

Berkeley County South Carolina

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY FINANCIAL INFORMATION,
AND INDEPENDENT AUDITOR'S REPORT**

FISCAL YEAR ENDED JUNE 30, 2004



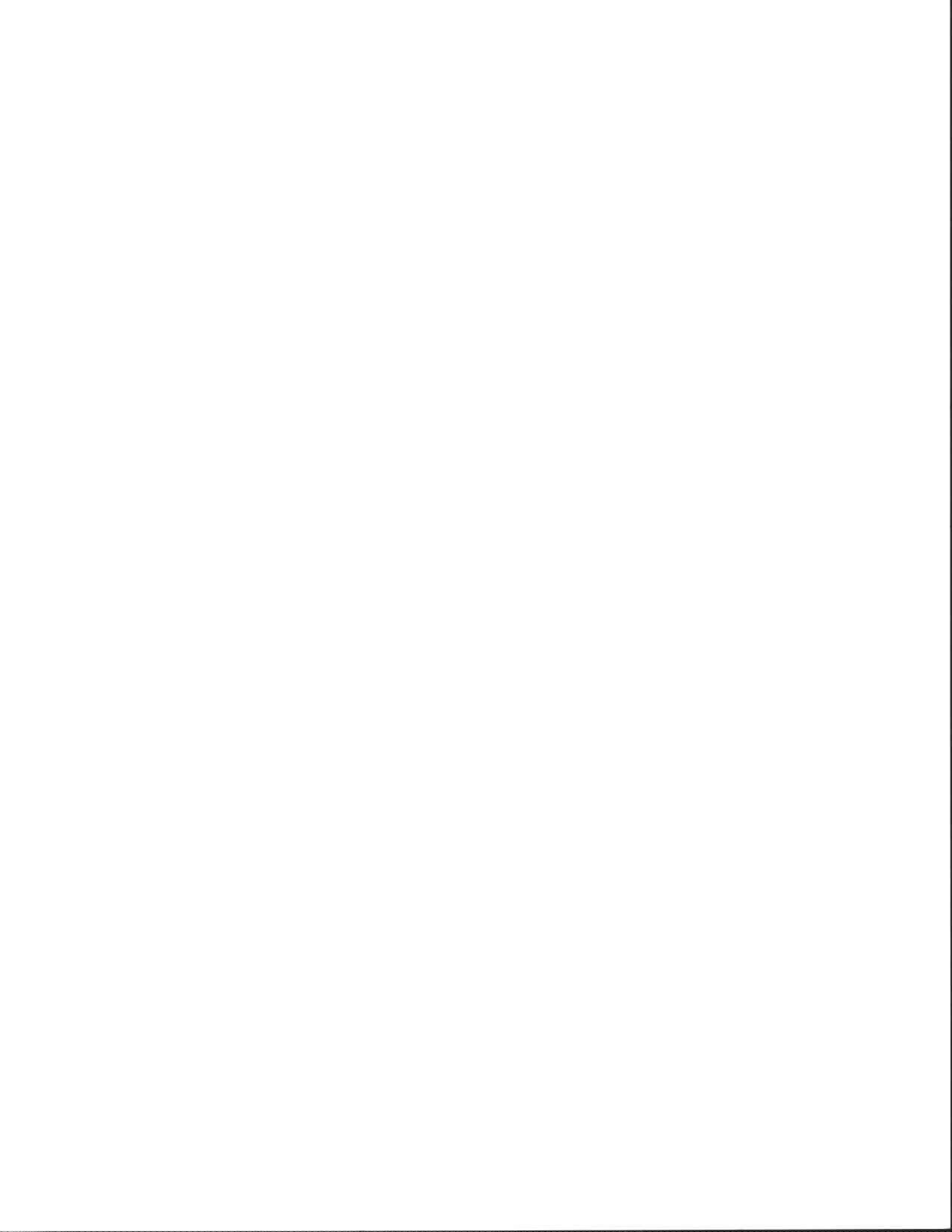
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Independent Auditor's Report

Members of County Council
Berkeley County, South Carolina
Moncks Corner, South Carolina

