JAMES ISLAND PUBLIC SERVICE DISTRICT

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

JAMES ISLAND, SOUTH CAROLINA

REPORT OF AUDIT

AND

FINANCIAL STATEMENTS

JUNE 30, 2014

COMMISSIONERS

DONALD A. HOLLINGSWORTH	- CHAIR
JUNE WARING	- VICE-CHAIR
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ROBERT K. WISE	- DISTRICT MANAGER
SUSAN G. GLADDEN	- DEPUTY MANAGER/CFO

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the **James Island Public Service District** (a component unit of County of Charleston, South Carolina), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the preceding 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 controls 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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 financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the **James Island Public Service District**, James Island, South Carolina, as of June 30, 2014, 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 2 through 9, the budgetary comparison information on pages 30 and 31, and the schedule of funding progress for other post employment benefits on page 32 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the James Island Public Service District basic financial statements. The schedule of operating expenses of the proprietary fund on page 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of proprietary fund operating expenses is the responsibility of management and was derived from and relate 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 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 my opinion, the schedule of proprietary fund operating expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Jimmy E. Needham, CPA, PA

October 24, 2014

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, 2014. It is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

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

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $33,061,219 (net position). Of this amount, $5,737,217 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.

- The District's total net position increased by $693,379. This is a result of a decrease in net position of our governmental activities of $403,867 and an increase of $1,097,246 in business-type activities.

- The District's total business-type activity revenues amounted to $6,225,607 during the year ended June 30, 2014 with related expenses totaling $5,808,069, a net operating income before other income of $447,538.

- The District's governmental funds reported combined fund balances of $3,541,649, a decrease of $125,893, in comparison to the prior year.

- At year-end, the District had $7,805,205 in outstanding debt, which reflects an increase of $1,007,002 or 14.8% when compared to last year.

Using This Annual Report

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

Government-Wide Financial Statements

Our analysis of the District as a whole begins on page 11. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the District as a whole and about its activities in a way that helps answer this question.

The focus of the Statement of Net Position (the "Unrestricted 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 begin on page 11 and provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. However, other funds may be established in order to control and manage money for particular purposes or to show legal responsibilities are being met for using certain taxes, grants and other money. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

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

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

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 18-30 of this report.

Infrastructure Assets

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

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GOVERNMENT-WIDE STATEMENT

Statement of Net Position

The following table reflects the condensed Statement of Net Position.

Table 1
Statement of Net Position
As of June 30, 2014
(in thousands)

	Governmental Activities 2014	Business-type Activitites 2014	Total Government 2014	Total Government 2013
Current Assets	$ 8,636	$ 7,105	$ 15,741	$ 15,203
Net Capital Assets	3,671	30,726	34,397	32,653
Deferred Outflows of Resources		102	102	128
Total Assets	$ 12,307	$ 37,933	$ 50,240	$ 47,984
Current and Other Liabilities	$ 423	$ 1,238	$ 1,661	$ 6,309
Long-term Debt Outstanding	3,626	7,257	10,883	9,020
Deferred Inflows of Resources	4,635	-	4,635	-
Total Liabilities	$ 8,685	$ 8,495	$ 17,180	$ 15,329
Net Investment in Capital Assets	$ 2,453	$ 22,953	$ 25,407	$ 25,221
Unrestricted	1,017	4,720	5,737	5,644
Restricted for Debt Service	152	1,765	1,917	1,790
Total Net Position	$ 3,623	$ 29,438	$ 33,061	$ 32,655

For more detailed information, see the Statement of Nets Assets (page 11).

Current Year Analysis and Impacts

In the Governmental Activities column above, the total assets exceed total liabilities by $3,622,558 (Total Net Position), of which $1,017,128 are unrestricted funds. In the Business-type Activities column, the total assets exceed total liabilities by $29,438,661, of which $4,720,089 are unrestricted funds. A significant portion of total net position is capital assets, primarily the wastewater system, land, buildings, vehicles and equipment. The District has increased its net indebtedness by $1,007,002, which increases current assets and long-term debt.

With the implementation of depreciation on governmental assets, this significantly reduces capital assets and invested in capital assets net of debt. The impact on total capital, which cost $6,741,201 after deducting accumulated depreciation of $3,070,350, leaves net capital assets of $3,670,851.

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

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

(in thousands)

Program Revenues	Governmental Activities 2014	Business-type Activitites 2014	Total 2014	Total 2013
Service Revenues:				
Charges for Services	$	$ 6,256	$ 6,256	$ 5,923
General Revenues:				
Property Taxes	6,402		6,402	6,199
Merchants' Inventory and Motor Carrier Tax	26		26	26
Interest Income	1	2	3	3
Gain/(loss) on sale of capital assets	4	27	31	7
Other Income	111	620	731	319
Total Revenues	$ 6,544	$ 6,905	$ 13,449	$ 12,477
Functions/Programs				
Governmental Activities:				
General Government	$ 749		$ 749	$ 734
Public Safety	4,131		4,131	3,860
Health	2,023		2,023	1,957
Interest on Long-Term Debts	45		45	52
Business-type Activities:				
Wastewater		$ 5,808	5,808	5,414
Total Expenses	$ 6,948	$ 5,808	$ 12,756	$ 12,017
Net Increase	$ (404)	$ 1,097	$ 693	$ 460
Net Assets, Beginning	4,026	28,341	32,367	32,196
Net Assets, Ending	$ 3,622	$ 29,438	$ 33,060	$ 32,656

Current Year Financial Analysis

As of year-end, the District reported changes in assets of $693,379, which is an increase of $233,864 from the end of last year. The Governmental activity reported a decrease in net position of $403,867, and the Business-type activity realized an increase of $1,097,246. The decrease in the Governmental activity is due to less ad valorem tax revenues. The increase in the Business-type activity is a result of an increase in sewer rates effective July 1, 2013.

