

Report on Audit of Financial Statements of
James Island Public Service District
for the year ended June 30, 2015

Commissioners

June Waring	Chair
Bill Cubby Wilder	Vice Chair
Donald Hollingsworth	Secretary
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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, 2015, and the related notes to the financial statements, which collectively comprise the Districts 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, 2015, 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.

Accounting Change

As discussed in Note 1 to the financial statements, the District has adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. These two GASB statements required that the District record its share of the State of South Carolina's net pension liability and related deferred inflows and outflows of resources. Our opinion is not modified with respect to this matter.

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 February 4, 2016, 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
February 4, 2016

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, 2015. 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 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 \$26,561,648. Net position decreased \$6,499,571 or 19.6%.
 - Governmental activities net position was (\$2,996,445) a decrease of \$6,619,003 primarily due to 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 \$29,558,093 an increase of \$119,432 or .4%. Unrestricted net position decreased by \$3,054,640 to \$1,665,449 at June 30, 2015, primarily due to implementing GASB 68 and GASB 71 in the fiscal year ended June 30, 2015.
- ❖ At June 30, 2015, the total fund balance of the District's governmental funds was \$3,481,105 a decrease of \$60,544 or 1.7%.
 - The fund balance of the General Fund decreased \$217,871, or 6%, to \$3,135,905. \$2,914,810 of this fund balance was unassigned at year-end, an increase of \$10,739, or .32% from the \$3,353,776 balance at June 30, 2014.
 - General Fund expenditures exceeded revenues by \$217,871 an increase of \$18,502 from the prior year.
- ❖ Total capital assets (net of accumulated depreciation) for the District amounted to \$36,137,359 at June 30, 2015, an increase of \$1,740,382, or 5%.
 - Governmental activities capital assets (net of accumulated depreciation) amounted to \$3,410,469, a decrease of \$260,382, or 7%.
 - Business-type capital assets (net of accumulated depreciation) amount to \$32,726,890 an increase of \$2,000,764, or 6.5%.
- ❖ At June 30, 2015, the District's debt for bond and capital lease obligations and compensated absences was \$7,906,584, a decrease of \$1,519,485 or 16.1%.
 - Governmental funds debt amounts to \$1,356,033, a decrease of \$198,296, or 12.7%.
 - Business-type funds debt amounted to \$6,550,551, a decrease of \$1,321,189, or 16.7%.
- ❖ 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 decreases 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 amounts on the proprietary fund financial statements are the same as the business-type column on the government-wide financial statements, the fund financial statements require 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 19-40 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 schedules relating to other post-employment benefits and pensions. The required supplementary information is presented after the notes to the financial statements and can be found on pages 41-45 of this report.

Government-Wide Financial Analysis

Statement of Net Position As of June 30, 2015 (in thousands)

	Governmental Activities 2015	Business-Type Activities 2015	Total 2015	Total 2014
Current assets	\$ 8,601	\$ 4,321	\$ 12,922	\$ 13,976
Net capital assets	3,410	32,727	36,137	34,397
Noncurrent assets	-	1,615	1,615	1,765
Total Assets	\$ 12,011	\$ 38,663	\$ 50,674	\$ 50,138
Total deferred outflows of resources	554	268	822	102
Long-term debt outstanding	\$ 3,407	\$ 6,092	\$ 9,499	\$ 10,883
Net pension liabilities	6,436	1,815	8,251	-
Current and other liabilities	550	1,313	1,863	1,661
Total Liabilities	\$ 10,393	\$ 9,220	\$ 19,613	\$ 12,544
Total deferred inflows of resources	5,169	153	5,322	4,635
Net Investment in capital assets	\$ 2,399	\$ 26,278	\$ 28,677	\$ 25,407
Unrestricted	(5,801)	1,665	(4,136)	5,737
Restricted for debt service	406	1,615	2,022	1,917
Total Net Position	\$ (2,996)	\$ 29,558	\$ 26,562	\$ 33,061

The District implemented GASB 68 and GASB 71 in fiscal year 2015 and beginning net position was restated for this. Information was not available to restate all related accounts for fiscal year 2014, thus the 2014 column above has not been restated.

Current Year Analysis and Impacts

In the governmental activities column above, the total liabilities exceed total assets by \$2,996,445 (Total Net Position). In the business-type Activities column, the total assets exceed total liabilities by

\$29,558,093. 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, 2015
(in thousands)

	Governmental Activities	Business- Type Activities	Total	Total
Program Revenues	2015	2015	2015	2014
Service Revenues:				
Charges for services	\$ -	\$ 6,348	\$ 6,348	\$ 6,256
General Revenues:				
Property taxes	6,474	-	6,474	6,402
Merchants' inventory and motor carrier tax	27	-	27	26
Interest income	1	1	2	3
Gain on sale of capital assets	-	8	8	31
Other income	155	-	155	731
Capital contributions	-	1,521	1,521	-
Total Revenues	<u>6,657</u>	<u>7,878</u>	<u>14,535</u>	<u>13,449</u>
Functions/Programs				
Governmental Activities:				
General government	802	-	802	749
Public safety	4,122	-	4,122	4,131
Health	1,958	-	1,958	2,023
Interest on long-term debts	48	-	48	45
Business-Type Activities:				
Wastewater	-	5,969	5,969	5,808
Total Expenses	<u>6,930</u>	<u>5,969</u>	<u>12,899</u>	<u>12,756</u>
Net increase (decrease)	(273)	1,909	1,636	693
Net Position, beginning, as restated	<u>(2,723)</u>	<u>27,649</u>	<u>24,926</u>	<u>32,368</u>
Net Position, ending	<u>\$ (2,996)</u>	<u>\$ 29,558</u>	<u>\$ 26,562</u>	<u>\$ 33,061</u>

Current Year Financial Analysis

As of year-end, the District reported changes in net position of \$1,635,862, which is an increase of \$942,483 from fiscal year 2014. The governmental activity reported a decrease in net position of \$273,365 and the business-type activity realized an increase of \$1,909,227.

