

JAMES ISLAND PUBLIC SERVICE DISTRICT

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2019

WITH

INDEPENDENT AUDITORS' REPORT

JAMES ISLAND PUBLIC SERVICE DISTRICT

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AND OTHER FINANCIAL INFORMATION

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INDEPENDENT AUDITORS' REPORT

To the Commissioners
James Island Public Service District
1739 Signal Point Road
Charleston, South Carolina 29412

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of James Island Public Service District, the ("District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 the *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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position

and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 10, the Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities on page 50, the Schedule of South Carolina Retirement Systems Contributions on page 51, and the Schedule of Changes in the District's Total OPEB Liability and Related Ratios on page 52 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 District's basic financial statements. The Combining Balance Sheet – Non-Major Funds on page 53 and the Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Funds on page 54 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Balance Sheet – Non-Major Funds and the Combining Statement of Revenues, Expenditures and Changes in Fund Balance– Non-Major Funds are 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 Combining Balance Sheet – Non-Major Funds and the Combining Statement of Revenues, Expenditures and Changes in Fund Balance– Non-Major Funds are fairly stated, in all material aspects, 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 our report dated, November 18, 2019 on our consideration of the District's internal control over financial reporting and on 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.

The Brittingham Group LLP

West Columbia, South Carolina
November 18, 2019

James Island Public Service District Management's Discussion and Analysis

The James Island Public Service District's discussion and analysis offers readers of the District's financial statements a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, in the financial statements and the notes to the financial statements.

Financial Highlights

- The James Island Public Service District's assets exceeded its liabilities at June 30, 2019 by \$32,676,377 (net position).
- The District's total net position increased \$3,170,121 with increases of \$2,255,252 and \$914,869 from governmental activities business-type activities, respectively.
- For the fiscal year ending June 30, 2019, the District maintained three governmental funds which are its General Fund, Debt Service Fund, and Capital Projects Fund. The District's governmental fund balance sheet reported a combined ending fund balance of \$5,188,160, a decrease of \$877,474 from the previous fiscal year. Of this amount, \$4,120,942 is unassigned.
- The General Fund reported actual revenues of \$897,567 over budget and expenditures of \$1,398,240 over budget. General Fund expenditures include \$1,522,342 in capital outlay for a community and economic development projects. General fund reported other financing sources revenue in the amount of \$34,300 for proceeds from the sale of capital assets and other financing use expenses in the amount of \$273,944 for a transfer to the Capital Projects Fund.
- The District's total long-term debt increased by \$6,056,540 for the current fiscal year. The main reason for the increase of the District's overall outstanding long-term debt is starting a debt agreement in the amount of \$6,715,435.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the James Island Public Service District's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources with the difference between them being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Overview of the Financial Statements (continued)

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the James Island Public Service District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District's governmental activities include general government, public safety - fire, and health – solid waste. The District's business-type activities include a wastewater utility system.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The James Island Public Service District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The James Island Public Service District maintained three governmental funds during the fiscal year 2018-2019. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Debt Service Fund, and Capital Project Fund. General Fund is the only major fund.

The James Island Public Service District adopts an annual appropriated budget for its General fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget.

Overview of the Financial Statements (continued)

The basic governmental fund financial statements can be found on pages 13-17 of this report.

Proprietary funds – The James Island Public Service District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for its wastewater utility system.

Financial statements of proprietary funds provide the same type of information as the government-wide financial statements, but in greater detail. The basic proprietary fund financial statements can be found on pages 18-21 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-49 of this report.

Government-wide Financial Analysis

The government-wide financial statements are provided as part of the approach mandated by the GASB, which sets the uniform standards for presenting government financial reports. This report represents the fifteenth year the James Island Public Service District has applied this standard and therefore these reports provide complete comparative information as summarized in this Management's Discussion and Analysis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of James Island Public Service District, assets exceeded liabilities by \$32,676,377 at the close of the most recent fiscal year. The District's increase in net position for this fiscal year amounts to \$3,170,121.

For the current year, the largest portion of the District's net position reflects its investment in capital assets (land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis (continued)

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets and other	\$ 12,121,487	\$ 12,033,350	\$ 11,127,780	\$ 5,048,392	\$ 23,249,267	\$ 17,081,742
Capital assets, net	6,532,227	5,130,894	43,729,205	38,624,362	50,261,432	43,755,256
Total assets	18,653,714	17,164,244	54,856,985	43,672,754	73,510,699	60,836,998
Deferred Outflows	1,550,386	999,013	410,758	239,685	1,961,144	1,238,698
Total assets and deferred outflows	\$ 20,204,100	\$ 18,163,257	\$ 55,267,743	\$ 43,912,439	\$ 75,471,843	\$ 62,075,696
Current and other liabilities	\$ 16,030,374	\$ 16,464,160	\$ 6,992,529	\$ 4,232,569	\$ 23,022,903	\$ 20,696,729
Long-term liabilities	2,910,710	3,417,440	15,822,959	9,495,663	18,733,669	12,913,103
Total liabilities	18,941,084	19,881,600	22,815,488	13,728,232	41,756,572	33,609,832
Deferred Inflows	872,087	145,981	166,806	41,973	1,038,893	187,954
Total liabilities and deferred inflows	\$ 19,813,171	\$ 20,027,581	\$ 22,982,294	\$ 13,770,205	\$ 42,795,465	\$ 33,797,786
Net position						
Net investment in capital assets	\$ 3,621,517	\$ 5,130,894	\$ 27,906,246	\$ 29,128,699	\$ 31,527,763	\$ 34,259,593
Restricted	-	2,126,273	8,374,147	1,777,998	8,374,147	3,904,271
Unrestricted	(3,230,588)	(9,121,491)	(3,994,944)	(764,463)	(7,225,532)	(9,885,954)
Total net position	\$ 390,929	\$ (1,864,324)	\$ 32,285,449	\$ 30,142,234	\$ 32,676,378	\$ 28,277,910

An additional portion of the District's net position represents resources that are restricted as to how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens, creditors, and customers within the respective governmental and business-type activities. At the end of the current fiscal year, the James Island Public Service District is able to report positive balances in the restricted category of net position as a whole and individually within the governmental and business-type activities but no in unrestricted net position. The deficit shown in unrestricted net position can be attributed to net pension plan and net OPEB plan liabilities at year-end.

The changes in net position displayed below show the governmental and business-type activities during the fiscal year. The increase in entity-wide net position is due to the combination of the decrease in net position in the Governmental Activities and the increase in net position of the Business-Type Activities.

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018 *	2019	2018 *
Charges for services	\$ -	\$ -	\$ 7,627,071	\$ 7,323,403	\$ 7,627,071	\$ 7,323,403
Capital grants and contributions	-	-	164,201	210,139	164,201	210,139
General revenues	9,996,369	8,451,425	38,244	16,992	10,034,613	8,468,417
Total revenues	9,996,369	8,451,425	7,829,516	7,550,534	17,825,885	16,001,959
Program expenses	7,741,117	8,880,633	6,914,647	7,115,648	14,655,764	15,996,281
Total expenses	7,741,117	8,880,633	6,914,647	7,115,648	14,655,764	15,996,281
Increase (decrease) in net position	2,255,252	(429,208)	914,869	434,886	3,170,121	5,678
Net position - July 1, as restated	(1,864,324)	(1,435,116)	31,370,580	29,707,348	29,506,256	28,272,232
Net position - June 30	\$ 390,928	\$ (1,864,324)	\$ 32,285,449	\$ 30,142,234	\$ 32,676,377	\$ 28,277,910

* - The net position in this table for the fiscal year ending June 30, 2018 does not reflect any restatements noted in Note 13 of the financial statements.

Financial Analysis of James Island Public Service District Funds

As noted earlier, The James Island Public Service District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the District’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of June 30, 2019, the James Island Public Service District governmental funds reported combined fund balances of \$5,188,160, a decrease of \$877,474 compared to prior year balances. 79% of this total amount constitutes unassigned fund balance, which is available for spending at the District’s discretion.

The remainder of the fund balance is split between a nonspendable amount of \$107,210 and \$960,008 being committed that is not available for new spending because it has already been committed for specific purposes.

The General Fund is the primary operating fund of the District. At June 30, 2019, the total fund balance in the general fund was \$4,228,152. The General Fund balance decreased by \$1,112,849 during the current fiscal year. This decrease is mainly a result of public safety – fire expenditures increasing by \$508,698 and a transfer from the General Fund to the Capital Projects Fund of \$273,944.

In addition to the General Fund the District’s other nonmajor governmental funds are the Debt Service Fund and Capital Projects Fund. At June 30, 2019 the total fund balance in each fund was \$862,218 and \$97,790, respectively. Debt service fund balance increased during the fiscal year by \$493,395 and Capital Projects fund balance decreased by \$133,448. Debt Service Fund balance increased primarily due to an increased amount of property taxes being allocated to the fund when compared to the prior year. Capital Projects Fund balance decreased due to having \$407,392 in capital outlay for an ongoing capital project.