Capital Assets and Debt Administration

Capital Assets

As of year-end, the District had $34,396,977 invested in a variety of Capital Assets (additions less retirements less depreciation), as reflected in the following schedule. Also, the District had $52,663,125 in total Capital Assets, which reflects a net increase of $2,691,290 or 5.3% when compared to the previous year.

	Governmental Activities		Business-type Activitites		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 212	$ 212	$ 340	$ 340	$ 552	$ 552
Buildings/Fencing/Paving	1,096	1,075	516	516	1,612	1,591
Vehicles	3,753	3,586	998	894	4,751	4,480
Equipment	1,680	1,597	815	714	2,495	2,311
Wastewwater System			42,838	40,421	42,838	40,421
Construction in Progress			415	615	415	615
Total	$ 6,741	$ 6,470	$ 45,922	$ 43,500	$ 52,663	$ 49,970
Less: Depreciation	$ (3,070)	$ (2,801)	$ (15,196)	$ (14,516)	$ (18,266)	$ (17,317)
Net Capital Assets	$ 3,671	$ 3,669	$ 30,726	$ 28,984	$ 34,397	$ 32,653

Major capital asset improvements during the current fiscal year included:

- Upgrade and line replacements for Pump Stations 41 & 42.
- Dills Bluff 24" trunk lining project.

Debt
As of year-end, the District had $8,990,188 in outstanding bonds payable and capital lease obligations compared to $7,719,893 last year, an increase of $1,270,295 or 16.4%.

Table 4
Outstanding Debt
(in thousands)

	Governmental		Business-type		Total	
	2014	2013	2014	2013	2014	2013
General Obligation	$ 310	$ 323			$ 310	$ 323
Compensated Absences	337	343	$ 99	$ 93	436	436
Capital Leases	907	904	278	17	1,185	921
Net Other Post Emp. Benefits	2,278	1,960	333	279	2,611	2,239
Revenue Bonds			7,495	6,475	7,495	6,475
Total	$ 3,832	$ 3,530	$ 8,204	$ 6,864	$ 12,038	$ 10,394

Economic Factors and Next Year's Budgets

When setting the fiscal year 2015 budget, the District considered many factors and most notably the economy. Although the economy appears to be turning around slightly, we remain cautious when budgeting for revenues; therefore, limited growth has been included in the revenue projections for this budget. The District's financial position is expected to remain solid; however, it will be critical to monitor revenues and expenditures closely throughout the year and adjust if necessary for any further downturns or dramatic changes in the economy which might have a significant impact on tax revenues and wastewater fee collections.

Financial Contact

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

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash on hand		$ 200	$ 200
Cash and cash equivalents	$ 3,103,574	4,867,892	7,971,466
Due from Charleston County	445,371		445,371
Net receivables	4,921,197	257,897	5,179,094
Other receivables	28,107	237,600	265,707
Internal balances	34,114	(34,114)	0
Inventory and prepaids	67,985	10,101	78,086
Temporarily restricted cash and cash equivalents	35,874		35,874
Restricted assets: cash and cash equivalents		1,765,214	1,765,214
Total current assets	8,636,222	7,104,790	15,741,012
Capital assets, net of accumulated depreciation	3,458,678	29,970,405	33,429,083
Nondepreciable assets	212,173	755,721	967,894
Deferred debt issue costs			0
Total capital assets	3,670,851	30,726,126	34,396,977
Total Assets	12,307,073	37,830,916	50,137,989
Deferred outflow of resources			
Deferred loss on bond refunding		101,897	101,897
LIABILITIES			
Current Liabilities			
Accounts payable	116,536	138,927	255,463
Accrued salaries and benefits	90,813	26,740	117,553
Accrued interest payable	9,914	32,718	42,632
Customer deposits		91,369	91,369
Current portion of long-term debt	14,071	902,655	916,726
Current portion of capital leases	191,978	44,662	236,640
Total current liabilities	423,312	1,237,071	1,660,383
Noncurrent Liabilities			
Bonds payable	296,168	6,592,311	6,888,479
Capital leases payable	715,203	233,140	948,343
Net other post employment liability	2,277,836	332,658	2,610,494
Accrued compensated absences	336,909	98,972	435,881
Deferred Inflows of Resourses			
Property taxes	4,635,087		4,635,087
Total noncurrent liabilities	8,261,203	7,257,081	15,518,284
Total Liabilities	8,684,515	8,494,152	17,178,667
NET POSITION			
Net investment in capital assets	2,453,431	22,953,358	25,406,789
Unrestricted	1,017,128	4,720,089	5,737,217
Restricted for debt service	151,999	1,765,214	1,917,213
Total net position	$ 3,622,558	$ 29,438,661	$ 33,061,219

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges For Services	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Business-Type Activities	Totals
Governmental Activities					
General government	$ 749,246		$ (749,246)		$ (749,246)
Public safety - fire	4,131,203		(4,131,203)		(4,131,203)
Health	2,022,791		(2,022,791)		(2,022,791)
Interest charges	44,889		(44,889)		(44,889)
Total governmental activities	6,948,129		(6,948,129)		(6,948,129)
Business-Type Activities					
Wastewater	5,808,069	$ 6,255,607		$ 447,538	447,538
Totals	$ 12,756,198	$ 6,255,607		447,538	(6,500,591)
General Revenues					
Taxes			6,402,122		6,402,122
Merchants' inventory and motor carrier taxes			26,233		26,233
Interest income			975	2,053	3,028
Gain on sale of capital assets			4,415	26,809	31,224
Other income			110,517	620,846	731,363
Total general revenues			6,544,262	649,708	7,193,970
Changes in net position			(403,867)	1,097,246	693,379
Net position, beginning (as restated)			4,026,425	28,341,415	32,367,840
Net position, ending			$ 3,622,558	$ 29,438,661	$ 33,061,219