Capital Assets and Debt Administration

Capital Assets

As of year-end, the District had \$36,137,359 in net capital assets (additions less retirements less depreciation), as reflected in the following schedule. Also, the District had \$55,615,799 in capital assets before accumulated depreciation, which reflects a net decrease of \$1,740,382 or 5.0% when compared to the previous year.

Capital Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 212	\$ 212	\$ 340	\$ 340	\$ 552	\$ 553
Buildings/Fencing/Paving	1,102	1,096	521	516	1,623	1,612
Vehicles	3,878	3,753	1,006	998	4,884	4,751
Equipment	1,610	1,680	829	814	2,439	2,494
Wastewater System	-	-	44,530	42,838	44,530	42,838
Construction in Progress	-	-	1,588	415	1,588	415
Total	6,802	6,741	48,814	45,922	55,616	52,662
Less: Depreciation	(3,392)	(3,070)	(16,087)	(15,196)	(19,479)	(18,266)
Net Capital Assets	\$ 3,410	\$ 3,671	\$ 32,727	\$ 30,726	\$ 36,137	\$ 34,396

Debt

As of year-end, the District had \$7,460,638 in outstanding bonds payable and capital lease obligations compared to \$8,990,188 last year, a decrease of \$1,529,550 or 17%.

Outstanding Debt (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 296	\$ 310	\$ -	\$ -	\$ 296	\$ 310
Compensated absences	345	337	101	99	446	436
Capital leases	715	907	233	278	948	1,185
Other post employment benefits	2,383	2,278	368	333	2,751	2,611
Revenue bonds	-	-	6,216	7,495	6,216	7,495
Net pension liability	6,436	6,346	1,815	1,790	8,251	8,136
Total	\$ 10,175	\$ 10,178	\$ 8,733	\$ 9,995	\$ 18,908	\$ 20,173

Economic Factors and Next Year's Budgets

When setting the fiscal year 2016 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 the fiscal year 2016 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, Chief Financial Officer at 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, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Petty cash	\$ -	\$ 200	\$ 200
Cash and cash equivalents	2,278,091	4,607,671	6,885,762
Due from Charleston County	602,241	-	602,241
Net receivables	4,956,518	283,694	5,240,212
Internal balances	692,115	(692,115)	-
Inventory and prepaids	71,968	121,944	193,912
Total current assets	<u>8,600,933</u>	<u>4,321,394</u>	<u>12,922,327</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	-	1,615,017	1,615,017
Capital assets, net of accumulated depreciation	3,198,296	30,798,184	33,996,480
Nondepreciable assets	212,173	1,928,706	2,140,879
Total capital assets	<u>3,410,469</u>	<u>32,726,890</u>	<u>36,137,359</u>
Total assets	<u>12,011,402</u>	<u>38,663,301</u>	<u>50,674,703</u>
Deferred Outflows of Resources			
Deferred loss on bond refunding	-	111,488	111,488
Contributions to retirement plan after measurement date	371,659	104,827	476,486
Difference between expected and actual retirement plan experience	182,356	51,434	233,790
Total deferred outflows of resources	<u>554,015</u>	<u>267,749</u>	<u>821,764</u>
Liabilities			
Current liabilities:			
Accounts payable	94,102	220,423	314,525
Accrued salaries & benefits	103,180	31,894	135,074
Accrued interest payable	19,943	19,087	39,030
Customer deposits	-	214,605	214,605
Current portion of long-term debt	14,812	745,854	760,666
Current portion of capital leases	197,348	45,296	242,644
Current portion of compensated absences	120,630	35,451	156,081
Total current liabilities	<u>550,015</u>	<u>1,312,610</u>	<u>1,862,625</u>
Non-current liabilities:			
Bonds payable	281,359	5,470,268	5,751,627
Capital leases	517,856	187,845	705,701
Net other post employment liability	2,383,540	367,893	2,751,433
Net pension liability	6,436,162	1,815,327	8,251,489
Accrued compensated absences	224,028	65,837	289,865
Total liabilities	<u>10,392,960</u>	<u>9,219,780</u>	<u>19,612,740</u>
Deferred Inflows of Resources			
Deferred property taxes	4,625,965	-	4,625,965
Net difference between projected and actual investment earnings on pension plan investments	542,937	153,137	696,074
Total deferred inflows of resources	<u>5,168,902</u>	<u>153,137</u>	<u>5,322,039</u>
Net Position			
Net investment in capital assets	2,399,094	26,277,627	28,676,721
Unrestricted	(5,801,054)	1,665,449	(4,135,605)
Restricted for debt service	405,515	1,615,017	2,020,532
Total net position	<u>\$ (2,996,445)</u>	<u>\$ 29,558,093</u>	<u>26,561,648</u>

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, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program</u>	<u>Net (Expense) Revenue and</u>		
		<u>Revenues</u>	<u>Changes in Net Position</u>		
			<u>Business-</u>		
		<u>Charges for</u>	<u>Governmental</u>	<u>Type</u>	
		<u>Services</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Governmental Activities:					
General government	\$ 801,709	\$ -	\$ (801,709)	\$ -	\$ (801,709)
Public safety - fire	4,121,812	-	(4,121,812)	-	(4,121,812)
Health - solid waste	1,958,290	-	(1,958,290)	-	(1,958,290)
Interest charges	48,184	-	(48,184)	-	(48,184)
Total governmental activities	6,929,995	-	(6,929,995)	-	(6,929,995)
Business-Type Activities:					
Wastewater	5,969,180	6,347,775	-	378,601	378,601
Total	\$ 12,899,175	\$ 6,347,775	\$ -	\$ 378,601	\$ (6,551,394)

General Revenues:

