

JAMES ISLAND PUBLIC SERVICE DISTRICT

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2020

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, 2020, 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, 2020, 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 49, the Schedule of South Carolina Retirement Systems Contributions on page 50, and the Schedule of Changes in the District's Total OPEB Liability and Related Ratios on page 51 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.

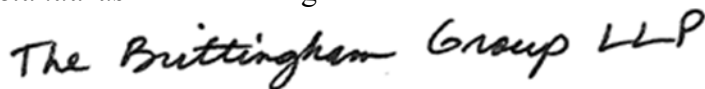
Other Information

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 52 and the Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Non-Major Funds on page 53 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, December 10, 2020 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.



West Columbia, South Carolina
December 10, 2020

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, 2020. 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, 2020 by \$38,044,598 (net position).
- The District's total net position increased \$5,368,220 with increases of \$4,694,910 and \$673,310 from governmental activities business-type activities, respectively.
- For the fiscal year ending June 30, 2020, 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 \$3,702,512, a decrease of \$1,485,648 from the previous fiscal year. Of this amount, \$1,705,670 is unassigned.
- The General Fund reported actual revenues of \$278,804 over budget and expenditures of \$159,378 under budget. General Fund expenditures include \$704,364 in capital outlay for machinery, equipment, and vehicles. General fund reported other financing sources revenue in the amount of \$930,200 for proceeds from the sale of capital assets and proceeds from debt issuance. These amounts were \$27,200 and \$903,000, respectively.

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 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 2019-2020. 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 22-48 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 \$38,044,598 at the close of the most recent fiscal year. The District's increase in net position for this fiscal year amounts to \$5,368,220.

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	
	2020	2019	2020	2019	2020	2019
Current assets and other	\$ 11,630,034	\$ 12,121,487	\$ 8,925,842	\$ 11,127,780	\$ 20,555,876	\$ 23,249,267
Capital assets, net	9,520,908	6,532,227	46,044,971	43,729,205	55,565,879	50,261,432
Total assets	21,150,942	18,653,714	54,970,813	54,856,985	76,121,755	73,510,699
Deferred Outflows	2,990,045	1,550,386	692,195	410,758	3,682,240	1,961,144
Total assets and deferred outflows	\$ 24,140,987	\$ 20,204,100	\$ 55,663,008	\$ 55,267,743	\$ 79,803,995	\$ 75,471,843
Current and other liabilities	\$ 14,839,226	\$ 16,030,374	\$ 4,318,073	\$ 6,992,529	\$ 19,157,299	\$ 23,022,903
Long-term liabilities	3,365,660	2,910,710	18,088,543	15,822,959	21,454,203	18,733,669
Total liabilities	18,204,886	18,941,084	22,406,616	22,815,488	40,611,502	41,756,572
Deferred Inflows	850,262	872,087	297,633	166,806	1,147,895	1,038,893
Total liabilities and deferred inflows	\$ 19,055,148	\$ 19,813,171	\$ 22,704,249	\$ 22,982,294	\$ 41,759,397	\$ 42,795,465
Net position						
Net investment in capital assets	\$ 6,155,248	\$ 3,621,517	\$ 27,956,428	\$ 27,906,246	\$ 34,111,676	\$ 31,527,763
Restricted	308,947	-	5,309,789	8,374,147	5,618,736	8,374,147
Unrestricted	(1,378,356)	(3,230,588)	(307,458)	(3,994,944)	(1,685,814)	(7,225,532)
Total net position	\$ 5,085,839	\$ 390,929	\$ 32,958,759	\$ 32,285,449	\$ 38,044,598	\$ 32,676,378

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 not 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	
	2020	2019	2020	2019	2020	2019
Charges for services	\$ -	\$ -	\$ 8,205,965	\$ 7,627,071	\$ 8,205,965	\$ 7,627,071
Capital grants and contributions	-	-	-	164,201	-	164,201
General revenues	9,878,205	9,996,369	55,593	38,244	9,933,798	10,034,613
Total revenues	9,878,205	9,996,369	8,261,558	7,829,516	18,139,763	17,825,885
Program expenses	5,183,295	7,741,117	7,588,248	6,914,647	12,771,543	14,655,764
Total expenses	5,183,295	7,741,117	7,588,248	6,914,647	12,771,543	14,655,764
Increase (decrease) in net position	4,694,910	2,255,252	673,310	914,869	5,368,220	3,170,121
Beginning net position	390,929	(1,864,323)	32,285,449	31,370,580	32,676,378	29,506,257
Ending net position	\$ 5,085,839	\$ 390,929	\$ 32,958,759	\$ 32,285,449	\$ 38,044,598	\$ 32,676,378

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, 2020, the James Island Public Service District governmental funds reported combined fund balances of \$3,702,512, a decrease of \$1,485,648 compared to prior year balances. 46% 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 \$73,543, \$308,947 being restricted that is not available for new spending because it has already been restricted for specific purposes, and \$1,614,352 being committed due to the District’s Board setting aside this money for specific purposes.

The General Fund is the primary operating fund of the District. At June 30, 2020, the total fund balance in the general fund was \$4,851,801. The General Fund balance increased by \$623,649 during the current fiscal year. This increase is mainly a result of proceeds from debt issuance in the amount of \$903,000.

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, 2020 the total fund balance in each fund was \$1,614,352 and (\$2,763,327), respectively. Debt service fund balance increased during the fiscal year by \$752,134 and Capital Projects fund balance decreased by \$2,861,431. 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 \$2,861,431 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, 2020, total net position of the Wastewater Utility System amounted to \$32,958,759 as compared to a total net position balance of \$32,285,449 at June 30, 2019. The increase in net position of \$673,310 for the fiscal year is due decreasing expenditures where possible 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 \$7,898,214 before other financing sources and achieved actual revenues of \$8,177,018, or \$278,804 more than budgeted. This is mainly due to \$215,037 in increased property tax revenues that were received. Expenditures were budgeted for \$8,642,947 with actual expenditures of \$8,483,569. The reason expenditures were under budget was due to needing less capital outlay than was expected and trying to decrease expenses where possible.

