

BERKELEY COUNTY, SOUTH CAROLINA
FINANCIAL STATEMENTS,
YEAR ENDED JUNE 30, 2007



PREPARED BY:

Kace Smith, CPA, Finance Director
Marietta Hicks, Accountant
Jennifer Hinson, Accountant

BERKELEY COUNTY, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2007

INTRODUCTORY SECTION

Table of Contents	i
Listing of Elected Officials	iii

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT 1

Management's Discussion and Analysis	3
--------------------------------------	---

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets	12
Statement of Activities	15

Fund Financial Statements:

Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds to the Statement of Activities	19
Statement of Net Assets - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Statement of Fiduciary Net Assets - Fiduciary Funds	24

<i>Notes to the Basic Financial Statements</i>	25
--	----

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - General Fund	54
--	----

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2007

OTHER SUPPLEMENTARY INFORMATION

	<u>Page Number</u>
<u>Combining and Individual Fund Schedules:</u>	
Combining Balance Sheet - Nonmajor Governmental Funds	57
Combining Balance Sheet - Special Revenue Funds	58
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	65
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds	66
Combining Schedule of Fiduciary Net Assets - All Agency Funds	72
Schedule of Court Assessments and Surcharges - Clerk of Court and Magistrates	74

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	75
Notes to Schedule of Expenditures of Federal Awards	77
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	81
Schedule of Findings and Questioned Costs	83
Summary Schedule of Prior Audit Findings	85

BERKELEY COUNTY, SOUTH CAROLINA

Established in 1942

LISTING OF ELECTED OFFICIALS

County Council

Daniel W. Davis, Supervisor and Chairman
Phillip Farley, District No. 1
Timothy J. Callanan, District No. 2
William E. Crosby, District No. 3
Cathy S. Davis, District No. 4
Dennis Fish, District No. 5
Jack H. Schurlknight, District No. 6
Caldwell Pinckney, District No. 7
Steve C. Davis, District No. 8

Other Elected Officials

Janet Brown Jurosko, Auditor
Mary P. Brown, Clerk of Court
Glenn A. Rhoad, Coroner
Keith Kornahrens, Probate Judge
Cynthia B. Forte, Register of Deeds
Henry W. Dewitt, Sheriff
Scarlett A. Wilson, Solicitor
Carolyn M. Umphlett, Treasurer



GREENE FINNEY & HORTON
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' 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 (the "County"), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note III.D, the County has retroactively reported major general infrastructure assets, as allowed by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended and interpreted, as of June 30, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2008, on our consideration of the County's internal control over financial reporting and on 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 accompanying management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the US 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 the County. The other supplementary information and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Greene, Finney & Horton, LLP
February 14, 2008

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

Our discussion and analysis of Berkeley County's annual financial report presents a narrative overview of the County's financial performance during the fiscal year ended June 30, 2007. This information should be read in conjunction with the basic financial statements and the accompanying notes.

FINANCIAL HIGHLIGHTS

- Berkeley County's assets exceeded its liabilities (net assets) at June 30 by \$208,439,468 for fiscal year 2007 as compared to \$180,062,302 at the prior fiscal year end. Unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors; Berkeley County's unrestricted net assets at June 30, 2007 amounted to \$34,519,169. Unrestricted net assets increased \$261,619 over the previous fiscal year.
- The County's total net assets this fiscal year increased \$28,377,166 over the previous year: \$29,157,777 of the increase is from business-type activities, which was partially offset by a decrease of \$780,611 from governmental activities.
- At June 30, 2007 the County's governmental funds reported combined ending fund balances of \$17,666,394, an increase of \$2,105,579 over the previous fiscal year as revenues and other financing sources (proceeds for the issuance of bonds and notes payable and the disposal of capital assets, for example) totaling \$81,458,473 exceeded expenditures and other financing uses (transfers to other funds) of \$79,352,894. Unreserved fund balances for all governmental fund types was \$13,733,429.
- The General Fund reported an unreserved fund balance of \$3,462,548 compared to last year's unreserved amount of \$7,012,108. This decrease of \$3,549,560 was due primarily to the transfer of \$3,522,824 to the Parks and Recreation Fund (Cypress Gardens) in satisfaction of the balance owed to the General Fund as of June 30, 2007.
- The County's total capital assets were \$315,278,625 at June 30, 2007, an increase of \$54,032,183 from the amount reported for the previous year. Approximately \$29 million of this increase is the result of the County recording infrastructure (roads, sidewalks and bridges) acquired prior to 2003, as allowed by Governmental Accounting Standards Board Statement ("GASB") No. 34.
- The County's total long-term obligations were \$269,075,936 at June 30, 2007, an increase of \$2,197,493 from the previous year. This increase was due primarily to the issuance of bonds and notes payable totaling \$12,637,886, offset by payments to retire principal and other changes of \$10,440,393.
- The debt service coverage ratio for the Solid Waste and the Water/Sewer revenue bonds was 312% and 141%, respectively. Both exceeded the 120% required by the bond covenants.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

