Report on Audit of Financial Statements of

James Island Public Service District

for the year ended June 30, 2016

Commissioners

Donald Hollingsworth	Chair
June Waring	Vice Chair
Billy Cubby Wilder	Secretary
Kay Kernodle	
Inez Brown-Crouch	
Carter McMillan	
Eugene Platt	

Robert K. Wise	District Manager
Susan G. Gladden	Chief Financial Officer

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of James Island Public Service District, (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the James Island Public Service District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 and other required supplementary information on pages 41-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the James Island Public Service District's basic financial statements. The schedule of operating expenses – proprietary fund on page 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of operating expenses – proprietary fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 schedule of operating expenses – proprietary fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 3, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Scott and Company LLC

Columbia, South Carolina
January 3, 2017

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, 2016. 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

- Total assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $27,785,090. Net position increased $1,223,442 or 4.4%.
  - Governmental activities net position was ($2,331,732), an increase of $664,711 primarily due to funds due from the Wastewater Fund and implementing Governmental Accounting Standard Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27" ("GASB #68") and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68" ("GASB #71") in the fiscal year ending June 30, 2015.
  - Business-type net position amounted to $30,116,822, an increase of $558,729 or 1.8%. Unrestricted net position decreased by $1,133,958 to $531,491 at June 30, 2016, primarily due to implementing GASB #68 and GASB #71 in the fiscal year ended June 30, 2015.

- At June 30, 2016, the total fund balance of the District's governmental funds was $5,074,797, an increase of $1,593,690, or 45.8%.
  - The fund balance of the General Fund increased $1,495,986 to $4,631,891, or 47.7%. $4,242,137 of this fund balance was unassigned at year-end, a $1,336,027, or 46.0% increase from the $2,906,110 balance at June 30, 2015.
  - General Fund revenues exceeded expenditures by $1,495,984, an increase of $1,713,857 from the prior year.

- Total capital assets (net of accumulated depreciation) for the District amounted to $39,743,846 at June 30, 2016, an increase of $3,606,487 or 10.0%.
  - Governmental activities capital assets (net of accumulated depreciation) amounted to $3,459,386, an increase of $48,917, or 1.4%.
  - Business-type capital assets (net of accumulated depreciation) amount to $36,284,460, an increase of $3,557,570, or 10.8%.

- At June 30, 2016, the District's debt for bonds, capital lease obligations and compensated absences was $10,595,926 an increase of $2,689,342 or 34%.
  - Governmental activities debt for this was $2,005,105, an increase of $649,073, or 47.9%.
  - Business-type funds debt for this was $8,590 ,821 an increase of $2,035,166 or 31.1%.

- The District maintained its AA- bond rating from Standard & Poor's on the Revenue Refunding Bonds, Series 2014.

Financial Statements

The first two statements in the financial statements are the **government-wide financial statements**. They provide both short and long-term full accrual information about the District's financial condition as a whole, focusing on the government's operational accountability. The next statements are **fund financial statements** with necessary reconciliation information. These statements focus on the activities of the major funds and provide more detail than the government-wide statements. There are two parts to the fund financial statements; 1) the governmental funds statements, reports on a modified accrual basis; and 2) the proprietary fund statements, reported on a full accrual basis. The next section of the financial statements is the **notes to the financial statements**. The notes explain in detail some of the data contained on those statements.

Government-wide financial statements

The focus of the Statement of Net Position 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 position 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 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.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 20-40 of this report.

Other information

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information in the form of budgetary comparison schedules relative to the District's General Fund and pension schedules. The required supplementary information is presented after the notes to the financial statements and can be found on pages 41-46 of this report.

Government-Wide Financial Analysis

Statement of Net Position
As of June 30, 2016
(in thousands)

	Governmental Activities	Business-type Activitites	Total	Total
	2016	2016	2016	2015
Current assets	$ 10,691	$ 3,486	$ 14,177	$ 12,922
Net capital assets	3,459	36,284	39,743	36,137
Noncurrent assets	-	1,782	1,782	1,615
Total Assets	14,150	41,552	15,959	50,674
Total deferred outflows of resources	629	262	891	822
Long-term liabilities	4,271	7,931	12,202	9,499
Net pension liabilities	6,886	1,950	8,836	8,251
Current liabilities	681	1,771	2,452	1,863
Total Liabilities	11,838	11,652	23,490	19,613
Total deferred inflows of resources	5,274	46	5,320	5,322
Net investment in capital assets	1,803	27,803	29,606	28,677
Unrestricted	(4,465)	531	(3,934)	(4,136)
Restricted for debt service	331	1,782	2,113	2,022
Total Net Position	$ (2,331)	$ 30,116	$ 27,785	$ 26,563

The District implemented GASB 68 and GASB 71 in fiscal year 2015 and beginning net position was restated for this.

Current Year Analysis and Impacts

In the governmental activities column above, the total liabilities and deferred inflows of resources exceed total assets and deferred outflows of resources by $2,331,732 (Total Net Position). In the business-type activities column, the total assets exceed total liabilities by $30,116,822. A significant portion of total net position is capital assets, primarily the wastewater system, land, buildings, vehicles and equipment.

Normal Impacts

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

- Net Results of Activities – which will impact (increase/decrease) current assets and unrestricted net position.
- 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 position 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 position 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.

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Statement of Activities
As of June 30, 2016
(in thousands)

Program Revenues	Governmental Activities 2016	Business-type Activitites 2016	Total 2016	Total 2015
Service Revenues:				
Charges for Services	$ -	$ 6,163	$ 6,163	$ 6,348
General Revenues:				
Property Taxes	7,437	-	7,437	6,474
Merchants' Inventory and Motor Carrier Tax	26	-	26	27
Interest Income	-	2	2	2
Gain/(Loss) on sale of capital assets	3	(50)	(47)	8
Lawsuit proceeds	400	-	400	-
Other Income	40	-	40	155
Capital Contributions	-	1,360	1,360	1,521
Total Revenues	$ 7,906	$ 7,475	$ 15,381	$ 14,535
Functions/Programs				
Governmental Activities:				
General Government	$ 1,117	$ -	$ 1,117	$ 802
Public Safety	4,065	-	4,065	4,122
Health	2,049	-	2,049	1,958
Interest on Long-Term Debts	11	-	11	48
Business-type Activities:				
Wastewater	-	6,916	6,916	5,969
Total Expenses	$ 7,242	$ 6,916	$ 14,158	$ 12,899
Net Increase	664	559	1,223	1,636
Net Position, beginning	(2,996)	29,558	26,562	24,926
Net Position, ending	$ (2,332)	$ 30,117	$ 27,785	$ 26,562

Current Year Financial Analysis

As of year-end, the District reported changes in net position of $1,223,440, which is a decrease of $412,428 from fiscal year 2015. Governmental activities reported an increase in net position of $664,711 and Business-type activities realized an increase of $558,729.

Capital Assets and Debt Administration

Capital Assets

As of year-end, the District had $39,743,846 in net capital assets (additions less retirements less depreciation), as reflected in the following schedule. Also, the District had $60,348,961 in capital assets, before accumulated depreciation, which reflects a net increase of $3,579,541 or 6.4% when compared to previous year.

