

JAMES ISLAND PUBLIC SERVICE DISTRICT

SOUTH CAROLINA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

**JAMES ISLAND PUBLIC SERVICE DISTRICT
ANNUAL FINANCIAL STATEMENTS
JUNE 30, 2021**

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LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
James Island Public Service District
James Island, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of James Island Public Service District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise James Island Public Service District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of James Island Public Service District as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in note 1 and 12 to the financial statements, James Island Public Service District recorded a prior period adjustment due to the adoption of Governmental Accounting Boards (“GASB”) Statement No. 84 “*Financial Activities*” (“Statement” or “GASB #84”) for the year ended June 30 2021. The adoption of GASB #84 has resulted in the restatement of the District’s fund balance and net position as of July 1, 2021 for its governmental fund financial statements and its government-wide financial statements to reflect the reporting of the Firefighters’ One Percent Fund. In addition, the District recorded a prior period adjustment due to an understatement of the OPEB liability in the previous year.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedule of James Island Public Service District’s proportionate share of the net pension liability, the schedule of James Island Public Service District’s contributions and schedule of revenues, expenditures and changes in fund – budget and actual – general fund information on pages 3–9 and 46–49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the James Island Public Service District’s basic financial statements. The schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund – fire department and the schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund – sewer department (collectively “department schedules”) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The department schedules have been not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2021, 2021 on our consideration of James Island Public Service District’s internal control over financial reporting and on out 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 James Island Public Service District’s internal control over financial reporting and compliance.

Love Bailey & Associates, LLC
Love Bailey & Associates, LLC
Laurens, South Carolina
December 8, 2021

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, 2021. 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, 2021 by \$36,941,386 (net position).
- The District's total net position increased \$3,348,797 with increases of \$3,002,665 and \$346,132 from governmental activities business-type activities, respectively.
- For the fiscal year ending June 30, 2021, the District maintained four governmental funds which are its General Fund, Debt Service Fund, Capital Projects Fund, and One Percent Fund. The District's governmental fund balance sheet reported a combined ending fund balance of \$10,010,963, an increase of \$6,238,968 from the previous fiscal year. Of this amount, \$7,880,874 is unassigned.
- The General Fund reported actual revenues of \$699,943 over budget and expenditures of \$175,374 under budget. General Fund expenditures include \$1,743,738 in capital outlay for machinery, equipment, and vehicles. General fund reported other financing sources revenue in the amount of \$3,212,769 for proceeds from the sale of capital assets, insurance proceeds and proceeds from debt issuance. These amounts were \$72,619, 280,396 and \$2,859,754, respectively.

Overview of the Financials

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.

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).

**JAMES ISLAND PUBLIC SERVICE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS**

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 10 and 11 of this report.

Fund financial statement

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 four governmental funds during the fiscal year 2020-2021. 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, One Percent 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.

The basic governmental fund financial statements can be found on pages 12-16 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.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 16-18 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 19-45 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. 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 \$36,941,386 at the close of the most recent fiscal year. The District's increase in net position for this fiscal year amountsto \$3,348,797.

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.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2021	2020	2021	2020	2021	2020
Current assets and other	\$ 17,280,625	\$ 11,630,034	\$ 8,881,486	\$ 8,925,842	\$ 26,162,111	\$ 20,555,876
Capital assets, net	13,401,716	9,520,908	49,107,783	46,044,971	62,509,499	55,565,879
Total assets	30,682,341	21,150,942	57,989,269	54,970,813	88,671,610	76,121,755
Deferred outflows	4,002,772	2,990,045	951,231	692,195	4,954,003	3,682,240
Total assets and deferred outflows	\$ 34,685,113	\$ 24,140,987	\$ 58,940,500	\$ 55,663,008	\$ 93,625,613	\$ 79,803,995
Current and other	\$ 17,306,972	\$ 14,839,226	\$ 5,462,437	\$ 4,318,073	\$ 22,769,409	\$ 19,157,299
Long-term liabilities	12,016,762	3,365,660	20,601,538	18,088,543	32,618,300	21,454,203
Total liabilities	29,323,734	18,204,886	26,063,975	22,406,616	55,387,709	40,611,502
Deferred inflows	956,230	850,262	340,288	297,633	1,296,518	1,147,895
Total liabilities and deferred inflows	30,279,964	19,055,148	26,404,263	22,704,249	56,684,227	41,759,397
Net position						
Net investment in capital assets	1,384,954	6,155,248	28,620,528	27,956,428	30,005,482	34,111,676
Restricted	2,905,671	308,947	5,309,789	5,309,789	8,215,460	5,618,736
Unrestricted	114,524	(1,378,356)	(1,394,080)	(307,458)	(1,279,556)	(1,685,814)
Total net position	\$ 4,405,149	\$ 5,085,839	\$ 32,536,237	\$ 32,958,759	\$ 36,941,386	\$ 38,044,598

**JAMES ISLAND PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2021	2020	2021	2020	2021	2020
Charges for services	\$ -	\$ -	\$ 8,341,281	\$ 8,205,965	\$ 8,341,281	\$ 8,205,965
General revenues	10,274,899	9,878,205	(7,384)	55,593	10,267,515	9,933,798
Total revenues	10,274,899	9,878,205	8,333,897	8,261,558	18,608,796	18,139,763
Program expenses	7,272,234	5,183,295	7,987,765	7,588,248	15,259,999	12,771,543
Increase in net position	3,002,665	4,694,910	346,132	673,310	3,348,797	5,368,220
Beginning net position, restated	1,402,484	390,929	32,190,105	32,285,449	33,592,589	32,673,378
Total net position	\$ 4,405,149	\$ 5,085,839	\$ 32,536,237	\$ 32,958,789	\$ 36,941,386	\$ 38,044,597

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, 2021, the James Island Public Service District governmental funds reported combined fund balances of \$10,010,963 an increase of \$6,238,968 compared to prior year balances. 79% of this total amount constitutes unassigned fund balance, which is available for spending at the District's discretion.

The remainder of the fund balance is split between a nonspendable amount of \$76,749, \$389,607 being restricted that is not available for new spending because it has already been restricted for specific purposes, and \$1,663,733 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, 2021, the total fund balance in the General Fund was \$7,415,924. The General Fund balance increased by \$2,564,123 during the current fiscal year. This increase is mainly a result of proceeds from debt issuance in the amount of \$2,859,754.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

In addition to the General Fund the District's other nonmajor governmental funds are the Debt Service Fund, Capital Projects Fund and One Percent Fund. At June 30, 2021 the total fund balance in each fund was \$1,980,718, \$541,699 and \$72,622, respectively. Debt service fund balance increased during the fiscal year by \$4,744,359, Capital Projects fund balance decreased by \$1,072,653 and One Percent Fund increased by \$3,139. Debt Service Fund balance increased primarily due to proceeds from debt issuance in the amount of \$7,071,988. Capital Projects Fund balance decreased due to having \$3,545,724 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, 2021, total net position of the Wastewater Utility System amounted to \$32,536,237 as compared to a total net position balance of \$32,190,105 at June 30, 2020. The increase in net position of \$346,132 for the fiscal year is due increasing revenue 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 \$8,607,853 before other financing sources and achieved actual revenues of \$9,307,796, or \$699,943 more than budgeted. This is mainly due to \$371,955 in increased property tax revenues and \$307,829 in grant revenues that were received. Expenditures were budgeted for \$9,781,068 with actual expenditures of \$9,956,442. The reason expenditures were over budget was due to replacing four dump trucks that were destroyed in a fire.

