

Berkeley County

Financial Audit Presentation Year Ended June 30, 2015



2015 FINANCIAL AUDIT BERKELEY COUNTY

• OPINION

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

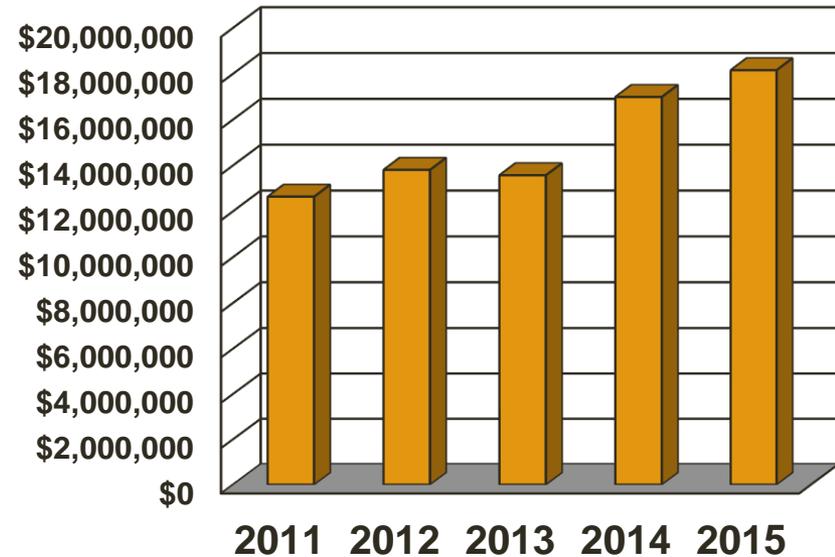


2015 FINANCIAL AUDIT BERKELEY COUNTY

• General Fund

- Total fund balance increased \$1.2M to \$18.2M
- Nonspendable fund balance of \$133k for inventory and \$528k for prepaid items
- Assigned fund balance of \$2.1M approved in the 2016 budget, \$369k for OPEB, \$76k for future capital outlay and \$141k in other assignments

GENERAL FUND



Fund Balance

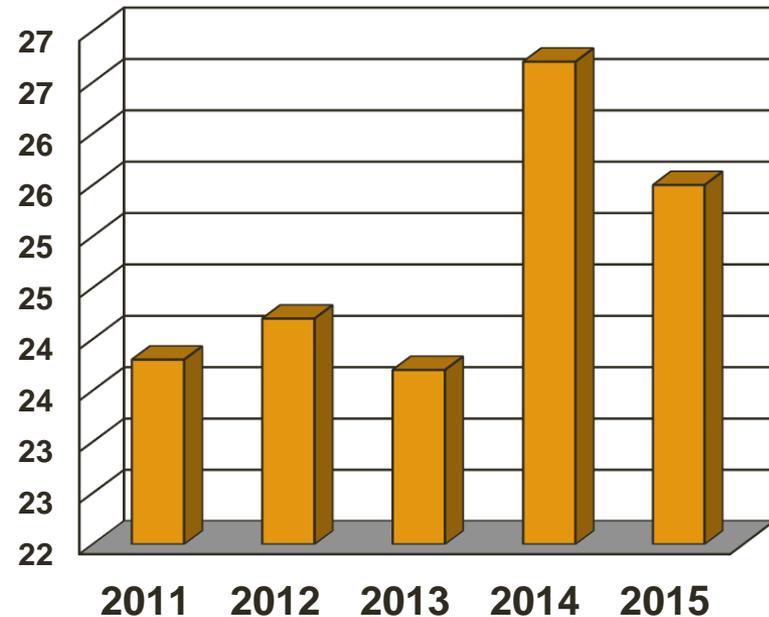


2015 FINANCIAL AUDIT BERKELEY COUNTY

• General Fund

- Unassigned fund balance is \$14.8 million, which is 25% of 2015 actual expenditures and 22% of 2016 budgeted expenditures
- 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, or about \$11.6 million as of June 30, 2015.