Government-wide financial statements provide a broad overview of the financial position of Berkeley County and are similar to private-sector financial statements. They include a Statement of Net Assets and a Statement of Activities.

The Statement of Net Assets shows the County's assets less its liabilities at June 30, 2007. 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.

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

Both statements attempt to distinguish functions of Berkeley 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 business-type activities are water and sewer, solid waste, parks and recreation, and emergency telephone.

Fund Financial Statements

Fund financial statements are groupings of related accounts that are 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.

Governmental Funds – Governmental funds are used to account for essentially the same functions as reported under the governmental activities column of the government-wide Statement of Net Assets and Statement of Activities. However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year and is a narrower focus than the government-wide financial statements. Such information may be useful in evaluating Berkeley County's near-term financing requirements and available resources.

By comparing functions between the two sets of statements for governmental funds and governmental activities, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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 – Berkeley County uses fiduciary funds to account for resources held for the benefit of parties outside 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 Berkeley County Government's own programs. Berkeley County reports its fiduciary funds in a separate Statement of Fiduciary Net Assets.

Notes to the Basic Financial Statements – The notes provide required disclosures and other information that are essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes present information about the County's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events.

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

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative data for net assets as of June 30, 2007 and 2006 are shown below.

**Berkeley County
Net Assets (In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006 *	2007	2006	2007	2006 *
Assets:						
Current and Other Assets	\$ 54,857	48,374	150,311	146,424	205,168	\$ 194,798
Capital Assets, Net	73,059	68,698	242,220	221,540	315,279	290,238
Total Assets	<u>127,916</u>	<u>117,072</u>	<u>392,531</u>	<u>367,964</u>	<u>520,447</u>	<u>485,036</u>
Liabilities:						
Current Liabilities	46,068	37,670	12,838	10,870	58,906	48,540
Non-Current Liabilities	39,537	36,311	213,565	220,123	253,102	256,434
Total Liabilities	<u>85,605</u>	<u>73,981</u>	<u>226,403</u>	<u>230,993</u>	<u>312,008</u>	<u>304,974</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	36,690	33,731	132,393	104,343	169,083	138,074
Restricted	3,253	2,414	1,584	5,317	4,837	7,731
Unrestricted	2,368	6,946	32,151	27,311	34,519	34,257
Total Net Assets	<u>\$ 42,311</u>	<u>43,091</u>	<u>166,128</u>	<u>136,971</u>	<u>208,439</u>	<u>\$ 180,062</u>

* Capital Assets, Net and Invested in Capital Assets have been restated to reflect the retroactive recording of infrastructure as allowed by GASB 34, increasing both of these categories by approximately \$28,992,000.

The overall financial position of the County improved in both fiscal years 2007 and 2006. As noted earlier in our discussion, changes in net assets over time can be one of the best and most useful indicators of financial position. Berkeley County's increase in net assets for the fiscal years ending June 30, 2007 and 2006 amounted to approximately \$28,377,000 and \$20,226,000, respectively.

For both fiscal years, the County reported positive balances in all categories of net assets in both governmental and business-type activities. The County's net assets as of June 30, 2007 increased approximately \$262,000 for unrestricted net assets and decreased approximately \$2,894,000 for restricted assets. Unrestricted net assets are County resources that may be used to meet the County's ongoing obligations to citizens and creditors while restricted assets are resources subject to external restriction.

The largest portion of the County's net assets (81%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). These assets are presented less any outstanding debt related to the acquisition and accumulated depreciation of those assets. The County uses capital assets to provide services to citizens and consequently these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the capital assets themselves cannot be used to liquidate that liability and other resources will be needed to repay any associated debt.