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

		General Fund		Debt Service		Capital Projects		Total Governmental Funds
ASSETS								
Cash and cash equivalents	$	3,103,574						3,103,574
Temporarily restricted cash and cash equivalents					$	35,874		35,874
Receivables:								
Due from Charleston County		295,725	$	149,646				445,371
Taxes receivable (net of allowances)		4,580,145		341,052				4,921,197
Due from other funds		34,114						34,114
Other governments		28,107						28,107
Prepaid expenditures		55,804						55,804
Inventory of fuel		12,181						12,181
Total Assets		8,109,650		490,698		35,874		8,636,222
LIABILITIES								
Accounts payable		116,536						116,536
Accrued payroll		90,813						90,813
Total Current Liabilities		207,349						207,349
Deferred inflows of resources								
Deferred and unavailable revenues		4,548,525		338,699				4,887,224
Total Liabilities and Deferred inflows of resources		4,755,874		338,699				5,094,573
FUND BALANCES								
Nonspendable: inventory and prepaids		67,985						67,985
Restricted for debt service				151,999				151,999
Committed to next year's budget		381,720				35,874		417,594
Unassigned		2,904,071						2,904,071
Total Fund Balances		3,353,776		151,999		35,874		3,541,649
Total Liabilities and Fund Balances	$	8,109,650	$	490,698	$	35,874	$	8,636,222

Reconciliation of Governmental Fund Balances to Net Assets of Governmental Activities

Total Governmental Fund Balances	$	3,541,649
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds: property taxes receivable		252,137
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds (net of accumulated depreciation of $ 3,070,350)		3,670,851
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:		
Bonds and capital leases payable		(1,217,420)
Accrued compensated absences payable		(336,909)
Net other post-employment liability		(2,277,836)
Accrued interest payable		(9,914)
Net Position of Governmental Activities	$	3,622,558

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Property taxes	$ 5,944,951	$ 421,295		$ 6,366,246
Intergovernmental revenues	26,233	13,479		39,712
Other income	115,907			115,907
Totals	6,087,091	434,774		6,521,865
Expenditures				
Current -				
General government	707,801			707,801
Public Safety - fire	3,751,513			3,751,513
Health - solid waste	1,819,034			1,819,034
Capital expenditures	36,416		$ 277,746	314,162
Debt Service -				
Principal		12,785		12,785
Interest		18,117		18,117
Capital leases - principal		310,843		310,843
interest		27,103		27,103
Total expenditures	6,314,764	368,848	277,746	6,961,358
Excess of Revenues Over/ (Under) Expenditures	(227,673)	65,926	(277,746)	(439,493)
Other Financing Sources (Uses)				
Operating transfers in/(out)	(49,574)	49,554	20	0
Proceeds of capital lease			313,600	313,600
Net Changes in Fund Balances	(277,247)	115,480	35,874	(125,893)
Fund Balance, June 30, 2013	3,631,023	36,519		3,667,542
Fund balance, June 30, 2014	$ 3,353,776	$ 151,999	$ 35,874	$ 3,541,649

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, 2014:

Net change in governmental fund balances	$ (125,893)
Governmental funds report proceeds from capital leases as other sourses of financing	(313,600)
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 outlays exceeded depreciation expense during the current year.	1,562
Some expenses are reflected in the Statement of Activities but not in the governmental funds:	
Compensated absences payable (reduction from prior year)	5,613
Accrued interest payable	331
Other post-employment benefits payable	(317,905)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds - property taxes	22,397
Repayment of bond and capital lease principal is an expenditure in the funds but is a reduction of liabilities in the Statement of Net Assets.	323,628
Change in Net Position of Governmental Funds	$ (403,867)

See notes to basic financial statements.

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

		Business-Type Activity Wastewater
ASSETS		
Current Assets		
Petty cash	$ 200	
Cash and cash equivalents	4,867,892	
Restricted cash and cash equivalents	1,765,214	
Customer receivables (net of allowance)	257,897	
Other Receivable	237,600	
Prepaid expenses	10,101	
Total current assets		$ 7,138,904
Noncurrent Assets		
Capital assets (net of accumulated depreciation)		30,726,126
Deferred outflows of resources		
Deferred loss on bond refunding		101,897
Total Assets and Deferred Outflows of Resourses		37,966,927
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	138,927	
Accrued salaries and benefits	26,740	
Interest payable	32,718	
Customer deposits	91,369	
Current portion of long-term debts	902,655	
Current portion of capital leases payable	44,662	
Due to other funds	34,114	
Total current liabilities		1,271,185
Noncurrent Liabilities		
Long-term debts	6,825,451	
Net other post employment liability	332,658	
Accrued compensated absences	98,972	
Total noncurrent liabilities		7,257,081
Total Liabilities		8,528,266
Net Position		
Net investment in capital assets	22,953,358	
Restricted for debt service	1,765,214	
Unrestricted	4,720,089	
Total Net Position		$ 29,438,661

