



Berkeley County

Independent Auditor's Presentation - Year Ended June 30, 2016

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2/13/2017

2016 FINANCIAL AUDIT - BERKELEY COUNTY



OPINION

- **The County's responsibility:**
 - **Effective internal controls**
 - **Financial statements**
 - **Prepare and manage the budget**

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2016 FINANCIAL AUDIT - BERKELEY COUNTY



OPINION (continued)

- **Scott and Company responsibility:**
 - **Opinion – reasonable assurance that financial statements are materially correct**
 - **Opinion does not address the financial condition of the County**
- **The County received an unmodified opinion, best report you can get from us**

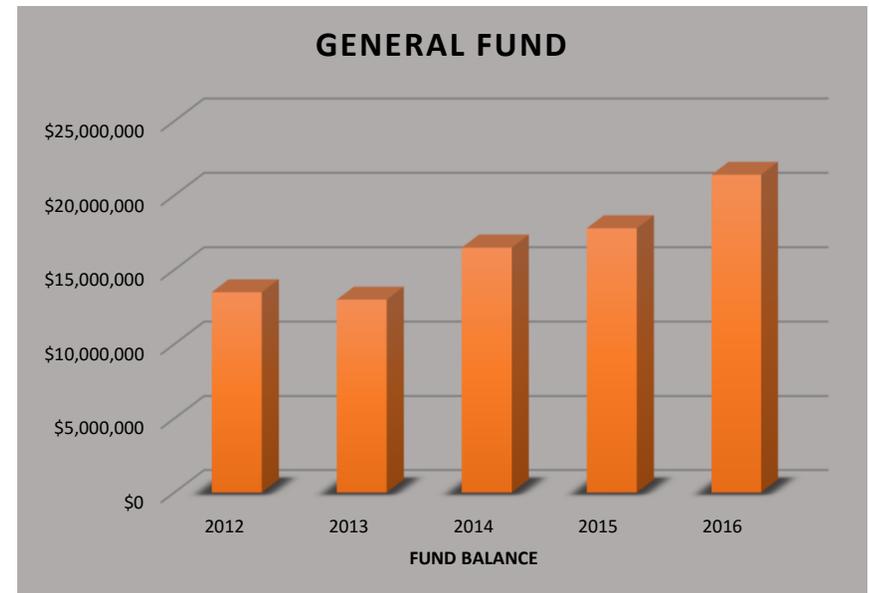
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2016 FINANCIAL AUDIT - BERKELEY COUNTY

General Fund

- General fund balance is \$21.4 million for 2016
- Unassigned fund balance is \$20.1 million which is 32% of 2016 actual expenditures – prior year \$14.7 million, increase of 37%
- Some of this \$20.1 million is from fund balance that was designated last year but did not get used during fiscal year 2016

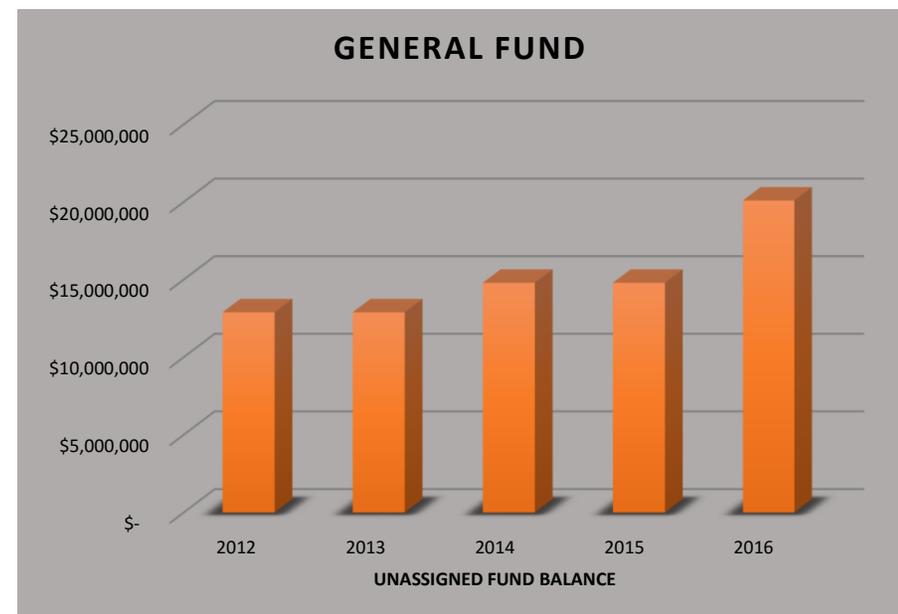




2016 FINANCIAL AUDIT - BERKELEY COUNTY

General Fund (continued)