Capital Assets
(in thousands)

	Governmental Activities		Business-type Activitites		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 212	$ 212	$ 340	$ 340	$ 552	$ 552
Buildings/Fencing/Paving	1,102	1,102	519	521	1,621	1,623
Vehicles	4,055	3,878	1,009	1,006	5,064	4,884
Equipment	1,747	1,610	2,030	829	3,777	2,439
Wastewater System	-	-	45,357	44,530	45,357	44,530
Construction in Progress	-	-	3,978	1,588	3,978	1,588
Total	7,116	6,802	53,233	48,814	60,349	55,616
Less: Depreciation	(3,656)	(3,392)	(16,949)	(16,087)	(20,605)	(19,479)
Net Capital Assets	$ 3,460	$ 3,410	$ 36,284	$ 32,727	$ 39,744	$ 36,137

Debt

As of year-end, the District had $21,037,340 in outstanding long term liabilities compared to $17,750,115 last year, an increase of $3,287,225 or 18.5%. The increase in debt is due to the addition of a State Revolving Fund Loan for wastewater infrastructure and capital leases for equipment.

Economic Factors and Next Year's Budgets

For the FY17 budget, property tax revenues were based on an increase of 4.7% due to reassessment last year and a 2.2% increase in real and property values mainly due to natural growth and improvements in the economy. Improvements in the real estate market and a decrease in unemployment in Charleston County provides a greater outlook than previous years.

Property tax millage remained the same as FY16 at 53.9 mills. The General Fund expenditures increased $418,457 or 6.4% over the FY16 budget which is attributed to our continuation of the employee merit program and savings as a result of a full year of the Solid Waste once-a-week program that started January 1, 2016.

Our focus continues to replace old and outdated equipment through the vehicle replacement schedule. The District is projected to spend over $400,000 for new vehicles and equipment.

The Proprietary Fund revenues include a rate increase based on a cost of service analysis and the increased costs in capital projects to repair and replace the system. Revenues were based on these increases but no increase is projected in customer usage. Expenses were budgeted at 2.7% over FY16 budget mainly due to higher treatment costs.

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, Chief Financial Officer at 1739 Signal Point Road/PO Box 12140, Charleston, South Carolina 29422-2140 or 843-998-6176.

James Island Public Service District
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Petty cash	$ -	$ 200	$ 200
Cash and cash equivalents	1,694,519	4,351,987	6,046,506
Funds held in escrow	987,332	-	987,332
Due from Charleston County	841,084	-	841,084
Net receivables	5,437,287	401,590	5,838,877
Internal balances	1,499,299	(1,499,299)	-
Inventory and prepaids	231,926	231,575	463,501
Total current assets	10,691,447	3,486,053	14,177,500
Noncurrent Assets:			
Restricted cash and cash equivalents	-	1,782,387	1,782,387
Capital assets, net of accumulated depreciation	3,247,213	31,966,369	35,213,582
Nondepreciable assets	212,173	4,318,091	4,530,264
Total capital assets	3,459,386	36,284,460	39,743,846
Total assets	14,150,833	41,552,900	55,703,733
Deferred Outflows of Resources			
Deferred loss on bond refunding	-	74,299	74,299
Contributions to retirement plan after measurement date	466,851	133,261	600,112
Difference between expected and actual retirement plan experience	123,239	33,776	157,015
Net difference between projected and actual retirement plan experience	38,629	20,578	59,207
Total deferred outflows of resources	628,719	261,914	890,633
Liabilities			
Current liabilities:			
Accounts payable	83,432	322,657	406,089
Accrued salaries & benefits	132,540	54,161	186,701
Accrued interest payable	30,660	81,410	112,070
Customer deposits	-	210,858	210,858
Current portion of long-term debt	13,833	881,775	895,608
Current portion of capital leases	295,866	59,889	355,755
Current portion of compensated absences	124,543	38,257	162,800
Total current liabilities	680,874	1,649,007	2,329,881
Non-current liabilities:			
Long-term debt payable	267,298	7,324,598	7,591,896
Capital leases	1,079,537	215,254	1,294,791
Net other post employment liability	2,699,781	442,073	3,141,854
Net pension liability	6,886,168	1,949,745	8,835,913
Accrued compensated absences	224,028	71,048	295,076
Total liabilities	11,837,686	11,651,725	23,489,411
Deferred Inflows of Resources			
Deferred property taxes	5,118,704	-	5,118,704
Change in proportionate share of net pension liability	142,748	42,639	185,387
Difference between expected and actual retirement plan experience	12,146	3,628	15,774
	5,273,598	46,267	5,319,865
Net Position			
Net investment in capital assets	1,802,852	27,802,944	29,605,796
Unrestricted	(4,465,150)	531,491	(3,933,659)
Restricted for debt service	330,566	1,782,387	2,112,953
Total net position	$ (2,331,732)	$ 30,116,822	$ 27,785,090

The accompanying notes are an integral part of the financial statements.

James Island Public Service District
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Business-Type Activities	Total
Governmental Activities:					
General government	$ 1,117,078	$ -	$ (1,117,078)	$ -	$ (1,117,078)
Public safety - fire	4,064,879	-	(4,064,879)	-	(4,064,879)
Health - solid waste	2,048,659	-	(2,048,659)	-	(2,048,659)
Interest charges	10,717	-	(10,717)	-	(10,717)
Total governmental activitites	7,241,333	-	(7,241,333)	-	(7,241,333)
Business-Type Activitites:					
Wastewater	6,916,417	6,163,410	-	(753,007)	(753,007)
Total	$ 14,157,750	$ 6,163,410	$ -	$ (753,007)	$ (7,994,340)
General Revenues:					
Taxes			7,436,797	-	7,436,797
Merchant's inventory and motor carrier taxes			26,233	-	26,233
Interest income			465	1,850	2,315
Gain (loss) on sale of capital assets			2,840	(50,270)	(47,430)
Lawsuit proceeds			400,000	-	400,000
Other income			39,709	-	39,709
Capital contributions			-	1,360,156	1,360,156
Total general revenues			7,906,044	1,311,736	9,217,780
Change in net position			664,711	558,729	1,223,440
Net position, beginning			(2,996,443)	29,558,093	26,561,650
Net position, ending			$ (2,331,732)	$ 30,116,822	$ 27,785,090

The accompanying notes are an integral part of the financial statements.