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

Operating Revenue				
Charges for services	$	5,953,339		
Other income		18,681		
Tap and impact fees		283,587		
Total			$	6,255,607
Operating Expenses (Schedule 3)				
Personnel services	$	1,527,034		
Operations and maintenance		2,866,927		
Administrative		234,067		
Depreciation and amortization		889,712		
Total operating expenses				5,517,740
Operating Income				737,867
Nonoperating Revenues/(Expenses)				
Gain on sales of fixed assets		26,809		
Capital contributions		620,846		
Interest income		2,053		
Interest expense		(290,329)		
Total nonoperating expenses				359,379
Change in Net Position				1,097,246
Total Net Position, June 30, 2013 (as restated)				28,341,415
Total Net Position, June 30, 2014			$	29,438,661

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014

Cash flows from operating activities:		
Cash received from customers	$ 6,062,063	
Cash paid to suppliers for goods and services	(3,230,108)	
Cash paid to employees for services	(1,463,210)	
Net cash provided by operating activities		$ 1,368,745
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,046,972)	
Proceeds from sales of fixed assets	62,820	
Proceeds of revenue bond and capital lease	2,196,739	
Principal paid on revenues bonds	(850,552)	
Principal paid on capital lease obligation	(65,864)	
Interest paid on revenues bonds and debts	(257,115)	
Net cash (used) for capital and related financing activities		(960,944)
Cash flows from investing activities:		
Interest received	2,053	
Net cash provided by investing activities		2,053
Net increase in cash and cash equivalents		409,854
Cash and cash equivalents, beginning of year		6,223,452
Cash and cash equivalents, end of year		$ 6,633,306
Reconciliation of Cash and Cash Equivalents to Balance Sheet:		
Petty cash		$ 200
Cash and cash equivalents		4,867,892
Restricted cash and cash equivalents		1,765,214
Total cash and cash equivalents		$ 6,633,306
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income		$ 737,867
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	$ 889,712	
Bad debt allowance	13,661	
Changes in assets and liabilities:		
Increase in accounts receivable and other receivables	(284,913)	
Decrease in prepaid expenses	27,708	
Decrease in accounts payable	(151,855)	
Increase in deposits	91,369	
Increase in accrued payroll and compensated absences	10,113	
Increase in net other post-employment benefit payable	53,711	
Decrease in due to other funds	(18,628)	
Total Adjustments		630,878
Net cash provided by operations		$ 1,368,745

See notes to basic 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 operates under a Commission/manager form of government and provides the following services: fire protection, solid waste and wastewater collection. The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to local governmental entities. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1 - **Summary of Significant Accounting Policies**

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

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

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

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

c. Basis of Presentation

(1) GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

d. Major Governmental Funds

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

The major government funds are:

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

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

(3) Capital Projects Fund: This fund accounts for major capital assets that are financed with long term financing.

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

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

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

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.

1 - **Significant Accounting Policies** (continued)

g. The proprietary fund uses the accrual method of accounting. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. This fund accounts for operations that are primarily financed by user charges. Revenues are recognized when earned rather than when collected and expenses are recognized when incurred rather than when paid. The allocation of costs, such as depreciation and amortization, are recorded in proprietary funds. The proprietary fund applies all Accounting Principals Board and Financial Accounting Standards Board pronouncements issued through November 30, 1989 in accounting and reporting for its proprietary operations unless they conflict with or contradict GASB pronouncements, in which case, GASB is followed.

h. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with its principal ongoing operations. The principal operating revenues of the proprietary fund are charged to its customers for services. Operating expenses for the enterprise fund includes the cost of services, administrative expenses and depreciation of its capital assets. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District's proprietary fund is engaged in providing wastewater transportation and treatment.

i. Cash and cash equivalents. For purposes of the statement of cash flows, the wastewater proprietary fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

j. The proprietary fund's receivables represent charges for services provided net of an allowance for uncollectible accounts of $ 45,000.

Property taxes receivable in the general fund and debt service fund consist of uncollected property taxes from the following years, less an allowance for estimated uncollected taxes of $ 322,000.

	As of June 30, 2014	
	General Fund	Debt Service Fund
Tax Year		
2014	$ 4,596,289	$ 341,798
Prior years	283,856	21,254
Total	$ 4,880,145	363,052
Less allowance	(300,000)	(22,000)
Net taxes	$ 4,580,145	$ 341,052

k. Inventory and Prepaid Items The general fund inventory is valued at cost using the first in first out method. The prepaid items, if any, represent an expense that is applicable to a future period. The cost of the fuel inventory is recorded as an expenditure at the time it is used. These prepayments are equally offset by fund balance reserves which indicate that this portion of the fund balance does not constitute available spendable resources.

l. The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the government fund and capitalized in the government-wide financial statements. The valuation bases for general capital assets are historical costs, or if historical cost is not available, estimated historical cost based on replacement cost. The District capitalizes only those individual capital assets exceeding $ 5,000 in cost and which have a useful life exceeding one year.

1 - **Significant Accounting Policies** (continued)

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

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

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

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

2 - **Compliance and Accountability**

Budget Requirements - The District is required by law to adopt an annual budget. The following procedures are followed in establishing the budgetary data reflected in the financial statements: (a) Prior to April 15th. of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The general fund budget includes proposed expenditures based on the modified accrual basis of accounting and the means of financing them, and (b) the proposed budget as adopted by the Commission is then forwarded to the Charleston County, SC Council for its approval. Charleston County, SC exercises full budgetary authority and bonded debt approval authority over the District.

In June 2014, a South Carolina circuit court issued a preliminary injunction that states that the James Island Public Service District is no longer a component unit of the County of Charleston. As a result, the District's annual budgets will no longer be subject to review and approval by the County of Charleston.