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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 for the fiscal years ending June 30, 2007 and 2006.

**Berkeley County
Statement of Activities (In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	\$ 15,569	14,091	47,301	39,212	62,870	\$ 53,303
Operating Grants and Contributions	2,034	1,792	209	2,064	2,243	3,856
Capital Grants and Contributions	4,548	1,643	12,174	8,763	16,722	10,406
General Revenues:						
Property Taxes	26,311	26,478	-	-	26,311	26,478
Fee in Lieu of Taxes	5,370	4,738	-	-	5,370	4,738
Other Taxes	823	775	-	-	823	775
Unrestricted Grants	8,188	7,455	-	-	8,188	7,455
Interest Income	790	508	6,004	4,982	6,794	5,490
Gain (Loss) on Sale of Assets	2,518	25	(382)	-	2,136	25
Miscellaneous	194	239	325	-	519	239
Total Revenues	66,345	57,744	65,631	55,021	131,976	112,765
Expenses:						
General Government	20,618	18,780	-	-	20,618	18,780
Public Safety	24,181	22,010	-	-	24,181	22,010
Airport, Highways and Streets	9,552	6,283	-	-	9,552	6,283
Culture and Recreation	2,833	2,444	-	-	2,833	2,444
Health and Welfare	1,811	1,799	-	-	1,811	1,799
Community Development	2,550	2,380	-	-	2,550	2,380
Interest and Fiscal Charges	2,058	1,757	-	-	2,058	1,757
Water and Sewer	-	-	30,386	27,129	30,386	27,129
Solid Waste	-	-	7,535	8,073	7,535	8,073
Parks and Recreation	-	-	1,478	1,359	1,478	1,359
Emergency Telephone	-	-	597	526	597	526
Total Expenses	63,603	55,453	39,996	37,087	103,599	92,540
Increase (Decrease) in Net Assets before Transfers	2,742	2,291	25,635	17,934	28,377	20,225
Transfers	(3,523)	(377)	3,523	377	-	-
Change in Net Assets	(781)	1,914	29,158	18,311	28,377	20,225
Net Assets, Beginning of Year, Restated	43,092	41,178	136,970	118,659	180,062	159,837
Net Assets, End of Year	\$ 42,311	43,092	166,128	136,970	208,439	\$ 180,062

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities. The largest increase in revenues was in grants and contributions, both capital and unrestricted, as the County received over \$4 million from the State for road resurfacing projects. In addition, the County received \$2.6 million in proceeds from the disposal of capital assets, including the County's portion of the proceeds from the sale of the land in the Mt Holly Commerce Park.

The largest increase in expenses was for airports, highways and streets and public safety. This was substantially attributable to higher fuel and maintenance costs, combined with rising personnel costs necessary to serve the needs of the County's growing population.

Business-type Activities. The largest increase in revenues was charges for services. This is attributable to the growth the County experienced in its customer base which correspondingly increased both the collection of water and sewer fees and impact and capacity reservation fees.

The largest increase in expenses was due to higher personnel and maintenance costs for both the water and sewer fund and the solid waste fund. This was a result of the corresponding increase in revenues.

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, 2007, and the amount and percentage of increases and decreases in relation to prior year amounts (in thousands):

	Amount	Percent of Total	Increase (Decrease) from 2006	Percent Increase (Decrease)
Revenues				
Property and Accommodations Taxes	\$ 27,213	33.4%	\$ 581	2.2%
Fee in Lieu of Taxes	5,370	6.6%	632	13.3%
Licenses, Fees and Permits	2,252	2.8%	235	11.7%
Fines, Forfeitures and Fees	12,728	15.6%	976	8.3%
Interest Income	789	1.0%	281	55.3%
Local Revenue	639	0.8%	47	7.9%
Intergovernmental - Federal	1,601	2.0%	(426)	-21.0%
Intergovernmental - State and Local	12,468	15.3%	4,433	55.2%
Miscellaneous	1,133	1.4%	(128)	-10.2%
Other Financing Sources				
Proceeds from Bonds and Notes Payable	10,834	13.3%	9,354	632.0%
Proceeds from Disposal of Assets	2,620	3.2%	2,620	N/A
Transfers In	3,811	4.7%	170	4.7%
Total	<u>\$ 81,458</u>	<u>100%</u>	<u>\$ 18,775</u>	<u>30.0%</u>

Interest income increased over 55% from the prior year due primarily to higher bank balances which included the proceeds from the issuance of the General Obligation bonds. The County received more state and local grants, primarily for road resurfacing projects, resulting in higher intergovernmental revenues compared to the prior year. Fee in lieu of taxes experienced an increase due to new industries being introduced into the County. Fines, forfeitures and fees increased due to the collection of impact fees that will be used for transportation needs in the County.