Taxes	6,474,171	-	6,474,171
Merchant's inventory and motor carrier taxes	26,653	-	26,653
Interest income	732	1,512	2,244
Gain on sale of capital assets	-	8,532	8,532
Other income	155,074	-	155,074
Capital contributions	-	1,520,588	1,520,588
Total general revenues	6,656,630	1,530,632	8,187,262
Change in net position	(273,365)	1,909,233	1,635,868
Net position, beginning, as restated	(2,723,080)	27,648,866	24,925,786
Net position, ending	\$ (2,996,445)	\$ 29,558,099	\$ 26,561,654

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

James Island Public Service District
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,278,091	\$ -	\$ -	\$ 2,278,091
Receivables:			-	
Due from Charleston County	196,726	405,515	-	602,241
Taxes receivable (net of allowances)	4,613,524	342,994	-	4,956,518
Due from wastewater fund	692,115	-	-	692,115
Due from debt service fund	63,273	-	-	63,273
Prepaid expenditures	54,411	-	-	54,411
Inventory of fuel	17,557	-	-	17,557
Total assets	<u>\$ 7,915,696</u>	<u>\$ 748,509</u>	<u>\$ -</u>	<u>\$ 8,664,205</u>
Liabilities				
Accounts payable	\$ 94,102	\$ -	\$ -	\$ 94,102
Accrued payroll	103,180	-	-	103,180
Due to other funds	-	63,273	-	63,273
Total liabilities	<u>197,282</u>	<u>63,273</u>	<u>-</u>	<u>260,555</u>
Deferred inflows of resources:				
Unavailable property taxes	4,582,509	340,036	-	4,922,545
Total liabilities and deferred inflows of resources	<u>4,779,791</u>	<u>403,309</u>	<u>-</u>	<u>5,183,100</u>
Fund Balance				
Nonspendable - inventory and prepaids	71,967	-	-	71,967
Restricted for debt service	-	345,200	-	345,200
Committed to next year's budget	157,828	-	-	157,828
Unassigned	2,906,110	-	-	2,906,110
Total Fund Balances	<u>3,135,905</u>	<u>345,200</u>	<u>-</u>	<u>3,481,105</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 7,915,696</u>	 <u>\$ 748,509</u>	 <u>\$ -</u>	 <u>\$ 8,664,205</u>

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, 2015**

Total Governmental Fund Balances	\$ 3,481,105
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds: property taxes receivable	296,581
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds (net of accumulated depreciation of \$3,390,391)	3,410,469
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	(1,011,375)
Accrued compensated absences payable	(344,658)
Net other post-employment liability	(2,383,540)
Net pension liability	(6,436,162)
Accrued interest payable	(19,943)
Difference in pension related deferred inflows and outflows	11,078
Net position of governmental activities	<u>\$ (2,996,445)</u>

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, 2015

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Property taxes	\$ 5,971,758	\$ 434,140	\$ -	\$ 6,405,898
Intergovernmental revenues	13,362	13,291	-	26,653
Other income	171,128	-	-	171,128
Total revenues	<u>6,156,248</u>	<u>447,431</u>	<u>-</u>	<u>6,603,679</u>
Expenditures				
Current:				
General government	728,217	-	-	728,217
Public safety - fire	3,731,689	-	-	3,731,689
Health - solid waste	1,789,158	-	-	1,789,158
Capital expenditures	125,055	-	35,874	160,929
Debt Service:				
Principal	-	14,068	-	14,068
Interest	-	16,835	-	16,835
Capital leases - principal	-	191,978	-	191,978
Capital leases - interest	-	31,349	-	31,349
Total expenditures	<u>6,374,119</u>	<u>254,230</u>	<u>35,874</u>	<u>6,664,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(217,871)</u>	<u>193,201</u>	<u>(35,874)</u>	<u>(60,544)</u>
Net change in fund balance	<u>(217,871)</u>	<u>193,201</u>	<u>(35,874)</u>	<u>(60,544)</u>
 Fund balance, June 30, 2014	 <u>3,353,776</u>	 <u>151,999</u>	 <u>35,874</u>	 <u>3,541,649</u>
Fund balance, June 30, 2015	<u>\$ 3,135,905</u>	<u>\$ 345,200</u>	<u>\$ -</u>	<u>\$ 3,481,105</u>

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, 2015

Net change in governmental fund balances	\$ (60,544)
Depreciation expense	(338,516)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, this cost is allocated over the estimated useful lives of the	160,929
Some expenses are reflected in the Statement of Activities but not in the governmental funds:	
Compensated absences	(7,749)
Accrued interest	(10,024)
Other post-employment benefits	(105,074)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds - property taxes	37,743
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	206,046
Deferred outflows - contributions after measurement date	371,659
Change in net pension liability related amounts	(527,835)
Change in Net Position of Governmental Activities	<u>\$ (273,365)</u>

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, 2015

Assets

Current assets:

Petty cash	\$ 200
Cash and cash equivalents	4,607,671
Restricted cash and cash equivalents	1,615,017
Customer receivables (net of allowance)	283,694
Prepaid expenses	121,944
Total current assets	<u>6,628,526</u>

Non-current assets:

Capital assets (net of accumulated depreciation)	<u>32,726,890</u>
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Total assets	<u><u>39,355,416</u></u>
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Deferred Outflows of Resources:

Deferred loss on bond refunding	111,448
Contributions to retirement plan after measurement date	104,827
Difference between expected and actual retirement plan experience	<u>51,434</u>
Total deferred outflows of resources	<u>267,709</u>

Total assets and deferred outflows of resources	<u><u>\$ 39,623,125</u></u>
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Liabilities and Net Position

Current liabilities:

Accounts payable	220,423
Accrued salaries and benefits	31,894
Interest payable	19,087
Customer deposits	214,605
Current portion of long-term debt	745,854
Current portion of capital leases payable	45,296
Current portion of compensated absences	35,451
Due to other funds	<u>692,115</u>

Total current liabilities	<u>2,004,725</u>
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Non-current liabilities:

Long-term debt	5,470,268
Capital leases payable	187,845
Net other post employment liability	367,893
Net pension liability	1,815,327
Accrued compensated absences	<u>65,837</u>

Total noncurrent liabilities	<u>7,907,170</u>
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Total liabilities	<u>9,911,895</u>
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Deferred Inflows of Resources:

Net difference between projected and actual investment earnings - pension	<u>153,137</u>
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Net Position

Net investment in capital assets	26,277,627
Restricted for debt service	1,615,017
Unrestricted	<u>1,665,449</u>
Total net position	<u>29,558,093</u>

Total liabilities, deferred inflows of resources and net position	<u><u>\$ 39,623,125</u></u>
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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, 2015

Operating Revenues

Charges for services:	
District customer charges	\$ 3,431,550
Transportation customer charges	1,024,443
Full charge customer charges	838,529
Wholesale charges - Folly Beach	395,561
Other fees & charges	270,816
Other income	243,729
Tap Fees	90,465
Impact Fees	52,682
Total operating revenues	<u>6,347,775</u>

Operating Expenses

Personnel services	1,475,049
Operations and maintenance	3,040,612
Administrative	269,454
Depreciation and amortization	927,621
Total operating expenses	<u>5,712,736</u>
Operating income	<u>635,039</u>

Nonoperating Revenues (Expenses)

Gain on sales of fixed assets	8,532
Interest income	1,512
Interest expense	(165,271)
Bond issuance costs	(91,167)
Total non-operating revenues (expenses)	<u>(246,394)</u>

Capital contributions	<u>1,520,588</u>
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Change in net position	1,909,233
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Net Position

June 30, 2014, as restated	<u>27,648,860</u>
June 30, 2015	<u>\$ 29,558,093</u>

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, 2015

Cash flows from operating activities:

Cash received from customers	\$ 6,682,714	
Cash paid to suppliers for goods and services	(2,696,760)	
Cash paid to employees for services	(1,395,588)	
Net cash provided by operating activities		\$ 2,590,366

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(1,331,597)	
Proceeds from sales of fixed assets	9,171	
Payments to escrow agent	(2,347,780)	
Proceeds of revenue bond	2,227,975	
Payments of bond issuance costs	(91,167)	
Principal paid on revenue bonds	(1,196,732)	
Principal paid on capital lease obligations	(44,661)	
Interest paid on revenue bonds and debt	(227,605)	
Net cash used for capital and related financing activities		(3,002,396)

Cash flows from investing activities:

Interest received	1,512	
Net cash provided by investing activities		1,512
Net decrease in cash and cash equivalents		(410,518)

Cash and cash equivalents, beginning of year	6,633,306
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Cash and cash equivalents, end of year	<u>\$ 6,222,788</u>
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Reconciliation of Cash and Cash Equivalents to Balance Sheet:

Petty cash	\$ 200	
Cash and cash equivalents	4,607,671	
Restricted cash and cash equivalents	1,615,017	
Total cash and cash equivalents		<u>\$ 6,222,888</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$ 635,039
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation and amortization	\$ 927,621
Bad debt allowance	8,000

Changes in assets and liabilities:

Decrease in customer receivables	203,803
Increase in prepaid expenses	(111,843)
Increase in accounts payable	81,496
Increase in customer deposits	123,236
Increase in accrued salaries, benefits and compensated absences	7,470
Increase in net other post-employment benefit payable	35,135
Increase in deferred outflows	(54,720)
Increase in deferred inflows	153,136
Increase in net pension liability	(76,009)
Increase in due to other funds	658,002

Total Adjustments	<u>1,955,327</u>
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Net cash provided by operations	<u>\$ 2,590,366</u>
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The accompanying notes are an integral part of the financial statements.

James Island Public Service District
Notes to 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, debt service and capital projects funds. The proprietary fund consists of the enterprise (wastewater) fund.

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

James Island Public Service District
Notes to Financial Statements

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.
- (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 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.

James Island Public Service District
Notes to Financial Statements

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.

James Island Public Service District
Notes to Financial Statements

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 \$315,000.

As of June 30, 2015

<u>Tax Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>
2015	\$ 4,598,967	\$ 341,998
Prior Years	307,557	22,996
Total	4,906,524	364,994
Less allowance	(293,000)	(22,000)
Net Property Taxes Receivable	\$ 4,613,524	\$ 342,994

m. 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.

- 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 the general fund. 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 their 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

James Island Public Service District
Notes to Financial Statements

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 and the difference between expected and actual retirement plan experience 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 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. Implementation of New Accounting Standards and Restatement of Net Position - The primary objective of GASB No. 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, it identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The objective of GASB No. 71 is to address an issue regarding application of the transition provisions of GASB No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB No. 71 requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of GASB No. 71 are required to be applied simultaneously with the provisions of GASB No. 68.

James Island Public Service District
Notes to Financial Statements

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

r. cont'd –

The District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68 in the year ended June 30, 2015. Net position as of July 1, 2014 has been restated in accordance with these provisions.

	<u>Governmental Activities</u> <u>2015 Balance, as restated</u>	<u>Enterprise Fund and</u> <u>Business-Type Activities 2015</u> <u>Balance, as restated</u>
Net Position at June 30, 2014 as originally reported	\$3,622,558	\$29,438,661
Share of Net Pension Liability	(6,717,297)	(1,894,628)
Deferred outflow for pension contributions made after the measurement date	371,659	104,827
Net Position at June 30, 2014, as restated	<u>\$(2,723,080)</u>	<u>\$27,648,860</u>

- s. 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 will implement the new guidance with 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 will implement the new guidance with the 2016 financial statements.

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.

James Island Public Service District
Notes to Financial Statements

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

- t. Changes in Classification – In previous years, the District reported compensated absences as a long term liability on the government-wide Statement of Net Position and the proprietary fund's Statement of Net Position. In the current year financial statements, the current amount of compensated absences is reclassified as a current liability.

In addition, restricted cash for debt service payments in the proprietary fund was previously reported as a current asset. In the current year financial statements, restricted cash is reported as a non-current asset.