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, 2020, amounts to \$55,565,879 (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*):

- 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, equipment, and communications equipment in excess of \$1.05 million during the year.
- The District continued the CPF construction in progress project and added an additional \$2,861,431 in expenditures towards the project during the current fiscal year.
- The District continues to upgrade, update and repair projects with the sewer system and functions of the District. Various upgrades of approximately \$133,894 and various construction in progress was completed in the amount of \$8,114,270 regarding the sewer system during the fiscal year. Additionally, other construction in progress was started but not completed during the year.

<u>Governmental activities:</u>	<u>Balance 7/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2020</u>
Capital assets, not being depreciated				
Land	\$ 1,640,336	\$ -	\$ -	\$ 1,640,336
Construction in progress	542,046	2,861,431	-	3,403,477
Total capital assets, not being depreciated	<u>2,182,382</u>	<u>2,861,431</u>	<u>-</u>	<u>5,043,813</u>
Capital assets, being depreciated				
Buildings	1,115,159	-	-	1,115,159
Fencing Paving & Landscaping	66,654	-	-	66,654
Vehicles	5,456,971	249,806	(190,975)	5,515,802
Machinery & Fire Equipment	1,314,083	136,941	-	1,451,024
Furniture and Office Equipment	109,959	-	-	109,959
Communication System	442,497	317,617	-	760,114
Total capital assets, being depreciated	8,505,323	704,364	(190,975)	9,018,712
Less: Accumulated depreciation	(4,155,478)	(517,801)	131,662	(4,541,617)
Total capital assets, being depreciated, net	<u>4,349,845</u>	<u>186,563</u>	<u>(59,313)</u>	<u>4,477,095</u>
Governmental activities capital assets, net	<u>\$ 6,532,227</u>	<u>\$ 3,047,994</u>	<u>\$ (59,313)</u>	<u>\$ 9,520,908</u>

Capital Assets and Debt Administration (Continued)

<u>Business-type activities:</u>	<u>Balance</u> <u>7/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2020</u>
Capital assets, not being depreciated				
Land and easements	\$ 814,365	\$ -	\$ -	\$ 814,365
Construction in progress	6,688,975	3,116,854	(8,114,270)	1,691,559
Total capital assets, not being depreciated	7,503,340	3,116,854	(8,114,270)	2,505,924
Capital assets, being depreciated				
Buildings	515,543	36,738	-	552,281
Sewer system	42,916,978	8,248,164	-	51,165,142
Contributed systems	11,191,477	-	-	11,191,477
Purchased systems	179,566	-	-	179,566
Equipment	28,418	86,870	-	115,288
Vehicles	1,144,009	165,142	(68,029)	1,241,122
Communication System	701,430	56,954	-	758,384
Total capital assets, being depreciated	56,677,421	8,593,868	(68,029)	65,203,260
Less: Accumulated depreciation	(20,446,000)	(1,286,242)	68,029	(21,664,213)
Total capital assets, being depreciated, net	36,231,421	7,307,626	-	43,539,047
Governmental activities capital assets, net	\$43,734,761	\$10,424,480	\$(8,114,270)	\$46,044,971

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 \$23,864,177. 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 \$5,889,917 and \$17,974,260, respectively.

The District's overall General Obligation bonds, revenue bonds, capital leases and state revolving fund loans experienced decreases of \$16,117, \$28,293, \$586,114, and \$1,636,476 based on principal payments made, respectively. Additionally, state revolving fund loans and capital leases experienced increases of \$3,855,856 and \$1,061,000. See *Note 8* for further details on outstanding debt.

Net other post-employment benefits plan liability experienced a decrease in the amount of \$2,728,934. Net pension plan liability experienced an increase of \$768,510 when compared to the prior year. See *Note 6* and *Note 7* for further details on decreases and plan information.

Economic Outlook

The area's economy was stable and shows continued growth during fiscal year 2020. The unemployment rate for the area is currently 2.0 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 3.9 percent and the national rate of 6.9 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 Collection systems Management, Operation, and Maintenance goal is to provide excellent 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 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, 2020.

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' Interim Chief Financial Officer, Jim Driscoll 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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Assets			
Current assets:			
Cash and cash equivalents - unrestricted	\$ 3,906,438	\$ 3,311,612	\$ 7,218,050
Cash and cash equivalents - restricted	-	1,703,239	1,703,239
Funds held in escrow	308,947	3,606,550	3,915,497
Intergovernmental receivables	508,746	-	508,746
Taxes receivable (net of allowance)	6,751,658	-	6,751,658
Customer receivables (net of allowance)	-	360,177	360,177
Internal balances	70,016	(70,016)	-
Prepaid expenses	70,904	14,280	85,184
Inventory	13,325	-	13,325
Total current assets	<u>11,630,034</u>	<u>8,925,842</u>	<u>20,555,876</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	5,043,813	2,505,924	7,549,737
Depreciable, net of accumulated depreciation	4,477,095	43,539,047	48,016,142
Total noncurrent assets	<u>9,520,908</u>	<u>46,044,971</u>	<u>55,565,879</u>
Total assets	<u>21,150,942</u>	<u>54,970,813</u>	<u>76,121,755</u>
Deferred outflows of resources			
Pension plan	1,421,308	422,497	1,843,805
OPEB plan	1,568,737	269,698	1,838,435
Total assets and deferred outflows of resources	<u>24,140,987</u>	<u>55,663,008</u>	<u>79,803,995</u>
Liabilities			
Accounts payable	585,143	568,574	1,153,717
Accrued salaries and benefits	184,125	62,519	246,644
Accrued interest payable	41,270	97,503	138,773
Customer deposits	-	41,068	41,068
Net pension plan liability	8,886,117	2,664,294	11,550,411
Net OPEB plan liability	5,142,571	884,115	6,026,686
Long-term liabilities:			
Due within one year	1,035,981	1,277,386	2,313,367
Due in more than one year	2,329,679	16,811,157	19,140,836
Total liabilities	<u>18,204,886</u>	<u>22,406,616</u>	<u>40,611,502</u>
Deferred inflows of resources			
Pension plan	213,402	188,143	401,545
OPEB plan	636,860	109,490	746,350
Total liabilities and deferred inflows of resources	<u>19,055,148</u>	<u>22,704,249</u>	<u>41,759,397</u>
Net position			
Net investment in capital assets	6,563,094	28,070,711	34,633,805
Restricted	308,947	5,309,789	5,618,736
Unrestricted	(1,786,202)	(421,741)	(2,207,943)
Total net position	<u>\$ 5,085,839</u>	<u>\$ 32,958,759</u>	<u>\$ 38,044,598</u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