James Island Public Service District
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Debt Service	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 1,694,519	$ -	$ 1,694,519
Receivables:			
Due from Charleston County	510,518	330,566	841,084
Taxes receivable (net of allowances)	5,073,430	363,857	5,437,287
Due from wastewater fund	1,499,299	-	1,499,299
Due from debt service fund	146,994	-	146,994
Due from general fund	-	256,563	256,563
Funds held in escrow	987,332	-	987,332
Prepaid expenditures	215,091	-	215,091
Inventory of fuel	16,835	-	16,835
Total assets	$ 10,144,018	$ 950,986	$ 11,095,004
Liabilities			
Accounts payable	$ 83,432	$ -	$ 83,432
Accrued payroll	132,540	-	132,540
Due to other funds	256,563	146,994	403,557
Total liabilities	472,535	146,994	619,529
Deferred inflows of resources:			
Unavailable property taxes	5,039,592	361,086	5,400,678
Total liabilities and deferred inflows of resources	5,512,127	508,080	6,020,207
Fund Balance			
Nonspendable - inventory and prepaids	231,926	-	231,926
Restricted for debt service	-	442,906	442,906
Committed to next year's budget	157,828	-	157,828
Unassigned	4,242,137	-	4,242,137
Total Fund Balances	4,631,891	442,906	5,074,797
Total liabilities, deferred inflows of resources and fund balances	$ 10,144,018	$ 950,986	$ 11,095,004

The accompanying notes are an integral part of the financial statements.

James Island Public Service District
Reconciliation of Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2016

Total Governmental Fund Balances	$	5,074,797
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds: property taxes receivable		281,974
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds (net of accumulated depreciation of $3,656,429)		3,459,386
Long-term liabilites are not due and payable in the current period and therefore, are not reported in the funds:		
Bonds and capital leases payable		(1,656,534)
Accrued compensated absences payable		(348,571)
Net other post-employment liability		(2,699,781)
Net pension liability		(6,886,168)
Accrued interest payable		(30,660)
Difference in pension related deferred inflows and outflows		473,825
Net position of governmental activities	$	(2,331,732)

The accompanying notes are an integral part of the financial statements.

James Island Public Service District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Debt Service	Total Governmental Funds
Revenues			
Property taxes	$ 6,974,470	$ 476,934	$ 7,451,404
Intergovernmental revenues	26,233	-	26,233
Lawsuit proceeds	400,000	-	400,000
Other income	40,174	-	40,174
Total revenues	7,440,877	476,934	7,917,811
Expenditures			
Current:			
General government	783,732	-	783,732
Public safety - fire	3,907,722	-	3,907,722
Health - solid waste	1,848,486	-	1,848,486
Capital expenditures	409,574	-	409,574
Debt Service:			
Principal	-	15,039	15,039
Interest	-	15,862	15,862
Capital leases - principal	-	327,133	327,133
Capital leases - interest	-	21,194	21,194
Total expenditures	6,949,514	379,228	7,328,742
Excess of revenues over expenditures	491,363	97,706	589,069
			-
Other Financing Sources:			
Proceeds from sale of assets	17,289	-	17,289
Proceeds from capital leases	987,332	-	987,332
Net change in fund balance	1,495,984	97,706	1,593,690
Fund balance, June 30, 2015	3,135,907	345,200	3,481,107
Fund balance, June 30, 2016	$ 4,631,891	$ 442,906	$ 5,074,797

The accompanying notes are an integral part of the financial statements.

James Island Public Service District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net change in governmental fund balances	$	1,593,690
Governmental funds report capital outlays as expenditures. In the Statement of Activities, this cost is allocated over the estimated useful lives of the assets as depreciation. This is the amount by which capital outlay expense exceeded depreciation during the current year.		63,366
In the Statement of Activities, the gain or loss on disposal of capital assets is reported. Conversely, governmental funds do not report any gain or loss on disposal of capital assets		(14,449)
Some expenses are reflected in the Statement of Activities but not in the governmental funds:		
Compensated absences		(3,913)
Accrued interest		(10,717)
Other post-employment benefits		(316,241)
Change in pension liability related amounts		12,741
Other financing sources which do not provide current resources:		
Proceeds from capital leases		(987,332)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Property taxes		(14,607)
Repayment of bond and capital lease principal is an expenditure in the funds but is a reduction of liabilities in the Statement of Net Position		342,173
Change in Net Position of Governmental Activities	$	664,711

The accompanying notes are an integral part of the financial statements.

James Island Public Service District
Statement of Net Position
Proprietary Fund - Wastewater
June 30, 2016

Assets		
Current assets:		
Petty cash	$	200
Cash and cash equivalents		4,351,987
Customer receivables (net of allowance)		298,849
Miscellaneous receivables		102,741
Prepaid expenses		231,575
Total current assets		4,985,352
Non-current assets:		
Restricted cash and cash equivalents		1,782,387
Capital assets (net of accumulated depreciation)		36,284,460
Total non-current assets		38,066,847
Total assets		43,052,199
Deferred Outflows of Resources:		
Deferred loss on bond refunding		74,299
Contributions to retirement plan after measurement date		133,261
Difference between expected and actual retirement plan experience		33,776
Net difference between projected and actual investment experience		20,578
Total deferred outflows of resources		261,914
Total assets and deferred outflows of resources	$	43,314,113

The accompanying notes are an integral part of the financial statements.

James Island Public Service District
Statement of Net Position
Proprietary Fund - Wastewater
June 30, 2016

Liabilities and Net Position		
Current liabilities:		
Accounts payable	$	322,657
Accrued salaries and benefits		54,161
Interest payable		81,410
Customer deposits		210,858
Current portion of long-term debt		881,775
Current portion of capital leases payable		59,889
Current portion of compensated absences		38,257
Due to general fund		1,499,299
Total current liabilities		3,148,306
Non-current liabilities:		
Long-term debt		7,324,598
Capital leases payable		215,254
Net other post employment liability		442,073
Net pension liability		1,949,745
Accrued compensated absences		71,048
Total noncurrent liabilities		10,002,718
Total liabilities		13,151,024
Deferred Inflows of Resources:		
Change in proportionate share of net pension liability		42,639
Difference between expected and actual retirement plan experience		3,628
		46,267
Net Position		
Net investment in capital assets		27,802,944
Restricted for debt service		1,782,387
Unrestricted		531,491
Total net position		30,116,822
Total liabilities, deferred inflows of resources and net position	$	43,314,113

The accompanying notes are an integral part of the financial statements.

James Island Public Service District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund - Wastewater
For the Year Ended June 30, 2016

Operating Revenues		
Charges for services:		
District customer charges	$	3,427,490
Transportation customer charges		1,103,621
Full charge customer charges		835,793
Wholesale charges - Folly Beach		370,397
Other fees & charges		236,654
Other income		6,155
Tap Fees		58,220
Impact Fees		125,080
Total operating revenues		6,163,410
Operating Expenses		
Personnel services		1,664,600
Operations and maintenance		3,735,386
Administrative		301,302
Depreciation and amortization		989,850
Total operating expenses		6,691,138
Operating loss		(527,728)
Nonoperating Revenues (Expenses)		
Loss on sales of fixed assets		(50,270)
Interest income		1,850
Interest expense		(225,279)
Total non-operating revenues (expenses)		(273,699)
Capital contributions		1,360,156
Change in net position		558,729
Net Position		
June 30, 2015		29,558,093
June 30, 2016	$	30,116,822

The accompanying notes are an integral part of the financial statements.