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 \$692,115 was used to cover expenses of the wastewater fund. The amount due to the general fund from the debt service fund of \$63,273 was used to cover expenses of the debt service fund.

4- Deposits and Investments

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

Total carrying amount of cash	\$ 8,500,779
Cash and cash equivalents	\$ 6,885,962
Restricted cash and cash equivalents and investments	<u>1,615,017</u>
Total cash and cash equivalents	\$ <u>8,500,979</u>

Custodial Credit Risk *Custodial Credit Risk* for deposits exists when, in the event of the failure of the depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in the possession of the outside party. The District follows state law which requires depository financial institutions to provide FDIC insurance or pledge collateral obligations sufficient to cover its deposits and investments as described in the following paragraph. All of the District's deposit balances on June 30, 2015 were insured or collateralized with securities held by the District or by its agent in the District's name.

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

James Island Public Service District
Notes to Financial Statements

4- Deposits and Investments (cont'd) -

securities held by the counter-party's trust department or agent in the District's name; 3) uninsured and unregistered with securities held by the counter-party or by its trust department or agent but not in the District's name. At year end the carrying amount of the District's deposits and investments was \$8,500,979 and the bank balances were \$10,119,556. The District's bank balances were covered by FDIC insurance of \$750,000 and \$10,047,719 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 Investments

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, 2015.

Debt Service Reserves	-2013	\$	73,513
	-2011		176,208
	-2010		148,811
	-2004		52,491
Depreciation	-2014		333,900
Contingency	-2014		770,430
Contingency Funds	-1996		31,704
	-1992		27,960
Total		\$	<u>1,615,017</u>

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.

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James Island Public Service District
Notes to Financial Statements

7 – Capital Assets and Depreciation

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

	<u>Balance June 30, 2014</u>	<u>Transfers/ Additions</u>	<u>Sales/Other Disposals</u>	<u>Balance June 30, 2015</u>
Assets not being depreciated:				
Land	\$ 212,173	\$ -	\$ -	\$ 212,173
Assets being depreciated:				
Buildings	1,029,583	7,490	(1,650)	1,035,423
Fencing Paving & Landscaping	66,654	-	-	66,654
Vehicles	3,752,582	140,414	(14,948)	3,878,048
Machinery & Fire Equipment	1,049,623	5,254	(1,150)	1,053,727
Furniture & Office Equipment	91,683	-	-	91,683
Communication System	538,903	7,771	(82,251)	464,423
Totals	<u>6,741,201</u>	<u>160,929</u>	<u>(99,999)</u>	<u>6,802,131</u>
Less: Accumulated Depreciation	<u>3,070,350</u>	<u>338,516</u>	<u>(53,390)</u>	<u>(3,355,476)</u>
Net Capital Assets	<u>\$ 3,670,851</u>	<u>\$ (177,587)</u>	<u>\$ (46,609)</u>	<u>\$ 3,446,655</u>

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

General Government	\$ 14,920
Public Safety	205,499
Health	118,097
Total	<u>\$ 338,516</u>

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

	<u>Balance June 30, 2014</u>	<u>Transfers/ Additions</u>	<u>Sales/Other Disposals</u>	<u>Balance June 30, 2015</u>
Assets not being depreciated:				
Land and easements	\$ 340,496	\$ -	\$ -	\$ 340,496
Construction in progress	415,224	1,407,171	(234,185)	1,588,210
Subtotals	<u>755,720</u>	<u>1,407,171</u>	<u>(234,185)</u>	<u>1,928,706</u>
Assets being depreciated:				
Buildings	516,345	6,587	(2,276)	520,656
Sewer System	36,778,518	104,308	(118,117)	36,764,709
Contributed Systems	5,879,785	1,520,588	185,284	7,585,657
Purchased Systems	179,566	-	-	179,566
Equipment	65,515	5,127	-	70,642
Vehicles	997,921	26,528	(18,834)	1,005,615
Communication System	748,553	16,061	(6,497)	758,117
Total Assets	<u>45,921,923</u>	<u>3,086,370</u>	<u>(194,625)</u>	<u>48,813,668</u>
Less: Accumulated Depreciation	<u>15,195,798</u>	<u>927,621</u>	<u>(36,641)</u>	<u>(16,086,778)</u>
Net Capital Assets	<u>\$ 30,726,125</u>	<u>\$ 2,158,749</u>	<u>\$ (157,984)</u>	<u>\$ 32,726,890</u>

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.

James Island Public Service District
Notes to Financial Statements

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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James Island Public Service District
Notes to Financial Statements

8 - Employee Benefit Plans (cont'd) -

Required <u>employee</u> contribution rates for fiscal year 2014-2015 are as follows:	
SCRS	
Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation
State ORP Employee	8.00% of earnable compensation
Required <u>employer</u> contribution rates for fiscal year 2014-2015 are as follows:	
SCRS	
Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
State ORP Employee	
Employer Contribution	10.75% of earnable compensation ¹
Employer Incidental Death Benefit	0.15% of earnable compensation
¹ Of this employer contribution of 10.75% 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, 2013, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

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

	SCRS
Actuarial cost method	Entry age
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	levels off at 3.5%
Includes inflation at	2.75%
Benefit adjustments	lesser of 1% or \$500

James Island Public Service District
Notes to Financial Statements

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, 2015, the District's proportional share of the NPL amounts for SCRS is presented below:

System	Proportional Share of Net Pension Liability
SCRS	\$ 8,251,489

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, 2015, the District's percentage of the SCRS net pension liability was 0.047851%.

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 third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach, reflecting observable inflation and interest rate information available in the fixed income

James Island Public Service District
Notes to Financial Statements

8 - Employee Benefit Plans (cont'd) –

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%	0.3	0.01
Short Duration	3.0%	0.6	0.02
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
 Total Expected Real Return	 100.0%		 5.88
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			8.63

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.