Proprietary funds – The District’s Proprietary Fund provides the same type of information found in the government-wide financial statements, but with greater detail. At June 30, 2019, total net position of the Wastewater Utility System amounted to \$32,285,449 as compared to a total net position balance of \$31,370,580 at June 30, 2018. The increase in net position of \$914,869 for the fiscal year is due increasing service rates during the fiscal year.

General Fund Budgetary Highlights

A budget to actual statement is provided for the General Fund. The General Fund budgeted revenues of \$7,134,845 before other financing sources and achieved actual revenues of \$8,032,412, or \$897,567 more than budgeted. This is mainly due to \$259,053 in unexpected grant revenue and increased property tax amount that was received. Expenditures were budgeted for \$7,507,377 with actual expenditures of \$8,905,617. The reason expenditures were over budget was due to an increased amount of capital outlay than what was expected. The District budgeted a deficiency of estimated revenues under its appropriated expenditures before other financing sources and uses totaling \$372,532 but achieved a deficiency of revenue under expenditures before other financing sources and uses of \$873,205.

Capital Assets and Debt Administration

Capital assets – The James Island Public Service District’s investments in capital assets for its governmental and business type activities as of June 30, 2019, amounts to \$50,261,432 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Major capital asset events in the current year included the following (see *Note 5*):

- In order for the James Island Public Service District to meet the needs and continue to provide high quality response and services, the District bought new vehicles and equipment in excess of \$1.5 million during the year.
- The District also purchased property for approximately \$410,000 for future projects.
- The District continues to upgrade, update and repair projects with the sewer system and functions of the District. Various upgrades of approximately \$320,000 were made to the sewer system during the fiscal year. Additionally, various construction in progress projects had further work completed to them costing approximately \$4.5 million over the fiscal year.

<u>Governmental activities:</u>	<u>Balance 7/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2019</u>
Capital assets, not being depreciated				
Land	\$ 1,640,336	\$ -	\$ -	\$ 1,640,336
Construction in progress	134,654	407,392	-	542,046
Total capital assets, not being depreciated	<u>1,774,990</u>	<u>407,392</u>	<u>-</u>	<u>2,182,382</u>
Capital assets, being depreciated				
Buildings	1,087,434	29,275	(1,550)	1,115,159
Fencing Paving & Landscaping	66,654	-	-	66,654
Vehicles	4,362,580	1,368,199	(273,808)	5,456,971
Machinery & Fire Equipment	1,298,425	124,868	(109,210)	1,314,083
Furniture and Office Equipment	109,959	-	-	109,959
Communication System	442,497	-	-	442,497
Total capital assets, being depreciated	7,367,549	1,522,342	(384,568)	8,505,323
Less: Accumulated depreciation	(4,011,645)	(466,240)	322,407	(4,155,478)
Total capital assets, being depreciated, net	<u>3,355,904</u>	<u>1,056,102</u>	<u>(62,161)</u>	<u>4,349,845</u>
Governmental activities capital assets, net	<u>\$ 5,130,894</u>	<u>\$ 1,463,494</u>	<u>\$ (62,161)</u>	<u>\$ 6,532,227</u>

Capital Assets and Debt Administration (Continued)

<u>Business-type activities:</u>	<u>Balance</u> <u>7/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2019</u>
Capital assets, not being depreciated				
Land and easements	\$ 403,460	\$ 410,905	\$ -	\$ 814,365
Construction in process (as restated)	2,604,593	4,084,382	-	6,688,975
Total capital assets, not being depreciated	3,008,053	4,495,287	-	7,503,340
Capital assets, being depreciated				
Buildings	515,543	-	-	515,543
Sewer system	42,596,193	320,785	-	42,916,978
Contributed systems	10,983,896	207,581	-	11,191,477
Purchased systems	179,566	-	-	179,566
Equipment	28,418	-	-	28,418
Vehicles	1,124,472	19,537	-	1,144,009
Communication sytem	701,430	-	-	701,430
Total capital assets, being depreciated	56,129,518	547,903	-	56,677,421
Less: Accumulated depreciation	(19,284,864)	(1,166,692)	-	(20,451,556)
Total assets being depreciated, net	36,844,654	(618,789)	-	36,225,865
Business-type capital assets, net	<u>\$ 39,852,707</u>	<u>\$ 3,876,498</u>	<u>\$ -</u>	<u>\$ 43,729,205</u>

Long-term debt - At the end of the current fiscal year, the James Island Public Service District had total debt outstanding in the amount of \$18,272,695. Debt instruments outstanding consist of general obligation bonds and capital leases for Governmental Activities and revenue bonds, state revolving loans, and capital leases for Business-type Activities. Overall Governmental Activities and Business-type Activity debt outstanding totaled \$2,560,640 and \$15,712,055, respectively.

The District's overall General Obligation bonds, revenue bonds, and capital leases experienced decreases of \$20,592, \$24,872 and \$578,059 based on principal payments made, respectively. Additionally, state revolving fund loans experienced an increase of \$6,432,397 due to principal payments being made and a new loan that started during the fiscal year for \$6,715,435. See *Note 8* for further details on outstanding debt.

Net other post-employment benefits plan liability experienced a decrease in the amount of \$487,823. Net pension plan liability experienced a decrease of \$41,034 when compared to the prior year. See *Note 6* and *Note 7* for further details on decreases and plan information. Compensated absences increased by \$11,692.

Economic Outlook

The area's economy was stable and shows continued growth during fiscal year 2019. The unemployment rate for the area is currently 2.7 percent, which is in line with previous years and the lowest in more than ten years. This compares favorably with State of SC rate of 3.5 percent and the national rate of 3.5 percent.

The principal challenge facing the District sewer system is to retain current customers and at the same time, gain new sewer customers as to help spread the fixed cost of operating the sewer system. The District CMOM (Collection systems Management, Operation, and Maintenance) goal is to provide excellent sewer service with effective environmental controls, while ensuring that the District is in a sound financial position to pay all its liabilities now and in the future. The CMOM approach helps JIPSD provide a high level of service to customers.

The Districts sanitary sewer operations are entirely supported by user fees as no property taxes are used for this sewer service. Accordingly, sewer rates and charges must be established at a level to cover operations, maintenance, improvement and upgrades to the JIPSD collection system. Sewer rates appear to be at an appropriate level to fund operations, maintenance, improvements and upgrades needed at this time.

The District is not aware of any facts, decisions, or conditions that can reasonably be expected to have a material impact on the District's economic outlook during the fiscal year beginning July 1, 2019.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the Districts' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Districts' Chief Financial Officer, James G. Game, MBA at 1739 Signal Point Road/PO Box 12140, Charleston, South Carolina 29422-2140 or 843-998-6175.