James Island Public Service District
Statement of Cash Flows
Proprietary Fund - Wastewater
For the Year Ended June 30, 2016

Cash flows from operating activities:			
Cash received from customers	$ 6,041,767		
Cash paid to suppliers for goods and services	(3,236,901)		
Cash paid to employees for services	(1,563,942)		
Net cash provided by operating activities		$	1,240,924
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(2,958,717)		
Loss on sale of fixed assets	(50,270)		
Proceeeds of loan payable	2,883,640		
Proceeds of capital lease	102,741		
Principal paid on revenue bonds	(941,876)		
Principal paid on capital lease obligations	(60,378)		
Interest paid on revenue bonds and debt	(306,228)		
Net cash used for capital and related financing activities			(1,331,088)
Cash flows from investing activities:			
Interest received	1,850		
Net cash provided by investing activities			1,850
Net decrease in cash and cash equivalents			(88,314)
Cash and cash equivalents, beginning of year			6,222,888
Cash and cash equivalents, end of year		$	6,134,574
Reconciliation of Cash and Cash Equivalents to Balance Sheet:			
Petty cash	$ 200		
Cash and cash equivalents	4,351,987		
Restricted cash and cash equivalents	1,782,387		
Total cash and cash equivalents		$	6,134,574
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating loss		$	(527,728)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation and amortization	$ 989,850		
Changes in assets and liabilities:			
Increase in customer receivables	(117,896)		
Increase in prepaid expenses	(109,631)		
Increase in accounts payable	102,234		
Decrease in customer deposits	(3,747)		
Increase in accrued salaries, benefits and compensated absences	30,284		
Increase in net other post-employment benefit payable	74,180		
Decrease in net pension liability	(3,806)		
Increase in due to other funds	807,184		
Total Adjustments			1,768,652
Net cash provided by operations		$	1,240,924

The accompanying notes are an integral part of the financial statements.

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 is governed by an elected seven-member Commission and operates under a Commission/manager form of government which 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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District applies all relevant (GASB) pronouncements. The more significant accounting policies of the District are described below.

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.

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 balance 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 and debt service funds. The proprietary fund consists of the enterprise (wastewater) funds.

c. Basis of Presentation - Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent 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 and the government-wide statements. 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

1 – Summary of Significant Accounting Policies (cont'd) -

c. cont'd –
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.

Net position is reported as restricted when constraints are placed on net position 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 net position is used prior to unrestricted net position when permissible.

Separate financial statements are provided for government-wide and business-type financial statements. Major individual governmental 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 statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column.

d. Basis of Presentation - 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 to pay for capital equipment such as fire and solid waste trucks.

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 that are not collected within sixty days, though measurable, are not available soon enough in the subsequent year to finance current obligations. Therefore, property tax and special assessment receivables are recorded as deferred inflows until they become available.

1 – Summary of Significant Accounting Policies (cont'd) -

e. cont'd –

Other receipts 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.

g. Governmental fund balance reporting: The governmental fund balances are reported as one or more of the following categories:

(1) Non-spendable - not in spendable form or legally or contractually required to be maintained intact;
(2) Restricted - use restricted by external creditors or imposed by law or enabling legislation;
(3) Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by action of the District's commissioners;
(4) Assigned - represents resources assigned by the District but not as restrictive as Committed;
(5) Unassigned - represents the portion of the fund balance that has not been restricted, committed or assigned for specific purposes within the general fund.

Committed fund balance, then assigned fund balance is used prior to unassigned fund balance when permissible.

h. The District uses an enterprise fund to report its financial position and the results of its wastewater operations. A fund is a separate fiscal and accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain government functions or activities. Enterprise funds account for business-like activities that provide goods and services to the public financed primarily through user charges, similar to those found in the private sector. The measurement focus of proprietary funds is upon determination of change in net position, financial position, and cash flows.

Proprietary fund statements reflect net position, and revenues, expenses and changes in net position using the economic resources measurement focus, and the accrual basis of accounting. Under the accrual basis concept, revenues are recognized when earned and expenses are recognized when incurred.

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

j. 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.

k. Accounts receivable: The proprietary fund's receivables represent charges for services provided net of an allowance for uncollectible accounts of $53,000.

1 – Summary of Significant Accounting Policies (cont'd) -

l. cont'd –

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 $312,000 and $22,000 respectively.

	As of June 30, 2016	
Tax Year	General Fund	Debt Service Fund
2016	$ 5,088,551	$ 364,153
Prior Years	296,879	21,704
Total	5,385,430	385,857
Less allowance	(312,000)	(22,000)
Net Property Taxes Receivable	$ 5,073,430	$ 363,857

m. Inventory and Prepaid Items
The general fund inventory is valued at cost using the first in first out method. The prepaid items 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.

n. 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 governmental 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.

Capital assets in the business-type fund are capitalized following the same criteria as in governmental activities. Donated capital assets, if any, are capitalized and accounted for as capital contributions at estimated fair market value on the date donated.

Depreciation of all capitalized assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Wastewater system (constructed and purchased)	20 – 60 years
Office furniture and equipment	5 – 10 years
Vehicles, machinery and equipment	5 – 15 years

o. 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.,

p. Unpaid Compensated Absences: Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums. After November 1, 2010, annual leave exceeding the maximum accrual and not

1 – Summary of Significant Accounting Policies (cont'd) -

p. cont'd -
used 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.

q. Deferred Inflows/Outflows of Resources - GASB Statement No. 63, effective beginning for fiscal year 2013, requires that in addition to Assets, Liabilities, and Net Position, the Statement of Net Position provides separate sections for deferred inflows and deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. GASB Statement No. 65, effective for fiscal periods beginning after December 15, 2012 clarifies deferred items formerly reported as assets and liabilities. The District's deferred outflows include contributions to its retirement plan made after the measurement date, the difference between expected and actual retirement plan experience, the difference in projected and actual investment earnings, the change in proportionate share of net pension liability and the deferred loss on bond refunding.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the Statement of Net Position, the District's deferred inflows consist of the net difference between projected and actual investment earnings in its pension plan, the difference between expected and actual retirement plan experience and deferred property taxes. 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 inflows of resources.

r. Recent Accounting Pronouncements - GASB Statement No. 72, Fair Value Measurement and Application, provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for reporting period beginning after June 15, 2015. The District implemented the new guidance in the 2016 financial statements.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of others entities. The provision in Statement 75 are effective for fiscal years beginning after June 15, 2017. The District will implement the new guidance with the 2018 financial statements.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The provisions in Statement 76 are effective for reporting period beginning after June 15, 2015. The District implemented the new guidance in the 2016 financial statements.

1 – Summary of Significant Accounting Policies (cont'd)

r. cont'd –

GASB Statement No. 77, Tax Abatement Disclosures, requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements, and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The District will implement the new guidance with the 2017 financial statements.

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

2 – Compliance and Accountability

Budget Requirements

The District is required by law to adopt an annual budget. The District legally adopts a budget for the General Fund and the Proprietary Fund (Wastewater). The following procedures are followed in establishing the budgetary data reflected in the financial statements: (a) Prior to June 30th, 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 Commission adopts the proposed budget.

3 – Due to/from Other Funds

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances." The amount due to the general fund from the wastewater fund of $1,499,299 was used to cover expenses of the wastewater fund. The amount due to the general fund from the debt service fund of $146,994 was used to cover expenses of the debt service fund. The amount due to the debt service fund from the general fund of $256,563 was used to cover expenses of the general fund.