GENERAL FUND



Unassigned Fund Balance as a %
of General Fund Expenditures



2015 FINANCIAL AUDIT BERKELEY COUNTY

- Major Reasons To Maintain An Adequate Fund Balance:
 - Cash flow through second half of calendar year; property taxes and business licenses are cyclical.
 - Significant emergencies and unanticipated expenditures.
 - Potential for better interest rates on debt issues (can save the County money).
 - Unique requirements for a coastal community due to higher potential for acts of God.



2015 FINANCIAL AUDIT BERKELEY COUNTY

Important Points Regarding Fund Balance:

- It should not be considered a rainy day fund as general increases in expenditures and/or decreases in revenue, should be handled through the general operating budget
- Instead, fund balance should be considered more like long-term strategic financial savings that enables the County to mitigate current and future risks
- As the County grows, so should fund balance
- Fund balance should only be used for one-time expenses



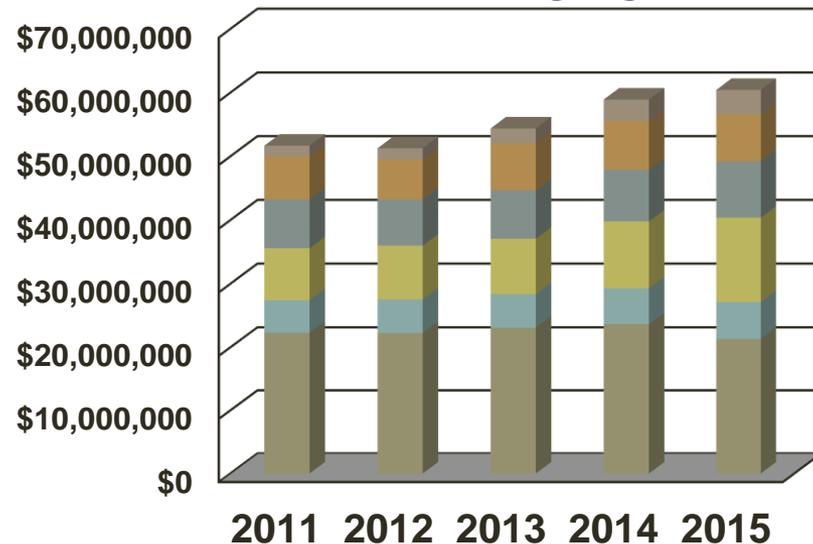
2015 FINANCIAL AUDIT

BERKELEY COUNTY

General Fund Revenues:

- \$60.4 million for 2015:
 - \$21.3m from property taxes
 - \$5.8m in fee in lieu of taxes (“FILOT”)
 - \$13.3m in local options sales tax (“LOST”)
 - \$8.8m in fines, forfeitures and fees
 - \$7.4m in intergovernmental revenues
 - \$3.8m in other revenues
- \$1.5m (2.6%) increase from 2014
 - \$2.7m increase in LOST and \$2.3M decrease in property taxes due to the County increasing the LOST credit factor.
 - \$787k increase in fines, forfeitures and fees due to increases in Register of Deeds filing fees and EMS fees
 - \$347k increase in licenses, fees and permits primarily due to increase in building permits