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF BERKELEY COUNTY’S FUNDS (CONTINUED)

Also during 2007, the County issued General Obligation Bonds and notes payable in the amount of \$10.8 million to finance the construction and acquisition of capital assets; the County also received \$2.6 million in proceeds from the disposal of capital assets, including the County’s portion of the proceeds from the sale of the land in the Mt Holly Commerce Park.

The following schedule presents a summary of all governmental funds expenditures and other financing uses for the fiscal year ended June 30, 2007, and the percentage of increases and decreases in relation to prior year amounts (in thousands):

	Amount	Percent of Total	Increase (Decrease) from 2006	Percent Increase (Decrease)
Expenses:				
General Government	\$ 19,080	24.0%	\$ 1,431	8.1%
Public Safety	23,230	29.3%	2,204	10.5%
Airport, Highways and Streets	6,139	7.7%	589	10.6%
Culture and Recreation	2,836	3.6%	357	14.4%
Health and Welfare	1,664	2.1%	(15)	-0.9%
Community Development	2,597	3.3%	262	11.2%
Capital Outlay	9,884	12.5%	3,424	53.0%
Debt Service:				
Principal Retirement	2,858	3.6%	993	53.2%
Interest and Fiscal Charges	3,731	4.7%	2,210	145.3%
Other Financing Uses:				
Transfers Out	7,334	9.2%	3,595	96.1%
Total	\$ 79,353	100.0%	\$ 15,050	23.4%

The largest percentage increase in expenditures and other financing uses was in interest and fiscal charges. This was attributable to higher debt balances due to the issuance of bonds during 2007. The increase in transfers out was due to \$3.5 million transferred from the General Fund to Cypress Gardens as discussed more fully below. The increase in capital outlay was the result of higher expenditures on road resurfacing projects. Expenditures decreased slightly in health and welfare due to a milder mosquito season, resulting in a decrease in the amount spent on chemicals.

General Fund

Berkeley County’s only major governmental fund is the General Fund. It is the chief operating fund of the County. The fund balance of the General Fund as of June 30, 2007 was approximately \$3,998,000, which was a decrease of \$3,292,000 (45.2%) from the prior fiscal year balance of approximately \$7,290,000. The decrease in fund balance is primarily due to the transfer of \$3,523,000 to the Parks and Recreation Fund for Cypress Gardens as discussed more fully below.

Proprietary Funds

Proprietary fund statements provide the same information as in the business-type activities column of the government-wide statements, but in greater detail, and on a fund basis for enterprise funds. The four enterprise funds are Water and Sewer, Solid Waste, Parks and Recreation, and Emergency Telephone.

At June 30, 2007, total net assets amounted to approximately \$166,128,000 for enterprise funds as compared to approximately \$136,970,000 at June 30, 2006. Net asset changes are a result of operations, other nonoperating revenues and expenses, capital contributions and donated assets, grants and transfers from other funds.

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF BERKELEY COUNTY’S FUNDS (CONTINUED)

Proprietary Funds (Continued)

Income from operations is the result of operational revenues less operational expenses. The table below shows net income or losses from operations for all enterprise funds.

	Operating Income (Loss) (In Thousands)	
	<u>2007</u>	<u>2006</u>
Water and Sewer	\$ 13,249	\$ 10,047
Solid Waste	3,176	2,003
Parks and Recreation	(813)	(751)
Emergency Telephone	<u>(90)</u>	<u>(41)</u>
Total	<u>\$ 15,522</u>	<u>\$ 11,258</u>

The Water and Sewer Fund experienced an increase in operating income due primarily to higher impact and capacity reservation fees, which was only partially offset by higher operating expenses. The Solid Waste Fund had increases both in operating revenue and operating expenses during this year, the net effect of which was an increase in operating income for the year. Parks and Recreation (Cypress Gardens) experienced an increase in revenues that was more than offset by higher operating (primarily personnel) costs. Emergency Telephone incurred a higher operational loss in fiscal year 2007 due to higher fuel costs and expenses related to a tower site.