4- Deposits

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

Total carrying amount of cash	$ 7,829,093
Cash and cash equivalents	$ 6,046,706
Restricted cash and cash equivalents	1,782,387
Total cash and cash equivalents	$ 7,829,093

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. All of the District's deposit balances on June 30, 2016 were insured or collateralized with securities held by the District or by its agent in the District's name.

4-Deposits (cont'd) -

All of the District's deposits are made in Commission designated official depositories and are secured as required by state laws. 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 $7,829,093 and the bank balances were $9,468,903. The District's bank balances were covered by FDIC insurance of $750,000 and $10,819,421 specific collateral pledged. The District's deposits and investments that were insured or collateralized are in Category 1. The District carries all investments, when owned, at fair value based on Level 1 quoted market values.

5 – Restricted Cash and Cash Equivalents

The revenue bond agreements in the proprietary fund require the establishment of the following funds: debt service, debt service reserve, depreciation and contingency. 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 various revenue bonds consist of the following at June 30, 2016.

Debt Service Reserves	–2010	$	59,986
	–2011		162,680
	–2013		165,596
	–2014		230,130
Depreciation	–1996		333,900
Contingency	–1992		770,430
Contingency Funds	–1992		27,960
	–1996		31,704
Total		$	1,782,387

6 – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 of each year. Ad valorem 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 –an additional 5%. On March 16, the intermediary government turns unpaid taxes over to its delinquent tax office and the properties are subject to sale. Personal property taxes on vehicles are levied on a monthly basis and are based on the assessed values on January 1 of each year.

7 – Capital Assets and Depreciation

A summary of the changes in the governmental activities capital assets are summarized as follows:

	Balance June 30, 2015	Transfers/ Additions	Sales/Other Disposals	Balance June 30, 2016
Assets not being depreciated:				
Land	$ 212,173	$ -	$ -	$ 212,173
Assets being depreciated:				
Buildings	1,035,423	-	-	1,035,423
Fencing Paving & Landscaping	66,654	-	-	66,654
Vehicles	3,878,048	227,597	(50,995)	4,054,650
Machinery & Fire Equipment	1,053,727	137,082	-	1,190,809
Furniture & Office Equipment	91,683	-	-	91,683
Communication System	464,423	-	-	464,423
Totals	6,802,131	364,679	(50,995)	7,115,815
Less: Accumulated Depreciation	(3,355,476)	(337,499)	(36,546)	(3,656,429)
Net Capital Assets	$ 3,446,655	$ 27,180	$ (14,449)	$ 3,459,386

Depreciation and amortization has been charged to functions as follows in the Governmental Activities:

General Government	$ 13,500
Public Safety	205,874
Health	118,125
Total	$ 337,499

A summary of the changes in the business-type activities capital assets are summarized as follows:

	Balance June 30, 2015	Transfers/ Additions	Sales/Other Disposals	Balance June 30, 2016
Assets not being depreciated:				
Land and easements	$ 340,496	$ -	$ -	$ 340,496
Construction in progress	1,588,210	3,077,593	(688,208)	3,977,595
Subtotals	1,928,706	3,077,593	(688,208)	4,318,091
Assets being depreciated:				
Buildings	520,656	-	(2,160)	518,496
Sewer System	36,764,709	818,370	(136,500)	37,446,579
Contributed Systems	7,585,657	1,360,156	-	8,945,813
Purchased Systems	179,566	-	-	179,566
Equipment	70,642	-	(6,966)	63,676
Vehicles	1,005,615	60,473	(56,913)	1,009,175
Communication System	758,117	-	(6,367)	751,750
Total Assets	48,813,668	5,316,592	(897,114)	53,233,146
Less: Accumulated Depreciation	(16,086,778)	(989,849)	127,941	(16,948,686)
Net Capital Assets	$32,726,890	$ 4,326,743	$ (769,173)	$36,284,460

The District capitalizes interest incurred on all construction projects. During the current year, no interest was capitalized.

8 - Employee Benefit Plans

Pensions

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 and now called the State Fiscal Accountability Authority), 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.

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

- 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 State Optional Retirement Program ("State ORP") is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- 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.

- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP, which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required by SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

8 - Employee Benefit Plans (cont'd) –

Benefits

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

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 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.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS 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. 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; and, this increase is not limited to one- half of one percent per year.

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8 - Employee Benefit Plans (cont'd) -

Required employee contribution rates for fiscal year 2016-2015 are as follows:

	2016	2015	
SCRS			
Employee Class Two	8.16%	8.00%	of earnable compensation
Employee Class Three	8.16	8.00	of earnable compensation
State ORP Employee	8.16%	8.00%	of earnable compensation

Required employer contribution rates for fiscal year 2016-2015 are as follows:

SCRS			
Employer Class Two	10.91%	10.75%	of earnable compensation
Employer Class Three	10.91	10.75	of earnable compensation
Employer Incidental Death Benefit	0.15	0.15	of earnable compensation
State ORP Employee			
Employer Contribution	10.91%	10.75%	of earnable compensation[1]
Employer Incidental Death Benefit	0.15	0.15	of earnable compensation

[1] Of this employer contribution of 10.91% of earnable compensation, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

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, performed on data through June 30, 2015, is currently underway.

The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2015. 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, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2015, 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, 2014, valuations for SCRS.

	SCRS
Actuarial cost method	Entry age
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	3.5% to 12.5% (varies by service)
Includes inflation at	2.75%
Benefit adjustments	lesser of 1% or $500

8 - Employee Benefit Plans (cont'd) –

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.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

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, 2016, the District's proportional share of the NPL amounts for SCRS is presented below:

System		Proportional Share of Net Pension Liability
SCRS	$	8,835,913

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 Statement No. 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 ending June 30, 2016, the District's percentage of the SCRS net pension liability was 0.046509%. The District's change in proportionate share of net pension liability and related deferred outflows of resources will be amortized into pension expense over the respective remaining service lives.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS 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 fourth quarter 2013, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long

-8 - Employee Benefit Plans (cont'd) –

term expected rate of return represents assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in 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 on the following page.

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
Short Term	**5.0%**		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.0	0.06
Domestic Fixed Income	**13.0%**		
Core Fixed Income	7.0%	2.7	0.19
Mixed Credit	6.0%	3.8	0.23
Global Fixed Income	**9.0%**		
Global Fixed Income	3.0%	2.8	0.08
Emerging Markets Debt	6.0%	5.1	0.31
Global Public Equity	**31.0%**	**7.1**	**2.20**
Global Tactical Asset Allocation	**10.0%**	**4.9**	**0.49**
Alternatives	**32.0%**		
Hedge Funds (Low Beta)	8.0%	4.3	0.34
Private Debt	7.0%	9.9	0.69
Private Equity	9.0%	9.9	0.89
Real Estate (Broad Market)	5.0%	6.0	0.30
Commodities	3.0%	5.9	0.18
Total Expected Real Return	100.0%		6.00
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			8.75%

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50 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 (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

8 - Employee Benefit Plans (cont'd) -

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

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	$ 11,141,110	$ 8,835,913	$ 6,903,556

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2016, the District recognized pension expense of $583,728. At June 30, 2016, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 600,112	$ -
Differences in actual and expected retirement plan experience	157,015	(15,774)
Net differences between projected and actual earnings on plan investments	59,207	-
Change in proportionate share of net pension liability	-	(185,387)
	$ 816,334	$ (201,161)

The District reported $600,112 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. 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, 2016. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2016 was 4.164 years for SCRS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2016	2017	$ 20,733
2017	2018	20,733
2018	2019	74,575
2019	2020	(100,980)
Net Balance of Deferred Outflows / (Inflows) of Resources		$ 15,061

8 - Employee Benefit Plans (cont'd) -

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.