JAMES ISLAND PUBLIC SERVICE DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Assets			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 5,073,203	\$ 2,603,819	\$ 7,677,022
Cash and cash equivalents - restricted	-	8,374,147	8,374,147
Intergovernmental receivables	450,981	-	450,981
Taxes receivable (net of allowance)	6,307,638	-	6,307,638
Customer receivables (net of allowance)	-	322,546	322,546
Internal balances	182,455	(182,455)	-
Prepaid expenses	84,686	9,723	94,409
Inventory	22,524	-	22,524
Total current assets	<u>12,121,487</u>	<u>11,127,780</u>	<u>23,249,267</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	2,182,382	7,503,340	9,685,722
Depreciable, net of accumulated depreciation	4,349,845	36,225,865	40,575,710
Total noncurrent assets	<u>6,532,227</u>	<u>43,729,205</u>	<u>50,261,432</u>
Total assets	<u>18,653,714</u>	<u>54,856,985</u>	<u>73,510,699</u>
Deferred outflows of resources			
Pension plan	1,186,583	348,213	1,534,796
OPEB plan	363,803	62,545	426,348
Total assets and deferred outflows of resources	<u>20,204,100</u>	<u>55,267,743</u>	<u>75,471,843</u>
Liabilities			
Accounts payable	71,514	3,074,643	3,146,157
Accrued salaries and benefits	148,859	55,914	204,773
Accrued interest payable	36,478	47,083	83,561
Customer deposits	-	50,891	50,891
Net pension plan liability	8,302,352	2,479,549	10,781,901
Net OPEB plan liability	7,471,171	1,284,449	8,755,620
Long-term liabilities:			
Due within one year	816,198	831,386	1,647,584
Due in more than one year	2,094,512	14,991,573	17,086,085
Total liabilities	<u>18,941,084</u>	<u>22,815,488</u>	<u>41,756,572</u>
Deferred inflows of resources			
Pension plan	145,981	41,973	187,954
OPEB plan	726,106	124,833	850,939
Total liabilities and deferred inflows of resources	<u>19,813,171</u>	<u>22,982,294</u>	<u>42,795,465</u>
Net position			
Net investment in capital assets	3,621,517	27,906,246	31,527,763
Restricted	-	8,374,147	8,374,147
Unrestricted	(3,230,588)	(3,994,944)	(7,225,532)
Total net position	<u>\$ 390,929</u>	<u>\$ 32,285,449</u>	<u>\$ 32,676,378</u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental activities						
General government	\$ (849,224)	\$ -	\$ -	\$ (849,224)	\$ -	\$ (849,224)
Public safety - fire	(4,643,109)	-	-	(4,643,109)	-	(4,643,109)
Health - solid waste	(2,128,069)	-	-	(2,128,069)	-	(2,128,069)
Interest	(120,715)	-	-	(120,715)	-	(120,715)
Total governmental activities	<u>(7,741,117)</u>	<u>-</u>	<u>-</u>	<u>(7,741,117)</u>	<u>-</u>	<u>(7,741,117)</u>
Business-type activities						
Wastewater	<u>(6,914,647)</u>	<u>7,627,071</u>	<u>164,201</u>	<u>-</u>	<u>876,625</u>	<u>876,625</u>
Total business-type activities	<u>(6,914,647)</u>	<u>7,627,071</u>	<u>164,201</u>	<u>-</u>	<u>876,625</u>	<u>876,625</u>
Total primary government	<u>\$ (14,655,764)</u>	<u>\$ 7,627,071</u>	<u>\$ 164,201</u>	<u>(7,741,117)</u>	<u>876,625</u>	<u>(6,864,492)</u>
General revenues and transfers:						
General revenues:						
Property taxes				9,637,676	-	9,637,676
Merchant's inventory and motor carrier taxes				61,449	-	61,449
Grant income				259,053	-	259,053
Interest income				30,302	38,244	68,546
Loss on sale of capital assets				(27,861)	-	(27,861)
Other income				35,750	-	35,750
Total general revenues				<u>9,996,369</u>	<u>38,244</u>	<u>10,034,613</u>
Change in net position				2,255,252	914,869	3,170,121
Net position, at beginning of year, as restated				<u>(1,864,324)</u>	<u>31,370,580</u>	<u>29,506,256</u>
Net position, end of year				<u>\$ 390,928</u>	<u>\$ 32,285,449</u>	<u>\$ 32,676,377</u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Non-Major Funds	Total Governmental Funds
Assets			
Cash and cash equivalents - unrestricted	\$ 3,485,794	\$ 1,587,409	\$ 5,073,203
Intergovernmental receivables	402,707	48,274	450,981
Taxes receivable (net of allowance)	5,934,473	373,165	6,307,638
Due from other funds	809,212	-	809,212
Prepaid expenses	84,686	-	84,686
Inventory	22,524	-	22,524
Total assets	<u>10,739,396</u>	<u>2,008,848</u>	<u>12,748,244</u>
Liabilities			
Accounts payable	54,144	17,370	71,514
Accrued interest	-	36,478	36,478
Accrued salaries and benefits	148,859	-	148,859
Due to other funds	-	626,758	626,758
Total liabilities	<u>203,003</u>	<u>680,606</u>	<u>883,609</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	6,308,241	368,234	6,676,475
Total liabilities and deferred inflows of resources	<u>6,511,244</u>	<u>1,048,840</u>	<u>7,560,084</u>
Fund Balances			
Nonspendable:			
Prepaid expenses	84,686	-	84,686
Inventory	22,524	-	22,524
Committed	-	960,008	960,008
Unassigned	4,120,942	-	4,120,942
Total fund balances	<u>4,228,152</u>	<u>960,008</u>	<u>5,188,160</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,739,396</u>	<u>\$ 2,008,848</u>	<u>\$ 12,748,244</u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

JUNE 30, 2019

Reconciliation of Balance Sheet Governmental Funds to Net Position of Governmental Activities:

Total fund balances - governmental funds	\$ 5,188,160
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:	
Non-depreciable	2,182,382
Depreciable, net of accumulated depreciation	4,349,845
Deferred property taxes are reported in the governmental funds but not reported in governmental activities	6,676,475
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:	
Bonds and capital leases payable	(2,328,497)
Notes payable	(232,143)
Accrued compensated absences payable	(350,070)
Net OPEB plan liability	(7,471,171)
Deferred outflows - OPEB plan	363,803
Deferred inflows - OPEB plan	(726,106)
Net pension plan liability	(8,302,352)
Deferred outflows - pension plan	1,186,583
Deferred inflows - pension plan	(145,981)
Net position of governmental activities	<u>\$ 390,928</u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	General Fund	Non-Major Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 7,645,858	\$ 1,008,780	\$ 8,654,638
Intergovernmental revenues	61,449	-	61,449
Grant revenues	259,053	-	259,053
Other	66,052	-	66,052
Total revenues	<u>8,032,412</u>	<u>1,008,780</u>	<u>9,041,192</u>
Expenditures			
General government	876,921	-	876,921
Public safety - fire	4,496,533	-	4,496,533
Health - solid waste	2,009,821	-	2,009,821
Capital outlay	1,522,342	407,392	1,929,734
Debt service:			
Principal	-	519,242	519,242
Interest	-	120,715	120,715
Total expenditures	<u>8,905,617</u>	<u>1,047,349</u>	<u>9,952,966</u>
(Deficit) of revenues (under) expenditures	<u>(873,205)</u>	<u>(38,569)</u>	<u>(911,774)</u>
Other Financing Sources			
Proceeds from sale of assets	34,300	-	34,300
Transfers to other funds	(273,944)	273,944	-
Total other financing sources	<u>(239,644)</u>	<u>273,944</u>	<u>34,300</u>
Net change in fund balance	(1,112,849)	235,375	(877,474)
Fund balance, beginning of year	<u>5,341,001</u>	<u>724,633</u>	<u>6,065,634</u>
Fund balance, end of year	<u>\$ 4,228,152</u>	<u>\$ 960,008</u>	<u>\$ 5,188,160</u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Net change in fund balance - total governmental funds		\$ (877,474)
Amounts reported for governmental activities in the Statement of Activities are different due to the following:		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the period.</p>		
Capital outlays	\$ 1,929,735	
Depreciation	<u>(466,240)</u>	
Net change in capital assets		1,463,495
<p>Repayment of bond and capital lease principal is an expenditure in governmental funds but a reduction of liabilities in the Statement of Net Position.</p>		
		519,242
Some expenses are reflected in the Statement of Activities but not in the governmental funds:		
Change in pension plan deferred outflows		598,891
Change in net OPEB plan liability		416,358
Change in OPEB plan deferred outflows		(47,518)
Change in OPEB plan deferred inflows		(726,106)
Change in compensated absences		(12,513)
Other financing sources which do not provide current resources:		
Gain or loss on the sale of assets		(62,161)
<p>Property tax revenue in the Statement of Activities does not provide current financial resources are not reported in revenues in governmental funds.</p>		
		<u>983,038</u>
Change in net position of governmental activities		<u><u>\$ 2,255,252</u></u>

JAMES ISLAND PUBLIC SERVICE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2019

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Property taxes	\$ 7,083,837	\$ 7,645,858	\$ 562,021
Intergovernmental revenues	26,008	61,449	35,441
Other income	25,000	325,105	300,105
Total revenue	<u>7,134,845</u>	<u>8,032,412</u>	<u>897,567</u>
Expenditures			
General government	935,053	876,921	58,132
Public safety - fire	4,400,562	4,496,533	(95,971)
Health - solid waste	2,103,762	2,009,821	93,941
Capital outlay	1,418,000	1,522,342	(104,342)
Total expenditures	<u>8,857,377</u>	<u>8,905,617</u>	<u>(48,240)</u>
(Deficit) of revenues (under) expenditures	<u>(1,722,532)</u>	<u>(873,205)</u>	<u>849,327</u>
Other financing sources (uses)			
Proceeds from sale of assets	-	34,300	34,300
Proceeds from capital leases	1,350,000	-	(1,350,000)
Transfers to other funds	-	(273,944)	(273,944)
Total other financing sources	<u>1,350,000</u>	<u>(239,644)</u>	<u>(1,589,644)</u>
Net change in fund balance	<u>\$ (372,532)</u>	<u>(1,112,849)</u>	<u>\$ (740,317)</u>
Fund balance, beginning of year		<u>5,341,001</u>	
Fund balance, end of year		<u>\$ 4,228,152</u>	

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND

JUNE 30, 2019

Assets	<u>Wastewater Fund</u>
Current assets	
Cash and cash equivalents - unrestricted	\$ 2,603,819
Cash and cash equivalents - restricted	8,374,147
Customer receivables (net of allowance)	322,546
Prepaid expenses	9,723
Total current assets	<u>11,310,235</u>
Noncurrent assets	
Capital assets:	
Non-depreciable	7,503,340
Depreciable, net of accumulated depreciation	36,225,865
Total noncurrent assets	<u>43,729,205</u>
Total assets	<u>55,039,440</u>
Deferred outflows of resources	
Pension plan	348,213
OPEB plan	62,545
Total assets and deferred outflows of resources	<u>55,450,198</u>
Liabilities	
Accounts payable	3,074,643
Due to other funds	182,455
Accrued salaries and benefits	55,914
Accrued interest payable	47,083
Customer deposits	50,891
Net pension plan liability	2,479,549
Net OPEB plan liability	1,284,449
Long-term liabilities:	
Due within one year	831,386
Due in more than one year	14,991,573
Total liabilities	<u>22,997,943</u>
Deferred inflows of resources	
Pension plan	41,973
OPEB plan	124,833
Total liabilities and deferred inflows of resources	<u>23,164,749</u>
Net position	
Net investment in capital assets	27,906,246
Restricted	8,374,147
Unrestricted	(3,994,944)
Total net position	<u><u>\$ 32,285,449</u></u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2019