Cypress Gardens continues to incur significant operating losses, including approximately \$813,000 for fiscal 2007. These losses have been funded by the General Fund and accounted for as an interdepartmental receivable / payable. Subsequent to the fiscal 2007 year end, but retroactive to June 30, 2007, County Council approved the reclassification of the outstanding balance on this interdepartmental receivable / payable of approximately \$3,523,000 as of June 30, 2007 as a transfer. Cypress Gardens has no outstanding balance due to the General Fund as of June 30 2007 as a result of this transfer.

General Fund Budgetary Highlights: The County’s General Fund budget is the fiscal plan to provide services to the taxpayers and the resources required to provide those services. Budget to actual statements reporting these services and resources are provided in the financial statements for the General Fund.

Budget columns are provided for both the original budget adopted for fiscal year 2007 as well as the final budget. The difference between the original budget and the final budget is substantially related to the supplemental appropriations approved by council in January and June 2007 and January 2008. The change between the original budgeted revenues and other financing sources, and the final budgeted revenues and other financing sources was an increase of \$3,029,278. The change between the original budgeted expenditures and other financing uses and the final budgeted expenditures and other financing uses was \$6,529,278, as County Council approved the transfer of \$3,500,000 from the General Fund to Parks and Recreation in January 2008.

A column for actual revenues and a column for differences between final budget and actual revenues follow the budgeted amounts columns. During fiscal year 2007, revenues were less than budgetary estimates by \$616,370, as lower property taxes were collected than budgeted.

A column for actual expenditures and a column for differences between final budget and actual expenditures follow the budgeted amounts columns. During fiscal year 2007, expenditures were less than budgetary estimates by \$1,700,028. Most of this savings is attributable to \$435,580 and \$538,484 realized in finance and administration and public safety, respectively.

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of 2007, the County had approximately \$315 million invested in capital assets, net of depreciation. This was an increase of approximately \$54 million from the prior year end, which includes the retroactive recording of approximately \$29 million in infrastructure as discussed earlier. The investment in capital assets, both purchased and donated, includes land, buildings and utility systems, improvements, machinery and equipment, parks, roads, bridges and major drainage structures. Notable activity includes additional utility systems, airport improvements, software, the purchase of the A.D. Hare water distribution system, the purchase of computer equipment, ambulances, the addition of two new libraries, and vehicles for the Sheriff's office. The table below reflects the capital asset balances as of June 30, 2007 and 2006, net of accumulated depreciation (in thousands).

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 3,756	3,756	3,648	2,777	7,404	\$ 6,533
Construction in Progress	6,208	3,871	15,030	34,994	21,238	38,865
Buildings and Improvements	25,168	22,882	-	-	25,168	22,882
Furniture and Equipment	4,283	4,153	5,646	6,030	9,929	10,183
Vehicles	3,700	3,153	-	-	3,700	3,153
Utility Systems, Plants and Buildings	-	-	217,896	177,739	217,896	177,739
Infrastructure	28,782	29,887	-	-	28,782	29,887
Other	1,162	997	-	-	1,162	997
Total	\$ 73,059	68,699	242,220	221,540	315,279	\$ 290,239

The County also has total outstanding construction commitments at June 30, 2007 of approximately \$7.5 million. More detailed information about the County's capital assets is included in Note III. D. of the Notes to the Basic Financial Statements.

Long-Term Debt. At June 30, 2007, the County had approximately \$261.0 million in bonds, loans and notes payable outstanding versus approximately \$258.7 million at June 30, 2006, or an increase of approximately \$2.3 million. The table below reflects the outstanding balances (in thousands) as of June 30, 2007 and 2006.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	\$ 34,957	27,773	-	-	34,957	\$ 27,773
Revenue Bonds	-	-	214,848	221,445	214,848	221,445
Intergovernmental Loan	4,617	5,000	-	-	4,617	5,000
Notes Payable	3,277	2,150	3,300	2,299	6,577	4,449
Total	\$ 42,851	34,923	218,148	223,744	260,999	\$ 258,667

During fiscal 2007, the County issued the following bonds and notes payable:

- (1) \$8,000,000 General Obligation Bonds to finance the construction of several projects;
- (2) \$4,637,886 in notes payable to finance the acquisition of certain capital assets.

**BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Subsequent to year end, the County entered into a note payable of approximately \$2,100,000 to finance the acquisition of certain capital assets. More detailed information about the County's debt and other long-term liabilities is presented in Note III. I. of the Notes to the Basic Financial Statements.

Both the County's current general obligation rating and revenue bond rating remain at A+ as assigned by Standard and Poor's. These ratings reflect the strength of Berkeley County and its management staff.

ECONOMIC FACTORS AND THE 2008 BUDGET

Factors considered in preparing Berkeley County's budget for the 2008 fiscal year included:

- The unemployment rate in the County decreased to approximately 4.9% from approximately 5.9% in 2006, and the State's unemployment rate decreased to approximately 5.5% from 6.7% in 2006.
- The population of the County was approximately 149,668 in 2005, and is expected to reach 190,000 by 2010.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$3,462,548. The County has appropriated \$2,225,587 of this amount for spending in the 2008 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2008 fiscal year.

OTHER POTENTIALLY SIGNIFICANT MATTERS

Several years ago, the County received notification from the South Carolina Department of Health and Environmental Control ("DHEC") regarding new Total Maximum Daily Load ("TMDL") requirements for its sewer operations. TMDL refers to the allowable pollutants that can be discharged into a body of water without degradation to the quality of the natural environment. It relates to the total suspended solids, dissolved oxygen concentrations, biological oxygen demands, alkalinity, and other factors relating to effluent discharge. Already, these new requirements have cost the County approximately \$21 million to date, with an additional \$12 million planned in the next two years to complete the implementation of Phase I. If the rest of DHEC's TMDL requirements are enacted without any modifications, the County estimates that it will cost an additional \$34 million to comply, which will be funded through a revenue bond. The County is hopeful that DHEC's requirements will be moderated, and therefore the impact will be reduced or eliminated.

The County operates the Lower Berkeley Wastewater Treatment Plant which has a treatment capacity of 18 million gallons per day ("MGD"). The County also operates the Central Berkeley Wastewater Treatment Plant which has a treatment capacity of .35 MGD. Plans to expand the Lower Berkeley Wastewater Treatment Plant to 22.5 MGD and the Central Berkeley Wastewater Treatment Plant to 3 MGD are currently under design with completion estimated in two years.

Subsequent to June 30, 2007, the credit rating of the bond insurance company that provided the guarantee for the repayment of the County's Series 2006A Water and Sewer System Refunding Bonds was downgraded. As a result of this downgrade, the variable interest rate that is currently being paid on the bonds is higher than the variable payment paid from the interest rate swap. If the negative basis spread continues, the annual amount of interest payments will increase. County Council is considering options provided by the County's advisors to restore the economic viability of these bonds.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general financial overview of Berkeley County Government's finances for all those with an interest in our government. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed by mail to the Berkeley County Finance Department at Post Office Box 6122, Moncks Corner, SC 29461-6120.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2007

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 11,387,806	35,247,698	\$ 46,635,504
Receivables, Net of Allowances:			
Property Taxes	29,626,758	-	29,626,758
Accounts Receivable	4,103,675	2,633,489	6,737,164
Accrued Interest Receivable	-	252,271	252,271
Federal, State and Local Governments	2,319,118	300,054	2,619,172
Internal Balances	56,039	(56,039)	-
Inventories, at Cost	142,118	41,046	183,164
Prepaid Items and Deposits	64,611	43,680	108,291
Restricted Cash and Cash Equivalents	6,849,862	103,447,242	110,297,104
TOTAL CURRENT ASSETS	54,549,987	141,909,441	196,459,428
NON-CURRENT ASSETS			
CAPITAL ASSETS			
Non-Depreciable	9,963,625	18,678,421	28,642,046
Depreciable, Net of Accumulated Depreciation	63,094,988	223,541,591	286,636,579
TOTAL CAPITAL ASSETS	73,058,613	242,220,012	315,278,625
OTHER NON-CURRENT ASSETS			
Accounts Receivable, Due in More Than One Year	-	96,875	96,875
Joint Municipal Water System, Net of			
Accumulated Amortization	-	5,553,506	5,553,506
Bond Issuance Cost, Net of Accumulated Amortization	-	2,751,300	2,751,300
Other Assets	307,087	-	307,087
TOTAL OTHER NON-CURRENT ASSETS	307,087	8,401,681	8,708,768
TOTAL NON-CURRENT ASSETS	73,365,700	250,621,693	323,987,393
TOTAL ASSETS	\$ 127,915,687	392,531,134	\$ 520,446,821