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	\$ (931,700)	\$ -	\$ -	\$ (931,700)	\$ -	\$ (931,700)
Public safety - fire	(2,659,810)	-	-	(2,659,810)	-	(2,659,810)
Health - solid waste	(1,556,954)	-	-	(1,556,954)	-	(1,556,954)
Interest	(34,831)	-	-	(34,831)	-	(34,831)
Total governmental activities	<u>(5,183,295)</u>	<u>-</u>	<u>-</u>	<u>(5,183,295)</u>	<u>-</u>	<u>(5,183,295)</u>
Business-type activities						
Wastewater	<u>(7,588,248)</u>	<u>8,205,965</u>	<u>-</u>	<u>-</u>	<u>617,717</u>	<u>617,717</u>
Total business-type activities	<u>(7,588,248)</u>	<u>8,205,965</u>	<u>-</u>	<u>-</u>	<u>617,717</u>	<u>617,717</u>
Total primary government	<u>\$ (12,771,543)</u>	<u>\$ 8,205,965</u>	<u>\$ -</u>	<u>(5,183,295)</u>	<u>617,717</u>	<u>(4,565,578)</u>
General revenues and transfers:						
General revenues:						
Property taxes				9,795,543	-	9,795,543
Merchant's inventory and motor carrier taxes				13,192	-	13,192
Grant income				7,534	-	7,534
Interest income				43,613	36,580	80,193
Gain (loss) on sale of capital assets				(32,113)	19,013	(13,100)
Other income				50,436	-	50,436
Total general revenues				<u>9,878,205</u>	<u>55,593</u>	<u>9,933,798</u>
Change in net position				<u>4,694,910</u>	<u>673,310</u>	<u>5,368,220</u>
Net position, at beginning of year				<u>390,929</u>	<u>32,285,449</u>	<u>32,676,378</u>
Net position, end of year				<u>\$ 5,085,839</u>	<u>\$ 32,958,759</u>	<u>\$ 38,044,598</u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2020

	General Fund	Non-Major Funds	Total Governmental Funds
Assets			
Cash and cash equivalents - unrestricted	\$ 2,533,379	\$ 1,373,059	\$ 3,906,438
Funds held in escrow	308,947	-	308,947
Intergovernmental receivables	447,001	61,745	508,746
Taxes receivable (net of allowance)	6,245,820	505,838	6,751,658
Due from other funds	2,314,193	259,771	2,573,964
Prepaid expenses	60,218	10,686	70,904
Inventory	13,325	-	13,325
Total assets	<u>11,922,883</u>	<u>2,211,099</u>	<u>14,133,982</u>
Liabilities			
Accounts payable	56,229	528,914	585,143
Accrued interest	-	41,270	41,270
Accrued salaries and benefits	184,125	-	184,125
Due to other funds	258,535	2,245,413	2,503,948
Total liabilities	<u>498,889</u>	<u>2,815,597</u>	<u>3,314,486</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	6,572,193	544,791	7,116,984
Total liabilities and deferred inflows of resources	<u>7,071,082</u>	<u>3,360,388</u>	<u>10,431,470</u>
Fund Balances			
Nonspendable:			
Prepaid expenses	60,218	-	60,218
Inventory	13,325	-	13,325
Restricted	308,947	-	308,947
Committed	-	1,614,352	1,614,352
Unassigned	4,469,311	(2,763,641)	1,705,670
Total fund balances	<u>4,851,801</u>	<u>(1,149,289)</u>	<u>3,702,512</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,922,883</u>	<u>\$ 2,211,099</u>	<u>\$ 14,133,982</u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

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

JUNE 30, 2020

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

Total fund balances - governmental funds	\$ 3,702,512
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	5,043,813
Depreciable, net of accumulated depreciation	4,477,095
Deferred property taxes are reported in the governmental funds but not reported in governmental activities	7,116,984
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:	
Bonds payable	(2,741,787)
Capital Leases Payable	(216,027)
Accrued compensated absences payable	(407,846)
Net OPEB plan liability	(5,142,571)
Deferred outflows - OPEB plan	1,568,737
Deferred inflows - OPEB plan	(636,860)
Net pension plan liability	(8,886,117)
Deferred outflows - pension plan	1,421,308
Deferred inflows - pension plan	(213,402)
Net position of governmental activities	<u>\$ 5,085,839</u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