Operating revenues	<u>Wastewater Fund</u>
District customer	\$ 4,016,446
Transportation customer	1,326,866
Full charge customer	987,906
Wholesale customer	414,351
Other fees and charges	212,723
Tap fees	39,132
Impact fees	629,647
Total operating revenue	<u>7,627,071</u>
Operating expenses	
Salaries and fringe benefits	1,827,042
Operations and maintenance	3,285,258
Administrative	426,492
Depreciation	1,166,692
Total operating expenses	<u>6,705,484</u>
Operating income	<u>921,587</u>
Nonoperating revenues (expenses)	
Interest income	38,244
Interest expense	(209,163)
Total nonoperating revenues (expenses)	<u>(170,919)</u>
Capital contributions	164,201
Change in net position	914,869
Total net position, beginning as restated	31,370,580
Total net position, ending	<u><u>\$ 32,285,449</u></u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2019

Cash flows from operating activities	<u>Wastewater Fund</u>
Receipts from customers	\$ 7,661,559
Payments to suppliers	(835,260)
Payments to employees	(1,948,724)
Net cash provided by operating activities	<u>4,877,575</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(5,043,190)
Due to / due from other funds	15,211
Capital contributions	164,201
Proceeds from debt	6,715,435
Principal payments on debt	(387,317)
Interest paid on debt	(211,688)
Net cash used by capital and related financing activities	<u>1,252,652</u>
Cash flows from investing activities	
Interest income	38,244
Net cash provided by investing activities	<u>38,244</u>
Net increase in cash and cash equivalents	6,168,471
Cash and cash equivalents, beginning	4,809,495
Cash and cash equivalents, ending	<u><u>\$ 10,977,966</u></u>
Reconciliation of Cash and Cash Equivalents to Balance Sheet:	
Cash and cash equivalents - unrestricted	\$ 2,603,819
Cash and cash equivalents - restricted	8,374,147
Total cash and cash equivalents	<u><u>\$ 10,977,966</u></u>
Non-Cash Transactions:	
Contributed capital	\$ 210,139
Total non-cash transactions	<u><u>\$ 210,139</u></u>

(CONTINUED)

JAMES ISLAND PUBLIC SERVICE DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

YEAR ENDED JUNE 30, 2019

-CONTINUED-

**Reconciliation of operating income to
 net cash provided by operating activities**

	<u>Wastewater Fund</u>
Operating income	\$ 921,587
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,166,692
Changes in assets, deferred outflows, liabilities and deferred inflows	
Customer receivables	80,720
Prepaid Expenses	(6,846)
Deferred outflows - pensions and OPEB	(171,073)
Accounts payable	2,883,336
Accrued salaries and benefits	(3,156)
Customer deposits	(46,232)
Accrued compensated absences	(821)
Net OPEB plan liability	(71,465)
Deferred inflows-pensions and OPEB	124,833
Net cash provided by operating activities	<u><u>\$ 4,877,575</u></u>

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. Summary of Significant Accounting Policies

The James Island Public Service District (the “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. The District provides the following services as authorized by its charter: fire protection, solid waste and wastewater collection.

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

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government. These statements distinguish between the District’s *governmental* and *business-type activities*. 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. All the District’s governmental funds are reported in the government-wide financial statements as governmental activities and all of its enterprise funds are reported as business-type activities. Separate financial statements are provided for government-wide and business-type activities.

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.

The District uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary fund financial statements. Under the accrual basis, the District generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows. Significant non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. The District recognizes grants, donations and similar items as revenue as soon as it meets all eligibility requirements.

-CONTINUED-

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. **Summary of Significant Accounting Policies (continued)**

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its governmental funds and proprietary fund. The District presents separate statements for each fund category-governmental and proprietary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the entity and in accordance with directives issued by the governing board.

The District's funds are classified into two categories – governmental and proprietary.

Governmental Funds

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service fund is used to accumulate debt revenues collected by the County Treasurer of 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.

Capital Projects Fund – The Capital projects fund is used to accumulate financial resources utilized in acquiring or constructing capital facilities for the District. Expenses related to the capital facilities are also accumulated in this fund.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. **Summary of Significant Accounting Policies (continued)**

Proprietary Fund

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* revenues and expenses. Operating revenues and expenses generally are limited to items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The District generally classifies revenues and expenses as operating only if the related cash flows appear in the operating section on the statement of cash flows. Accordingly, grants are reportable as operating revenues only if they are essentially the same as contracts for services (i.e., exchange transactions) and they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the District classifies non-exchange transactions as non-operating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The District reports as operating most expenses it pays from operating revenues but usually reports interest expense as non-operating.

The District uses the modified accrual basis of accounting to report its governmental funds. Under the modified accrual basis, revenues, net of estimated uncollectible amounts, are recognized in the fiscal year when they become susceptible to accrual-that is, as soon as they become both measurable and available to finance current operations or to liquidate liabilities existing at fiscal year-end. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Principal revenue sources considered susceptible to accrual include taxes, grants, charges for goods and services, and interest earnings.

Under the modified accrual basis, expenditures generally are recorded when a liability is incurred, as under accrual accounting. An exception, however, is that principal and interest on general long-term debt, claims and judgments, and compensated absences, are recognized as expenditures only to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures (rather than as assets) in governmental funds.

The accounting policies of the District conform to generally accepted accounting principles (GAAP) applicable to its activities as prescribed by the Governmental Accounting Standards Board (GASB), the recognized standard-setting body for GAAP for all state governmental entities. Proprietary fund activities are reported using the accrual basis method of accounting. If measurable, revenue is recognized when earned and expenses when incurred.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Transfers of financial resources among funds are recognized in all affected funds in the period in which the related interfund receivables and payables arise.

The District has elected to treat the General Fund as major, which is presented in a separate column. Debt Service and Capital Project Funds are considered nonmajor and will be presented in a combined column called Nonmajor Funds.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. 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.

Restricted Cash and Cash Equivalents

Cash includes amounts held in demand deposits. For the purpose 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.

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. Total cash and cash equivalents in debt service, debt service reserves, depreciation and contingency funds was \$8,374,147 as of June 30, 2019.

Restricted cash and cash equivalents consisted of the following for June 30, 2019:

Debt service reserves	-2010	\$ 53,934
	-2011	145,938
	-2013	255,372
	-2016	31,303
Depreciation	-1996	336,110
Contingency funds	-1992	803,893
	-1996	32,162
Funds held in escrow	-2019	<u>6,715,435</u>
Total proprietary fund		<u><u>\$8,374,147</u></u>

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Receivables

The accounts receivable of the proprietary (Enterprise) fund represent charges for services provided. The amount of unpaid charges is reported net of an allowance for uncollectable accounts of \$322,546.

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 \$299,000 for the General Fund.

<u>Tax Year</u>	<u>As of June 30, 2019</u>	
	<u>General Fund</u>	<u>Debt Service Fund</u>
2019 and prior years	\$ 6,322,473	\$ 373,165
Less Allowance	(388,000)	-
Net Property Taxes Receivable	<u>\$ 5,934,473</u>	<u>\$ 373,165</u>

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 Charleston County 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.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on their respective financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. The amount due to the general fund from the wastewater fund of \$182,455 was used to cover expenses of the wastewater fund. Additionally, the amount due to the general fund from the debt service fund totaled \$626,758.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Inventory and Prepaid Items

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

Capital Assets and Depreciation

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 basis 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.

Donated capital assets, if any, are capitalized and accounted for as capital contributions at estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings	50 years
Wastewater system (constructed and purchased)	20 - 60 years
Office furniture and equipment	5 - 10 years

Unpaid Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums. Annual leave exceeding the maximum accrual and not used 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 of Management 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.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently reports deferred outflows of resources related to the pension and OPEB plans in the amount of \$1,550,386 and \$410,758 in governmental activities and enterprise fund as of June 30, 2019, respectively.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflow of resources related to the pension plan in the amount of \$872,087 and \$166,806 in governmental activities and enterprise fund as of June 30, 2019, respectively.

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. The District currently reports deferred inflow of resources related to unavailable property tax revenues in the amount of \$6,308,241 and \$368,234 in general fund and debt service fund as of June 30, 2019, respectively.

Net Position/Fund Balances

Net position is classified and presented in three components in the government-wide financial statements:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and is reduced by outstanding debt attributed to the acquisition, construction or improvement of the assets.

Restricted net position – Consists of amounts restricted by external creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position - All other net position that do not meet the definition of "Restricted," or "Net invested in capital assets."