Capital assets – The James Island Public Service District's investments in capital assets for its governmental and business type activities as of June 30, 2021, amounts to \$62,509,499 (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, various equipment, communications equipment in excess of \$1,859,000 during the year.
- The District completed the multi-year, \$8,486,620 construction of Fire Station Number One.
- The District continues to upgrade, update and repair projects with the sewer system and functions of the District. Various upgrades of approximately \$194,276 and various construction in progress was completed in the amount of \$2,768,394 regarding the sewer system during the fiscal year. Additionally, other construction in progress was started but not completed during the year.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021
Capital assets, not being depreciated				
Land	\$ 1,640,336	\$ -	\$ -	\$ 1,640,336
Construction in process	3,403,477	3,430,096	(6,833,573)	-
Total	5,043,813	3,430,096	(6,833,573)	1,640,336
Capital assets, being depreciated				
Buildings	1,115,159	-	6,833,573	7,948,732
Fencing, paving & landscaping	66,654	-	-	66,654
Vehicles	5,515,802	1,611,358	(979,962)	6,147,198
Machinery and fire equipment	1,451,024	109,081	-	1,560,105
Furniture and office equipment	109,959	138,927	-	248,886
Communication	706,114	-	-	706,114
Total capital assets, being depreciated	9,018,712	1,859,366	5,853,611	16,731,689
Less: accumulated depreciation	(4,541,617)	(963,419)	534,727	(4,970,309)
Total capital assets, being depreciated	4,477,095	895,947	(445,235)	11,761,380
Governmental activities capital assets	\$ 9,520,908	\$ 4,326,043	\$ (445,235)	\$ 13,401,716

Business-Type Activities

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021
Capital assets, not being depreciated				
Land	\$ 814,365	\$ -	\$ -	\$ 814,365
Construction in process	1,691,559	4,197,437	(2,768,394)	3,120,602
Total	2,505,924	4,197,737	(2,768,394)	3,934,967
Capital assets, being depreciated				
Buildings	552,281	19,111	-	571,392
Sewer system	51,165,142	194,276	2,767,208	54,126,626
Contributed systems	11,191,477	-	-	11,191,477
Purchased systems	179,566	-	-	179,566
Equipment	115,288	25,131	-	140,419
Vehicles	1,241,122	47,413	(48,009)	1,240,526
Communication system	758,384	34,652	-	793,036
Total capital assets, being depreciated	65,203,260	320,583	(48,009)	68,243,042
Less: accumulated depreciation	(21,664,213)	(1,439,858)	33,845	(23,070,226)
Total capital assets, being depreciated	43,539,047	(1,119,275)	-	45,172,186
Governmental activities capital assets	\$ 46,044,971	\$ 3,078,162	\$ (14,164)	\$ 49,107,783

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 \$31,822,259. 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 \$11,362,426 and \$20,459,833, respectively.

The District's overall General Obligation bonds, revenue bonds, capital leases and state revolving fund loans experienced decreases of \$770,450, \$28,952, \$817,213, and \$925,124 based on principal payments made, respectively. Additionally, state revolving fund loans and capital leases experienced increases of \$3,322,658 and \$1,609,266. See Note 8 for further details on outstanding debt.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net other post-employment benefits plan liability experienced an increase in the amount of \$3,081,619 including the restatement of prior year balance. Net pension plan liability experienced an increase of \$482,930 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 2021. The unemployment rate for the area is currently 4.0 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 4.5 percent and the national rate of 5.9 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 District's 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. Inflationary pressures continued to rise, so the District will continue to monitor the economic conditions, reevaluate the current rates and continue to search-out cost saving measures to maintain a stable rate structure.

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, 2021.

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 District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Finance Director, Ed Kilcullen 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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 6,127,720	\$ 3,852,454	\$ 9,980,174
Restricted cash and cash equivalents	2,588,686	1,773,151	4,361,837
Funds held in escrow	316,985	3,899,186	4,216,171
Intergovernmental receivables	739,586	-	739,586
Tax receivable (net of allowance)	6,407,511	-	6,407,511
Customer receivables (net of allowance)	-	359,957	359,957
Internal balances	1,023,388	(1,023,388)	-
Prepaid expenses	54,562	20,126	74,688
Inventory	22,187	-	22,187
Total current assets	<u>17,280,625</u>	<u>8,881,486</u>	<u>26,162,111</u>
Non-current assets			
Capital assets, net of accumulated depreciation	13,401,716	49,107,783	62,509,499
Total non-current assets	<u>13,401,716</u>	<u>49,107,783</u>	<u>62,509,499</u>
Total assets	<u>30,682,341</u>	<u>57,989,269</u>	<u>88,671,610</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	1,651,664	469,679	2,121,343
OPEB plan	2,351,108	481,552	2,832,660
Total deferred outflows of resources	<u>4,002,772</u>	<u>951,231</u>	<u>4,954,003</u>
LIABILITIES			
Current liabilities			
Accounts payable	281,839	954,210	1,236,049
Accrued salaries and benefits	119,177	45,924	165,101
Accrued interest payable	59,114	102,971	162,085
Customer deposits	-	64,528	64,528
Total current liabilities	<u>460,130</u>	<u>1,167,633</u>	<u>1,627,763</u>
Long-term liabilities			
Net OPEB liability	7,559,893	1,548,412	9,108,305
Net pension liability	9,286,949	2,746,392	12,033,341
Long-term debt:			
Due within one year	1,722,563	1,199,477	2,922,040
Due in more than one year	10,294,199	19,402,061	29,696,260
Total long-term liabilities	<u>28,863,604</u>	<u>24,896,342</u>	<u>53,759,946</u>
Total liabilities	<u>29,323,734</u>	<u>26,063,975</u>	<u>55,387,709</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan	405,625	227,514	633,139
OPEB plan	550,605	112,774	663,379
Total deferred inflows of resources	<u>956,230</u>	<u>340,288</u>	<u>1,296,518</u>
NET POSITION			
Invested in capital assets, net of related debt	1,384,954	28,620,528	30,005,482
Restricted	2,905,671	5,309,789	8,215,460
Unrestricted	114,524	(1,394,080)	(1,279,556)
Total net position	<u>\$ 4,405,149</u>	<u>\$ 32,536,237</u>	<u>\$ 36,941,386</u>