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

YEAR ENDED JUNE 30, 2020

	General Fund	Non-Major Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 8,062,243	\$ 1,292,792	\$ 9,355,035
Intergovernmental revenues	13,192	-	13,192
Grant revenues	7,534	-	7,534
Other	94,049	-	94,049
Total revenues	<u>8,177,018</u>	<u>1,292,792</u>	<u>9,469,810</u>
Expenditures			
General government	1,118,251	-	1,118,251
Public safety - fire	4,364,237	-	4,364,237
Health - solid waste	2,296,717	-	2,296,717
Capital outlay	704,364	2,861,431	3,565,795
Debt service:			
Principal	-	505,827	505,827
Interest	-	34,831	34,831
Total expenditures	<u>8,483,569</u>	<u>3,402,089</u>	<u>11,885,658</u>
(Deficit) of revenues (under) expenditures	<u>(306,551)</u>	<u>(2,109,297)</u>	<u>(2,415,848)</u>
Other Financing Sources			
Proceeds from sale of assets	27,200	-	27,200
Proceeds from debt issuance	903,000	-	903,000
Total other financing sources	<u>930,200</u>	<u>-</u>	<u>930,200</u>
Net change in fund balance	623,649	(2,109,297)	(1,485,648)
Fund balance, beginning of year	<u>4,228,152</u>	<u>960,008</u>	<u>5,188,160</u>
Fund balance, end of year	<u><u>\$ 4,851,801</u></u>	<u><u>\$ (1,149,289)</u></u>	<u><u>\$ 3,702,512</u></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, 2020

Net change in fund balance - total governmental funds		\$ (1,485,648)
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	\$ 3,565,795	
Depreciation	<u>(517,801)</u>	
Net change in capital assets		3,047,994
Repayment of bond and capital lease principal is an expenditure in governmental funds but a reduction of liabilities in the Statement of Net Position.		505,827
Some expenses are reflected in the Statement of Activities but not in the governmental funds:		
Change in Net OPEB and Net Pension plan deferred outflows		1,439,659
Change in Net OPEB plan liability		2,328,600
Change in Net Pension plan liability		(583,765)
Change in Net OPEB and Net Pension plan deferred inflows		21,824
Change in compensated absences		(57,776)
Other financing sources which do not provide current resources:		
Gain or loss on the sale of assets		(59,313)
Proceeds from debt issuance		(903,000)
Property tax revenue in the Statement of Activities does not provide current financial resources are not reported in revenues in governmental funds.		<u>440,508</u>
Change in net position of governmental activities		<u><u>\$ 4,694,910</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, 2020

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Property taxes	\$ 7,847,206	\$ 8,062,243	\$ 215,037
Intergovernmental revenues	21,208	13,192	(8,016)
Other income	29,800	101,583	71,783
Total revenue	<u>7,898,214</u>	<u>8,177,018</u>	<u>278,804</u>
Expenditures			
General government	1,075,333	1,118,251	(42,918)
Public safety - fire	4,419,201	4,364,237	54,964
Health - solid waste	2,224,776	2,296,717	(71,941)
Capital outlay	923,637	704,364	219,273
Total expenditures	<u>8,642,947</u>	<u>8,483,569</u>	<u>159,378</u>
(Deficit) of revenues (under) expenditures	<u>(744,733)</u>	<u>(306,551)</u>	<u>438,182</u>
Other financing sources (uses)			
Proceeds from sale of assets	-	27,200	27,200
Proceeds from debt issuance	926,636	903,000	(23,636)
Total other financing sources	<u>926,636</u>	<u>930,200</u>	<u>3,564</u>
Net change in fund balance	<u>\$ 181,903</u>	623,649	<u>\$ 441,746</u>
Fund balance, beginning of year		<u>4,228,152</u>	
Fund balance, end of year		<u>\$ 4,851,801</u>	

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND

JUNE 30, 2020

Assets

Current assets	
Cash and cash equivalents - unrestricted	\$ 3,311,612
Cash and cash equivalents - restricted	1,703,239
Funds held in escrow	3,606,550
Customer receivables (net of allowance)	360,177
Prepaid expenses	14,280
Total current assets	8,995,858
Noncurrent assets	
Capital assets:	
Non-depreciable	2,505,924
Depreciable, net of accumulated depreciation	43,539,047
Total noncurrent assets	46,044,971
Total assets	55,040,829

Deferred outflows of resources

Pension plan	422,497
OPEB plan	269,698
Total assets and deferred outflows of resources	55,733,024

Liabilities

Accounts payable	568,574
Due to other funds	70,016
Accrued salaries and benefits	62,519
Accrued interest payable	97,503
Customer deposits	41,068
Net pension plan liability	2,664,294
Net OPEB plan liability	884,115
Long-term liabilities:	
Due within one year	1,277,386
Due in more than one year	16,811,157
Total liabilities	22,476,632

Deferred inflows of resources

Pension plan	188,143
OPEB plan	109,490
Total liabilities and deferred inflows of resources	22,774,265

Net position

Net investment in capital assets	28,070,711
Restricted	5,309,789
Unrestricted	(421,741)
Total net position	\$ 32,958,759

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

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

YEAR ENDED JUNE 30, 2020

Operating revenues	
District customer	\$ 4,486,610
Transportation customer	1,881,139
Full charge customer	1,081,061
Wholesale customer	425,394
Other fees and charges	276,011
Tap fees	20,085
Impact fees	35,665
Total operating revenue	<u>8,205,965</u>
Operating expenses	
Salaries and fringe benefits	1,572,529
Operations and maintenance	3,795,676
Administrative	615,076
Depreciation	1,286,242
Total operating expenses	<u>7,269,523</u>
Operating income	<u>936,442</u>
Nonoperating revenues (expenses)	
Gain from the sale of capital assets	19,013
Interest income	36,580
Interest expense	(318,725)
Total nonoperating revenues (expenses)	<u>(263,132)</u>
Change in net position	673,310
Total net position, beginning	32,285,449
Total net position, ending	<u><u>\$ 32,958,759</u></u>

See accompanying notes.