James Island Public Service District
Notes to Financial Statements

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	\$ 10,679,402	\$ 8,251,489	\$ 6,226,089	

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2015, the District recognized pension expense of \$476,486. At June 30, 2015, the District reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources – Governmental Activities	Deferred Inflows of Resources – Governmental Activities	Deferred Outflows of Resources – Proprietary Fund and Business-Type Activities	Deferred Inflows of Resources – Proprietary Fund and Business-Type Activities
Pension contributions subsequent to measurement date	\$ 371,659	\$ -	\$ 104,827	\$ -
Differences in actual and expected retirement plan experience	182,356	-	51,434	-
Net difference between projected and actual investment earnings - pensions	-	(542,937)	-	(153,137)
	<u>\$ 554,015</u>	<u>\$ (542,937)</u>	<u>\$ 156,261</u>	<u>\$ (153,137)</u>

The District reported \$415,867 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, 2016. 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, 2015. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2015 was 4.233 years for SCRS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2015	2016	\$ (101,724)
2016	2017	(101,724)
2017	2018	(101,724)
2018	2019	(157,118)
Net Balance of Deferred Outflows / (Inflows) of Resources		<u>\$ (462,290)</u>

James Island Public Service District
Notes to Financial Statements

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 133 covered participants. Of this number, 103 participants are current employees and 30 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, 2015, the District had 30 retirees receiving benefits and recognized expense of \$156,567 for healthcare, which is net of retiree contributions of \$76,434. The net expense is allocated \$99,663 to the General Fund and \$56,904 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, 2015 is as follows:

Annual required contribution	\$540,909
Interest on OPEB obligation	117,472
Adjustment to ARC	(108,837)
Annual OPEB cost (expense) end of year	549,544
Net estimated employer contributions	(408,065)
Increase in net OPEB obligation	\$140,939
Net OPEB obligation/(asset) beginning of year	\$2,610,494
Net OPEB obligation/(asset) end of year	\$2,751,433

James Island Public Service District
Notes to Financial Statements

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, 2013	\$527,688	\$139,872	26.5%	\$2,243,536
June 30, 2014	514,598	147,640	28.7%	2,610,494
June 30, 2015	549,544	408,605	74.4%	2,751,433

Funded Status

The funded status of the District's retiree health care plan, under GASB Statement No. 45 as of June 30, 2014 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, 2014	\$0	\$6,006,367	\$6,006,367	0.0%	\$4,506,844	132.5%

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 \$6,006,367 at June 30, 2013. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 132.5%.

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	3.00% per annum
Investment Rate of Return	4.50% 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	3.00% per annum
Medical Trend	Initial rate of 6.00%, declining to ultimate rate of return of 4.50% after 10 years

James Island Public Service District
Notes to Financial Statements

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 – 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 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

James Island Public Service District
Notes to Financial Statements

12 – Long-Term Debt (cont'd) -

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.

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) - \$38,102 and health (solid waste), \$5,548.

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. On September 16, 2014, the District refunded the Series 2004 refunding revenue bonds totaling \$2,310,000 by issuing \$2,130,000 in refunding revenue bonds Series 2014. The Series 2014 refunding revenues bonds bear interest beginning December 1, 2014, and semiannually thereafter on each June 1 and December 1 at a rate of 2.00% - 3.00%. The District refunded the 2004 bonds to benefit from the decline in interest rates.

The bonds were issued with a premium of approximately \$73,000. Bond issuance costs of approximately \$91,000 have been expensed in the Statement of Revenues, Expenses and Changes in Net Position in accordance with GASB 65. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt which resulted in an accounting loss of approximately \$38,000. The difference is presented in the accompanying financial statements as a deferred outflow of resources and is being amortized on a straight line basis over the life of the bonds, with annual expense being recorded to interest expense. The District made escrow payments to a trust of approximately \$2,350,000 in conjunction with the refunding, which will be used to retire the bonds as they become due. The refunding was completed to reduce the overall debt service by approximately \$306,000 with a net present value, or economic gain, of approximately \$90,000.

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James Island Public Service District
Notes to Financial Statements

12 – Long-Term Debt (cont'd) -

A summary of the changes in the long term debts payable for the year ended June 30, 2015, is as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amount Due in 2016
<u>Governmental Activity</u>					
General obligation debt	\$ 310,239	\$ -	\$ (14,068)	\$ 296,171	\$ 14,812
Capital leases	907,181	-	(191,978)	715,203	197,348
Net other post-employment benefits	2,277,836	105,704	-	2,383,540	-
Net pension liability	6,705,647	-	(269,468)	6,436,179	-
Compensated absences	336,909	226,503	(218,754)	344,658	120,630
Governmental Activity	10,537,812	332,207	(694,268)	10,175,751	332,790
<u>Business-Type Activity</u>					
Revenue bonds	7,494,966	2,130,000	(3,408,844)	6,216,122	745,854
Capital leases	277,802	-	(44,661)	233,141	45,296
Net other post-employment benefits	332,658	35,235	-	367,893	-
Net pension liability	1,891,336	-	(76,008)	1,815,327	-
Compensated absences	98,972	4,503	(2,187)	101,288	35,451
Business-Type Activity	10,095,734	2,169,738	(3,531,700)	8,733,772	826,601
Total	\$ 20,633,546	\$ 2,501,945	\$ (4,225,968)	\$ 18,909,523	\$ 1,159,391