GENERAL FUND REVENUES



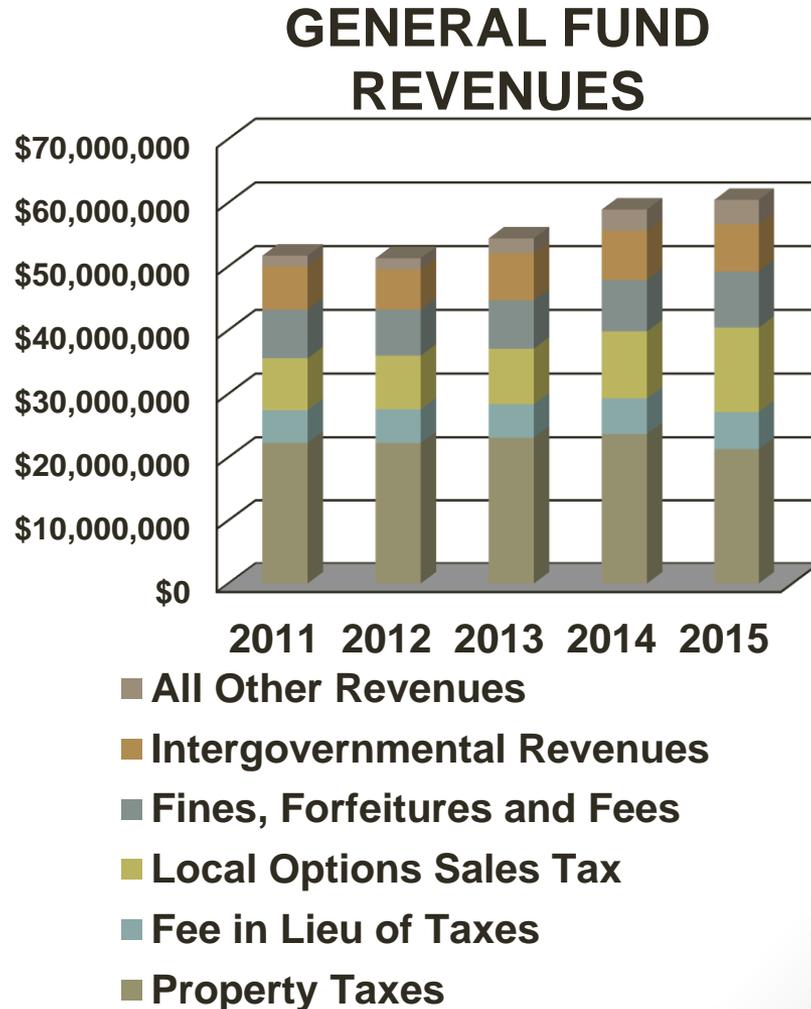
- All Other Revenues
- Intergovernmental Revenues
- Fines, Forfeitures and Fees
- Local Options Sales Tax
- Fee in Lieu of Taxes
- Property Taxes



2015 FINANCIAL AUDIT BERKELEY COUNTY

General Fund Revenues:

- \$1.1m (1.7%) under budget
 - \$2.1M under budget in property taxes due to the increased LOST credit factor
 - \$1.3M under budget in FILOT revenues
 - \$1.6M over budget in LOST revenues due to the increased LOST credit factor

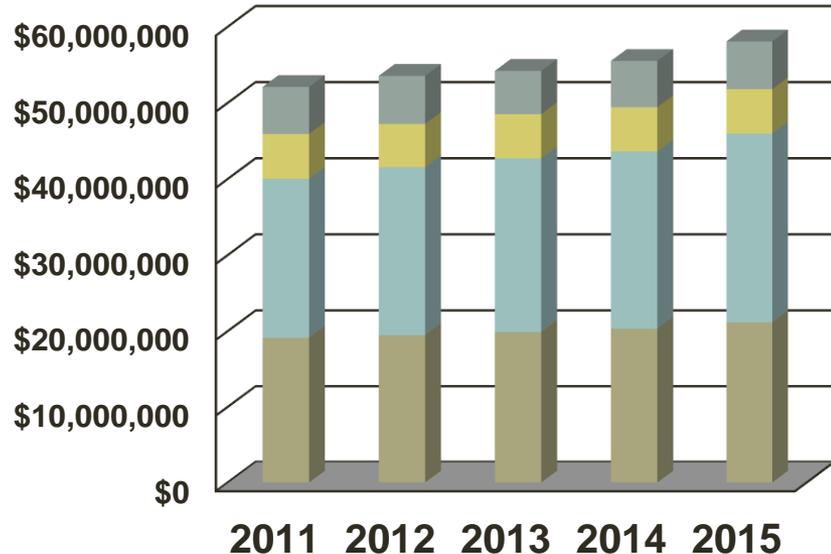


2015 FINANCIAL AUDIT BERKELEY COUNTY

General Fund Expenditures:

- \$58.1 million for 2015:
 - \$21.1m in general government
 - \$24.8m in public safety
 - \$5.8m in airports, highways and streets
 - \$6.3m in other expenditures
- \$2.6 million (4.6%) increase from 2014
 - \$832k increase in general government due to increases in salaries, temporary employees for election, maintenance contracts, and professional services
 - \$1.5M increase in public safety due to increases in correctional overtime, retirement contributions, utilities and \$303k in judgements, settlements & claims