JAMES ISLAND PUBLIC SERVICE DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

Cash flows from operating activities	
Receipts from customers	\$ 8,158,511
Payments to suppliers	(6,921,376)
Payments to employees	(1,928,743)
Net cash provided by operating activities	<u>(691,608)</u>
 Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(3,602,008)
Proceeds from the sale of assets	19,013
Due to / due from other funds	(112,438)
Funds held in escrow	3,108,885
Proceeds from debt	4,013,856
Principal payments on debt	(1,751,652)
Interest paid on debt	(318,725)
Accrued interest payable	50,420
Net cash used by capital and related financing activities	<u>1,407,351</u>
 Cash flows from investing activities	
Interest income	36,580
Net cash provided by investing activities	<u>36,580</u>
Net increase in cash and cash equivalents	752,323
Cash and cash equivalents, beginning	4,262,528
Cash and cash equivalents, ending	<u>\$ 5,014,851</u>
 Reconciliation of Cash and Cash Equivalents to Balance Sheet:	
Cash and cash equivalents - unrestricted	\$ 3,311,612
Cash and cash equivalents - restricted	1,703,239
Total cash and cash equivalents	<u>\$ 5,014,851</u>

(CONTINUED)

JAMES ISLAND PUBLIC SERVICE DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

-CONTINUED-

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

Operating income	\$	936,442
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		1,286,242
Changes in assets, deferred outflows, liabilities and deferred inflows		
Customer receivables		(37,631)
Prepaid Expenses		(4,557)
Deferred outflows - pensions and OPEB		(281,436)
Accounts payable		(2,506,067)
Accrued salaries and benefits		6,605
Customer deposits		(9,823)
Accrued compensated absences		3,379
Net pension plan liability		184,745
Net OPEB plan liability		(400,334)
Deferred inflows-pensions and OPEB		130,827
Net cash provided by operating activities	\$	<u>(691,608)</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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 and Funds Held in Escrow

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. Additionally, the District's proprietary and governmental activities have funds held in escrow. These funds are to be used for specific capital outlay purchases as described in the debt agreements associated and can be drawn down as these expenditures occur and are approved by financial institutions through which the associated debt is funded. These funds cannot be used for any other purpose. Total cash and cash equivalents in debt service, debt service reserves, depreciation, contingency and funds held in escrow funds was \$5,618,736 as of June 30, 2020.

Restricted cash and cash equivalents and funds held in escrow consisted of the following for June 30, 2020:

Debt service reserves	\$ 584,359
Depreciation	338,299
Contingency funds	780,581
Funds held in escrow	<u>3,915,497</u>
Total restricted cash and cash equivalents and funds held in escrow	<u>\$ 5,618,736</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 in the amount of \$360,177. The allowance for uncollectable accounts totaled \$138,831 as of June 30, 2020.

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 \$388,000 and \$29,245 for the General Fund and Debt Service Fund, respectively.

<u>Tax Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>
2020 and prior years	\$ 6,633,820	\$ 535,083
Less: allowance	(388,000)	(29,245)
Net property taxes receivable	\$ 6,245,820	\$ 505,838

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 \$70,016 was used to cover expenses of the wastewater fund. Additionally, the amount due to the general fund from the capital projects fund totaled \$2,245,413 and the amount due from the general fund to the debt service fund totaled \$259,771.

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 \$1,843,805 and \$1,838,435 as of June 30, 2020, 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 and OPEB plans in the amount of \$401,545 and \$746,350 as of June 30, 2020, 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 \$6,572,193 and \$544,791 in general fund and debt service fund as of June 30, 2020, 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 \$278,804. Budgeted expenditures exceeded actual expenditures by \$159,378.

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, 2020, the carrying amount of the District’s unrestricted and restricted cash and cash equivalents was \$8,921,289, and the bank balance was \$8,531,329 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, 2020, consist of the following

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable:			
Intergovernmental revenue	\$ 508,746	\$ -	\$ 508,746
Utility service billings	-	499,008	499,008
Gross receivables	508,746	499,008	1,007,754
Less, allowance for uncollectibles	-	(138,831)	(138,831)
Net receivables	<u>\$ 508,746</u>	<u>\$ 360,177</u>	<u>\$ 868,923</u>

5. Capital Assets (continued)

Capital asset activity for the year ended June 30, 2020, was as follows:

<u>Governmental activities:</u>	<u>Balance 7/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2020</u>
Capital assets, not being depreciated				
Land	\$ 1,640,336	\$ -	\$ -	\$ 1,640,336
Construction in progress	542,046	2,861,431	-	3,403,477
Total capital assets, not being depreciated	2,182,382	2,861,431	-	5,043,813
Capital assets, being depreciated				
Buildings	1,115,159	-	-	1,115,159
Fencing Paving & Landscaping	66,654	-	-	66,654
Vehicles	5,456,971	249,806	(190,975)	5,515,802
Machinery & Fire Equipment	1,314,083	136,941	-	1,451,024
Furniture and Office Equipment	109,959	-	-	109,959
Communication System	442,497	317,617	-	760,114
Total capital assets, being depreciated	8,505,323	704,364	(190,975)	9,018,712
Less: Accumulated depreciation	(4,155,478)	(517,801)	131,662	(4,541,617)
Total capital assets, being depreciated, net	4,349,845	186,563	(59,313)	4,477,095
Governmental activities capital assets, net	<u>\$ 6,532,227</u>	<u>\$ 3,047,994</u>	<u>\$ (59,313)</u>	<u>\$ 9,520,908</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	\$ 20,194
Public safety - fire	374,763
Health - solid waste	122,844
Total depreciation - governmental activities	<u>\$ 517,801</u>

<u>Business-type activities:</u>	<u>Balance</u> <u>7/1/2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2020</u>
Capital assets, not being depreciated				
Land and easements	\$ 814,365	\$ -	\$ -	\$ 814,365
Construction in progress	6,688,975	3,116,854	(8,114,270)	1,691,559
Total capital assets, not being depreciated	<u>7,503,340</u>	<u>3,116,854</u>	<u>(8,114,270)</u>	<u>2,505,924</u>
Capital assets, being depreciated				
Buildings	515,543	36,738	-	552,281
Sewer system	42,911,422	8,253,720	-	51,165,142
Contributed systems	11,191,477	-	-	11,191,477
Purchased systems	179,566	-	-	179,566
Equipment	28,418	86,870	-	115,288
Vehicles	1,144,009	165,142	(68,029)	1,241,122
Communication System	701,430	56,954	-	758,384
Total capital assets, being depreciated	56,671,865	8,599,424	(68,029)	65,203,260
Less: Accumulated depreciation	(20,446,000)	(1,286,242)	68,029	(21,664,213)
Total capital assets, being depreciated, net	<u>36,225,865</u>	<u>7,313,182</u>	<u>-</u>	<u>43,539,047</u>
Governmental activities capital assets, net	<u>\$ 43,729,205</u>	<u>\$ 10,430,036</u>	<u>\$ (8,114,270)</u>	<u>\$ 46,044,971</u>

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.