3 - **Advances to/from Other Funds**

The net advance from the General Fund to the Enterprise Fund of $ 34,114 was used to cover operating expenses of the Wastewater Fund. This amount will be repaid out of future revenues of the Wastewater Fund. The inter-fund receivable/(payable) is eliminated in the government-wide financial statements.

4 - Reconciliation of Government-wide and Fund Financial Statements

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

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

General Obligation bonds payable	$ 310,239
Capital leases payable	907,181
Net other post-employment liability	2,277,836
Accrued compensated absences	336,909
Net adjustment to reduce the fund balance - total Governmental funds to arrive at net position - governmental funds	$ 3,832,165

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

The government fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between the net changes in fund balances - total governmental funds and the changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as "depreciation expense." The details of this difference are as follows:

Capital outlay	$ 314,162
Depreciation	(312,600)
Net adjustment to decrease net changes in fund balances - governmental funds to arrive at the changes in net position of governmental activities	$ 1,562

5 - Deposits and Investments

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

Total carrying amount of cash	$ 9,772,554
Cash and cash equivalents	$ 8,007,340
Restricted cash and cash equivalents and investments	1,765,214
Total cash and cash equivalents	$ 9,772,554

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

All of the District's deposits are made in Commission designated official depositories and are secured as required by state laws.

5 - Deposits and Investments (continued)

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

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

At year end the carrying amount of the District's deposits and investments was $9,772,554 and the bank balances were $9,966,272. The District's bank balances were covered by FDIC insurance of $ 750,000 and $13,426,314 specific collateral pledged. The District's deposits and investments that were insured or collateralized are in Categories 1 or 2. The District carries all investments, when owned, at fair value based on Level 1 quoted market values.

6 - Restricted Cash and Investments

The revenue bond agreements in the proprietary fund require the establishment of the following funds: debt service, debt service reserve, depreciation, contingent, and cushion. The District is required to fund these accounts out of revenues and impact fees generated by the wastewater system. These funds cannot be used for any other purpose. The cash reserves required by the various revenue bonds consist of the following at June 30, 2014:

Debt service reserves	- 2013	$ 154,007
	- 2011	156,960
	- 2010	52,490
	- 2004	53,938
	- 1995	183,825
Depreciation		333,900
Contingent		770,430
Cushion funds	- 1996	31,704
	- 1992	27,960
	Total	$ 1,765,214

7 - 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 - 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.

8 - Capital Assets and Depreciation

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

	Balance June 30, 2013	Transfers/ Additions	Sales/Other Disposals	Balance June 30, 2014
Assets not being depreciated:				
Land	$ 212,173			$ 212,173
Assets being depreciated:				
Buildings	1,029,583			1,029,583
Fencing, paving and landscaping	45,564	$ 21,090		66,654
Vehicles	3,586,400	166,182		3,752,582
Machinery and fire equipment	982,009	110,214	(42,600)	1,049,623
Furniture and office equipment	92,302		(619)	91,683
Communication system	522,227	16,676		538,903
Totals	$ 6,470,258	$ 314,162	$(43,219)	$ 6,741,201
Less accumulated depreciation	$ 2,800,969	$ 312,600	(43,219)	(3,070,350)
Net capital assets				$ 3,670,851

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

General government	$ 13,869
Public Safety	195,772
Health	102,959
Total	$ 312,600

The changes in the business type activities are summarized as follows:

	Balance June 30, 2013	Transfers/ Additions	Sales/Other Reductions	Balance June 30,2014
Assets not being depreciated:				
Land and easements	$ 340,497			$ 340,497
Construction in progress	615,350	$ 1,540,689	$(1,740,815)	415,224
Subtotals	955,847	1,540,689	(1,740,815)	755,721
Assets being depreciated:				
Buildings	516,345			516,345
Sewer System	34,913,650	1,881,672	(16,804)	36,778,518
Contributed systems	5,258,939	620,846		5,879,785
Purchased systems	179,566			179,566
Equipment	68,931		(3,416)	65,515
Vehicles	894,265	326,463	(222,807)	997,921
Communication system	714,034	34,519		748,553
Totals	$ 43,501,577	$ 4,404,189	$(1,983,842)	$45,921,924
Less accumulated depreciation	$ 14,313,198	$ 836,623	(20,191)	(15,129,630)
accumulated amortization	204,348	53,092	(191,272)	(66,168)
Totals	$ 14,517,546	$ 889,715	$(211,463)	(15,195,798)
Net capital assets				$30,726,126

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

9 - Pensions and Other Post-Employment Benefits

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

Funding policy. Plan members must contribute 7.0% of their annual covered salary, and the District must also contribute 10.6% of the annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Commission. The District's contributions to SCRS for the year ended June 30, 2014 were $ 463,262; for the year ending June 30, 2013, $ 454,505; for the year ended June 30, 2012, $ 402,039. The District has contributed 100% of the required contributions for the last three years.

Deferred Compensation Plan

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

Other Post-employment Benefits (OPEB)

Description

The District provides post-employment health, life and dental care benefits for certain retirees and their dependents. Substantially all employees who retire under the state retirement plan are eligible to continue their coverage with the District paying 100% of health insurance premiums if the retiree is over 65 years of age and a portion if under 65 years of age. The retiree pays 100% of life and dental insurance premiums and all health insurance premiums for family coverage. At July 1, 2013, the measurement date, there were 131 covered participants. Of this number, 100 participants are current employees and 31 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, 2014, the District had 31 retirees receiving benefits and recognized expense of $ 142,982 for healthcare, which is net of retiree contributions of $ 73,901. The net expense is allocated $ 91,673 to the General Fund and $ 51,309 to the enterprise fund.