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

**JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
Governmental activities						
General government	\$ (1,651,054)	\$ -	\$ -	\$ (1,651,054)	\$ -	\$ (1,651,054)
Public safety	(3,083,445)	-	-	(3,083,445)	-	(3,083,445)
Solid waste	(2,329,704)	-	-	(2,329,704)	-	(2,329,704)
Interest	(208,031)	-	-	(208,031)	-	(208,031)
Total governmental activities	<u>(7,272,234)</u>	<u>-</u>	<u>-</u>	<u>(7,272,234)</u>	<u>-</u>	<u>(7,272,234)</u>
Business-type activities						
Wastewater	(7,987,765)	8,341,281	-	-	353,516	353,516
Total primary government	<u>\$ (15,259,999)</u>	<u>\$ 8,341,281</u>	<u>\$ -</u>	<u>(7,272,234)</u>	<u>353,516</u>	<u>(6,918,718)</u>
GENERAL REVENUES						
Property taxes				9,895,299	-	9,895,299
Merchant's inventory and motor carrier taxes				26,384	-	26,384
Grant income				307,829	-	307,829
One percent income				77,143	-	77,143
Interest income				2,647	2,326	4,973
Gain (loss) on sale of capital assets				(88,509)	(9,710)	(98,219)
Other income				54,106	-	54,106
Total general revenues				<u>10,274,899</u>	<u>(7,384)</u>	<u>10,267,515</u>
Change in net position				3,002,665	346,132	3,348,797
Net position, beginning of year, as restated				<u>1,402,484</u>	<u>32,190,105</u>	<u>33,592,589</u>
Net position, end of year				<u>\$ 4,405,149</u>	<u>\$ 32,536,237</u>	<u>\$ 36,941,386</u>

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

**JAMES ISLAND PUBLIC SERVICE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 6,127,720	\$ -	\$ 6,127,720
Restricted cash	-	2,588,686	2,588,686
Funds held in escrow	-	316,985	316,985
Intergovernmental receivables	669,440	70,146	739,586
Tax receivable (net of allowance)	6,098,372	309,139	6,407,511
Due from other funds	2,355,287	1,041,328	3,396,615
Prepaid expenses	54,562	-	54,562
Inventory	22,187	-	22,187
Total assets	<u>\$ 15,327,568</u>	<u>\$ 4,326,284</u>	<u>\$ 19,653,852</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	264,714	17,125	281,839
Accrued interest	26,480	32,634	59,114
Accrued salaries and benefits	119,177	-	119,177
Due to other funds	1,040,092	1,333,136	2,373,228
Total liabilities	<u>1,450,463</u>	<u>1,382,895</u>	<u>2,833,358</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	6,461,181	348,350	6,809,531
Total liabilities and deferred inflows of resources	<u>7,911,644</u>	<u>1,731,245</u>	<u>9,642,889</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenses	54,562	-	54,562
Inventory	22,187	-	22,187
Restricted	-	389,607	389,607
Committed	-	1,663,733	1,663,733
Unassigned	7,339,175	541,699	7,880,874
Total fund balances	<u>7,415,924</u>	<u>2,595,039</u>	<u>10,010,963</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,327,568</u>	<u>\$ 4,326,284</u>	<u>\$ 19,653,852</u>

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

**JAMES ISLAND PUBLIC SERVICE DISTRICT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION,
JUNE 30, 2021**

Total fund balances - governmental funds	\$ 10,010,963
<p>Amounts reported for governmental activities in the Statement of Net Position are different due to the following</p>	
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:</p>	
Non-depreciable	1,640,336
Depreciable, net of accumulated depreciation	11,761,380
<p>Deferred property taxes are reported in the governmental funds but not reported in governmental activities</p>	
	6,809,532
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:</p>	
Bonds payable	(7,945,577)
Capital Leases Payable	(3,416,849)
Accrued compensated absences payable	(654,336)
Net OPEB plan liability	(7,559,893)
Deferred outflows - OPEB plan	2,351,108
Deferred inflows - OPEB plan	(550,605)
Net pension plan liability	(9,286,949)
Deferred outflows - pension plan	1,651,664
Deferred inflows - pension plan	(405,625)
Net position of governmental activities	\$ 4,405,149

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

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Non-Major Fund</u>	<u>Total Governmental Funds</u>
REVENUE			
Property taxes	\$ 8,917,600	\$ 984,825	\$ 9,902,425
Intergovernmental revenues	26,384	-	26,384
Grant revenues	307,829	-	307,829
One percent income	-	77,143	77,143
Other	55,983	770	56,753
Total revenues	<u>9,307,796</u>	<u>1,062,738</u>	<u>10,370,534</u>
EXPENDITURES			
General government	991,697	988	992,685
Public safety	4,199,226	74,004	4,273,230
Solid waste	2,209,202	-	2,209,202
Capital outlay	1,743,738	3,545,724	5,289,462
Debt service:			
Principal	756,529	784,176	1,540,705
Interest	56,050	151,981	208,031
Total expenditures	<u>9,956,442</u>	<u>4,556,873</u>	<u>14,513,315</u>
Excess (deficiency) of revenues over expenditures	<u>(648,646)</u>	<u>(3,494,135)</u>	<u>(4,142,781)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	72,619	-	72,619
Insurance proceeds	280,396	-	280,396
Debt issuance cost	-	(220,621)	(220,621)
Proceeds from debt issuance	2,859,754	7,389,601	10,249,355
Total other financing sources (uses)	<u>3,212,769</u>	<u>7,168,980</u>	<u>10,381,749</u>
Net changes in fund balances	2,564,123	3,674,845	6,238,968
Fund balances, beginning of year, as restated	<u>4,851,801</u>	<u>(1,079,806)</u>	<u>3,771,995</u>
Fund balances, end of year	<u>\$ 7,415,924</u>	<u>\$ 2,595,039</u>	<u>\$ 10,010,963</u>

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

**JAMES ISLAND PUBLIC SERVICE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net change in fund balances - Total Governmental Fund		\$ 6,238,968
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	5,289,462	
Depreciation expense	<u>(963,419)</u>	
		4,326,043
Repayment of bond and capital lease principal is an expenditure in governmental funds but a reduction of liabilities in the Statement of Net Position		1,540,705
An item reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund. This activity consists of:		
Change in Net OPEB and Net Pension plan deferred outflows		1,012,727
Change in Net OPEB plan liability		1,335,516
Change in Net Pension plan liability		(400,832)
Change in Net OPEB and Net Pension plan deferred inflows		(105,968)
Change in compensated absences		(246,489)
Other financing sources which do not provide current resources:		
Gain or loss on the sale of assets		(88,509)
Proceeds from sale of capital assets		(353,015)
Proceeds from debt issuance		(10,249,355)
Property tax revenue in the Statement of Activities does not provide current financial resources are not reported in revenues in governmental funds.		<u>(7,126)</u>
Total change in net position		<u>\$ 3,002,665</u>