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Fund balances are classified and presented in one or more of the following components in the fund basis financial statements:

Non-spendable – Not is spendable form or legally or contractually required to be maintained intact.

Restricted – Use is restricted by external creditors or imposed by law or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by action of the District’s Commissioners.

Assigned – Represents resources assigned by the District but not as restrictive as Committed.

Unassigned – Represents the portion of the fund balance that does not meet any of the component definitions listed above.

The District’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balances are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

2. Legal Compliance – Budgets

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. 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 being July 1st.
- (b) The General Fund budget includes proposed expenditures based on the modified accrual basis of accounting and the means of financing them
- (c) The District’s Commission adopts the proposed budget

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

2. Legal Compliance – Budgets (continued)

Expenditures approved by the District’s Commission shall automatically carry amendments to fund appropriations where necessary. Budget amounts reported are as originally adopted, or as amended by the District’s Commission.

Actual revenue exceeded budgeted revenue by \$897,567. Actual expenditures exceeded budgeted expenditures by \$500,673.

3. Deposits

Custodial Credit Risk

Custodial Credit Risk for deposits exists when, in the event of the failure of depository financial institution, a government may be unable to recover deposits, or recover collateral securities that in the possession of the outside party. The District follows state law which requires depository financial statements 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 deposits are made in Commission designated official depositories and are secured as required by state laws. State of South Carolina statues authorize the District to invest in the follow: 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.

At June 30, 2019, the carrying amount of the District’s unrestricted and restricted cash and cash equivalents was \$16,051,169, and the bank balance was \$16,573,001 of which all is covered either by FDIC or is properly collateralized in accordance with State law.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

4. Receivables

Receivables at June 30, 2019, consist of the following

	Governmental Activities	Business-type Activities	Total
Accounts receivable:			
Intergovernmental revenue	\$ 450,981	\$ -	\$ 450,981
Utility service billings	-	389,546	389,546
Gross receivables	450,981	389,546	840,527
Less, allowance for uncollectibles	-	(67,000)	(67,000)
Net receivables	<u>\$ 450,981</u>	<u>\$ 322,546</u>	<u>\$ 773,527</u>

5. Capital Assets (continued)

Capital asset activity for the year ended June 30, 2019, was as follows:

<u>Governmental activities:</u>	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
Capital assets, not being depreciated				
Land	\$ 1,640,336	\$ -	\$ -	\$ 1,640,336
Construction in progress	134,654	407,392	-	542,046
Total capital assets, not being depreciated	<u>1,774,990</u>	<u>407,392</u>	<u>-</u>	<u>2,182,382</u>
Capital assets, being depreciated				
Buildings	1,087,434	29,275	(1,550)	1,115,159
Fencing Paving & Landscaping	66,654	-	-	66,654
Vehicles	4,362,580	1,368,199	(273,808)	5,456,971
Machinery & Fire Equipment	1,298,425	124,868	(109,210)	1,314,083
Furniture and Office Equipment	109,959	-	-	109,959
Communication System	442,497	-	-	442,497
Total capital assets, being depreciated	<u>7,367,549</u>	<u>1,522,342</u>	<u>(384,568)</u>	<u>8,505,323</u>
Less: Accumulated depreciation	<u>(4,011,645)</u>	<u>(466,240)</u>	<u>322,407</u>	<u>(4,155,478)</u>
Total capital assets, being depreciated, net	<u>3,355,904</u>	<u>1,056,102</u>	<u>(62,161)</u>	<u>4,349,845</u>
Governmental activities capital assets, net	<u>\$ 5,130,894</u>	<u>\$ 1,463,494</u>	<u>\$ (62,161)</u>	<u>\$ 6,532,227</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Capital Assets (continued)

Depreciation expense for Governmental Activities was charged to functions/programs as follows:

General government	\$ 20,945
Public safety - fire	281,562
Health - solid waste	163,733
Total deprecation - governmental activities	\$ 466,240

<u>Business-type activities:</u>	<u>Balance</u> <u>7/1/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2019</u>
Capital assets, not being depreciated				
Land and easements	\$ 403,460	\$ 410,905	\$ -	\$ 814,365
Construction in process	2,604,593	4,084,382	-	6,688,975
Total capital assets, not being depreciated	3,008,053	4,495,287	-	7,503,340
Capital assets, being depreciated				
Buildings	515,543	-	-	515,543
Sewer system	42,596,193	320,785	-	42,916,978
Contributed systems	10,983,896	207,581	-	11,191,477
Purchased systems	179,566	-	-	179,566
Equipment	28,418	-	-	28,418
Vehicles	1,124,472	19,537	-	1,144,009
Communication system	701,430	-	-	701,430
Total capital assets, being depreciated	56,129,518	547,903	-	56,677,421
Less: Accumulated depreciation	(19,284,864)	(1,166,692)	-	(20,451,556)
Total assets being depreciated, net	36,844,654	(618,789)	-	36,225,865
Business-type capital assets, net	\$ 39,852,707	\$ 3,876,498	-	\$ 43,729,205

6. Pension Plan

South Carolina Retirement System

The majority of employees of the District are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full-service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full-service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90).

The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave.

For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job-related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member.

For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

Effective July 1, 2017, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 14.41%. Included in the total SCRS employer contribution rate is a base retirement contribution of 14.26%, and .15% for the incidental death program. The District's contributions for the years ended June 30, 2019, 2018 and 2017 are as follows:

Year Ended	Employer Contribution Rate			Employer Contributions		
	Base	Incidental Death	Total	Base	Incidental Death	Total
June 30,						
2019	14.26%	0.15%	14.41%	\$ 767,280	\$ 8,071	\$ 775,351
2018	13.41%	0.15%	13.56%	667,644	7,468	675,112
2017	11.41%	0.15%	11.56%	689,420	9,063	698,483

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full-service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full-service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Effective July 1, 2017, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 17.24%.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

Included in the total PORS employer contribution rate is a base retirement contribution of 16.84% and .20% for the incidental death program and .20% for the accidental death program. The District's contributions for the years ended June 30, 2019, 2018 and 2017 are as follows:

Year Ended June 30,	Employer Contribution Rate			Employer Contributions		
	Base	Death Benefits	Total	Base	Death Benefits	Total
2019	17.24%	0.40%	17.64%	\$ 761	\$ 18	\$ 779
2018	15.84%	0.40%	16.24%	1,296	33	1,329
2017	13.84%	0.40%	14.24%	1,176	34	1,210

The amounts paid by the District for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

At June 30, 2019 the District reported \$10,765,152 and \$16,749, for its proportionate share of the net pension liabilities of SCRS and PORS. The net pension liability defined of the SCRS and PORS defined benefit pension plan were determined based on the July 1, 2018 actuarial valuations, using membership data as of July 1, 2018, projected forward to June 30, 2019, and financial information of the pension trust funds as of June 30, 2018, using generally accepted actuarial procedures. The District's portion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the District's SCRS proportion was 0.048044% and PORS proportion was 0.000591%.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

At June 30, 2019 the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	<u>SCRS</u>	<u>PORS</u>
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 19,432	\$ 516
Assumption changes	427,101	1,104
Net difference between project and actual investment earnings	171,004	335
Differences between employer contributions and proportionate share	139,133	41
Contributions made from measurement date to fiscal year end	<u>775,351</u>	<u>779</u>
Total deferred outflows of resources	<u>1,532,021</u>	<u>2,775</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	63,350	-
Differences between employer contributions and proportionate share	<u>123,169</u>	<u>1,435</u>
Total deferred inflows of resources	<u>186,519</u>	<u>1,435</u>
Net deferred outflows/(inflows)	<u>\$ 1,345,502</u>	<u>\$ 1,340</u>

\$775,351 and \$779 for SCRS and PORS respectively reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended June 30,</u>	
2019	\$ 477,912
2020	232,515
2021	(121,989)
2022	<u>(17,726)</u>
	<u>\$ 570,712</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

The total pension liabilities in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate or Return	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5%	3.5% to 9.5%
Inflation Rate	2.25%	2.25%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2016.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2018, SCRS and PORS valuations are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	2016 PRSC Males Multiplied by 92%	2016 PRSC Females Multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males Multiplied by 100%	2016 PRSC Females Multiplied by 111%
Public Safety, Firefighters	2016 PRSC Males Multiplied by 125%	2016 PRSC Females Multiplied by 111%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The long-term expected rate of returns represented assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

The discount rate used to measure the total pension liability (“TPL”) was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the Systems’ fiduciary net position was projected to be available to make all the 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 TPL.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

The following table represents the District’s proportionate share of the net SCRS and PORS pension liabilities as of June 30, 2018 calculated using the discount rate of 7.25 percent, as well as what the District’s respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Plan	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
SCRS	\$ 13,755,865	\$ 10,765,152	\$ 8,627,079
PORS	\$ 22,579	\$ 16,749	\$ 11,973

Deferred Compensation Plans

Several optional deferred compensation plans are available to state employees and employers of its political subdivisions. Certain employees of the District have elected to participate. The multiple-employers plans, create under Internal Revenue Sections 457 and 401(k), are administrated by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. 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 this plan.