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 15.41%. Included in the total SCRS employer contribution rate is a base retirement contribution of 15.26%, and .15% for the incidental death program.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

The District's contributions for the years ended June 30, 2020, 2019 and 2018 are as follows:

Year Ended June 30,	Employer Contribution Rate			Employer Contributions		
	Base	Death	Total	Base	Death	Total
2020	15.41%	0.15%	15.56%	\$ 809,637	\$ 7,881	\$ 817,518
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

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 18.24%.

Included in the total PORS employer contribution rate is a base retirement contribution of 17.84% and .20% for the incidental death program and .20% for the accidental death program.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

The District's contributions for the years ended June 30, 2020, 2019 and 2018 are as follows:

Year Ended June 30,	Employer Contribution Rate			Employer Contributions		
	Base	Death Benefits	Total	Base	Death Benefits	Total
2020	18.24%	0.40%	18.64%	\$ -	\$ -	\$ -
2019	17.24%	0.40%	17.64%	761	18	779
2018	15.84%	0.40%	16.24%	1,296	33	1,329

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, 2020 the District reported \$11,541,482 and \$8,929, 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, 2019 actuarial valuations, using membership data as of July 1, 2019, projected forward to June 30, 2020, and financial information of the pension trust funds as of June 30, 2019, 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, 2020, the District's SCRS proportion was 0.050584% and PORS proportion was 0.000312%.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Pension Plan (continued)

At June 30, 2020 the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	SCRS	PORS
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 7,756	\$ 184
Assumption changes	232,403	354
Net difference between projected and actual investment earnings	361,688	365
Differences between employer contributions and proportionate share	423,539	-
Contributions made from measurement date to fiscal year end	817,518	-
Total deferred outflows of resources	1,842,904	903
 Deferred Inflows of Resources		
Differences between expected and actual experience	342,452	317
Differences between employer contributions and proportionate share	52,539	6,237
Total deferred inflows of resources	394,991	6,554
 Net deferred outflows/(inflows)	\$ 1,447,913	\$ (5,651)

\$817,518 and \$0 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30,	
2020	\$ 407,311
2021	32,563
2022	142,142
2023	42,728
	\$ 624,744

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:

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	51.00%		
Global Public Equity	35.00%	7.29%	2.55%
Private Equity	9.00%	7.67%	0.69%
Equity Options Strategies	7.00%	5.23%	0.37%
Real Assets	12.00%		
Real Estate (Private)	8.00%	5.59%	0.45%
Real Estate (REITs)	1.00%	8.16%	0.08%
Infrastructure (Private)	2.00%	5.03%	0.10%
Infrastructure (Public)	1.00%	6.12%	0.06%
Opportunistic	8.00%		
Global Tactical Asset Allocation	7.00%	3.09%	0.22%
Other Opportunistic Strategies	1.00%	3.82%	0.04%
Credit	15.00%		
High Yield Bonds/ Bank Loans	4.00%	3.14%	0.13%
Emerging Markets Debt	4.00%	3.31%	0.13%
Private Debt	7.00%	5.49%	0.38%
Rate Sensitive	14.00%		
Core Fixed Income	13.00%	1.62%	0.21%
Cash and Short Duration (Net)	1.00%	0.31%	0.00%
Total Expected Return	100.00%		5.41%
Inflation for Actuarial Purposes			2.25%
			<u>7.66%</u>

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, 2020 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	\$ 14,538,999	\$ 11,541,482	\$ 9,039,831
PORS	12,101	8,929	6,330
	\$ 14,551,100	\$ 11,550,411	\$ 9,046,161

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

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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, 2019, the valuation date, there were 143 covered participants. Of this number, 101 participants are current employees and 42 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	42
Inactive Members Entitled to But Not Yet Receiving Benefits	0
Active Employees	<u>101</u>
Total Membership	143

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, 2019 to June 30, 2020 is shown in the following table:

	Total OPEB Liability
Balances as of June 30, 2019	\$ 8,755,620
Changes for the year:	
Service Cost at the end of the year*	373,137
Interest on OPEB liability and Cash Flows	358,856
Change in benefit terms	0
Difference between expected and actual experience	194,006
Changes of assumptions or other inputs	(2,866,281)
Net contributions, benefit payments, implicit subsidy credit and net investment income	(792,810)
Other	0
Net Changes	<u>(2,728,934)</u>
Balance as of June 30, 2020	<u>\$ 6,026,686</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	\$ 3,835,224	\$ 6,026,686	\$ 9,032,589

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	\$ 8,438,248	\$ 6,026,686	\$ 4,134,269

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 \$6,026,686 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, 2019
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, 2019 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, 2020, 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	\$ 197,396	\$ 0
Changes of assumptions or other inputs	1,641,039	746,350
Total	<u>\$ 1,838,435</u>	<u>\$ 746,350</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, 2019	
2021	\$ 132,064
2022	132,064
2023	132,062
2024	132,076
2025	129,940
Thereafter	<u>433,879</u>
Total	<u>\$ 1,092,085</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, 2020, were as follows:

	July 1, 2019	Additions	Reductions	June 30, 2020	Due Within One Year
<u>Governmental activities:</u>					
General obligation debt	\$ 232,144	\$ -	\$ (16,117)	\$ 216,027	\$ 29,361
Capital Leases	2,328,496	903,000	(489,709)	2,741,787	598,774
Net other post-employment benefits	7,471,171	-	(2,328,600)	5,142,571	-
Net pension liability	8,302,352	583,765	-	8,886,117	-
Compensated absences	350,070	407,846	(350,070)	407,846	407,846
Governmental Activities	<u>\$ 18,684,233</u>	<u>\$ 1,894,611</u>	<u>\$ (3,184,496)</u>	<u>\$ 17,394,348</u>	<u>\$ 1,035,981</u>
<u>Business-type activities:</u>					
Revenue bonds	\$ 596,141	\$ -	\$ (28,293)	\$ 567,848	\$ 59,664
State revolving fund loan	14,876,135	3,855,856	(1,636,476)	17,095,515	1,036,212
Capital leases	239,780	158,000	(86,883)	310,897	67,227
Net other post-employment benefits	1,284,449	-	(400,334)	884,115	-
Net pension liability	2,479,549	184,745	-	2,664,294	-
Compensated absences	110,904	114,283	(110,904)	114,283	114,283
Business-type Activities	<u>\$ 19,586,958</u>	<u>\$ 4,312,884</u>	<u>\$ (2,262,890)</u>	<u>\$ 21,636,952</u>	<u>\$ 1,277,386</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:

<u>Governmental</u>			
<u>Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 15,449	\$ 13,912	\$ 29,361
2022	9,605	13,017	22,622
2023	10,133	12,489	22,622
2024	10,691	11,932	22,622
2025	11,279	11,344	22,622
2026-2030	66,409	46,703	113,111
2031-2035	86,794	26,318	113,111
2036-2037	5,667	2,297	7,964
Total	<u>\$ 216,027</u>	<u>\$ 138,012</u>	<u>\$ 354,035</u>

<u>Business-Type</u>			
<u>Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 750,366	\$ 345,510	\$ 1,095,876
2022	839,524	372,458	1,211,981
2023	858,700	353,280	1,211,980
2024	878,353	333,628	1,211,981
2025	898,498	313,482	1,211,980
2026-2030	4,812,897	1,246,999	6,059,896
2031-2035	4,360,711	710,542	5,071,253
2036-2040	2,383,033	336,918	2,719,951
2041-2045	978,155	179,992	1,158,146
2046-2050	903,126	56,792	959,918
Total	<u>\$ 17,663,363</u>	<u>\$ 4,249,601</u>	<u>\$ 21,912,962</u>

The revenue bonds outstanding for the business-type activity at June 30, 2020, 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	\$ 223,183
Grimball Road Expansion	11/14/1996	11/14/2036	5.13%	538,000	344,665
Totals				<u>\$ 975,000</u>	<u>\$ 567,848</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, 2020, 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	\$ 3,128,832
Pump Station #11 Phase 2	9/1/2016	9/1/2036	1.80%	2,527,659	1,693,379
Schooner Road Extension	2/26/2010	5/1/2030	2.25%	717,520	401,888
Harbor View Circle Force Main	7/1/2011	4/1/2031	2.25%	586,757	358,937
Pump Station 33 Rehab	7/1/2011	7/1/2031	2.25%	1,250,352	772,410
Force Main Replacement	10/1/2013	7/1/2033	2.25%	1,870,339	1,330,312
Water Pollution Control 19	6/7/2019	10/1/2049	2.37%	6,715,435	5,553,900
Pump Station #2 Upgrade	12/5/2019	7/1/2040	2.60%	1,793,128	1,793,128
Pump Station 22 and 34 Upgrades	6/1/2020	9/1/2040	2.20%	1,067,767	1,067,757
Pump Station #1 Downgrades	6/1/2020	1/1/2041	2.20%	994,971	994,972
Total				<u>\$ 21,766,450</u>	<u>\$ 17,095,515</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, 2020, 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	\$ 6,346
Fire Station 3	11/14/1996	11/14/2036	5.50%	363,000	209,681
Totals				<u>\$ 505,000</u>	<u>\$ 216,027</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. Under the terms of lease payments, including interest, by year ended June 30, 2020, are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>Activities</u>			
2021	\$ 542,354	\$ 56,420	\$ 598,774
2022	542,613	45,060	587,673
2023	485,082	33,461	518,543
2024	526,186	22,988	549,174
2025	362,701	12,288	374,989
2026-2027	273,289	19,373	292,662
Total	<u>\$ 2,732,225</u>	<u>\$ 189,590</u>	<u>\$ 2,921,815</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

9. Capital Lease Obligations (continued)

<u>Business-Type</u>				
<u>Activities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2021	\$ 60,689	\$ 6,538	\$ 67,227	
2022	63,539	5,267	68,806	
2023	47,829	3,968	51,797	
2024	49,134	2,906	52,040	
2025	41,927	1,821	43,748	
2026-2027	47,779	1,708	49,487	
Total	\$ 310,897	\$ 22,208	\$ 333,105	

Capital leases outstanding for governmental activities at June 30, 2020, 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>
Crane and Equipment	11/20/2015	11/20/2021	1.71%	\$ 636,791	\$ 145,338
Roll Carts	11/20/2015	11/20/2025	2.04%	453,282	233,318
Escrow Vehicles and Equip	2/4/2018	8/4/2024	2.08%	2,124,663	1,460,131
2019 Capital Lease	9/23/2019	9/23/2026	2.37%	903,000	903,000
Totals				\$ 4,117,736	\$ 2,741,787

Capital leases outstanding for business-type activities at June 30, 2020, 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>
Ford Truck and Diesel Gen	12/1/2015	11/30/2021	1.71%	\$ 102,741	\$ 31,626
Escrow Vehicles and Equip	2/4/2018	8/4/2024	2.08%	175,337	121,271
2019 Capital Lease	9/23/2019	9/23/2026	2.37%	158,000	158,000
Totals				\$ 436,078	\$ 310,897

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.