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

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021

ASSETS

Cash and cash equivalents	\$ 3,852,454
Restricted cash and cash equivalents	1,773,151
Funds held in escrow	3,899,186
Customer receivables (net of allowance)	359,957
Prepaid expenses	20,126
Due from general fund	209,872
Total current assets	10,114,746
 Non-current assets	
Restricted cash and cash equivalents	
Capital assets, net of accumulated depreciation	49,107,783
Total non-current assets	49,107,783
Total assets	59,222,529

DEFERRED OUTFLOWS OF RESOURCES

Pension plan	469,679
OPEB plan	481,552
Total deferred outflows of resources	951,231

LIABILITIES

Current liabilities	
Accounts payable	954,210
Due to other funds	1,233,260
Accrued salaries and benefits	45,924
Accrued interest payable	102,971
Customer deposits	64,528
Total current liabilities	2,400,893
 Long-term liabilities	
Net OPEB liability	1,548,412
Net pension liability	2,746,392
Long-term liabilities:	
Due within one year	1,199,477
Due in more than one year	19,402,061
Total long-term liabilities	24,896,342
Total liabilities	27,297,235

DEFERRED INFLOWS OF RESOURCES

Pension Plan	227,514
OPEB Plan	112,774
Total deferred inflows of resources	340,288

NET POSITION

Invested in capital assets, net of related debt	28,620,528
Restricted	5,309,789
Unrestricted	(1,394,080)
Total net position	\$ 32,536,237

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

JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
JUNE 30, 2021

OPERATING REVENUES

District customer	\$ 4,592,259
Transportation customer	1,695,354
Full charge customer	1,231,498
Wholesale customer	464,567
Other fees and charges	205,932
Tap fees	70,643
Impact fees	81,028
Total operating revenues	8,341,281

OPERATING EXPENSES

Salaries and fringe benefits	1,809,976
Operations and maintenance	3,935,091
Administrative	451,749
Depreciation	1,439,858
Total operating expenses	7,636,674
Operating income (loss)	704,607

NON-OPERATING REVENUE (EXPENSES)

Gain from the sale of capital assets	(9,710)
Interest income	2,326
Interest expense	(351,091)
Net non-operating revenues (expenses)	(358,475)

Change in net position	346,132
Net position, beginning of year, as restated	32,190,105
Net position, end of year	\$ 32,536,237

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

**JAMES ISLAND PUBLIC SERVICE DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net position	\$	346,132
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation		1,439,858
Loss on disposal of assets		9,710
Decrease (increase) in:		
Accounts receivable		220
Escrow funds		(292,636)
Prepays and other assets		(5,846)
Increase (decrease) in:		
Accounts payable		385,636
Accrued liabilities		(11,127)
Customer deposits		23,460
GASB 68 - state retirement		(134,283)
GASB 75 - other post-employment benefits		(104,357)
Net cash provided by operating activities		1,656,767

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Net proceeds on notes payable		2,512,995
Due to / from transfers		953,372
Proceeds from sale of assets		5,640
Purchases of capital assets		(4,518,020)
Net cash used in financing activities		(1,046,013)
Net increase in cash		610,754

CASH

Beginning of year		5,014,851
End of year	\$	5,625,605

SUPPLEMENTAL INFORMATION

Interest paid	\$	351,091
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The accompanying notes are an integral part of these financial statements.

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 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.

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.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. 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.

Firefighter's One Percent Fund

The firefighter's one percent fund is used to account for the District's Firemen's Insurance and Inspection Fund, commonly referred to as 1% money, allocation, and expenditures. These resources are to be used for the betterment and maintenance of skilled and efficient fire departments. This is an unbudgeted fund.

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.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 \$2,588,686 at June 30, 2021.

Restricted cash and cash equivalents and funds held in escrow consisted of the following at June 30, 2021:

	Governmental Funds	Business-Type Funds
Debt service reserves	\$ 624,104	\$ 653,677
Capital projects	1,891,960	-
Contingency	-	780,995
Depreciation	-	338,479
Funds in escrow	316,985	3,899,186
One percent funds	72,622	-
Total	\$ 2,905,671	\$ 5,672,337

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 \$359,957. The allowance for uncollectable accounts totaled \$180,266 as of June 30, 2021.

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 at June 30, 2021.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

<u>Tax Year</u>	<u>General Fund</u>	<u>Debt Service Fund</u>
2021 and prior years	\$ 6,486,372	\$ 338,384
Less: allowance for uncollectible taxes	<u>(388,000)</u>	<u>(29,245)</u>
Net property taxes receivable	<u>\$ 6,098,372</u>	<u>\$ 309,139</u>

Property Taxes

Property Taxes attach as an enforceable lien on property as of January 1 of each year. Ad valorem taxes are levied during September by Charleston County which is responsible for the collection of the taxes and may be paid without penalty until January 15 of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16 – 3%; February 1 – an additional 7%; March 16 -an additional 5%. On March 16, the intermediary government turns unpaid taxes over to its delinquent tax office and the properties are subject to sale. Personal property taxes on vehicles are levied on a monthly basis and are based on the assessed values on January 1 of each year.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on their respective financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. The amount due to the general fund from the wastewater fund totaled \$1,333,136. Additionally, the amount due from the general fund to the debt service fund totaled \$1,040,092.

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.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 \$2,121,343 and \$2,832,660 at June 30, 2021, 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 \$633,139 and \$663,379 as of June 30, 2021, 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, net, in the amount of \$6,461,181 and \$348,350 in general fund and debt service fund as of June 30, 2021, respectively.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net position is classified and presented in one or more of the following components in the government-wide financial statements:

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."

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.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Change in Accounting Principle

The District adopted Governmental Accounting Standard Boards (“GASB”) Statement No. 84 “Financial Activities” (“Statement” or “GASB #84”) for the year ended June 30 2021. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement made it clear that the Firefighters’ One Percent balances and activities should be reported by the District in a special revenue fund. The balances and activities were previously not recorded.

The adoption of GASB #84 has resulted in the restatement of the District’s fund balance and net position as of July 1, 2020 for its governmental fund financial statements and its government-wide financial statements to reflect the reporting of the Firefighters’ One Percent Fund. Fund balance of the District’s governmental funds and net position of the District’s governmental activities as of July 1, 2020 was increased by approximately \$69,483 reflecting the cumulative change in accounting principle related to the adoption of GASB #84.

NOTE – 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

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 \$699,943. Budgeted expenditures exceeded actual expenditures by \$395,374.