GENERAL FUND EXPENDITURES



- Other
- Airports, Highways and Streets
- Public Safety
- General Government

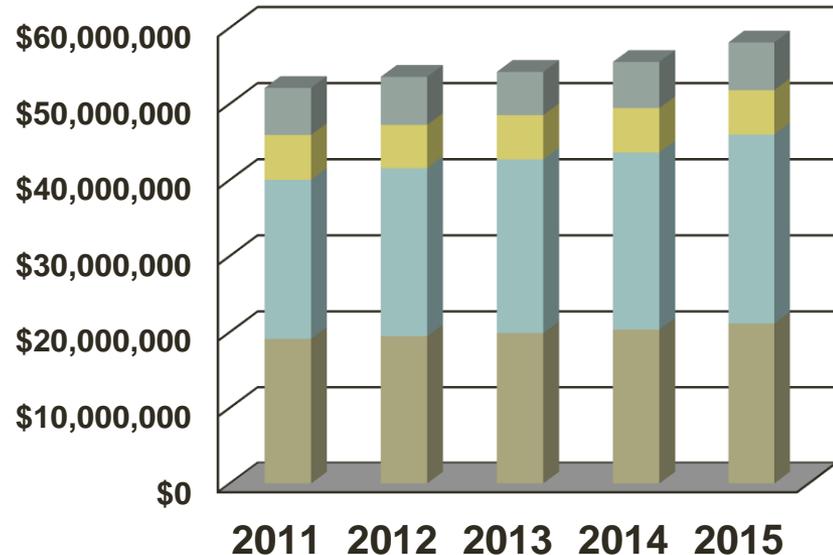


2015 FINANCIAL AUDIT BERKELEY COUNTY

General Fund Expenditures:

- \$4.6m (7.3%) under budget
 - \$1.96m under budget in general government primarily due to the County budgeting for a compensation plan and various other projects which were not implemented during the fiscal year
 - Approximately \$666k under budget in airport, highways and streets due to personnel costs being under budget
 - \$1.45M under budget in public safety due to lower than estimated correctional officer salaries (approved the funding of 16 additional correctional officers in FY15), sheriff department salaries, and lower actual fuel cost

GENERAL FUND EXPENDITURES



- Other
- Airports, Highways and Streets
- Public Safety
- General Government



2015 FINANCIAL AUDIT

BERKELEY COUNTY

Enterprise Funds

- **Water & Sewer** had a \$12.4M increase in net position (not including the \$12.0M adjustment to beginning net position for the implementation of new accounting standards discussed later) compared to an \$11.5m increase in the prior year:
 - Total Water and Sewer Fund operating revenues remained relatively constant, increasing approximately \$785k or 1.9% from the prior year. Sales and services increased \$1.2M primarily due to increased consumption. Other operating revenue decreased \$799k due primarily due to the write-off of the bridge expense revenues from CSX.
 - Water and Sewer Fund operating expenses increased \$1.7M or 5.2% primarily due to a \$1.1M increase in depreciation expense due to increased depreciable assets, a \$487k increase in utilities (mostly water purchases), and a \$271k increase in Personnel Services (includes \$125k related to the one time disbursement).



2015 FINANCIAL AUDIT

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Enterprise Funds

- **Solid Waste** had a \$2.2M decrease in net position (not including the \$5.4M adjustment to beginning net position for the implementation of new accounting standards discussed later) compared to a \$7.4M decrease in the prior year:
 - Solid Waste Fund operating revenues remained relatively constant decreasing \$77k or 0.7% compared to the prior year.
 - Solid Waste Fund operating expenses decreased \$5.5m or 32.1% primarily due to a \$6.5m decrease in landfill closure and postclosure costs due to one time changes in the landfill liability in 2014 related to the addition of the construction and demolition landfill and changes in DHEC closure requirements.