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

For the current year, the annual OPEB expense of $ 514,598 is equal to the ARC. The ARC for the year ended June 30, 2014, is computed as follows:

Normal cost for current year	$ 264,181
Amortization of the unamortized accrued liability	250,417
Total Annual Required Contribution	$ 514,598

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

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

10 - Contingent Liabilities

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

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

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

11 - Risk Management

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

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

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

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

12 - Long-Term Debt

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

12 - Long-Term Debt (continued)

Governmental Activities

For governmental activities, compensated absences are generally liquidated by the general fund. The District issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are direct obligations and pledge the full faith and credit of the District. All of the general obligation bonds are held by the Farmers Home Administration. In the Statement of Activities, interest expense is allocated as part of the indirect expenses. Interest expense was incurred by the following departments: public safety (fire) - $41,591 and health (solid waste), $3,293.

Business Type Activities: Revenue Bonds Payable

In 1980, the District began issuing revenue bonds payable from the revenues generated by the wastewater proprietary fund which pays for the construction and expansion of the wastewater transportation system. A summary of the changes in the long term debts payable for the year ended June 30, 2014, is as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amount Due in 2014
Governmental Activities					
General obligation debt	$ 323,024		$ 12,785	$ 310,239	$ 14,071
Capital leases	904,424	$ 313,600	310,843	907,181	191,978
Net other post employment benefits	1,959,931	317,905		2,277,836	
Compensated absences	342,522		5,613	336,909	
Governmental Fund Subtotals	3,529,901	631,505	329,241	3,832,165	206,049
Business Type Activity					
Revenue bonds	6,475,179	1,870,339	850,552	7,494,966	902,655
Capital leases	17,266	326,400	65,864	277,802	44,662
Net other post employment benefits	278,947	53,711		332,658	
Compensated absences	92,780	6,192		98,972	
Business Type Activity Subtotals	6,864,172	2,256,642	916,416	8,204,398	947,317
Totals	$10,394,073	$2,888,147	$1,245,657	$12,036,563	$ 1,153,366

Debt Service Requirements to Maturity

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

	Interest	Principal	Total
Governmental Activities			
Year ended June 30, 2015	$ 16,831	$ 14,071	$ 30,902
2016	16,086	14,816	30,902
2017	15,303	15,599	30,902
2018	14,477	16,425	30,902
2019	13,609	17,293	30,902
2020-2024	54,870	72,910	127,780
2025-2029	35,697	77,433	113,130
2030-2034	11,928	81,692	93,620
Sub-totals	$ 178,801	$ 310,239	$ 489,040
Business Type Activity			
Year ended June 30, 2015	$ 238,751	$ 902,655	$ 1,141,406
2016	206,093	926,485	1,132,578
2017	172,538	926,166	1,098,704
2018	138,914	840,084	978,998
2019	105,613	231,034	336,647
2020-2024	432,461	1,251,044	1,683,505
2025-2029	253,715	1,430,278	1,683,993
2030-2034	67,379	929,120	996,499
2035-2037	3,040	58,100	61,140
Sub-totals	$1,618,504	$ 7,494,966	$ 9,113,470
Totals	$ 1,797,305	$ 7,805,205	$ 9,602,510

12 - **Long-Term Debt** (continued)

The revenue bonds outstanding for the business type activity at June 30, 2014, are as follows:

Title of Issues	Interest Rate	Principal Amount Original	Principal Amount Outstanding
Sol Legare Project issued 3/31/92	5.750%	$ 437,000	$ 299,784
Refunding Revenue Bonds issued 5/19/04, Series 2004	2.00-4.45%	6,535,000	2,310,000
Grimball Road expansion issued 11/14/96	5.125%	538,000	417,054
Harbor View Road Project issued 2/1/97	4.250%	2,231,021	419,027
Schooner Road extension issued 02/26/10	3.500%	717,520	603,131
Harbor View Circle Force Main issued 07/01/11	2.250%	586,757	520,438
Pump Station 33 rehab issued 07/01/11	2.250%	1,250,352	1,111,237
Force Main replacement issued 10/01/13	2.250%	1,870,339	1,814,295
Totals		$ 14,165,650	$ 7,494,966

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

The governmental fund general obligation bonds outstanding at June 30, 2014, are as follows:

Issue Date	Title of Issues	Principal Amount Original	Principal Amount Outstanding
February 17, 1981	Fire station 4; 5.0%; matures February 17, 2021	$ 142,000	$ 46,536
November 14, 1996	Fire station 3; 5.5%; matures November 14, 2036	363,000	263,703
	Totals	$ 505,000	$ 310,239

13 - **Capital Leases Obligations**

The District has various leases on equipment used in the business type activity and the general fund which are being accounted for as capital leases. The leased assets have been capitalized at a cost of $ 438,301 in the proprietary fund and $ 2,787,441 in the governmental fund. Amortization expense of $ 53,092 is included in the proprietary fund and $ 143,148 in the Statement of Activities for the general fund. Under the terms of the leases, the District is responsible for all operating costs associated with the equipment. The future minimum lease payments, including interest, by year ended June 30, are as follows:

Governmental Fund	Principal	Interest	Total
2015	$ 191,978	$ 23,964	$ 215,942
2016	197,346	18,596	215,942
2017	182,070	13,059	195,129
2018	143,062	7,949	151,011
2019	146,653	4,358	151,011
2020-2024	46,072	663	46,735
Sub-total	$ 907,181	$ 68,589	$ 975,770
Business Type Activity			
2015	$ 44,662	$ 4,000	$ 48,662
2016	45,304	3,358	48,662
2017	45,957	2,705	48,662
2018	46,619	2,043	48,662
2019	47,290	1,372	48,662
2020-2024	47,970	692	48,662
Sub-total	$ 277,802	$ 14,170	$ 291,972
Totals	$ 1,184,983	$ 82,759	$ 1,267,742

14 - Short-term Financing
During the current year, the District did not utilize any short-term financing.

