



Berkeley County

Independent Auditor's Presentation - Year Ended June 30, 2018

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2018 FINANCIAL AUDIT - BERKELEY COUNTY



OPINION

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

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2018 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 unmodified opinions, best report you can get from us**

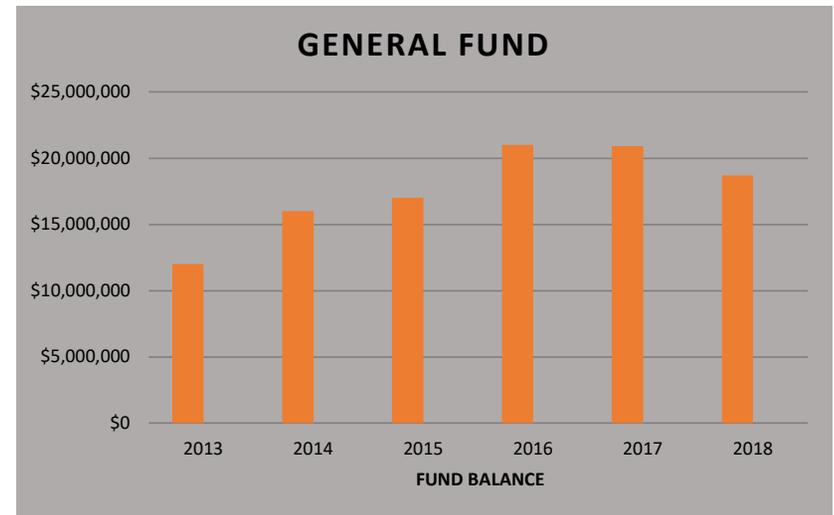
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2018 FINANCIAL AUDIT - BERKELEY COUNTY

General Fund

- General fund balance is \$18.7 million for 2018
- Unassigned fund balance is \$17 million which is 22% of 2018 actual expenditures – prior year \$15.1 million, increase of 12.5%

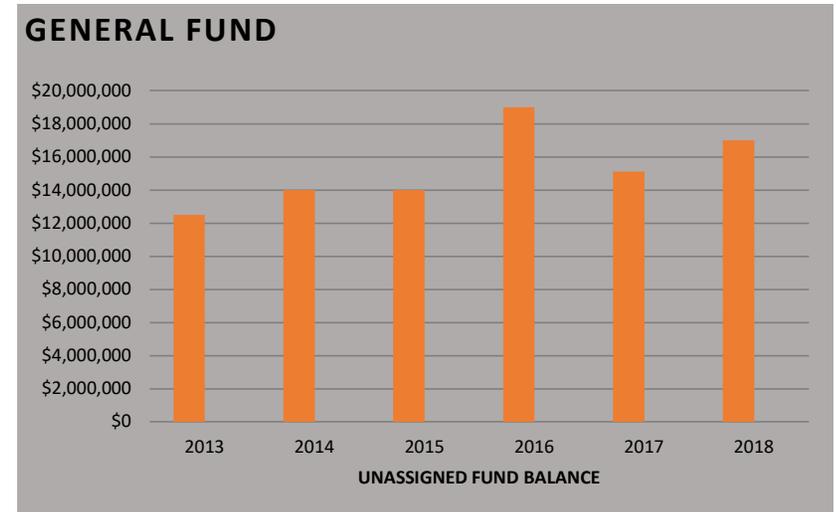




2018 FINANCIAL AUDIT - BERKELEY COUNTY

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 budgeted expenditures which would be \$14.6 million**





2018 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
- Downturn in economy

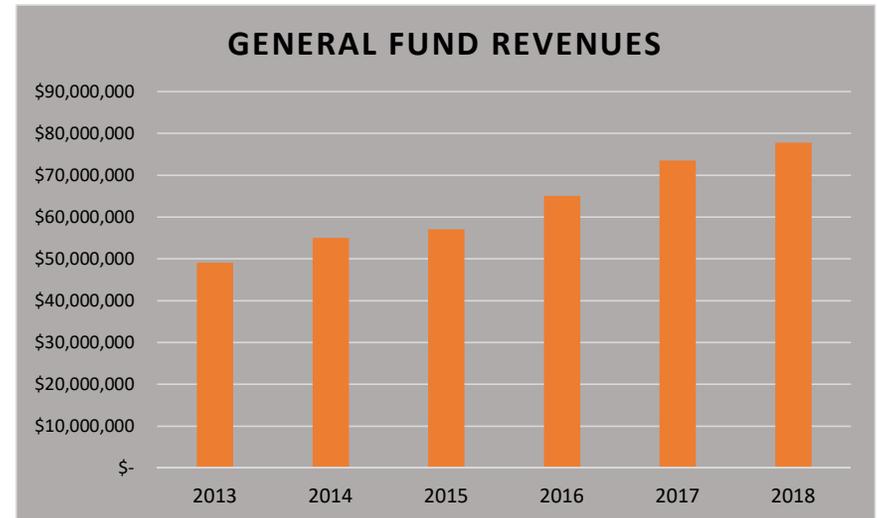
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2018 FINANCIAL AUDIT - BERKELEY COUNTY

General Fund Revenues

- **\$77.7 million in revenues for 2018, a 5.7% increase**
- **Overall \$2.3 million decrease in fund balance for general fund**
- **Revenues were \$400 thousand under budgeted revenues**