NOTE 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.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 3 – DEPOSITS, Continued

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, 2021, the carrying amount of the District’s unrestricted and restricted cash and cash equivalent was \$14,342,011, and the bank balance was \$14,117,660 of which all is covered either by FDIC or is properly collateralized in accordance with State law.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2021, consist of the following

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Gross receivables			
Intergovernmental revenue	\$ 739,586	\$ -	\$ 739,586
Utility service billings	-	540,223	540,223
Total receivables	<u>739,586</u>	<u>540,223</u>	<u>1,279,809</u>
Less: allowance for uncollectible	-	(180,266)	(180,266)
Net receivables	<u>\$ 739,586</u>	<u>\$ 359,957</u>	<u>\$ 1,099,543</u>

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

Governmental Activities:

	Balance at June 30, 2020	Additions	Transfers	Deletions	Balance at June 30, 2021
Non-depreciable assets:					
Land	\$ 1,640,336	\$ -	\$ -	\$ -	\$ 1,640,336
Construction in Progress	3,403,477	3,430,096	(6,833,573)	-	-
Total non-depreciable assets	5,043,813	3,430,096	(6,833,573)	-	1,640,336
Depreciable:					
Buildings	1,115,159	-	6,833,573	-	7,948,732
Fencing paving & landscaping	66,654	-	-	-	66,654
Vehicles	5,515,802	1,611,358	-	(979,962)	6,147,198
Machinery & fire equipment	1,451,024	109,081	-	-	1,560,105
Furniture and office equipment	109,959	138,927	-	-	248,886
Communication system	760,114	-	-	-	760,114
Total depreciable capital assets	9,018,712	1,859,366	6,833,573	(979,962)	16,731,689
Less accumulated depreciation:	(4,541,617)	(963,419)	-	534,727	(4,970,309)
Total depreciable capital assets, net	4,477,095	895,947	6,833,573	(445,235)	11,761,380
Total capital assets, net	\$ 9,520,908	\$ 4,326,043	\$ -	\$ (445,235)	\$ 13,401,716

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

General government	\$ 437,748
Public safety – fire	405,169
Health – solid waste	120,502
Total depreciation – governmental activities	\$ 963,419

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 5 – CAPITAL ASSETS, Continued

Business Activities:

	Balance at June 30, 2020	Additions	Transfers	Deletions	Balance at June 30, 2021
Non-depreciable assets:					
Land	\$ 814,365	\$ -	\$ -	\$ -	\$ 814,365
Construction in Progress	1,691,559	4,197,437	(2,768,394)	-	3,120,602
Total non-depreciable assets	2,505,924	4,197,437	(2,768,394)	-	3,934,967
Depreciable:					
Buildings	552,281	19,111	-	-	571,392
Sewer system	51,165,142	194,276	2,767,208	-	54,126,626
Contributed systems	11,191,477	-	-	-	11,191,477
Purchased systems	179,566	-	-	-	179,566
Equipment	115,288	25,131	-	-	140,419
Vehicles	1,241,122	47,413	-	(48,009)	1,240,526
Communication system	758,384	34,652	-	-	793,036
Total depreciable capital assets	65,203,260	320,583	2,767,208	(48,009)	68,243,042
Less accumulated depreciation	(21,664,213)	(1,439,858)	-	33,845	(23,070,226)
Total depreciable capital assets, net	43,539,047	(1,119,275)	2,767,208	-	45,172,816
Total capital assets, net	\$ 46,044,971	\$ 3,078,162	\$ 1,186	\$ (14,164)	\$ 49,107,783

NOTE 6 – PENSION PLANS

Employee Retirement Systems

District participates in the State of South Carolina’s retirement plans, which are administered by the South Carolina Public Employee Benefit Authority (“PEBA”).

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds’ assets.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 6 – PENSION PLAN, Continued

The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the NPL, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' in Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

Membership

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

SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

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

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 6 – PENSION PLAN, Continued

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 6 – PENSION PLAN, Continued

in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>
SCRS		
Employee Class Two	15.41%	15.41%
Employee Class Three	15.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the NPL are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The June 30, 2019, total pension liability (TPL), NPL, and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020.

Actuarial Cost Method	Entry age normal
Investment Rate of Return ²	7.25%
Projected Salary Increases	3.0% to 12.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

² Includes inflation at 2.25%

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 6 – PENSION PLAN, Continued

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 System’s 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, 2019, TPL are as follows:

Former Job Class	Males	Females
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 and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The NPL represents the TPL determined in accordance with GASB No. 67 less that System’s fiduciary net position. State pension liability (SPL) totals, as of June 30, 2020, for SCRS is presented below:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers’ Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
SCRS	\$ 51,844,187,763	\$ 26,292,418,682	\$ 25,551,769,081	50.7%

The TPL is calculated by the Systems’ actuary, and each plan’s fiduciary net position is reported in the Systems’ financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems’ notes to the financial statements and required supplementary information. Liability calculations performed by the Systems’ actuary for the purpose of satisfying the requirements of GASB 67 and 68 are not applicable for other purposes, such as determining the plans’ funding requirements.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent 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 fiscal year 2019. 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 below. 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.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 6 – PENSION PLAN, Continued

<u>Asset Class</u>	<u>Total Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Global Equity	51.0%		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
Real Assets	12.0%		
Real Estate (private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (private)	2.0%	4.88%	0.10%
Infrastructure (public)	1.0%	7.05%	0.07%
Opportunistic	8.0%		
Global Tactical Asset	7.0%	3.56%	0.25%
Other	1.0%	4.41%	0.04%
Credit	15.0%		
High Yield Bonds	4.0%	4.21%	0.17%
Emerging Marketing Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (net)	1.0%	0.56%	0.01%
Total Expected Real Return	100%		5.80%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			8.05%

Pensions

At June 30, 2021, District reported a liability of \$12,033,341 for its proportionate share of the SCRS NPL . The NPL was measured as of June 30, 2020, and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of that date. District's proportion of the NPL was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 6 – PENSION PLAN, Continued

For the year ended June 30, 2021, District recognized additional pension expense of \$463,986. At June 30, 2021, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences between expected and actual experience	\$ 273,669	\$ 587,635
Changes of assumptions:		
Net difference between projected and actual earnings on pension plan investments	885,153	-
Changes in proportion and differences between:		
District contributions and proportionate share of contributions	153,591	45,504
District contributions subsequent to the measurement date	808,930	-
Total	\$ 2,121,343	\$ 633,139

An amount of \$808,930 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 NPL in the year ended June 30, 2021.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/ (inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4.00 years for SCRS:

Measurement Period Ending June 30	
2021	\$ 116,091
2022	218,245
2023	119,067
2024	225,871
Net Balance of Deferred Outflow/ (Inflow) of Resources	\$ 679,274

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's 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.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 6 – PENSION PLAN, Continued

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower or (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Sensitivity of the NPL to Changes in the Discount Rate

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 14,913,844	\$ 12,033,341	\$ 9,628,077

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2020, and the accounting valuation report as of June 30, 2020. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

NOTE 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.

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 130 covered participants. Of this number, 101 participants are current employees and 29 are retirees. The District's regular insurance providers underwrite the retirees' insurance plans. The District may amend the terms of the plan.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION, Continued

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 December 31, 2020 the valuation date:

	<u>Number</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	29
Inactive Members Entitled to But Not Yet Receiving Benefits	-
Active Employees	<u>101</u>
Total Membership	<u>130</u>

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.