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

	Balance June 30, 2013	Additions (Reduction)	Balance June 30, 2014
Farmers Home Administration Grants	$ 4,356,919		$ 4,356,919
Environmental Protection Agency Grants	2,354,057		2,354,057
State of South Carolina (FEMA)	144,629		144,629
Charleston County, SC grant	170,000		170,000
Tap fees and contributions by developers	2,315,758		2,315,758
Contributed systems	453,535		453,535
Total	$ 9,794,898		$ 9,794,898

16 - Commitments and Contingencies
At June 30, 2014, the District was involved in several capital projects. Costs have been incurred on various wastewater upgrade projects which total $ 415,224 at June 30, 2014. The total estimated costs of the projects is $ 4,227,015. The wastewater project costs will be paid through impact fees held by the District and proceeds of revenue bonds.

During the fiscal year ended June 30, 2011, the City of Charleston, SC completed an audit of the taxes remitted to the District for the preceding five years relating to properties which were annexed by the City of Charleston. The City of Charleston is required to remit to the District the portion of ad valorem tax the city collects from annexed properties representing the District's fire department budget that would have been collected by the District had the properties not been annexed into the city. As a result of this audit, the City determined the District had been overpaid $ 395,328 in the general fund and overpaid $ 35,946 in debt service. The District is repaying the excess remittances over a five (5) year period beginning in fiscal year 2011 at the rate of $ 79,066 per year in the general fund and $ 7,189 through the debt service fund. The City will reduce future tax payments each year due to the District until this overpayment has been recovered by the City.

17 - Subsequent Events
Management has evaluated all subsequent events for possible disclosure through October 24, 2014, the date the financial statements were available. On September 25, 2014, the District received the proceeds of a refinancing revenue bond in the amount of $ 2,130,000 which was used to refinance the Sewer System Series 2004 revenue bonds at a lower interest rate. The new bonds will be repaid over four years.

The Commissioners approved the establishment of a "rainy day fund" which will be equal to three months or 3% of the subsequent year's General Fund disbursements. This policy is effective July 1, 2014.

18 - Deferred Inflows of Resources
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.

19 - 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 $ 620,846.

20 - Restatement of Beginning Retained Earnings

GASB Statement 65, *Items Previously Reported as Assets and Liabilities,* was effective for financial statements beginning after December 15, 2012. This statement requires that bond issuance costs be reflected as current period outflows of resources (expenditures or expenses). The beginning retained earnings balance for the enterprise fund has been restated to reflect the implementation of this standard. The beginning Net Position in the *Business Type Activity* has been decreased by $287,481.

21 - GASB 68 Implementation

GASB 68, *Accounting and Financial Reporting for Pensions,* will be effective for periods after June 15, 2014. The implementation of this new standard will have a material effect on the District's financial statements for all future years. This statement is intended to improve financial reporting by state and local governments for future pension obligations by establishing standards for the measurement and financial reporting of the estimated liabilities associated with the future pension obligations. The future estimated pension obligations will reported as deferred outflows of resources in the District's financial statements for employers with defined contribution plans such as the South Carolina Retirement System in which the District participates.

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JAMES ISLAND PUBLIC SERVICE DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2014

(UNAUDITED)

Schedule 1

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance Favorable (Unfavorable)
Beginning budgetary fund balance	$ 3,631,023	3,631,023	$ 3,631,023	
Resources (inflows):				
Taxes	6,063,441	6,063,441	5,944,951	$ (118,490)
Intergovernmental	26,233	26,233	26,233	0
Other income	35,000	35,000	115,907	80,907
Amounts available for appropriation	9,755,697	9,755,697	9,718,114	(37,583)
General government				
Salaries and allowances	328,675	328,675	324,862	3,813
Group health and workmen's compensation insurance	33,380	33,380	26,663	6,717
Retirement contributions	34,608	34,608	33,523	1,085
Payroll taxes	26,097	26,097	24,716	1,381
Commission expenses	2,000	2,000	1,529	471
Professional services	35,135	35,135	55,282	(20,147)
Fuel	252	252	1,026	(774)
Repairs and maintenance	11,099	11,099	10,784	315
Office supplies and expenses	12,685	12,685	9,185	3,500
Advertising	2,120	2,120	2,118	2
Dues and subscriptions	2,140	2,140	3,066	(926)
Travel	1,650	1,650	830	820
Employee relations	4,649	4,649	3,550	1,099
Telephone and communication	5,737	5,737	6,380	(643)
Insurance	2,806	2,806	3,362	(556)
Training, education and conferences	3,059	3,059	919	2,140
Operating leases	1,875	1,875	1,995	(120)
Contingency	10,000	10,000		10,000
Totals	517,967	517,967	509,790	8,177
Maintenance				
Salaries and allowances	129,712	129,712	115,161	14,551
Group health and workmen's compensation insurance	24,326	24,326	24,999	(673)
Retirement contributions	13,749	13,749	12,156	1,593
Payroll taxes	10,259	10,259	9,105	1,154
Fuel	5,087	5,087	3,643	1,444
Repairs and maintenance	20,314	20,314	5,195	15,119
Office supplies and expenses	678	678	156	522
Advertising	350	350		350
Dues	150	150	115	35
Professional services	800	800	560	240
Supplies and other expenses	16,468	16,468	13,106	3,362
Telephone and communications	2,980	2,980	2,100	880
Insurance	2,806	2,806	1,952	854
Training, education and conferences	3,000	3,000	2,514	486
Travel and transportation	3,000	3,000	1,135	1,865
Employee relations	1,000	1,000		1,000
Uniforms	2,746	2,746	1,841	905
Utilities	5,600	5,600	4,273	1,327
Totals	243,025	243,025	198,011	45,014
Subtotals - General Government	$ 760,992	$ 760,992	$ 707,801	$ 53,191

