone and communications	30,824	30,824	10,285	20,539
Insurance	32,000	32,000	31,946	54
Training, education and conferences	48,720	48,720	16,890	31,830
Travel and transportation	4,700	4,700	629	4,071
Uniforms	22,375	22,375	12,067	10,308
Utilities	29,436	29,436	35,391	(5,955)
Totals	<u>3,241,045</u>	<u>3,241,045</u>	<u>3,172,146</u>	<u>68,899</u>
Health - Solid waste				
Salaries and allowances	901,189	901,189	852,041	49,148
Retirement contributions	81,440	81,440	77,575	3,865
Payroll taxes	70,030	70,030	62,851	7,179
Group health and workmen's compensation insurance	265,106	265,106	248,054	17,052
Fuel	159,000	159,000	140,285	18,715
Maintenance	133,001	133,001	148,471	(15,470)
Office supplies and expenses	1,628	1,628	582	1,046
Professional services	3,750	3,750	10,822	(7,072)
Supplies and other	13,826	13,826	10,861	2,965
Advertising	500	500	209	291
Telephone and communications	10,300	10,300	2,606	7,694
Insurance	21,500	21,500	22,173	(673)
Training, education and conferences	2,730	2,730	129	2,601
Uniforms	12,150	12,150	10,740	1,410
Utilities	4,900	4,900	5,276	(376)
Totals	<u>1,681,050</u>	<u>1,681,050</u>	<u>1,592,675</u>	<u>88,375</u>
Capital outlays	<u>33,289</u>	<u>33,289</u>	<u>38,046</u>	<u>(4,757)</u>
Total Expenditures (Outflows)	<u>5,704,889</u>	<u>5,704,889</u>	<u>5,480,982</u>	<u>223,907</u>
Operating transfers out - net			<u>12,874</u>	<u>(12,874)</u>
Total Expenditures and Transfers	<u>5,704,889</u>	<u>5,704,889</u>	<u>5,493,856</u>	<u>211,033</u>
Ending budgetary fund balance	<u>\$ 2,788,346</u>	<u>\$ 2,788,346</u>	<u>\$ 3,244,345</u>	<u>\$ 455,999</u>

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS FOR
OTHER POSTEMPLOYMENT BENEFITS -
DEFINED BENEFIT HEALTH CARE PLAN
FOR THE YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Schedule 2

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2 - 1)	Funded Ratio (1/2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll ((2-1)/3)
07/01/2007	\$ 0	\$ 6,024,106	\$ 6,024,106	0%	\$ 4,105,074	147%
07/01/2008		6,024,106	6,024,106	0%	4,333,412	139%
07/01/2009		5,493,663	5,493,663	0%	4,227,757	139%

The District implemented GASB Statement 45 for the fiscal year ended June 30, 2008. The District elected to implement the statement prospectively; therefore, prior year comparative data are not available. In future years, the District will present the three year trend information as it becomes available.

Schedule of Employer Contributions

Fiscal Year ended June 30	Annual Required Contribution	Actual Contribution	Percent Funded
2008	\$ 481,068	\$ 133,622	27.78%
2009	504,234	151,532	30.05%
2010	510,638	133,185	26.08%

JAMES ISLAND PUBLIC SERVICE DISTRICT
SCHEDULE OF OPERATING EXPENSES - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 3

Personnel Services

Salaries, wages and allowances	\$	913,182	
Payroll taxes		68,097	
Retirement system contributions		82,925	
Group insurance and workmen's compensation		123,648	
Other post-employment benefits		98,338	
Miscellaneous		3,564	
Training and education		4,133	
Uniforms		6,029	
Total			\$ 1,299,916

Operations and Maintenance

Wastewater treatment and transportation charges		1,623,724	
Maintenance of system and equipment		280,019	
Fuel		44,332	
Technical supplies		21,564	
Utilities		135,195	
Engineering services		227,403	
Insurance		26,777	
Total			2,359,014

Administrative

Professional services		9,357	
Office supplies		39,933	
Postage		29,414	
Memberships and subscriptions		2,550	
Advertising and printing		5,439	
Bad debts		17,926	
Insurance		5,456	
Miscellaneous expenses		7,217	
Telephone and communication		11,915	
Total			129,207

Depreciation and Amortization

			728,825
Total Operating Expenses			\$ <u>4,516,962</u>