Change in OPEB Liability

Changes in OPEB liability from June 30, 2020 to June 30, 2021 is shown in the following table:

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ 10,548,178
Changes for the year:	
Service cost at end of year	550,087
Interest on OPEB liability and cash flows	352,765
Change in benefit terms	(3,489,996)
Difference between expected and actual experience	(24,136)
Changes of assumptions or other inputs	1,378,054
Net contributions, benefits payments, implicit Subsidy credit and net investment income	(213,427)
Plan administrative expenses	<u>6,780</u>
Balance as of June 30, 2021	<u>\$ 9,108,305</u>

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION, Continued

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 Trend Rate Sensitivity			
Plan	1% Decrease	Current	1% Increase
OPEB Liability	\$ 7,492,714	\$ 9,108,305	\$ 11,237,384

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 (1.67 percent) or 1.00 percent higher (3.67 percent) than the current rate:

Discount Rate Sensitivity			
Plan	1% Decrease	Current	1% Increase
OPEB Liability	\$ 10,940,014	\$ 9,108,305	\$ 7,655,001

Actuarial Methods and Assumptions

The Commission’s OPEB liability of \$9,108,305 was measured as of December 31, 2020 and the OPEB liability was determined by a biennial actuarial valuation of the Plan, as of December 31, 2020, using the following key actuarial assumptions and other inputs:

Valuation date	2.25%
Normal inflation	
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	2.14%
Measurement date	2.12%
Health care trend rate	
Pre-medicare	7.25% (2019) 4.75% (2029)
Medicare	5.38% (2019) 4.75% (2023)

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 7 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION, Continued

Plan Financial Information

For the year ended June 30, 2021, the District recognized reduction in OPEB expense in the amount of \$2,305,429 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/actual experience	\$ 165,717	\$ 21,560
Changes in assumptions	2,660,724	641,819
Net difference between projected and actual earnings	6,219	-
Total	<u>\$ 2,832,660</u>	<u>\$ 663,379</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30:</u>	
2021	\$ 276,518
2022	276,516
2023	276,530
2024	274,395
2025	274,435
Thereafter	790,887
Total	<u>\$ 2,469,281</u>

NOTE 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.

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.

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 8 – LONG-TERM DEBT, Continued

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 Governmental activities for the year ended June 30, 2021, were as follows:

<u>Governmental activities</u>	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Within One Year
General obligation bonds	\$ 216,027	\$ 8,500,000	\$ (770,450)	\$ 7,945,577	\$ 349,605
Capital leases	2,741,787	1,431,591	(756,529)	3,416,849	718,622
Net other post-retirement benefits	5,142,571	2,417,322	-	7,559,893	-
Net pension liability	8,886,117	400,832	-	9,286,949	-
Compensated absences	407,846	246,490	-	654,336	654,336
	<u>\$ 17,394,348</u>	<u>\$ 12,996,235</u>	<u>\$ (1,526,979)</u>	<u>\$ 28,863,604</u>	<u>\$ 1,722,563</u>
<u>Business-type activities</u>	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Within One Year
Revenue bonds	\$ 567,848	\$ -	\$ (28,952)	\$ 538,896	\$ 31,588
State revolving fund loan	17,095,515	3,322,658	(925,124)	19,493,049	938,855
Capital leases	310,897	177,675	(60,684)	427,888	87,329
Net other post-retirement benefits	884,115	664,297	-	1,548,412	-
Net pension liability	2,664,294	82,098	-	2,746,392	-
Compensated absences	114,283	27,422	-	141,705	141,705
	<u>\$ 21,636,952</u>	<u>\$ 4,274,150</u>	<u>\$ (1,014,760)</u>	<u>\$ 24,896,342</u>	<u>\$ 1,199,477</u>

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 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, for the are as follows:

Governmental Activities	Principal	Interest	Total
2022	\$ 349,605	\$ 206,165	\$ 555,770
2023	355,133	204,523	559,656
2024	795,691	183,737	979,428
2025	396,279	153,899	550,178
2026	406,899	136,778	543,677
2027-2031	855,061	527,900	1,382,961
2032-2036	945,000	398,060	1,343,060
2037-2041	1,140,000	316,973	1,456,973
2042-2046	1,380,000	195,700	1,575,700
2047-2051	1,321,909	66,150	1,388,059
	<u>\$ 7,945,577</u>	<u>\$ 2,389,885</u>	<u>\$10,335,462</u>
Business-Type Activities	Principal	Interest	Total
2022	\$ 970,436	\$ 424,502	\$ 1,394,938
2023	993,210	401,726	1,394,936
2024	1,015,112	379,826	1,394,938
2025	1,037,540	357,396	1,394,936
2026	1,060,510	334,427	1,394,937
2027-2031	5,614,220	1,307,935	6,922,155
2032-2036	4,788,673	703,889	5,492,562
2037-2041	2,951,710	334,067	3,285,777
2042-2046	910,662	155,914	1,066,576
2047-2051	689,872	35,169	725,041
	<u>\$ 20,031,945</u>	<u>\$ 4,434,851</u>	<u>\$24,466,796</u>

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 8 – LONG-TERM DEBT, Continued

The revenue bonds outstanding for the business-type activity at June 30, 2021, are as follows:

Title of Issues	Date	Date	Rate	Original	Outstanding
Sol Legare Project	3/31/1992	3/28/2032	5.75%	\$ 437,000	\$ 208,336
Grimball Road Expansion	11/14/1996	11/14/2036	5.13%	538,000	330,560
Totals				<u>\$ 975,000</u>	<u>\$ 538,896</u>

The State Revolving Fund loan outstanding for the business-type activity at June 30, 2021, is as follows:

Title of Issues	Issue Date	Maturity Date	Interest Rate	Original Principal	Principal Outstanding
Pump Stations 11 & 54 Upgrade	10/31/2014	5/1/2035	2.00%	\$ 4,242,522	\$ 2,948,103
Pump Station 11 Phase 2	9/1/2016	9/1/2036	1.80%	2,527,659	1,602,828
Schooner Road Extension	2/26/2010	5/1/2030	2.25%	717,520	365,634
Harbor View Circle Force Main	7/1/2011	4/1/2031	2.25%	586,757	329,842
Pump Station 33 Rehab	7/1/2011	7/1/2031	2.25%	1,250,352	711,370
Force Main Replacement	10/1/2013	7/1/2033	2.25%	1,870,339	1,243,122
Water Pollution Control 19	6/7/2019	10/1/2049	2.37%	6,715,435	5,412,201
Pump Station 2 Upgrade	12/5/2019	7/1/2040	2.60%	1,793,128	1,570,729
Pump Station 22 and 34 Upgrades	6/1/2020	9/1/2040	2.20%	1,067,767	1,001,526
Pump Station 1 Downgrades	6/1/2020	1/1/2041	2.20%	994,972	985,036
SSES Rehab	12/2/2020	6/1/2041	1.80%	2,000,000	2,000,000
Pump Station 33 Upgrade	12/2/2020	6/1/2041	1.80%	1,322,658	1,322,658
Total				<u>\$ 25,089,109</u>	<u>\$ 19,493,049</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, 2021, are as follows:

Title of Issues	Issue Date	Maturity Date	Interest Rate	Original Principal	Principal Outstanding
Fire Station 3	11/14/1996	11/14/2036	5.50%	\$ 363,000	\$ 200,577
2020A GO	12/1/2020	12/1/2051	2.00%	7,060,000	7,060,000
2020B GO	12/1/2020	12/1/2023	2.00%	1,440,000	685,000
				<u>\$ 9,005,000</u>	<u>\$ 7,945,577</u>

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 8 – 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:

Governmental Activities	Principal	Interest	Total
2022	\$ 718,622	\$ 65,222	\$ 783,844
2023	642,619	52,951	695,570
2024	655,931	39,639	695,570
2025	511,925	26,053	537,978
2026	314,771	17,102	331,873
2027-2031	572,981	14,729	587,710
	<u>\$ 3,416,849</u>	<u>\$ 215,696</u>	<u>\$ 3,632,545</u>

Business-Type Activities	Principal	Interest	Total
2022	\$ 83,330	\$ 8,957	\$ 96,287
2023	72,198	7,157	79,355
2024	73,772	5,583	79,355
2025	67,364	3,997	71,361
2026	49,522	2,800	52,322
2027-2031	81,702	2,263	79,965
	<u>\$ 427,888</u>	<u>\$ 30,757</u>	<u>\$ 458,645</u>

Capital leases outstanding for governmental activities at June 30, 2021, are as follows:

Title of Issues	Issue Date	Maturity Date	Interest Rate	Original Principal	Principal Outstanding
Crane and equipment	2/17/1981	2/17/2021	1.71%	\$ 636,791	\$ 67,781
Roll carts	11/14/1996	11/14/2036	2.04%	453,282	188,521
Escrow vehicles and equipment	2/4/2018	8/4/2024	2.08%	2,124,663	1,113,813
2019 CL-vehicles	9/23/2019	9/23/2026	2.37%	903,000	615,144
2021 CL-vehicles	5/17/2021	5/17/2028	2.10%	783,847	783,847
2021 CL-radio equipment	5/17/2021	5/17/2028	1.66%	647,744	647,743
				<u>\$ 5,549,327</u>	<u>\$ 3,416,849</u>

(Continued)

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 8 – CAPITAL LEASE OBLIGATIONS, Continued

Capital leases outstanding for business-type activities at June 30, 2021, are as follows:

Title of Issues	Issue Date	Maturity Date	Interest Rate	Original Principal	Principal Outstanding
Ford trucks	12/1/2015	11/30/2021	1.71%	\$ 102,741	\$ 16,710
Vehicles and equipment	2/4/2018	8/4/2024	2.04%	175,337	96,472
2019 CL-vehicles	9/23/2019	9/23/2026	2.08%	158,000	136,985
2021 CL-vehicles and equipt	5/17/2021	5/17/2028	1.66%	177,675	177,721
				<u>\$ 613,483</u>	<u>\$ 427,888</u>

NOTE 9 – 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.

NOTE 10 – 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.

**JAMES ISLAND PUBLIC SERVICES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The District had the following prior period adjustments:

<u>Governmental</u>	
Net Position, beginning of the year, as previously stated	\$ 5,085,839
Increase resulting from the implementation of GASB84 (One Percent Fund)	69,483
Decrease resulting from the understatement of OPEB liability in June 30, 2020	(3,752,838)
Net Position, beginning of the year, as restated	<u>\$ 1,402,484</u>
 <u>Business-Type Activities</u>	
Fund Balance, beginning of the year, as previously stated	\$ 32,958,759
Decrease resulting from the understatement of OPEB liability in June 30, 2020	(768,654)
Fund Balance, beginning of the year, as restated	<u>\$ 32,190,105</u>
 <u>One Percent Fund</u>	
Fund Balance, beginning of the year, as previously stated	\$ -
Increase resulting from the implementation of GASB84	69,483
Fund Balance, beginning of the year, as restated	<u>\$ 69,483</u>

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to year-end, the District is moving forward with a plan to dissolve the OPEB plan due to continued rising costs and the current negative position of the plan. The District will use the remaining plan assets of approximately \$500,000 to continue to fund benefits however all benefits will stop after all plan assets have been expended.

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2021 through the date on the auditor's report the date the financial statements were available to be issued.

JAMES ISLAND PUBLIC SERVICE DISTRICT, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance
	Original	Final		
REVENUE				
Property taxes	\$ 8,546,145	\$ 8,546,145	\$ 8,917,600	\$ 371,455
Intergovernmental revenues	-	-	26,384	26,384
Grant revenues	-	-	307,829	307,829
Other income	61,708	61,708	55,983	(5,725)
Total revenues	8,607,853	8,607,853	9,307,796	699,943
EXPENDITURES				
Current:				
General government	1,178,139	1,398,139	991,697	406,442
Public safety	4,310,600	4,310,600	4,199,226	111,374
Solid waste	2,190,563	2,190,563	2,209,202	(18,639)
Capital outlay	1,181,347	1,181,347	1,743,738	(562,391)
Debt service:				
Principal	700,419	700,419	756,529	(56,110)
Interest	-	-	56,050	(56,050)
Total expenditures	9,561,068	9,781,068	9,956,442	(175,374)
Excess (deficiency) of revenues over expenditures	(953,215)	(1,173,215)	(648,646)	875,317
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	72,619	(72,619)
Insurance proceeds	-	-	280,396	(280,396)
Proceeds from debt issuance	2,605,632	2,605,632	2,859,754	(254,122)
Total other financing sources (uses)	2,605,632	2,605,632	3,212,769	(607,137)
Net changes in fund balances	\$ 1,652,417	\$ 1,432,417	2,564,123	\$ 268,180
Fund balances, beginning of year, as restated			4,851,801	
Fund balances, end of year			\$ 7,415,924	

**JAMES ISLAND PUBLIC SERVICE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
POLICE OFFICERS RETIREMENT SYSTEM**

Only seven years of information is presented as only seven years of data were available.

SCRS	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.047094%	0.050584%	0.048044%	0.048044%	0.049145%	0.046509%	0.004785%
District's proportionate share of the net pension liability	\$ 12,033,341	\$ 11,541,482	\$ 10,765,152	\$ 10,765,152	\$ 10,541,040	\$ 9,320,586	\$ 8,251,489
District's covered-employee payroll	\$ 5,198,779	\$ 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-employee payroll	43.20%	46.62%	46.25%	56.13%	42.76%	48.95%	54.96%
Plan fiduciary net position as a percentage of the total pension liability	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%	59.9%

Only seven years of information is presented as only seven years of data were available.