7. Post-Employment Benefits Other Than Pension

Plan Description

Upon separation of employment from the District, an employee who retires under PEBA Retirement Benefits may elect to continue his/her health benefit coverage through South Carolina Public Employee Benefit Authority Insurance Benefits program (“PEBA Insurance Benefits” or “State Health Plan”) if all eligibility requirements of the State Health Plan are met including:

- The last five years of employment served consecutively and in a full-time, permanent position, with an employer that participates in the state health insurance plan, and
- The retiree pays the full age adjusted cost of coverage to the District by the 10th of each month. The age adjusted cost is defined as the explicit premium as determined by the State Health Plan and the implicit subsidy as actuarially determined.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Post-Employment Benefits Other Than Pension (continued)

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 June 30, 2017, the valuation date, there were 128 covered participants. Of this number, 99 participants are current employees and 29 are retirees. The District's regular insurance providers underwrite the retirees' insurance 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.

The plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust ("SC ORBET"), an agent multiple-employer investment plan administered by the Municipal Association. SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the OPEB plan. A copy of the report may be obtained by writing to: Director for Risk Management Services, Municipal Association of South Carolina, Post Office Box 12109, Columbia, South Carolina 29211.

The following table summarizes the membership of the Plan as of June 30, 2017 the valuation date:

	Number
Inactive Employees or Beneficiaries Currently Receiving Benefits	29
Inactive Members Entitled to But Not Yet Receiving Benefits	0
Active Employees	<u>99</u>
Total Membership	128

Funding Policy

The District has elected to fund the Plan at this time through SC ORBET. The District makes an annual appropriation through its budget process to determine how much, if any, funding will take place during the following year.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. **Post-Employment Benefits Other Than Pension (continued)**

Change in OPEB Liability

Changes in OPEB liability from June 30, 2018 to June 30, 2019 is shown in the following table:

	Total OPEB Liability
Balances as of June 30, 2018	\$ 9,243,443
Changes for the year:	
Service Cost at the end of the year*	431,165
Interest on OPEB liability and Cash Flows	324,787
Change in benefit terms	0
Difference between expected and actual experience	3,971
Changes of assumptions or other inputs	(955,412)
Net contributions, benefit payments, implicit subsidy credit and net investment income	(292,334)
Other	0
Net Changes	<u>(487,823)</u>
Balance as of June 30, 2019	<u>\$ 8,755,620</u>

*The service cost includes interest for the year.

Sensitivity Analysis:

The following table presents the OPEB liability of the Plan, calculated using current health care cost trend rates, as well as what the Plan's OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percent lower or 1.00 percent higher than the current rates:

Health Care Cost Trend Rate Sensitivity			
Plan	1% Decrease	Current	1% Increase
OPEB Liability	\$ 7,056,505	\$ 8,755,620	\$ 11,051,534

The following table presents the OPEB liability of the Plan, calculated using the discount rate of 4.10 percent, as well as what the Plan's OPEB liability would be if it were calculated using a Discount Rate that is 1.00 percent lower (3.10 percent) or 1.00 percent higher (5.10 percent) than the current rate:

Discount Rate Sensitivity			
Plan	1% Decrease (2.10%)	Current Discount Rate (3.10%)	1% Increase (4.10%)
OPEB Liability	\$ 10,599,458	\$ 8,755,620	\$ 7,322,018

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Post-Employment Benefits Other Than Pension (continued)

Actuarial Methods and Assumptions

The Commission's OPEB liability of \$8,755,620 was measured as of June 30, 2019 and the OPEB liability was determined by a biennial actuarial valuation of the Plan, as of June 30, 2019, using the following key actuarial assumptions and other inputs:

Valuation date:	June 30, 2017
Normal Inflation:	2.25%
Real Wage Growth - SCRS:	0.75%
Wage Inflation - SCRS:	3.00%
Salary Increases, Including Wage Inflation - SCRS:	3.00% - 7.00%
Municipal Bond Index Rate:	
Prior Measurement Date	3.55%
Measurement Date	4.10%
Health Care Trend Rate:	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2016 decreasing to an ultimate rate of 5.00% by 2020
Discount Rate:	Based on Single Equivalent Interest Rate.
Mortality:	Based on the RP-2014 Mortality Table for Employees with a 95% multiplier to better reflect the anticipated experience and provide margin for future improvements.
Demographic:	Based on results of an actuarial experience study adopted by SCRS and PORS for retirement, disability incidence, withdrawal, and salary increases only
Initial Per Capita Costs, Health Care Cost Trends, Rate of Plan Participation, and Rates of Plan Election:	Based on a review of recent plan experience done concurrently with the June 30, 2017 evaluation.
Notes:	There were no benefit changes during the year.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Post-Employment Benefits Other Than Pension (continued)

Plan Financial Information

For the year ended June 30, 2019, the District recognized OPEB expense in the amount of \$709,500 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,057	\$ 0
Changes of assumptions or other inputs	408,291	850,939
Total	<u>\$ 426,348</u>	<u>\$ 850,939</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Measurement Period Ended June 30, 2018	
2020	\$ 44,893
2021	44,893
2022	44,893
2023	44,895
2024	44,879
Thereafter	<u>200,138</u>
Total	<u>\$ 424,591</u>

8. Long-Term Debt

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

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

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.

Business-Type Activities:

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

In 1980, the District began issuing revenue bonds payable from the revenues generate by the wastewater proprietary fund which pays for the construction and expansion of the wastewater transportation system.

Changes in long-term liabilities for the year ended June 30, 2019, were as follows:

	July 1, 2018	Additions	Reductions	June 30, 2019	Due Within One Year
<u>Governmental activities:</u>					
General obligation debt	\$ 252,736	\$ -	\$ (20,592)	\$ 232,144	\$ 20,914
Capital Leases	2,827,147	-	(498,651)	2,328,496	445,214
Net other post-employment benefits	7,887,529	-	(416,358)	7,471,171	-
Net pension liability	8,332,818	-	(30,466)	8,302,352	-
Compensated absences	337,557	350,070	(337,557)	350,070	350,070
Governmental Activity	<u>\$ 19,637,787</u>	<u>\$ 350,070</u>	<u>\$ (1,303,624)</u>	<u>\$ 18,684,233</u>	<u>\$ 816,198</u>
 <u>Business-type activities:</u>					
Revenue bonds	\$ 621,013	\$ -	\$ (24,872)	\$ 596,141	\$ 59,664
State revolving fund loan	8,443,738	6,715,435	(283,038)	14,876,135	569,692
Capital leases	319,187	-	(79,408)	239,779	91,126
Net other post-employment benefits	1,355,914	-	(71,465)	1,284,449	-
Net pension liability	2,490,117	-	(10,568)	2,479,549	-
Compensated absences	111,725	110,904	(111,725)	110,904	110,904
Business-Type Activity	<u>\$ 13,341,694</u>	<u>\$ 6,826,339</u>	<u>\$ (581,076)</u>	<u>\$ 19,586,957</u>	<u>\$ 831,386</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

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

Governmental

<u>Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 20,914	\$ 14,762	\$ 35,676
2021	14,974	13,912	28,886
2022	9,104	13,017	22,121
2023	9,605	12,489	22,094
2024	10,133	11,932	22,065
2024-2028	62,947	50,165	113,112
2029-2033	82,269	30,842	113,111
2034-2038	22,198	5,654	27,852
Total	<u>\$ 232,144</u>	<u>\$ 152,773</u>	<u>\$ 384,917</u>

Business-Type

<u>Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 629,356	\$ 285,389	\$ 914,745
2021	734,406	340,222	1,074,628
2022	751,202	323,426	1,074,628
2023	768,425	306,203	1,074,628
2024	786,086	288,542	1,074,628
2025-2029	4,211,662	1,161,478	5,373,140
2030-2034	3,853,158	674,599	4,527,757
2035-2039	1,221,988	339,437	1,561,425
2040-2044	1,090,934	240,988	1,331,922
2045-2049	1,201,699	100,567	1,302,266
2050-2054	223,360	1,269	224,629
Total	<u>\$ 15,472,276</u>	<u>\$ 4,062,120</u>	<u>\$ 19,534,396</u>

The revenue bonds outstanding for the business-type activity at June 30, 2019, are as follows:

<u>Title of Issues</u>	<u>Issue</u>	<u>Maturity</u>	<u>Interest</u>	<u>Principal Amount</u>	
	<u>Date</u>	<u>Date</u>	<u>Rate</u>	<u>Original</u>	<u>Outstanding</u>
Sol Legare Project	3/31/1992	3/28/2032	5.75%	\$ 437,000	\$ 237,809
Grimball Road Expansion	11/14/1996	11/14/2036	5.13%	538,000	358,332
Totals				<u>\$ 975,000</u>	<u>\$ 596,141</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

The State Revolving Fund loan outstanding for the business-type activity at June 30, 2019, is as follows:

<u>Title of Issues</u>	<u>Issue</u>	<u>Maturity</u>	<u>Interest</u>	<u>Principal Amount</u>	
	<u>Date</u>	<u>Date</u>	<u>Rate</u>	<u>Original</u>	<u>Outstanding</u>
Pump Stations 11 & 54 Upgrade	10/31/2014	5/1/2035	2.00%	\$ 4,242,522	\$ 3,305,992
Pump Station #11 Phase 2	9/1/2016	9/1/2036	1.80%	2,527,659	1,782,318
Schooner Road Extension	2/26/2010	5/1/2030	2.25%	717,520	437,338
Harbor View Circle Force Main	7/1/2011	4/1/2031	2.25%	586,757	387,386
Pump Station 33 Rehab	7/1/2011	7/1/2031	2.25%	1,250,352	832,095
Force Main Replacement	10/1/2013	7/1/2033	2.25%	1,870,339	1,415,566
Water Pollution Control 19	6/7/2019	10/1/2050	2.10%	6,715,435	6,715,440
Total				<u>\$ 17,910,584</u>	<u>\$ 14,876,135</u>

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

The governmental activities general obligation bonds outstanding at June 30, 2019, are as follows:

<u>Title of Issues</u>	<u>Issue</u>	<u>Maturity</u>	<u>Interest</u>	<u>Principal Amount</u>	
	<u>Date</u>	<u>Date</u>	<u>Rate</u>	<u>Original</u>	<u>Outstanding</u>
Fire Station 4	2/17/1981	2/17/2021	5.00%	\$ 142,000	\$ 13,834
Fire Station 3	11/14/1996	11/14/2036	5.50%	363,000	218,310
Totals				<u>\$ 505,000</u>	<u>\$ 232,144</u>

9. Capital Lease Obligations

The District has various leases on equipment used in business-type activities and governmental activities which are being accounted for as capital leases. These leases financed equipment purchased during prior fiscal years.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Capital Lease Obligations (continued)

Under the terms of lease payments, including interest, by year ended June 30, 2019, are as follows:

<u>Governmental</u>			
<u>Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 445,214	\$ 44,884	\$ 490,098
2021	422,247	35,001	457,248
2022	438,761	26,490	465,251
2023	359,209	17,807	377,016
2024	397,327	10,320	407,647
2025-2029	265,739	2,677	268,416
Total	<u>\$ 2,328,497</u>	<u>\$ 137,179</u>	<u>\$ 2,465,676</u>

<u>Business-Type</u>			
<u>Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 91,126	\$ 4,239	\$ 95,365
2021	39,674	2,790	42,464
2022	41,986	2,017	44,003
2023	25,804	1,229	27,033
2024	26,587	690	27,277
2025-2029	14,602	139	14,741
Total	<u>\$ 239,779</u>	<u>\$ 11,104</u>	<u>\$ 250,883</u>

Capital leases outstanding for governmental activities at June 30, 2019, are as follows:

<u>Title of Issues</u>	<u>Issue</u>	<u>Maturity</u>	<u>Interest</u>	<u>Principal Amount</u>	
	<u>Date</u>	<u>Date</u>	<u>Rate</u>	<u>Original</u>	<u>Outstanding</u>
Knuckleboom	7/1/2013	7/1/2020	1.44%	\$ 313,600	\$ 46,071
Crane and Equipment	11/20/2015	11/20/2021	1.71%	636,791	240,696
Roll Carts	11/20/2015	11/20/2025	2.04%	453,282	297,355
Escrow Vehicles and Equip	2/4/2018	8/4/2024	2.08%	2,124,663	1,744,375
Totals				<u>\$ 3,528,336</u>	<u>\$ 2,328,497</u>

Capital leases outstanding for business-type activities at June 30, 2019, are as follows:

<u>Title of Issues</u>	<u>Issue</u>	<u>Maturity</u>	<u>Interest</u>	<u>Principal Amount</u>	
	<u>Date</u>	<u>Date</u>	<u>Rate</u>	<u>Original</u>	<u>Outstanding</u>
Freightliner Front End Load	7/11/2013	7/1/2020	1.44%	\$ 326,400	\$ 47,971
Ford Truck and Diesel Gen	12/1/2015	11/30/2021	1.71%	102,741	46,291
Escrow Vehicles and Equip	2/4/2018	8/4/2024	2.08%	175,337	145,517
Totals				<u>\$ 604,478</u>	<u>\$ 239,779</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Commitments and Contingencies

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

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

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 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 have been immaterial. For each of the insurance programs, the District has effectively transferred all risk with no liability for unfunded claims.

12. 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 capital assets contributed of \$164,201.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

13. Restatement

During the year, management discovered various capital assets that had been received previously by the District but were left unrecorded in the financial records. Additionally, other assets were found during the fiscal year that were purchased in prior years that were either not capitalized or should have been classified as a different assets type. Balances that were affected are as follows:

	Business-Type Activities
Audited net position as of June 30, 2018	\$ 30,142,234
Contributed sewer system fixed assets	1,643,094
Furniture and equipment	(18,724)
Communication equipment	9,353
Constructed sewer system	16,967
Accumulated depreciation	<u>(422,344)</u>
Restated net position as of June 30, 2018	<u>\$ 31,370,580</u>

14. Subsequent events

Subsequent events were evaluated through November 18, 2019 which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

JAMES ISLAND PUBLIC SERVICE DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE SOUTH CAROLINA RETIREMENT
SYSTEMS NET PENSION LIABILITIES

LAST TEN FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
South Carolina Retirement System					
District's proportion of the net pension liability	0.048044%	0.048044%	0.049145%	0.046509%	0.047850%
District's proportionate share of the net pension liability	\$ 10,765,152	\$ 10,765,152	\$ 10,514,040	\$ 9,320,586	\$ 8,251,489
District's covered payroll	\$ 4,978,702	\$ 6,042,240	\$ 4,506,844	\$ 4,562,183	\$ 4,534,662
District's proportionate share of the net pension liability as a percentage of its covered payroll	216.22%	178.16%	233.29%	204.30%	181.96%
Plan fiduciary net position as a percentage of the total pension liability	54.10%	54.10%	52.91%	56.99%	59.92%
South Carolina Police Officers Retirement System					
District's proportion of the net pension liability	0.000591%	0.000591%	0.000000%	0.000000%	0.000000%
District's proportionate share of the net pension liability	\$ 16,749	\$ 16,749	\$ -	\$ -	\$ -
District's covered payroll	\$ 8,183	\$ 8,497	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability as a percentage of its covered payroll	204.68%	197.12%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	61.70%	0.00%	0.00%	0.00%

* - The amounts presented for each fiscal year were determined as of July 1 of three years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the District implemented GASB 68 during fiscal year 2015. As such, only years subsequent to fiscal year 2014 have information available.

JAMES ISLAND PUBLIC SERVICE DISTRICT

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEMS CONTRIBUTIONS

LAST TEN FISCAL YEARS *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
South Carolina Retirement System					
Contractually required contributions	\$ 775,351	\$ 675,112	\$ 698,483	\$ 498,457	\$ 497,278
Contributions in relation to the contractually required contribution	(775,351)	(675,112)	(698,483)	(498,457)	(497,278)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered payroll	\$ 5,380,645	\$ 4,978,702	\$ 6,042,240	\$ 4,506,844	\$ 4,562,183
Contributions as a percentage of covered payroll	14.41%	13.56%	11.56%	11.06%	10.90%
South Carolina Police Officers Retirement System					
Contractually required contributions	\$ 779	\$ 1,329	\$ 1,210	\$ -	\$ -
Contributions in relation to the contractually required contribution	(779)	(1,329)	(1,210)	-	-
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered payroll	\$ 4,416	\$ 8,183	\$ 8,497	\$ -	\$ -
Contributions as a percentage of covered payroll	17.64%	16.24%	14.24%	0.00%	0.00%

* - The amounts presented for each fiscal year were determined as of July 1 of three years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the District implemented GASB 68 during fiscal year 2015. As such, only years subsequent to fiscal year 2014 have information available.

JAMES ISLAND PUBLIC SERVICE DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS*

	2019	2018
Total OPEB Liability		
Service cost	\$ 431,165	\$ 379,381
Interest	324,787	312,769
Difference between expected and actual experience	3,971	18,588
Changes of assumptions or other inputs	(955,412)	522,659
Employer contributions	(290,703)	-
Net investment income	(1,631)	-
Benefit payments and implicit study credit	-	(183,839)
Net change in Total OPEB Liability	(487,823)	1,049,558
Total OPEB Liability - beginning	9,243,443	8,193,885
Total OPEB Liability - ending	\$ 8,755,620	\$ 9,243,443
Covered-employee payroll	\$ 4,237,346	\$ 4,237,346
Total OPEB Liability as a percentage of covered payroll	206.63%	218.14%

* - The amounts presented for each fiscal year were determined as of July 1 of two years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Commission implemented GASB 75 during fiscal year 2018. As such, only years subsequent to fiscal year 2017 have information available.