9 - 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 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, 2015, the measurement date, there were 150 covered participants. Of this number, 106 participants are current employees and 44 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.

Effective November 1, 2010, the District limited the amount it contributes to the health premium, and the contribution is subject to annual appropriation.

Funding Policy

The District finances the plan on a pay-as-you-go basis. For the year ended June 30, 2016, the District had 44 retirees receiving benefits and recognized expense of $157,102 for healthcare, which is net of retiree contributions of $70,663. The net expense is allocated $127,253 to the General Fund and $29,849 to the enterprise fund.

Annual OPEB Cost

The District's annual other post employment benefits (OPEB) cost (expense) 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 Post-employment 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 actuarial liability over a period not to exceed 30 years.

The District's annual OPEB cost for the fiscal year ending June 30, 2016 is as follows:

Annual required contribution	$ 589,385
Interest on OPEB obligation	110,057
Adjustment to ARC	(108,695)
Annual OPEB cost (expense) end of year	590,747
Net estimated employer contributions	(200,326)
Increase in net OPEB obligation	$ 390,421
Net OPEB obligation beginning of year	$ 2,751,433
Net OPEB obligation end of year	$ 3,141,854

9 - Other Post-Employment Benefits (OPEB) (cont'd) –

The District's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2015 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	% Contributed	Net OPEB Obligation
June 30, 2014	514,598	147,640	28.7%	2,610,494
June 30, 2015	549,544	408,605	74.4%	2,751,433
June 30, 2016	590,747	200,326	33.9%	3,141,854

Funded Status

The funded status of the District's retiree health care plan, under GASB Statement No. 45 as of June 30, 2015 is as follows:

Actuarial Valuation Date as of	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UAAL to Annual Covered Payroll (b-a)/d
June 30, 2015	$0	$7,336,407	$7,336,407	0.0%	$4,767,460	153.8%

Under the reporting parameters, the District's retiree health care plan is 0.0% funded with the actuarial accrued liability exceeding the actuarial assets by $7,336,407 at June 30, 2015. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 153.8%.

Actuarial Methods and Assumptions

The Projected Unit Credit Cost Method is used to calculate the GASB ARC for the District's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability. Projections of health benefits are based on the plan as understood by the District and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the District and the District's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Inflation Rate	2.75% per annum
Investment Rate of Return	4.00% per annum, net of expenses
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level as a percentage of payroll
Amortization Period	30-year open amortization
Payroll Growth	3.50% per annum
Medical Trend	Initial rate of 7.50%, declining to ultimate rate of return of 5.00% after 10 years

9 - Other Post-Employment Benefits (OPEB) (cont'd) –

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the District's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10 – Contingencies

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.

During fiscal year 2016, the District received $400,000 in proceeds from a dispute relating to land the District gave up in a road expansion project.

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 government-wide statements. 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 premiums 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 straight line method. Bonds payable are reported net of the applicable bond premium, discount or deferred refunding costs.

12 – Long-Term Debt (cont'd) -

Governmental Activities

For governmental activities, compensated absences are generally liquidated by the general fund and included as a long term liability in the government-wide financial statements. 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) - $30,649 and health (solid waste), $6,407.

Business-Type Activities

For business-type activities, compensated absences are liquidated by the proprietary fund and included as a long term liability in the enterprise fund and business-type activities.

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, 2016, is as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amount Due in 2017
Governmental Activity					
General obligation debt	$ 296,171	$ -	$ (15,040)	$ 281,131	$ 13,833
Capital leases	715,203	987,333	(327,133)	1,375,403	295,866
Net other post-employment benefits	2,383,540	316,241	-	2,699,781	-
Net pension liability	6,436,179	449,989	-	6,886,168	-
Compensated absences	344,658	230,056	(226,143)	348,571	124,543
Governmental Activity	10,175,751	1,983,619	(568,316)	11,591,054	434,242
Business-Type Activity					
Revenue bonds	6,216,122	-	(749,028)	5,467,094	730,408
State Revolving Fund loan	-	2,883,640	(144,361)	2,739,279	151,367
Capital leases	233,141	102,740	(60,738)	275,143	59,889
Net other post-employment benefits	367,893	74,180	-	442,073	-
Net pension liability	1,815,327	134,418	-	1,949,745	-
Compensated absences	101,288	5,465	(2,552)	104,201	38,257
Business-Type Activity	8,733,771	3,200,443	(956,679)	10,977,535	979,921
Total	$ 18,909,522	$ 5,184,062	$ (1,524,995)	$ 22,568,589	$ 1,414,163

12 – Long-Term Debt (cont'd) -

Debt Service Requirements to Maturity

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

Governmental Activities	Interest	Principal	Total
2017	$ 15,303	$ 13,833	$ 29,136
2018	14,478	14,562	29,040
2019	13,610	15,328	28,938
2020	13,057	16,136	29,193
2021	11,732	15,494	27,226
2022-2026	47,198	68,548	115,746
2027-2031	26,967	81,653	108,620
2032-2034	3,958	55,577	59,535
Total	$ 146,303	$ 281,131	$ 421,446

Business-Type Activities	Interest	Principal	Total
2017	$ 211,506	$ 881,775	$ 1,093,281
2018	195,077	896,501	1,091,578
2019	188,966	921,151	1,110,117
2020	169,319	386,058	555,377
2021	160,205	396,230	556,435
2022-2026	870,478	1,913,765	2,784,243
2027-2031	792,223	1,930,222	2,722,445
2032-2036	315,624	880,671	1,196,295
Total	$ 2,903,398	$ 8,206,373	$11,109,771

The revenue bonds outstanding for the business-type activity at June 30, 2016, are as follows:

Title of Issues	Issue Date	Maturity Date	Interest Rate	Principal Amount Original	Principal Amount Outstanding
Sol Legare Project	03/31/92	03/28/32	5.750%	$ 437,000	$ 277,132
Grimball Road Expansion	11/14/96	11/14/36	5.125%	538,000	394,464
Schooner Road Extension	02/26/10	05/01/30	2.250%	717,520	539,037
Harbor View Circle Force Main	07/01/11	04/01/31	2.250%	586,757	469,001
Pump Station 33 Rehab	07/01/11	07/01/31	2.250%	1,250,352	1,003,323
Force Main Replacement	10/01/13	07/01/33	2.250%	1,870,339	1,660,150
Revenue Refunding Bonds, Series 2014	09/16/14	06/30/18	2.00-3.00%	2,130,000	1,123,987
Totals				$7,529,968	$5,467,094

The State Revolving Fund loan outstanding for the business-type activity at June 30, 2016, is as follows:

Title of Issues	Issue Date	Maturity Date	Interest Rate	Principal Amount Original	Principal Amount Outstanding
Pump Stations 11 & 54 Upgrade	10/31/14	05/01/35	2.000%	4,242,522	2,739,279

12 – Long-Term Debt (cont'd) -

The revenues of the proprietary fund are pledged as collateral on all of the revenue bonds. The interest rate on the 2014 Sewer System Revenue Refunding bonds is 2.00% in 2015 and 3.00% for the remaining years. The District has complied with all material covenants and restrictions.