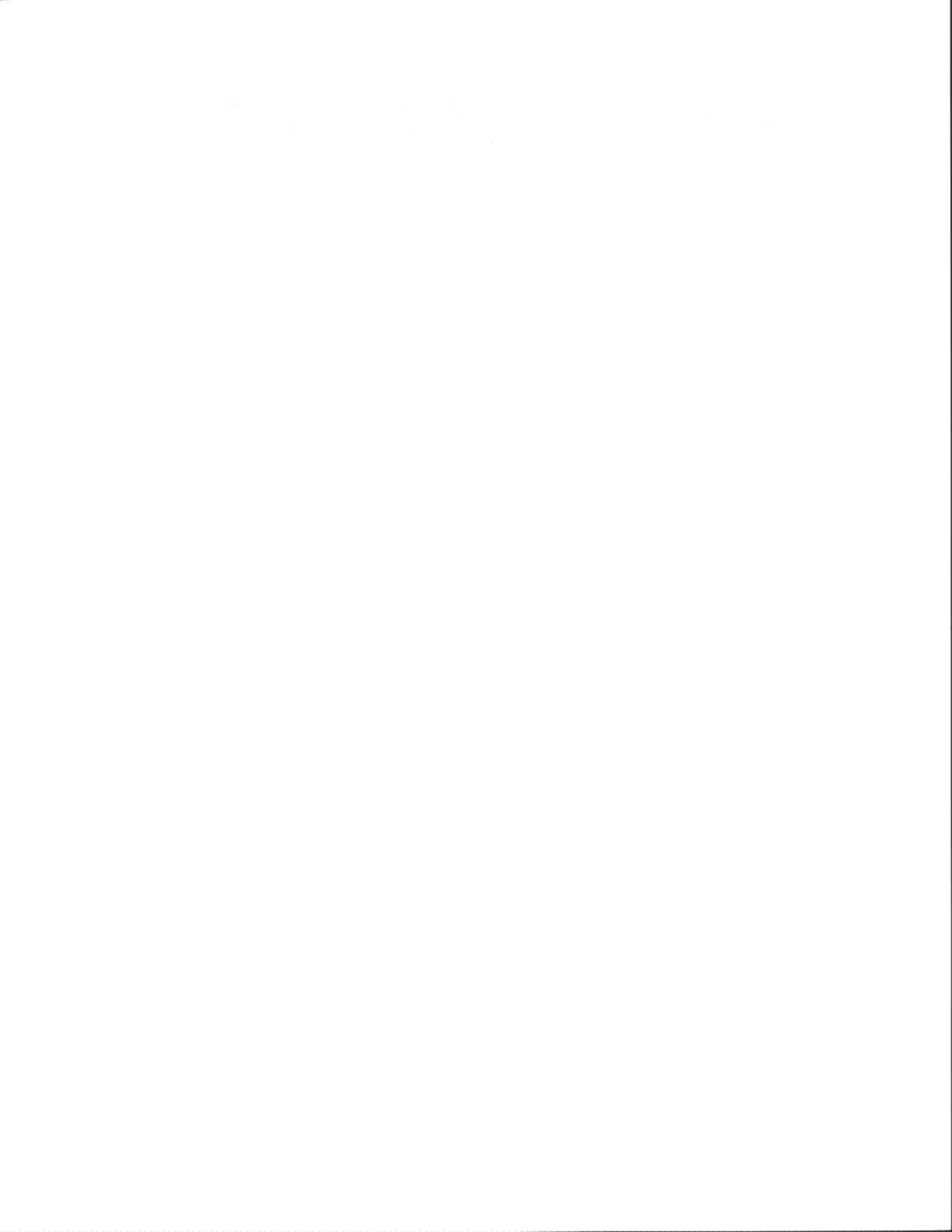
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Berkeley County, South Carolina**, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Berkeley County, South Carolina's** management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Berkeley County, South Carolina**, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2004, on our consideration of **Berkeley County, South Carolina's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



County Council
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Berkeley County, South Carolina's** basic financial statements. The combining nonmajor fund statements listed in the table of contents under Supplementary Financial Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Court Assessments and Surcharges listed in the table of contents under Other Financial Information is presented for purposes of additional analysis as required by the State of South Carolina and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards listed in the table of contents under Other Financial Information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **Berkeley County, South Carolina**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Bryan, Innesdale, Atkins & Williams, PA

November 24, 2004



REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

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**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2004**

As management of Berkeley County Government (the County), we offer the readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The *financial statements* are comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Statements

The government-wide statements provide a broad view of the County's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the County's financial condition and results of operations.

The Statement of Net Assets shows the County's assets less its liabilities at June 30, 2004. The difference between these assets and liabilities is reported as net assets. Changes in net assets over time may be helpful in indicating an improving or deteriorating financial condition.

The Statement of Activities follows the Statement of Net Assets and presents information showing how the net assets changed during the fiscal year. The statement presents all underlying events, which give rise to the change, regardless of the timing of the related cash flows.