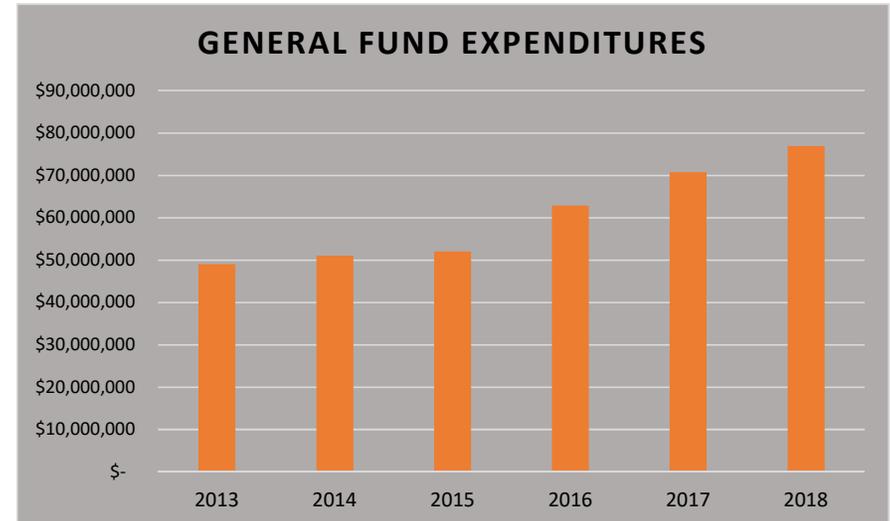




2018 FINANCIAL AUDIT - BERKELEY COUNTY

General Fund Expenditures

- \$76.9 million in expenditures for 2018, an 8.8% increase
- Expenditures were \$2.3 million under budgeted expenditures, but approximately \$4 million was transferred to other funds





2018 INDEPENDENT AUDIT - BERKELEY COUNTY

Enterprise Funds

- **Water & Sewer** had a \$32.8 million increase in net position and a \$4.4 million decrease in operating income due to a decrease of \$5.4 million in impact and connection fees offsetting a gain of \$3.2 million increase in sales and services. Expenses increased by \$1.9 million
- **Water & Sewer** had an unrestricted fund balance of \$54.9 million at June 30, 2018 to be expended on capital projects to include, among others:



2018 INDEPENDENT AUDIT - BERKELEY COUNTY

Major Outstanding Projects – Water & Sewer

- **Treatment Plant Upgrades has \$22 million to be expended**
- **Holly Hill to Camp Hall (Hwy 176) to receive water from Lake Marion has \$11 million to be expended**
- **St. Stephen Water Rehabilitation has \$4 million to be expended**
- **Relocation of lines due to Jedburg/I-26 and other road widening projects has \$5 million to be expended**

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2018 INDEPENDENT AUDIT - BERKELEY COUNTY

Enterprise Funds (continued)

- **Solid Waste** had a \$1.3 million increase in net position and an increase of \$2.7 million in operating income primarily due to a \$0.3 million increase in sales and services and a decrease in maintenance and repair expense of \$3.6 million from prior year
- **Solid Waste** had a \$5.3 million accumulated unrestricted deficit at June 30, 2018, change in net position improved from a \$1.0 million deficit to a \$1.3 million surplus



2018 FINANCIAL AUDIT - BERKELEY COUNTY

AUDITING/ACCOUNTING UPDATE

Significant Changes in Accounting Principles

- **Governmental Accounting Standards Board (“GASB”) No. 75 Other Postemployment Benefits (OPEB) other than Pensions.** This standard requires the County to determine the total OPEB liability using the entry age normal actuarial funding method and to report the net OPEB liability consisting of the difference between the total OPEB liability and the plan’s fiduciary net position. The unfunded OPEB liability was \$4.5 million at June 30, 2018, and \$3 million at June 30, 2017



2018 FINANCIAL AUDIT - BERKELEY COUNTY

AUDITING/ACCOUNTING UPDATE (continued)

Future Significant Changes in Accounting Principles

- **GASB No. 83 – Certain Asset Retirement Obligations – The objective is to provide information on the retirement obligations of certain assets. The County will be required to implement these changes beginning in FY 2019.**
- **GASB No. 88 – Certain Disclosures Related to Debt – The objective is to improve the consistency in the information disclosed in the financial statements. The County will be required to implement these changes beginning in FY 2019.**

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2018 FINANCIAL AUDIT - BERKELEY COUNTY

Other Items of Note

- Total capital assets were \$593.6 million at June 30, 2018, an increase of approximately \$36.9 million from last year
- The County's total long-term debt (bonds, loans, leases, and notes payable) was approximately \$213.6 million at June 30, 2018, a decrease of \$12.6 million



2018 FINANCIAL AUDIT - BERKELEY COUNTY

Internal Controls and Compliance

- **There were no material weaknesses or significant deficiencies reported in 2018**
- **That means that there is nothing that we found during the audit that we are required to communicate to the audit committee**
- **Single Audit was required for 2018, as in the past, 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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2018 FINANCIAL AUDIT - BERKELEY COUNTY

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 and audit to a 90% confidence level**
- **County is in good financial condition as of June 30, 2018**

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2018 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 year. Audit went much better this year because it is the third time through for everyone. Specifically thank you to Allen Milburn, Marietta Hicks, Jennifer Hinson, Wendy Weaver, Johnette Connelley, Jenny Davis and Samantha Salisbury, who all brought valuable experience to the County**



2018 FINANCIAL AUDIT - BERKELEY COUNTY

Summary (continued)

- Thank you also to our senior accountant on the audit, Jay Ashworth, who also worked hard in making the audit come together
- One thing that was really good this year is that County again prepared its own financial statements and made the state deadline for the second year in a row
- Thank you and we are very glad to have Berkeley County as a client

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