The governmental activities general obligation bonds outstanding at June 30, 2016, are as follows:

				Principal Amount	
Title of Issues	Issue Date	Maturity Date	Interest Rate	Original	Outstanding
Fire Station 4	02/17/81	02/17/21	5.00%	142,000	34,292
Fire Station 3	11/14/96	11/14/36	5.50%	363,000	246,839
Totals				505,000	281,131

13 – Capital Leases Obligations

The District has various leases on equipment used in business-type activities and governmental activities which are being accounted for as capital leases. The leased assets have been capitalized at a cost of $429,205 in the proprietary fund and $2,667,986 in governmental activities. Amortization expense of $108,311 is included in the proprietary fund and $119,287 in the Statement of Activities for the governmental activities. Accumulated amortization of $48,968 is included in the proprietary fund and $524,761 in the Statement of Net Position for governmental activities. During the year, the District entered into capital lease agreements in the amount of $987,332. These leases financed equipment purchased during fiscal year 2016 and prior years. As result, capital proceeds during the year 2016 were greater than capital expenditures. 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:

Governmental Activity	Principal	Interest	Total
2017	$ 295,866	$ 29,058	$ 324,924
2018	258,941	21,867	280,808
2019	264,652	16,155	280,807
2020	213,822	10,299	224,121
2021	169,941	7,436	177,377
2022	172,181	5,232	177,413
Total	$1,375,403	$ 90,047	$1,465,450

Business-Type Activity	Principal	Interest	Total
2017	$ 59,889	$ 4,197	$ 64,086
2018	60,789	3,297	64,086
2019	61,703	2,383	64,086
2020	62,630	1,456	64,086
2021	14,959	514	15,473
2022	15,173	259	15,432
Total	$ 275,143	$ 12,106	$ 287,249

13 – Capital Lease Obligations (cont'd) -

Capital leases outstanding for the governmental activities at June 30, 2016, are as follows:

	Issue Date	Maturity Date	Interest Rate	Principal Amount Original	Principal Amount Outstanding
Fire Pumper Truck	10/09/07	10/01/17	3.810%	$ 375,000	$ 42,498
Pierce Fire Truck	02/22/10	02/01/20	3.420%	439,979	231,077
Freightliner Garbage Truck	01/15/13	01/01/20	2.250%	146,955	63,844
Knuckleboom	07/11/13	07/01/20	1.440%	313,600	180,399
Equipment	12/01/15	11/30/21	1.710%	534,050	453,822
Roll Carts	12/01/15	11/30/24	2.041%	453,282	403,723
Totals				$2,262,866	$1,375,363

Capital leases outstanding for the business-type activities at June 30, 2016, are as follows:

	Issue Date	Maturity Date	Interest Rate	Principal Amount Original	Principal Amount Outstanding
Freightliner Front End Loader	07/11/13	07/01/20	1.440%	$ 326,400	$ 187,836
Crane Truck	12/01/15	11/30/21	1.710%	102,741	87,307
Totals				$ 429,141	$ 275,143

14 – Commitment

In September 2016, the District secured a loan through the South Carolina Rural Infrastructure Authority for various wastewater projects. At June 30, 2016 costs incurred on these projects totaled $1,353,321. At June 30, 2016, there had been no draw on the $2,527,659 loan. As of December 5, 2016 the District incurred costs of approximately $157,846. The District has made no draws on the loan on as of the date these financial statements were available to be issued.

15 – Non-Cash Transactions: Proprietary Fund

The Statement of Cash Flows for the enterprise fund only reflects transactions that affect its cash flows during the year. During the current year, the District had non-cash additions to its capital assets of $1,360,156.

16 – Subsequent Events

In preparing these financial statements, the District's management has evaluated events and transactions for potential recognition or disclosure through January 3, 2017, the date the financial statements were available for issuance.

James Island Public Service District
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2016
(UNAUDITED)

	Original	Final	Actual	Variance Favorable (Unfavorable)
Beginning budgetary fund balance	3,135,907	3,135,907	3,135,907	-
Resources (inflows):				
Taxes	6,151,986	6,151,986	6,974,470	822,484
Intergovernmental	26,233	26,233	26,233	-
Lawsuit proceeds	-	-	400,000	400,000
Other income	26,300	26,300	40,174	13,874
Amounts available for appropriation	6,204,519	6,204,519	7,440,877	1,236,358
General Government				
Salaries	352,410	352,410	355,259	(2,849)
Group health & workers' compensation insurance	31,381	31,381	29,922	1,459
Retirement contributions	38,977	38,977	37,239	1,738
Payroll taxes	27,607	27,607	26,031	1,576
Commission expenses	2,000	2,000	4,922	(2,922)
Professional services	50,600	50,600	31,081	19,519
Fuel	975	975	325	650
Repairs and maintenance	13,740	13,740	18,193	(4,453)
Office supplies and expenses	18,883	18,883	21,315	(2,432)
Advertising	1,553	1,553	3,176	(1,623)
Dues and subscriptions	2,510	2,510	3,259	(749)
Travel	1,350	1,350	968	382
Employee relations	4,003	4,003	5,956	(1,953)
Telephone and communication	8,219	8,219	8,575	(356)
Insurance	3,343	3,343	3,304	39
Training, education and conferences	1,865	1,865	1,378	487
Operating leases	2,173	2,173	3,724	(1,551)
Contingency	10,000	10,000	-	10,000
Total	571,589	571,589	554,629	16,960
Maintenance				
Salaries	135,634	135,634	142,318	(6,684)
Group health & workers' compensation insurance	26,441	26,441	23,945	2,496
Retirement contributions	15,001	15,001	15,717	(716)
Payroll taxes	10,765	10,765	10,921	(156)
Fuel	3,306	3,306	1,862	1,444
Repairs and maintenance	9,618	9,618	6,037	3,581
Office supplies and expenses	280	280	945	(665)
Dues and subscriptions	115	115	100	15
Professional services	769	769	304	465
Supplies and other expenses	15,737	15,737	11,565	4,172
Telephone and communications	2,290	2,290	1,524	766
Insurance	2,053	2,053	2,434	(381)
Training, education and conferences	3,100	3,100	1,027	2,073
Travel and transportation	3,207	3,207	1,274	1,933
Employee relations	929	929	341	588
Uniforms	2,208	2,208	1,865	343
Utilities	5,545	5,545	6,924	(1,379)
Total	236,998	236,998	229,103	7,895
Subtotal - General Government	808,587	808,587	783,732	24,855

See accompanying independent auditor's report.