JAMES ISLAND PUBLIC SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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. Subsequent events

The Coronavirus (COVID-19) pandemic developed rapidly in the later part of fiscal year 2020, with a significant number of cases globally. At this stage, the impact on the District's financial health has not been significant.

The District closed on two general obligation bonds and two state revolving loan fund loans subsequent to year-end. The closing amounts of these bonds and loans were \$7,060,000, \$1,440,000, \$2,000,000, and \$1,322,658, respectively.

Subsequent events were evaluated through December 10, 2020 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>2020</u>	<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	5.058400%	0.048044%	0.048044%	0.049145%	0.046509%	0.047850%
District's proportionate share of the net pension liability	\$ 11,541,482	\$ 10,765,152	\$ 10,765,152	\$ 10,514,040	\$ 9,320,586	\$ 8,251,489
District's covered payroll	\$ 5,380,645	\$ 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	214.50%	216.22%	178.16%	233.29%	204.30%	181.96%
Plan fiduciary net position as a percentage of the total pension liability	54.40%	54.10%	54.10%	52.91%	56.99%	59.92%
South Carolina Police Officers Retirement System						
District's proportion of the net pension liability	0.000312%	0.000591%	0.000591%	0.000000%	0.000000%	0.000000%
District's proportionate share of the net pension liability	\$ 8,929	\$ 16,749	\$ 16,749	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,416	\$ 8,183	\$ 8,497	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability as a percentage of its covered payroll	202.20%	204.68%	197.12%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	62.70%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
South Carolina Retirement System						
Contractually required contributions	\$ 817,518	\$ 775,351	\$ 675,112	\$ 698,483	\$ 498,457	\$ 497,278
Contributions in relation to the contractually required contribution	(817,518)	(775,351)	(675,112)	(698,483)	(498,457)	(497,278)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District covered payroll	\$ 5,253,969	\$ 5,380,645	\$ 4,978,702	\$ 6,042,240	\$ 4,506,844	\$ 4,562,183
Contributions as a percentage of covered payroll	15.41%	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>	<u>\$ -</u>
District covered payroll	\$ -	\$ 4,416	\$ 8,183	\$ 8,497	\$ -	\$ -
Contributions as a percentage of covered payroll	0.00%	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*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 373,137	\$ 431,165	\$ 379,381
Interest	358,856	324,787	312,769
Difference between expected and actual experience	194,006	3,971	18,588
Changes of assumptions or other inputs	(2,866,281)	(955,412)	522,659
Employer contributions	(578,975)	(290,703)	-
Net investment income	(2,860)	(1,631)	-
Benefit payments and implicit study credit	(210,975)	-	(183,839)
Administrative Expenses	4,158	-	-
Net change in Total OPEB Liability	<u>(2,728,934)</u>	<u>(487,823)</u>	<u>1,049,558</u>
Total OPEB Liability - beginning	<u>8,755,620</u>	<u>9,243,443</u>	<u>8,193,885</u>
Total OPEB Liability - ending	<u>\$ 6,026,686</u>	<u>\$ 8,755,620</u>	<u>\$ 9,243,443</u>
Covered-employee payroll	\$ 4,203,864	\$ 4,237,346	\$ 4,237,346
Total OPEB Liability as a percentage of covered payroll	143.36%	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, 2020

	Capital Projects Fund	Debt Service Fund	Total Non-Major Funds
Assets			
Cash and cash equivalents	\$ -	\$ 1,373,059	\$ 1,373,059
County revenue receivable	-	61,745	61,745
Taxes receivable (net of allowance)	-	505,838	505,838
Prepaid expenses	10,686	-	10,686
Due from general fund	-	259,771	259,771
Total assets	<u>10,686</u>	<u>2,200,413</u>	<u>2,211,099</u>
Liabilities			
Accounts payable	528,914	-	528,914
Accrued interest	-	41,270	41,270
Due to general fund	2,245,413	-	2,245,413
Total liabilities	<u>2,774,327</u>	<u>41,270</u>	<u>2,815,597</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	-	544,791	544,791
Total liabilities and deferred inflows of resources	<u>2,774,327</u>	<u>586,061</u>	<u>3,360,388</u>
Fund Balances			
Committed	-	1,614,352	1,614,352
Unassigned	(2,763,641)	-	(2,763,641)
Total fund balances	<u>(2,763,641)</u>	<u>1,614,352</u>	<u>(1,149,289)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,686</u>	<u>\$ 2,200,413</u>	<u>\$ 2,211,099</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT

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

YEAR ENDED JUNE 30, 2020

	Capital Projects Fund	Debt Service Fund	Total Non-Major Funds
Revenues			
Property taxes	\$ -	\$ 1,292,792	\$ 1,292,792
Total revenues	<u>-</u>	<u>1,292,792</u>	<u>1,292,792</u>
Expenditures			
Capital outlay	2,861,431	-	2,861,431
Debt service:			
Principal	-	505,827	505,827
Interest	-	34,831	34,831
Total expenditures	<u>2,861,431</u>	<u>540,658</u>	<u>3,402,089</u>
(Deficit) of revenues (under) expenditures	<u>(2,861,431)</u>	<u>752,134</u>	<u>(2,109,297)</u>
Net change in fund balance	(2,861,431)	752,134	(2,109,297)
Fund balance, beginning of year	97,790	862,218	960,008
Fund balance, end of year	<u>\$ (2,763,641)</u>	<u>\$ 1,614,352</u>	<u>\$ (1,149,289)</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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2020.

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. However, material weaknesses may exist that have not been identified.

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.

The Brittingham Group LLP

West Columbia, South Carolina
December 10, 2020