Both statements attempt to distinguish functions of the County 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).

Governmental activities reported in the statements include general government, public safety, airport, highways and streets, culture and recreation, health and welfare, and community development. The major business-type activities are water and sewer, and solid waste. Other business activities include parks and recreation, and emergency telephone.

Fund Financial Statements

These statements provide more detailed information about the County's most significant funds – not the County as a whole. 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. Like other state and local governments, Berkeley County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of Berkeley County government can be divided into three categories: governmental, proprietary, and fiduciary funds.

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2004**

Governmental Funds

These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statement, additional information is provided to reconcile the two types of statements.

Proprietary Funds

Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements provide both long and short-term financial information. These funds are similar to the government-wide business-type activities, but provide more detail and additional information, such as a cash flow statement.

Fiduciary Funds

The County uses fiduciary funds to account for resources held for the benefit of parties outside the county government. Although these funds are presented in the fund set of statements, they do not appear in the government-wide financial statements because the resources of fiduciary funds are not available to support the County's own programs. The County reports its fiduciary funds in a separate Statement of Fiduciary Net Assets.

Notes to the Financial Statements

The notes provide additional information that is essential to understand the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information that includes this analysis and the General Fund budgetary comparison. The General Fund budgetary comparison is presented as part of the basic governmental fund financial statements.

Additionally, the combining statements, which include nonmajor governmental and proprietary funds, are presented. As required by law, the County also presents a Schedule of Court Assessments and Surcharges, and a Schedule of Expenditures of Federal Awards.

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2004**

Government-wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Below is a summary comparison of the County's net assets.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2004	2003	2004	2003	2004	2003
Current/other assets	\$ 48,486,598	\$ 31,009,521	\$ 71,371,394	\$ 77,870,668	\$ 119,857,992	\$ 108,880,189
Capital assets	28,660,623	25,522,914	169,406,559	160,439,473	198,067,182	185,962,387
Total assets	77,147,221	56,532,435	240,777,953	238,310,141	317,925,174	294,842,576
Current liabilities	30,173,026	27,019,751	8,279,664	8,501,790	38,452,690	35,521,541
Long-term liabilities	36,736,345	18,163,511	119,738,417	124,924,150	156,474,762	143,087,661
Total liabilities	66,909,371	45,183,262	128,018,081	133,425,940	194,927,452	178,609,202
Net assets						
Invested in capital assets net of related debt	4,100,872	4,537,362	91,880,259	91,326,636	95,981,131	95,863,998
Restricted	1,180,464	4,758,698	2,684,613	2,057,079	3,865,077	6,815,777
Unrestricted	4,956,514	2,053,113	18,195,000	11,500,486	23,151,514	13,553,599
Total net assets	\$ 10,237,850	\$ 11,349,173	\$ 112,759,872	\$ 104,884,201	\$ 122,997,722	\$ 116,233,374

At June 30, 2004, the County's assets exceeded liabilities by \$122,997,722. The County's combined net assets increased by \$6,764,348, or 5.8% during 2004. The improvement can be primarily attributed to business-type activities that increased \$7,875,671.

The largest portion of the County's net assets (78%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. Capital assets increased by a net amount of \$12,104,795. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its 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.

An additional portion of the County's net assets (3.1%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets (\$23,151,514) may be used to meet the government's ongoing obligations to citizens and creditors.

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2004**

Change in Net Assets

Information about changes in net assets can identify sources of County revenue, and how the County uses its funds. Below is a summary of the change in net assets.