James Island Public Service District
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2016
(UNAUDITED)

	Original	Final	Actual	Variance Favorable (Unfavorable)
Subtotals brought forward	808,587	808,587	783,732	24,855
Public Safety - Fire				
Salaries	2,270,245	2,270,245	2,261,836	8,409
Group health & workers' compensation insurance	690,337	690,337	741,117	(50,780)
Retirement contributions	251,089	251,089	282,712	(31,623)
Payroll taxes	179,697	179,697	171,400	8,297
Fuel and fluids	41,219	41,219	27,669	13,550
Repairs and maintenance	110,503	110,503	156,584	(46,081)
Office supplies and expenses	22,835	22,835	4,953	17,882
Professional services	14,610	14,610	19,148	(4,538)
Volunteers	1,500	1,500	-	1,500
Advertising	3,103	3,103	4,307	(1,204)
Dues and subscriptions	2,250	2,250	2,516	(266)
Supplies and other	122,237	122,237	86,971	35,266
Telephone and communication	49,384	49,384	46,296	3,088
Insurance	32,563	32,563	32,825	(262)
Training, education and conferences	34,672	34,672	21,989	12,683
Travel and transportation	2,775	2,775	1,386	1,389
Employee relations	1,800	1,800	1,121	679
Uniforms	19,125	19,125	8,612	10,513
Utilities	35,308	35,308	36,280	(972)
Total	3,885,252	3,885,252	3,907,722	(22,470)
Health - Solid Waste				
Salaries	954,819	954,819	974,573	(19,754)
Group health & workers' compensation insurance	224,664	224,664	194,573	30,091
Retirement contributions	110,801	110,801	99,399	11,402
Payroll taxes	80,265	80,265	67,241	13,024
Fuel and fluids	127,463	127,463	117,729	9,734
Repairs and maintenance	226,879	226,879	299,545	(72,666)
Office supplies and expenses	1,450	1,450	2,341	(891)
Professional services	2,772	2,772	6,078	(3,306)
Supplies and other	25,429	25,429	24,028	1,401
Advertising	1,260	1,260	15,958	(14,698)
Telephone and communication	4,019	4,019	2,100	1,919
Insurance	23,497	23,497	31,007	(7,510)
Operating lease	424	424	394	30
Training, education and conferences	500	500	-	500
Uniforms	9,999	9,999	9,297	702
Utilities	5,243	5,243	4,223	1,020
Total	1,799,484	1,799,484	1,848,486	(49,002)
Capital outlay	21,218	21,218	409,574	430,792
Total Expenditures (Outflows)	6,514,541	6,514,541	6,949,514	418,457
Other financing sources - capital lease proceeds	-	-	987,332	987,332
Other financing sources - sale of assets	-	-	17,289	17,289
Ending budgetary fund balance	2,825,885	2,825,885	4,631,891	(1,806,006)

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America. This is the same basis of accounting as the governmental funds included in the basic financial statements.

See accompanying independent auditor's report.

James Island Public Service District
Schedule of Funding Progress and Employer Contributions for Other Post Employment Benefits-
Defined Benefit Health Care Plan
For the Year Ended June 30, 2016
UNAUDITED

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)
7/1/2007	-	6,024,106	6,024,106	0%	4,105,074	147%
7/1/2008	-	6,024,106	6,024,106	0%	4,333,412	139%
7/1/2009	-	5,493,663	5,493,663	0%	4,227,757	130%
7/1/2010	-	5,493,663	5,493,663	0%	4,331,393	127%
7/1/2011	-	5,824,192	5,824,192	0%	4,319,558	135%
7/1/2012	-	5,824,192	5,824,192	0%	4,481,867	130%
7/1/2013	-	6,006,367	6,006,367	0%	4,534,662	132%
7/1/2014	-	6,006,367	6,006,367	0%	4,506,844	133%
7/1/2015	-	7,336,407	7,336,407	0%	4,767,460	154%

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%
2011	510,638	146,492	28.69%
2012	532,649	123,301	23.15%
2013	527,688	139,872	26.51%
2014	514,598	147,640	28.69%
2015	540,909	408,605	75.54%
2016	589,385	200,326	33.99%

See accompanying independent auditor's report.

James Island Public Service District
Schedule of the District's Proportionate Share of the Net Pension Liability
As of June 30,
Last Two Fiscal Years

	2016	2015
South Carolina Retirement System		
The District's proportion of the net pension liability	0.046509%	0.04785%
The District's proportionate share of the net pension liability	$8,835,913	$8,251,489
The District's covered employee payroll	$4,767,460	$4,506,844
The District's proportionate share of the net pension liability as percentage of covered employee payroll	185%	183%
Plan fiduciary net position as a percentage of the total pension liability	56.99%	59.92%

See accompanying independent auditor's report.

James Island Public Service District
Schedule of the District's Contributions
South Carolina Retirement System
As of June 30,
Last Ten Fiscal Years

	2016	2015	2014	2013	2012
Contractually required contribution	$ 519,209	$ 477,254	$ 463,262	$ 454,505	$ 402,039
Contributions in relation to the contractually required contribution	519,209	477,254	463,262	454,505	402,039
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
The District's covered-employee payroll	$ 4,767,460	$ 4,506,844	$ 4,534,662	$ 4,481,867	$ 4,319,558
Contributions as a percentage of the covered employee payroll	10.89%	10.59%	10.22%	10.14%	9.31%

	2011	2010	2009	2008	2007
Contractually required contribution	$ 306,435	$ 393,616	$ 402,807	$ 363,871	$ 328,657
Contributions in relation to the contractually required contribution	306,435	393,616	402,807	363,871	328,657
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
The District's covered-employee payroll	$ 4,331,393	$ 4,227,757	$ 4,333,412	$ 4,105,074	$ 4,043,137
Contributions as a percentage of the covered employee payroll	7.07%	9.31%	9.30%	8.86%	8.13%

See accompanying independent auditor's report.

James Island Public Service District
Schedule of Operating Expenses - Proprietary Fund
For the Year Ended June 30, 2016

Personnel Services	
Salaries, wages and allowances	1,159,438
Payroll taxes	83,586
Retirement system contributions	120,215
Group insurance and workmen's compensation	213,679
Other post-employment benefits	75,204
Training and education	2,196
Uniforms	10,282
Total	1,664,600
Operations and Maintenance	
Wastewater treatment and transportation charges	2,006,860
Maintenance of system and equipment	1,350,105
Fuel	28,097
Technical supplies	22,407
Utilities	193,721
Engineering and professional services	95,204
Insurance	38,992
Total	3,735,386
Administrative	
Professional services	56,947
Office supplies	100,634
Postage	47,664
Memberships and subscriptions	8,547
Advertising and printing	3,141
Insurance	7,445
Miscellaneous expenses	53,029
Telephone and communication	23,895
Total	301,302
Depreciation and Amortization	980,610
Total Operating Expenses	$ 6,681,898

See accompanying independent auditor's report.