COMBINING FUND FINANCIAL STATEMENTS

JAMES ISLAND PUBLIC SERVICE DISTRICT

COMBINING BALANCE SHEET
NON-MAJOR FUNDS

JUNE 30, 2019

	Capital Projects Fund	Debt Service Fund	Total Non-Major Funds
Assets			
Cash and cash equivalents	\$ 115,160	\$ 1,472,249	\$ 1,587,409
County revenue receivable	-	48,274	48,274
Taxes receivable (net of allowance)	-	373,165	373,165
Total assets	<u>115,160</u>	<u>1,893,688</u>	<u>2,008,848</u>
Liabilities			
Accounts payable	17,370	-	17,370
Accrued interest	-	36,478	36,478
Due to general fund	-	626,758	626,758
Total liabilities	<u>17,370</u>	<u>663,236</u>	<u>680,606</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	-	368,234	368,234
Total liabilities and deferred inflows of resources	<u>17,370</u>	<u>1,031,470</u>	<u>1,048,840</u>
Fund Balances			
Committed	97,790	862,218	960,008
Total fund balances	<u>97,790</u>	<u>862,218</u>	<u>960,008</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 115,160</u>	<u>\$ 1,893,688</u>	<u>\$ 2,008,848</u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR FUNDS

YEAR ENDED JUNE 30, 2019

	Capital Projects Fund	Debt Service Fund	Total Non-Major Funds
Revenues			
Property taxes	\$ -	\$ 1,008,780	\$ 1,008,780
Total revenues	-	1,008,780	1,008,780
Expenditures			
Capital outlay	407,392	-	407,392
Debt service:			
Principal	-	519,242	519,242
Interest	-	120,715	120,715
Total expenditures	407,392	639,957	1,047,349
(Deficit) of revenues (under) expenditures	(407,392)	368,823	(38,569)
Other Financing Sources			
Transfers from other funds	273,944	-	273,944
Total other financing sources	273,944	-	273,944
Net change in fund balance	(133,448)	368,823	235,375
Fund balance, beginning of year	231,238	493,395	724,633
Fund balance, end of year	<u>\$ 97,790</u>	<u>\$ 862,218</u>	<u>\$ 960,008</u>

See accompanying notes.

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners
James Island Public Service District
James Island, South Carolina 29412

We have audited, in accordance with the 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the James Island Public Service District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. [2019-001]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The Brittingham Group LLP". The signature is written in a cursive style and is contained within a thin black rectangular border.

West Columbia, South Carolina
November 18, 2019

JAMES ISLAND PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2019

Summary of Auditors' Results:

1. The auditor's report expresses an unmodified opinion on the basic financial statements of James Island Public Service District (the "District").
2. No material weaknesses and one significant deficiency relating to the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements were noted.

Financial Statement Findings:

Finding 2019-001: Net Position Restatement – Prior period audited financial statements

Criteria:

Prior year audited financial statements contained material misstatements in Business-Type Activities.

Condition:

Various contributed capital assets that were received in prior years were not recorded in the accounting records when the title of the assets changed. Additionally, other capital assets that were purchased in prior years were either not capitalized properly or should have been classified as a different asset type. This caused Business-Type Activities net position to be materially misstated.

Cause:

Prior management of the District did not record contributed assets as they were received. Additionally, prior management did not do an extensive review of classifications of capital assets or expenses that should have been capitalized in prior years.

Effect:

The District's net position for Business-Type Activities was understated by \$1,228,346 on the June 30, 2018 audited financial statements.

Auditors' Recommendation:

District management should implement policies and procedures that require a more extensive review of contributed capital to ensure that it is recorded on the District's accounting records as it is received. Additionally, management should require a more extensive review of capitalizable expenses and classification of capital assets.

Management's Response:

District management plans to implement policies and procedures suggested by auditors.

JAMES ISLAND PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

Status of Prior Year Findings:

Finding 2018-001: Net Position Restatement – Prior period audited financial statements

Criteria:

Prior year audited financial statements contained material misstatements in the Governmental Activities and the Business-Type Activities.

Condition:

Prior year audited financial statements contained unavailable property tax revenues in the amount of \$4,944,897 in the Governmental Activities that should have been reported as receivable, and it did not include construction in progress of \$365,331 in the Business-Type Activities.

Cause:

Management did not properly adjust out unavailable property tax revenues on the modified accrual basis reconciliation. Also, management did not properly account for accumulated costs in construction in progress. Prior auditors of the District did not discover these misstatements during the course of their audit procedures.

Effect:

The District's net position for Governmental Activities was understated by \$4,944,897, and net position for the Business-Type Activities was understated by \$365,331 on the June 30, 2017 audited financial statements.

Status:

Resolved

Finding 2018-002: Net Position Restatement - Management

Criteria:

Implementation of the new standard GASB 75 required certain OPEB plans to be reevaluated by actuaries for the 2017 fiscal year. If the evaluation determined that the 2017 fiscal year's OPEB plan was materially misstated, a restatement of net position would be required.

Condition:

Actuary evaluation indicated that the plan was materially misstated in both Governmental Activities and Business-Type Activity funds. However, management did not restate net position based on the new evaluation. This caused Governmental Activities and Business-Type Activities to have net positions that were materially misstated by \$3,880,770 and \$677,394, respectively.

JAMES ISLAND PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

Status of Prior Year Findings: (continued)

Cause:

Prior management of the District did not have formal training in the implementation of the GASB 75 standard. This caused management to not have the appropriate knowledge to restate beginning net position for both Governmental Activities and Business-Type Activities during the current fiscal year.

Effect:

The District's Governmental Activities and Business-Type Activities net positions were restated by \$3,880,770 and \$677,394, respectively on the current year audited financial statements.

Status:

Resolved

Finding 2018-003: Unrecorded Cash

Criteria:

The District failed to recognize cash in the name of the District and the financial records of the District.

Condition:

The District executed a capital lease purchase agreement with a financial institution during the current fiscal year. In the agreement it was noted that capital lease funds would be held in an escrow account in the name of the District and would be released to unrestricted cash accounts in the name of the District as capital purchases were approved by the financial institution. Upon signing the agreement, the District should have recognized the \$2.3 million that was put in the escrow account and should have recognized any interest that accumulated on the balance from that point forward.

Cause:

Personnel of the District did not review the capital lease purchase agreement extensively, which caused them to overlook the cash that was being held in the escrow account in the name of the District.

Effect:

The District's overall cash was understated by over \$2.3 million when financial records were received by auditors.

Status:

Resolved

JAMES ISLAND PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(CONTINUED)

Status of Prior Year Findings: (continued)

Finding 2018-004: Unrecorded Debt

Criteria:

The District failed to recognize debt in the name of the District and the financial records of the District.

Condition:

The District implemented a capital lease purchase agreement with a financial institution during the current fiscal year in the amount of \$2.3 million. Upon signing the agreement, the District should have recognized the \$2.3 million debt and updated the principal balance for any payments made on that date moving forward.

Cause:

Personnel of the District did not review the capital lease purchase agreement extensively, which caused them to not record the debt on the District's financial records.

Effect:

The District's overall debt was understated by \$2.3 million when financial records were received by auditors.

Status:

Resolved

Finding 2018-005: Incorrect Bank Reconciliations

Criteria:

District personnel failed to update year-end bank reconciliations for transactions that were posted back to June 2018.

Condition:

District personnel posted adjustments back to June 2018 after bank reconciliations were already completed but failed to update the reconciliations. This causes the reconciliations to be inaccurate and not agree to the trial balance.

Cause:

Personnel of the District failed to update bank reconciliations due to a lack of review of financial information.

JAMES ISLAND PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)

Status of Prior Year Findings: (continued)

Effect:

The District updated bank reconciliations multiple months after year-end to reflect account balances shown of the trial balance.

Status:

Resolved

Finding 2018-006: Monthly Close-outs

Criteria:

District management failed to properly perform month-end close-outs during the current fiscal year.

Condition:

District management failed to properly perform month-end close-outs during the year, which caused multiple year-end financial reports provided by management to not agree to the trial balance.

Cause:

District management failed to review month-end reports throughout the fiscal year, which caused multiple year-end balance reports to not agree to the trial balance on multiple occasions.

Effect:

Several audit adjustments to the District's accounting records were required in order to complete the audit, therefore the District's accounting records were materially misstated.

Status:

Resolved

Finding 2018-007: Post-close Adjustments

Criteria:

District accounting personnel did not provide post-close adjustments to the auditor as they were made to the accounting records of the District.

Condition:

District personnel adjusted the District's accounting records while the audit was being conducted and did not inform the auditor of any adjustments until questioned about account balances not agreeing between auditor records and District records.

JAMES ISLAND PUBLIC SERVICE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(CONTINUED)

Status of Prior Year Findings: (continued)

Cause:

This requirement was discussed with District personnel before audit procedures were started, however, District personnel failed to execute this requirement.

Effect:

Several audited balances were changed after procedures performed were completed. This required the auditor to perform audit procedures multiple times to ensure balances were not materially misstated.

Status:

Resolved