Debt Service Requirements to Maturity

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

<u>Governmental Activities</u>		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
Year ended June 30,	2016	\$ 16,086	\$ 14,812	\$ 30,898
	2017	15,303	15,595	30,898
	2018	14,478	16,420	30,898
	2019	13,609	17,289	30,898
	2020	12,694	18,204	30,898
	2021-2025	50,938	68,548	119,486
	2026-2030	31,457	81,653	113,110
	2031-2035	7,459	63,650	71,109
	Total	\$ 162,024	\$ 296,171	\$ 458,195
<u>Business-Type Activities</u>		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
Year ended June 30,	2016	\$ 169,723	\$ 721,360	\$ 891,083
	2017	148,818	747,293	896,111
	2018	127,144	879,326	1,006,470
	2019	104,844	229,742	334,983
	2020	98,712	236,271	335,433
	2021-2025	394,701	1,284,690	1,679,391
	2026-2030	209,744	1,440,434	1,576,248
	2031-2035	42,467	648,353	690,820
	2036-2040	748	28,653	29,401
	Total	\$ 1,296,901	\$ 6,216,122	\$ 7,513,023

James Island Public Service District
Notes to Financial Statements

12 – Long-Term Debt (cont'd) -

The revenue bonds outstanding for the business-type activity at June 30, 2015, are as follows:

<u>Title of Issues</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	
				<u>Original</u>	<u>Outstanding</u>
Sol Legare Project	03/31/92	03/28/32	5.750%	437,000	288,790
Grimball Road Expansion	11/14/96	11/14/36	5.125%	538,000	406,515
Schooner Road Extension	02/26/10	05/01/30	2.250%	717,520	571,443
Harbor View Circle Force Main	07/01/11	04/01/31	2.250%	586,757	495,008
Pump Station 33 Rehab	07/01/11	07/01/31	2.250%	1,250,352	1,057,799
Force Main Replacement	10/01/13	07/01/33	2.250%	1,870,339	1,811,567
Revenue Refunding Bonds, Series 2014	09/16/14	06/30/18	2.00-3.00%	2,130,000	1,585,000
Totals				<u>7,529,968</u>	<u>6,216,122</u>

The revenues of the proprietary fund are pledged as collateral on all of the revenues 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, 2015, are as follows:

<u>Title of Issues</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	
				<u>Original</u>	<u>Outstanding</u>
Fire Station 4	02/17/81	02/17/21	5.00%	142,000	40,587
Fire Station 3	11/14/96	11/14/36	5.50%	363,000	255,584
Totals				<u>505,000</u>	<u>296,171</u>

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 \$438,301 in the proprietary fund and \$2,787,441 in governmental activities. Amortization expense of \$53,092 is included in the proprietary fund and \$143,148 in the Statement of Activities for the governmental activities. Accumulated amortization of \$65,293 is included in the proprietary fund and \$398,397 in the Statement of Net Position for governmental activities. Under the terms of the leases, the District is responsible for all operating costs associated with the equipment. The future minimum lease payments, including interest, by year ended June 30, are as follows:

<u>Governmental Activity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	197,355	18,596	215,951
2017	182,079	13,059	195,138
2018	143,072	7,949	151,021
2019	146,663	4,358	151,021
2020	46,081	663	46,744
Total	<u>715,250</u>	<u>44,625</u>	<u>759,875</u>

James Island Public Service District
Notes to Financial Statements

13 – Capital Leases Obligations (cont'd) -

<u>Business-Type Activity</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	45,296	7,358	52,654
2017	45,948	2,705	48,653
2018	46,610	2,043	48,653
2019	47,281	1,372	48,653
2020	47,962	692	48,654
Total	<u>233,097</u>	<u>14,170</u>	<u>247,267</u>

14 – Commitments and Contingencies

In October 2014, the District secured a loan through the South Carolina Water Quality Revolving Fund Authority for various wastewater projects. At June 30, 2015 costs incurred on these projects totaled \$1,507,847. At June 30, 2015, there had been no draw on the \$4,242,522 loan. As of January 21, 2016 the District incurred costs of approximately \$2,864,000. The District made its first draw on the loan on February 1, 2016 in the amount of \$2,864,000.

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 \$1,520,588.

16 – Subsequent Events

In preparing these financial statements, the District's management has evaluated events and transactions for potential recognition or disclosure through February 4, 2016, 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, 2015
(UNAUDITED)

	Original	Final	Actual	Variance Favorable (Unfavorable)
Beginning budgetary fund balance	3,353,776	3,353,776	3,353,776	-
Resources (inflows):		-		-
Taxes	6,005,326	6,005,326	5,971,758	(33,568)
Intergovernmental	26,233	26,233	13,362	(12,871)
Other income	50,000	50,000	171,128	121,128
Amounts available for appropriation	6,081,559	6,081,559	6,156,248	74,689
General Government				
Salaries	336,902	336,902	340,804	(3,902)
Group health & workers' compensation insurance	30,891	30,891	27,758	3,133
Retirement contributions	35,880	35,880	34,963	917
Payroll taxes	26,888	26,888	25,080	1,808
Commission expenses	2,000	2,000	2,103	(103)
Professional services	23,219	23,219	29,634	(6,415)
Fuel	1,275	1,275	540	735
Repairs and maintenance	14,072	14,072	14,846	(774)
Office supplies and expenses	15,694	15,694	9,238	6,456
Advertising	1,564	1,564	2,761	(1,197)
Dues and subscriptions	2,510	2,510	3,234	(724)
Travel	1,700	1,700	234	1,466
Employee relations	4,811	4,811	3,916	895
Telephone and communication	5,567	5,567	8,927	(3,360)
Insurance	3,362	3,362	3,343	19
Training, education and conferences	1,865	1,865	568	1,297
Operating leases	1,880	1,880	1,671	209
Contingency	10,000	10,000	-	10,000
Total	520,080	520,080	509,620	10,460
Maintenance				
Salaries	125,102	125,102	128,141	(3,039)
Group health & workers' compensation insurance	25,992	25,992	26,108	(116)
Retirement contributions	13,297	13,297	13,930	(633)
Payroll taxes	9,906	9,906	10,064	(158)
Fuel	4,963	4,963	3,687	1,276
Repairs and maintenance	11,478	11,478	9,502	1,976
Office supplies and expenses	440	440	972	(532)
Dues and subscriptions	75	75	157	(82)
Professional services	650	650	175	475
Supplies and other expenses	19,185	19,185	10,415	8,770
Telephone and communications	2,090	2,090	2,391	(301)
Insurance	1,952	1,952	2,054	(102)
Training, education and conferences	3,180	3,180	1,294	1,886
Travel and transportation	1,943	1,943	2,631	(688)
Employee relations	923	923	869	54
Uniforms	2,135	2,135	2,266	(131)
Utilities	4,016	4,016	3,941	75
Total	227,327	227,327	218,597	8,730
Subtotal - General Government	747,407	747,407	728,217	19,190

See accompanying independent auditor's report.