**Changes in Net Assets of Primary Government
For the Year Ended June 30, 2004**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 10,837,186	\$ 9,180,653	\$ 31,233,514	\$ 27,952,687	\$ 42,070,700	\$ 37,133,340
Operating grants and contributions	1,367,455	1,249,162	318,902	45,720	1,686,357	1,294,882
Capital grants and contributions	2,429,726	4,683,739	4,929,297	4,724,902	7,359,023	9,408,641
General revenues:						
Property taxes	21,097,989	19,721,459	-	-	21,097,989	19,721,459
Fee in lieu of taxes	3,704,602	3,825,803	-	-	3,704,602	3,825,803
Accommodations taxes	348,922	333,246	-	-	348,922	333,246
Franchise fees	298,937	290,111	-	-	298,937	290,111
Grants and contributions not restricted to specific programs	7,042,107	6,985,486	-	-	7,042,107	6,985,486
Interest income	154,302	55,247	483,208	745,180	637,510	800,427
Gain on sale of assets	274	101,568	27,087	(140,647)	27,361	(39,079)
Miscellaneous	83,767	60,913	-	-	83,767	60,913
Total revenues	47,365,267	46,487,387	36,992,008	33,327,842	84,357,275	79,815,229
Expenditures:						
General government	16,033,073	14,706,495	-	-	16,033,073	14,706,495
Public safety	19,120,324	16,434,497	-	-	19,120,324	16,434,497
Airport, highways, and streets	5,479,506	6,592,316	-	-	5,479,506	6,592,316
Culture and recreation	2,038,387	1,904,335	-	-	2,038,387	1,904,335
Health and welfare	1,440,674	1,492,166	-	-	1,440,674	1,492,166
Community development	3,264,017	3,013,925	-	-	3,264,017	3,013,925
Interest and fiscal charges	1,894,837	978,654	-	-	1,894,837	978,654
Water and sewer	-	-	19,848,515	18,213,526	19,848,515	18,213,526
Solid waste	-	-	7,537,391	7,224,659	7,537,391	7,224,659
Parks and recreation	-	-	1,245,433	1,110,828	1,245,433	1,110,828
Emergency telephone	-	-	505,061	445,750	505,061	445,750
Total expenditures	49,270,818	45,122,388	29,136,400	26,994,763	78,407,218	72,117,151
Increase (decrease) in net assets before transfers	(1,905,551)	1,364,999	7,855,608	6,333,079	5,950,057	7,698,078
Transfers	(20,063)	(141,358)	20,063	141,358	-	-
Increase (decrease) in net assets	(1,925,614)	1,223,641	7,875,671	6,474,437	5,950,057	7,698,078
Net assets beginning, as restated	12,163,464	10,125,532	104,884,201	98,409,764	117,047,665	108,535,296
Net assets ending	\$ 10,237,850	\$ 11,349,173	\$ 112,759,872	\$ 104,884,201	\$ 122,997,722	\$ 116,233,374

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2004**

Governmental Activities.

The largest increase in revenues was charges for services. This was substantially attributable to building permits and real estate filing fees. The largest decrease in revenues was capital grants and contributions. This was the result of a decrease in developer contributions.

The largest increase in expenditures was public safety. This was substantially attributable to rising personnel costs necessary to protect and serve the needs of the county's growing population. The largest decrease in expenditures was airport, highways, and streets. This was substantially the result of prior year included the recognition of C Fund revenues and expenditures for non-county roads, which have been recorded in a fiduciary fund for the current year.

Business-type Activities.

The largest increase in revenues was charges for services. This was substantially attributable to the increased customer base for water and sewer services. The largest decrease in revenues was interest income. This was the result of a reduction in cash for the use of capital projects.

The largest increase in expenditures was water and sewer. This was substantially attributable to rising personnel costs associated with additional employees and rising insurance costs. There was no substantial decrease in expenditures from prior year.

Financial Analysis of Berkeley County's Funds

As noted earlier, Berkeley County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The following schedule presents a summary of all governmental fund revenues and other financing sources for the fiscal year ended June 30, 2004, and the amount and percentage of increases and decreases in relation to prior year amounts:

	Amount	Percent Of Total	Increase (Decrease) from 2003	Percent Increase (Decrease)
Revenues				
Property and accommodations taxes	\$ 20,536,388	26.8%	\$ 1,347,778	7.0%
Fee in lieu of taxes	4,333,544	5.7%	(146,577)	(3.3)%
Licenses, fees and permits	1,112,184	1.5%	245,547	28.3%
Fines, forfeitures and fees	9,124,757	11.9%	1,454,910	19.0%
Interest income	154,302	0.2%	99,056	179.3%
Local revenue	408,491	0.5%	302,960	287.1%
Intergovernmental - federal	2,169,836	2.8%	424,938	24.3%
Intergovernmental - state and local	8,099,376	10.6%	(1,651,110)	(16.9)%
Miscellaneous	736,997	1.0%	(207,409)	(22.0)%
Other financing sources				
Proceeds from issuance of debt	17,795,000	23.3%	17,795,000	0.0%
Proceeds from refunding	7,205,000	9.4%	7,205,000	0.0%
Proceeds from capital lease	1,032,666	1.3%	708,258	218.3%
Premium on refunding	696,862	0.9%	696,862	0.0%
Transfers in	3,114,479	4.1%	489,978	18.7%
Total	\$ 76,519,882	100.0%	\$ 28,765,191	60.3%