- GFOA recommends a minimum of 16.7% (two months)
- The County's policy is to maintain a minimum unassigned fund balance of at least 17% of the next year's budget, which would be \$10.7 million





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2016 FINANCIAL AUDIT - BERKELEY COUNTY

Major Reasons to Maintain An Adequate Fund Balance:

- Cash flow through second half of calendar year
- Significant emergencies and unanticipated expenditures
- Potential for better interest rates on debt issues
- Unique requirements for a coastal community due to higher potential for storms and hurricanes

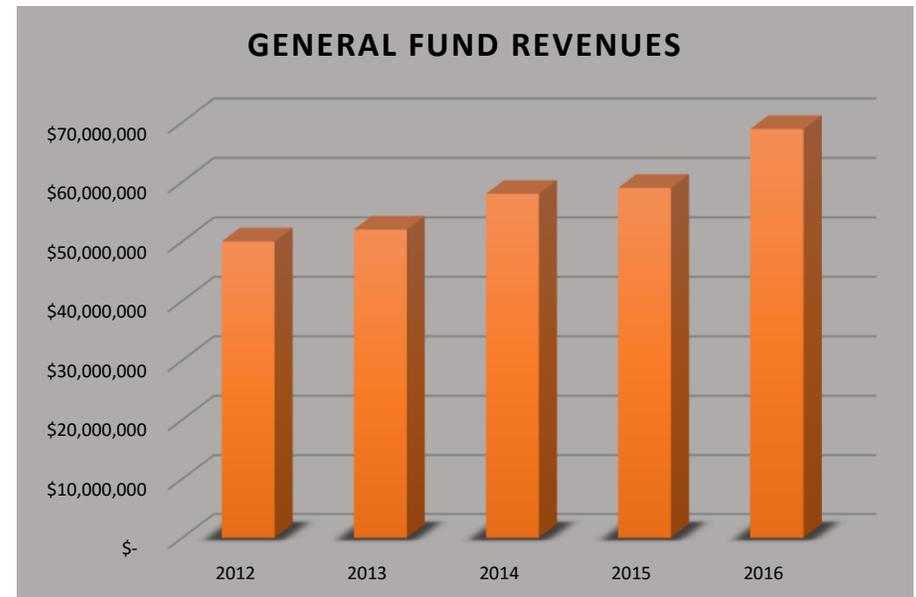
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General Fund Revenues

- \$68.9 million in revenues for 2016, a 14% increase
- Overall \$3.3 million increase in fund balance for general fund
- Revenues were \$3.5 million over budgeted revenues

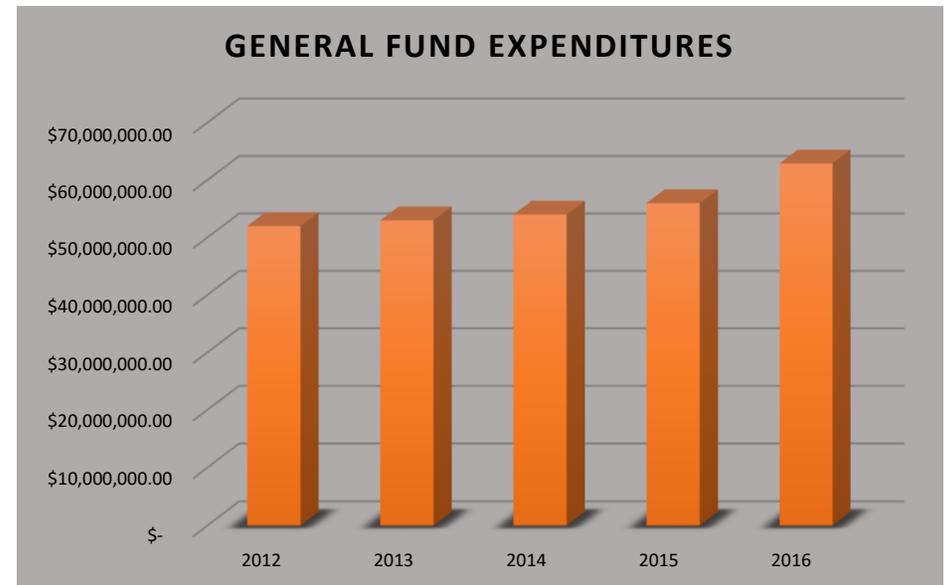




2016 FINANCIAL AUDIT - BERKELEY COUNTY

General Fund Expenditures

- \$62.9 million in expenditures for 2016, an 8% increase
- Expenditures were \$3.5 million under budgeted expenditures, but approximately \$3.5 million was transferred to other funds for capital projects