James Island Public Service District
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2015
(UNAUDITED)

	Original	Final	Actual	Variance Favorable (Unfavorable)
Subtotals brought forward	747,407	747,407	728,217	19,190
Public Safety - Fire				
Salaries	2,178,075	2,178,075	2,086,401	91,674
Group health & workers' compensation insurance	686,078	686,078	640,295	45,783
Retirement contributions	231,965	231,965	227,626	4,339
Payroll taxes	172,557	172,557	162,420	10,137
Fuel and fluids	47,353	47,353	38,705	8,648
Repairs and maintenance	117,194	117,194	158,989	(41,795)
Office supplies and expenses	9,060	9,060	9,056	4
Professional services	132,496	132,496	158,589	(26,093)
Volunteers	1,500	1,500	68	1,432
Advertising	1,000	1,000	4,218	(3,218)
Dues and subscriptions	2,125	2,125	2,256	(131)
Supplies and other	116,229	116,229	101,657	14,572
Telephone and communication	44,390	44,390	48,898	(4,508)
Insurance	29,581	29,581	32,782	(3,201)
Training, education and conferences	20,192	20,192	9,646	10,546
Travel and transportation	3,125	3,125	252	2,873
Employee relations	5,100	5,100	303	4,797
Uniforms	18,126	18,126	13,447	4,679
Utilities	32,664	32,664	36,081	(3,417)
Total	3,848,810	3,848,810	3,731,689	117,121
Health - Solid Waste				
Salaries	978,130	978,130	933,843	44,287
Group health & workers' compensation insurance	208,108	208,108	187,315	20,793
Retirement contributions	99,698	99,698	93,368	6,330
Payroll taxes	74,749	74,749	67,310	7,439
Fuel and fluids	213,998	213,998	156,234	57,764
Repairs and maintenance	211,731	211,731	279,685	(67,954)
Office supplies and expenses	1,490	1,490	1,038	452
Professional services	2,212	2,212	4,753	(2,541)
Supplies and other	14,640	14,640	11,607	3,033
Advertising	1,000	1,000	1,244	(244)
Telephone and communication	5,136	5,136	3,456	1,680
Insurance	20,357	20,357	23,498	(3,141)
Operating lease	674	674	9,934	(9,260)
Training, education and conferences	300	300	-	300
Uniforms	9,519	9,519	11,126	(1,607)
Utilities	5,353	5,353	4,747	606
Total	1,847,095	1,847,095	1,789,158	57,937
Capital outlay	30,512	30,512	125,055	(94,543)
Total Expenditures (Outflows)	6,473,824	6,473,824	6,374,119	99,705
Ending budgetary fund balance	2,961,511	2,961,511	3,135,905	(25,016)

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, 2015
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%

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	156,567	28.95%

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

	<u>2015</u>	<u>2014</u>
South Carolina Retirement System		
The District's proportion of the net pension liability	0.04785%	0.04785%
The District's proportionate share of the net pension liability	\$8,251,489	\$8,135,433
The District's covered employee payroll	\$4,506,844	\$4,534,662
The District's proportionate share of the net pension liability as percentage of covered employee payroll	183%	179%
Net position as a percentage of the total pension liability	3.22%	3.06%

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

	2015	2014	2013	2012	2011
Contractually required contribution	\$ 477,254	\$ 463,262	\$ 454,505	\$ 402,039	\$ 306,435
Contributions in relation to the contractually required contribution	477,254	463,262	454,505	402,039	306,435
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
<hr/>					
The District's covered-employee payroll	\$ 4,506,844	\$ 4,534,662	\$ 4,481,867	\$ 4,319,558	\$ 4,331,393
Contributions as a percentage of the covered employee payroll	10.59%	10.22%	10.14%	9.31%	7.07%
	2010	2009	2008	2007	2006
Contractually required contribution	\$ 393,616	\$ 402,807	\$ 363,871	\$ 328,657	\$ 297,892
Contributions in relation to the contractually required contribution	393,616	402,807	363,871	328,657	297,892
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
<hr/>					
The District's covered-employee payroll	\$ 4,227,757	\$ 4,333,412	\$ 4,105,074	\$ 4,043,137	\$ 3,917,833
Contributions as a percentage of the covered employee payroll	9.31%	9.30%	8.86%	8.13%	7.60%

See accompanying independent auditor's report.

James Island Public Service District
Schedule of Operating Expenses - Proprietary Fund
For the Year Ended June 30, 2015

Personnel Services

Salaries, wages and allowances	996,090
Payroll taxes	75,520
Retirement system contributions	129,007
Group insurance and workmen's compensation	224,850
Other post-employment benefits	35,234
Training and education	5,346
Uniforms	9,002
Total	<u>1,475,049</u>

Operations and Maintenance

Wastewater treatment and transportation charges	2,017,812
Maintenance of system and equipment	685,392
Fuel	40,770
Technical supplies	24,626
Utilities	182,905
Engineering and professional services	53,401
Insurance	35,706
Total	<u>3,040,612</u>

Administrative

Professional services	53,773
Office supplies	93,513
Postage	35,106
Memberships and subscriptions	6,306
Advertising and printing	5,295
Bad debts	8,000
Insurance	7,615
Miscellaneous expenses	30,868
Telephone and communication	28,978
Total	<u>269,454</u>

Depreciation and Amortization

927,621

Total Operating Expenses

\$ 5,712,736

See accompanying independent auditor's report.