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Schedule 1

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance Favorable (Unfavorable)
Subtotals brought forward	$ 760,992	$ 760,992	$ 707,801	$ 53,191
Public Safety - Fire				
Salaries and allowances	2,337,732	2,087,587	2,106,110	(18,523)
Group health and workmen's compensation insurance	616,488	616,488	609,535	6,953
Retirement contributions	221,284	221,284	222,726	(1,442)
Payroll taxes	165,634	165,634	163,368	2,266
Fuel and fluids	54,808	54,808	38,591	16,217
Repairs and maintenance	72,152	72,152	140,463	(68,311)
Office supplies and expenses	13,650	13,650	2,964	10,686
Professional services	36,985	287,130	293,052	(5,922)
Volunteers	1,500	1,500	350	1,150
Advertising	1,200	1,200	1,928	(728)
Dues and subscriptions	1,895	1,895	851	1,044
Supplies and other	87,966	87,966	61,580	26,386
Telephone and communications	42,063	42,063	14,011	28,052
Insurance	31,796	31,796	29,580	2,216
Training, education and conferences	19,703	19,703	18,684	1,019
Travel and transportation	4,375	4,375	918	3,457
Employee relations	6,116	6,116	2,212	3,904
Uniforms	16,052	16,052	13,416	2,636
Utilities	33,384	33,384	31,174	2,210
Totals	3,764,783	3,764,783	3,751,513	13,270
Health - Solid waste				
Salaries and allowances	963,273	963,273	942,874	20,399
Group health and workmen's compensation insurance	194,460	194,460	173,623	20,837
Retirement contributions	92,885	92,885	85,326	7,559
Payroll taxes	70,170	70,170	62,937	7,233
Fuel and fluids	210,488	210,488	205,319	5,169
Repairs and maintenance	203,893	203,893	285,084	(81,191)
Office supplies and expenses	960	960	1,283	(323)
Professional services	2,317	2,317	3,356	(1,039)
Supplies and other	16,012	16,012	13,964	2,048
Advertising	500	500	1,743	(1,243)
Telephone and communications	3,240	3,240	5,422	(2,182)
Insurance	21,742	21,742	20,603	1,139
Operating lease	674	674	2,559	(1,885)
Training, education and conferences	300	300	131	169
Uniforms	8,200	8,200	10,127	(1,927)
Utilities	4,032	4,032	4,683	(651)
Totals	1,793,146	1,793,146	1,819,034	(25,888)
Capital outlays	30,512	30,512	36,416	(5,904)
Total Expenditures (Outflows)	6,349,433	6,349,433	6,314,764	34,669
Operating transfers in/(out)			(49,574)	(49,574)
Ending budgetary fund balance	$ 3,406,264	$ 3,406,264	$ 3,353,776	$ (52,488)

See notes to basic financial statements.

JAMES ISLAND PUBLIC SERVICE DISTRICT

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS - DEFINED BENEFIT HEALTH CARE PLAN

FOR THE YEAR ENDED JUNE 30, 2014

(UNAUDITED)

Schedule 2

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Unfunded AAL (UAAL) (2 - 1)	Funded Ratio (1/2)	Covered Payroll (3)	UAAL as a Percentage of Covered Payroll ((2-1)/3)
07/01/2009		5,493,663	5,493,663	0%	4,227,757	130%
07/01/2010		5,493,663	5,493,663	0%	4,331,393	127%
07/01/2011		5,824,192	5,824,192	0%	4,319,558	135%
07/01/2012		5,824,192	5,824,192	0%	4,481,867	130%
07/01/2013		6,006,367	6,006,367	0%	4,534,662	132%

The District implemented GASB Statement 45 for the fiscal year ended June 30, 2008.

Schedule of Employer Contributions

Fiscal Year ended June 30	Annual Required Contribution	Actual Contribution	Percent Funded
2010	510,638	133,185	26.08%
2011	510,638	146,492	28.69%
2012	532,649	123,304	23.15%
2013	527,688	139,872	26.51%
2014	514,598	147,640	28.69%

JAMES ISLAND PUBLIC SERVICE DISTRICT

SCHEDULE OF OPERATING EXPENSES - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2014

Schedule 3

Personnel Services		
Salaries, wages and allowances	$ 1,045,655	
Payroll taxes	79,070	
Retirement system contributions	109,531	
Group insurance and workmen's compensation	222,319	
Other post-employment benefits	53,711	
Miscellaneous	5,315	
Training and education	3,834	
Uniforms	7,599	
Total		$ 1,527,034
Operations and Maintenance		
Wastewater treatment and transportation charges	2,083,612	
Maintenance of system and equipment	367,426	
Fuel	53,439	
Technical supplies	96,157	
Utilities	164,517	
Engineering and professional services	66,688	
Insurance	35,088	
Total		2,866,927
Administrative		
Professional services	65,519	
Office supplies	72,703	
Postage	38,287	
Memberships and subscriptions	6,018	
Advertising and printing	3,166	
Bad debts	13,661	
Insurance	7,588	
Miscellaneous expenses	6,364	
Telephone and communication	20,761	
Total		234,067
Depreciation and Amortization		889,712
Total Operating Expenses		$ 5,517,740

See notes to basic financial statements.

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