2015 FINANCIAL AUDIT BERKELEY COUNTY

Other Funds

- Other funds include capital projects, debt service, and special revenue funds
 - Total Revenues: \$47.4M
 - Total Expenditures: \$44.9M
 - Major changes include a \$1.1M increase in Transportation Sales Tax revenues and a \$1.3M increase in property taxes



2015 FINANCIAL AUDIT

BERKELEY COUNTY

Change In Accounting:

- Implemented Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* in 2015:
 - The County participates in the State’s cost sharing multiple-employer plans – the South Carolina Retirement System (“SCRS”) and Police Officers Retirement System (“PORS”).
 - The County was required to record its pro-rata portion of the net pension liability and deferred outflows/inflows of resources associated with the SCRS and PORS in its Statement of Net Position which has significantly decreased its beginning net position by approximately \$74.4M on the government wide statements, including \$57.0M for governmental activities and \$17.4M for business-type activities.
 - Net pension liability of \$75.2M at June 30, 2015.



2015 FINANCIAL AUDIT BERKELEY COUNTY

Change In Accounting (continued):

- The County converted its parks and recreation and emergency telephone activities from enterprise funds to special revenue funds resulting in adjustments to the beginning fund balance of (\$502k) and \$779k for the Parks and Recreation and Emergency Telephone Funds, respectively, and an adjustment to beginning net position of \$1.7M for the business-type and governmental activities.



2015 FINANCIAL AUDIT BERKELEY COUNTY

AUDITING/ACCOUNTING UPDATE:

Future Significant Changes in Accounting Principles:

- GASB #77 Tax Abatement Disclosures will require additional disclosure regarding any abated taxes beginning in FY 2017.
- GASB #74 and GASB #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.



2015 FINANCIAL AUDIT

BERKELEY COUNTY

Other Items of Note:

- Total capital assets were \$514.9m at 6/30/15 – increase of \$19.1M from 6/30/14:
 - \$3.1M in donated infrastructure and equipment for governmental activities
 - \$9.9M in contributed systems from developers for business-type activities
 - \$27.5M in construction in progress additions related to various road projects and various water and sewer projects, including the Lake Moultrie Water Agency plant expansion
 - Depreciation expense totaled \$27.9M, including \$11.8M for governmental activities and \$16.0M for business-type activities.
 - Construction in progress is \$43.6M at 6/30/15. The largest ongoing projects are Lake Moultrie LMWA plant extension, the College Park Water and Sewer relocation, and the county road resurfacing.
- Construction commitments total \$13.8M at June 30, 2015. Subsequent to June 30, 2015, the County awarded an additional \$5.7M in construction contracts.



2015 FINANCIAL AUDIT

BERKELEY COUNTY

Other Items of Note (continued):

- Total long-term obligations (bonds, loans and notes payable) outstanding at 6/30/15 were \$242.0M – increase of \$12.4M from 6/30/14:
 - Governmental Activities - \$52.2M
 - \$45.6M in GO Bonds outstanding
 - \$1.2M in premiums outstanding
 - \$5.3M in SC Transportation Infrastructure Bank Loan
 - Business-Type Activities - \$189.8M
 - \$169.6M in Revenue Bonds outstanding
 - \$19.3M in premiums outstanding
 - \$889k in state revolving fund loan outstanding
 - \$50k in notes payable outstanding
- Total debt service payments for 2016 on outstanding debt are expected to be \$25.0M including \$14.4M in governmental activities and \$10.6M in business-type activities.



2015 FINANCIAL AUDIT

BERKELEY COUNTY

Other Items of Note:

- Subsequent Events
 - Termination of Jedburg Road Assessment District
 - Various agreements entered into with Volvo with the County agreeing to fund approximately \$18.0M related to the project
 - Modification of the multi-county park distribution related to Volvo
 - Acceptance of an FAA grant in the amount of \$2.2M to clear obstructions in the Runway 5 approach
 - Approval of the issuance of up to \$30.0M in Series 2015A General Obligation Bonds for capital improvements



2015 FINANCIAL AUDIT BERKELEY COUNTY

Compliance

- No Financial Statement findings noted
- Single Audit was required for 2015
 - FEMA Disaster Grants – Public Assistance

Management Letter

- Required communications to management and those charged with governance:
 - Other Post-employment Benefits
 - Long Term Financial Projections
 - Property Tax System



2015 FINANCIAL AUDIT BERKELEY COUNTY

Summary

- Unmodified opinion on the Financial Statements from GF&H
- Good financial condition as of June 30, 2015
- Use caution in appropriating fund balance to balance the budget