PORS	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.000000%	0.000312%	0.000591%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the net pension liability	\$ -	\$ 8,929	\$ 16,749	\$ 16,749	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ -	\$ 4,416	\$ 8,183	\$ 8,497	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	49.46%	48.86%	50.73%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	0.0%	62.7%	61.7%	60.9%	0.00%	0.00%	0.00%

Notes to schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
POLICE OFFICERS RETIREMENT SYSTEM**

Only seven years of information is presented as only seven years of data were available.

SCRS	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 808,930	\$ 817,518	\$ 775,351	\$ 675,112	\$ 698,483	\$ 498,457	\$ 497,278
Contributions in relation to the contractually required contribution	(808,930)	(817,518)	(775,351)	(675,112)	(698,483)	(498,457)	(497,278)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 5,198,779	\$ 5,253,969	\$ 5,380,645	\$ 4,978,702	\$ 6,042,240	\$ 4,506,844	\$ 4,562,183
Contributions as a percentage of covered-employee payroll	15.56%	15.56%	14.41%	13.56%	11.56%	11.06%	10.90%

Only seven years of information is presented as only seven years of data were available.

PORS	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ -	\$ -	\$ 779	\$ 1,329	\$ 1,210	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	(779)	(1,329)	(1,210)	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ -	\$ -	\$ 4,416	\$ 8,183	\$ 8,497	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	17.64%	16.24%	14.24%	0.00%	0.00%

JAMES ISLAND PUBLIC SERVICE DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

For the last four fiscal years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost	\$ 550,087	\$ 373,137	\$ 431,165	\$ 379,381
Interest	352,765	358,856	324,787	312,769
Difference between expected and actual experience	(24,136)	194,006	3,971	18,588
Changes in assumptions or other inputs	(2,111,942)	1,655,211	(955,412)	522,659
Employer contributions	(191,145)	(578,975)	(290,703)	-
Net investment income	(22,282)	(2,860)	(1,631)	-
Benefit payments and implicit study credit	-	(210,975)	-	(183,839)
Administrative expenses	6,780	4,158	-	-
Net change in total OPEB liability	(1,439,873)	1,792,558	(487,823)	1,049,558
Total OPEB liability - beginning	<u>10,548,178</u>	<u>8,755,620</u>	<u>9,243,443</u>	<u>8,193,885</u>
Total OPEB liability - ending	<u>\$ 9,108,305</u>	<u>\$ 10,548,178</u>	<u>\$ 8,755,620</u>	<u>\$ 9,243,443</u>
Covered-employee payroll	\$ 4,703,864	\$ 4,203,864	\$ 4,237,346	\$ 4,237,346
Total OPEB liability as a percentage of covered-employee payroll	193.6%	143.4%	206.6%	218.1%

Notes

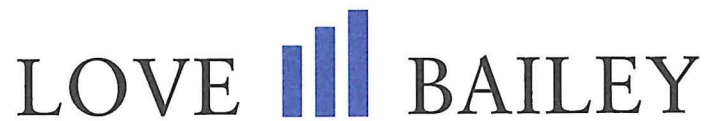
(1) Pursuant to GASB 75, a 10-year history of the information shown above is required. However, until a full 10-year history is compiled, information for those years which are available may be presented.

**JAMES ISLAND PUBLIC SERVICE DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
JUNE 30, 2021**

	Capital Projects Fund	Debt Service Fund	Firefighters One Percent Fund	Total Non-Major Funds
ASSETS				
Restricted cash	\$ 1,891,960	\$ 624,104	\$ 72,622	\$ 2,588,686
Funds held in escrow	-	316,985	-	316,985
Intergovernmental receivables	-	70,146	-	70,146
Tax receivable (net of allowance)	-	309,139	-	309,139
Due from other funds	-	1,041,328	-	1,041,328
Total assets	<u>\$ 1,891,960</u>	<u>\$ 2,361,702</u>	<u>\$ 72,622</u>	<u>\$ 4,326,284</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	17,125	-	-	17,125
Accrued interest	-	32,634	-	32,634
Due to other funds	1,333,136	-	-	1,333,136
Total liabilities	<u>1,350,261</u>	<u>32,634</u>	<u>-</u>	<u>1,382,895</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	348,350	-	348,350
Total	<u>1,350,261</u>	<u>380,984</u>	<u>-</u>	<u>1,731,245</u>
FUND BALANCES				
Restricted	-	316,985	72,622	389,607
Committed	-	1,663,733	-	1,663,733
Unassigned	541,699	-	-	541,699
Total fund balances	<u>541,699</u>	<u>1,980,718</u>	<u>72,622</u>	<u>2,595,039</u>
Total	<u>\$ 1,891,960</u>	<u>\$ 2,361,702</u>	<u>\$ 72,622</u>	<u>\$ 4,326,284</u>

JAMES ISLAND PUBLIC SERVICE DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR FUNDS
YEARE ENDED JUNE 30, 2021

	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Firefighters One Percent Fund</u>	<u>Total Non-Major Funds</u>
REVENUE				
Property taxes	\$ -	\$ 984,825	\$ -	\$ 984,825
One percent income	-	-	77,143	77,143
Other	316	454	-	770
Total revenues	<u>316</u>	<u>985,279</u>	<u>77,143</u>	<u>1,062,738</u>
EXPENDITURES				
General government	620	368	-	988
Public safety	-	-	74,004	74,004
Capital outlay	3,545,724	-	-	3,545,724
Debt service:				
Principal	-	784,176	-	784,176
Interest	-	151,981	-	151,981
Total expenditures	<u>3,546,344</u>	<u>936,525</u>	<u>74,004</u>	<u>4,556,873</u>
Excess (deficiency) of revenues over expenditures	<u>(3,546,028)</u>	<u>48,754</u>	<u>3,139</u>	<u>(3,494,135)</u>
OTHER FINANCING SOURCES (USES)				
Debt issuance cost	(220,621)	-	-	(220,621)
Proceeds from debt issuance	317,613	7,071,988	-	7,389,601
Transfers in (out)	2,376,383	(2,376,383)	-	-
Total other financing sources (uses)	<u>2,473,375</u>	<u>4,695,605</u>	<u>-</u>	<u>7,168,980</u>
Net changes in fund balances	(1,072,653)	4,744,359	3,139	3,674,845
Fund balances, beginning of year, as restated	<u>1,614,352</u>	<u>(2,763,641)</u>	<u>69,483</u>	<u>(1,079,806)</u>
Fund balances, end of year	<u>\$ 541,699</u>	<u>\$ 1,980,718</u>	<u>\$ 72,622</u>	<u>\$ 2,595,039</u>



CERTIFIED PUBLIC ACCOUNTANTS

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*

Board of Commissioners
James Island Public Service District
James Island, South Carolina

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, the business-type activities, each major fund, and the aggregate remaining fund information of the James Island Public Service District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the James Island Public Service District's basic financial statements, and have issued our report thereon dated December 8, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the James Island Public Service 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 James Island Public Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of the James Island Public Service 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. 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 James Island Public Service 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.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC

Laurens, South Carolina

December 8, 2021