2016 INDEPENDENT AUDIT - BERKELEY COUNTY

Enterprise Funds

- **Water & Sewer** had a \$7.7 million increase in net position and a \$2.1 million increase in operating income due to increases of \$4 million in charges for sales and services being offset by a \$1.9 million increase in operating expenses
- **Water & Sewer** has an unrestricted fund balance of \$31.4 million at June 30, 2016, but a lot of this will be used for projects that have already been planned by the County



2016 INDEPENDENT AUDIT - BERKELEY COUNTY

Enterprise Funds (continued)

- **Solid Waste** had a \$1.1 million decrease in net position and a \$261 thousand decrease in operating loss primarily due to a \$549 thousand increase in operating revenues, a \$731 thousand decrease in landfill closure and post-closure estimates offset by an increase in depreciation expense of \$1.5 million
- **Solid Waste** had a \$6.9 million unrestricted deficit at June 30, 2016, change in net position improved from a \$2.2 million deficit to a \$1.1 million deficit, a decrease of 50%, and a significant improvement in annual net deficit of \$7.4 million in 2014
- Commercial user fees passed last year will not take effect until fiscal year 2017



2016 FINANCIAL AUDIT - BERKELEY COUNTY

AUDITING/ACCOUNTING UPDATE

Future Significant Changes in Accounting Principles

- **Governmental Accounting Standards Board (“GASB”) No. 77 Tax Abatement Disclosures will require additional disclosure regarding any abated taxes beginning in FY 2017. This standard requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements, and (2) those that are entered into by other governments that reduce the reporting government’s revenues.**



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AUDITING/ACCOUNTING UPDATE (continued)

Future Significant Changes in Accounting Principles

- **GASB No. 74 and GASB No. 75 – Other Postemployment Benefits (retiree medical) – GASB issued new statements in June 2015 that will make OPEB accounting very similar to Pension accounting. The County will be required to implement these changes beginning in FY 2018**

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Other Items of Note

- **Total capital assets were \$521.4 million at June 30, 2016, an increase of approximately \$6.5 million from last year**
- **The County's total long-term debt (bonds, loans, leases, and notes payable) was approximately \$227.3 million at June 30, 2016, an increase of \$5.9 million due to issuance of new debt offset by principal payments**

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Other Items of Note (continued)

- **The County issued \$30 million in General Obligation Bonds in January 2016 to construct, renovate, and expand County facilities, construct the Sheep Island Interchange, and install enhanced security infrastructure. The largest project relating to this is the public safety radio network**
- **The County issued \$10.1 million in General Obligation Advance Refunding Bonds in May of 2016 to refund some 2009 bonds and save the County \$1.1 million in debt service payments over the next 13 years**



2016 FINANCIAL AUDIT - BERKELEY COUNTY

Compliance

- **One financial statement matter reported. A building in Solid Waste fund was mistakenly removed from the books during 2015 and it had to be put back on the books in 2016. This is the correction of an error and we are required to report this to you as a material weakness**
- **Single Audit was required for 2016, which means that we audited compliance with federal statutes, rules and regulations of your major federal expenditures. No compliance findings reported**



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Management Letter

- Finance Director
- Solid Waste

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Summary

- **Unmodified opinions on the Financial Statements and federal reports from Scott and Company – best possible report from us**
- **This does not mean that every single transaction is correct. We use sampling**
- **County is in good financial condition as of June 30, 2016**

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2016 FINANCIAL AUDIT - BERKELEY COUNTY



Summary (continued)

- **Thank you to all the people in the finance departments of the County and Water and Sewer for their help in getting this audit done this first year. It was a difficult process primarily because it was first year, but will be much less difficult in the second year. Specifically thank you to Tim Callanan, Marietta Hicks, Jennifer Hinson, Wendy Weaver, Johnette Connelly, and Samantha Salisbury, who all brought valuable experience to the County**

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Summary (continued)

- Thank you also to our senior accountant on the audit, Kelly Damiano, who could not be here tonight, who also worked hard in making the audit come together
- Thank you and we are very glad to have Berkeley County as a client

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