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2007

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 4,512,164	4,285,030	\$ 8,797,194
Accrued Interest Payable	621,349	745,498	1,366,847
Accrued Compensated Absences	2,113,363	260,348	2,373,711
Landfill Closure and Postclosure Cost Liability	-	16,940	16,940
Deferred Revenue	31,923,306	844,070	32,767,376
Bonds and Notes Payable	2,280,249	6,686,129	8,966,378
Intergovernmental Loan	4,617,217	-	4,617,217
TOTAL CURRENT LIABILITIES	46,067,648	12,838,015	58,905,663
NON-CURRENT LIABILITIES			
Accrued Compensated Absences	3,583,171	623,344	4,206,515
Landfill Closure and Postclosure Cost Liability	-	1,479,982	1,479,982
Bonds and Notes Payable	35,953,799	211,461,394	247,415,193
TOTAL NON-CURRENT LIABILITIES	39,536,970	213,564,720	253,101,690
TOTAL LIABILITIES	85,604,618	226,402,735	312,007,353
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	36,690,436	132,392,623	169,083,059
Restricted For:			
Debt Service	2,238,150	476,097	2,714,247
Other	1,014,612	1,108,381	2,122,993
Unrestricted	2,367,871	32,151,298	34,519,169
TOTAL NET ASSETS	\$ 42,311,069	166,128,399	\$ 208,439,468

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

(This page intentionally left blank.)

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

PRIMARY GOVERNMENT:	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
General Government	\$ 20,618,235	8,523,392	634,494	-	(11,460,349)	-	\$ (11,460,349)
Public Safety	24,180,501	5,348,255	469,765	89,618	(18,272,863)	-	(18,272,863)
Airport, Highways and Streets	9,552,223	1,471,414	157,980	4,280,877	(3,641,952)	-	(3,641,952)
Culture and Recreation	2,832,843	50,887	483,472	-	(2,298,484)	-	(2,298,484)
Health and Welfare	1,811,383	34,679	138,425	11,052	(1,627,227)	-	(1,627,227)
Community Development	2,550,097	140,418	150,000	166,414	(2,093,265)	-	(2,093,265)
Interest and Fiscal Charges	2,058,124	-	-	-	(2,058,124)	-	(2,058,124)
Total Governmental Activities	63,603,406	15,569,045	2,034,136	4,547,961	(41,452,264)	-	(41,452,264)
Business-Type Activities:							
Water and Sewer	30,385,974	36,015,621	208,383	12,173,715	-	18,011,745	18,011,745
Solid Waste	7,534,847	10,130,879	-	-	-	2,596,032	2,596,032
Parks and Recreation	1,477,638	662,106	845	-	-	(814,687)	(814,687)
Emergency Telephone	597,286	492,522	-	-	-	(104,764)	(104,764)
Total Business-Type Activities:	39,995,745	47,301,128	209,228	12,173,715	-	19,688,326	19,688,326
Total Primary Government	\$ 103,599,151	62,870,173	2,243,364	16,721,676	(41,452,264)	19,688,326	(21,763,938)
General Revenues:							
Taxes:							
Property Taxes					26,310,663	-	26,310,663
Fee in Lieu of Taxes					5,370,195	-	5,370,195
Accommodation					484,613	-	484,613
Franchise Taxes					339,295	-	339,295
Grants and Contributions not Restricted to Specific Programs					8,187,894	-	8,187,894
Interest Income					789,393	6,003,514	6,792,907
Gain (Loss) on Sale of Assets					2,518,152	(381,887)	2,136,265
Miscellaneous					194,272	325,000	519,272
Transfers					(3,522,824)	3,522,824	-
Total General Revenues and Transfers					40,671,653	9,469,451	50,141,104
CHANGE IN NET ASSETS					(780,611)	29,157,777	28,377,166
NET ASSETS - Beginning of Year, as Previously Stated					14,099,340	136,970,622	151,069,962
Prior Period Adjustment					28,992,340	-	28,992,340
NET ASSETS - Beginning of Year, Restated					43,091,680	136,970,622	180,062,302
NET ASSETS - End of Year					\$ 42,311,069	166,128,399	\$ 208,439,468

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

BERKELEY COUNTY, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007

	<u>GENERAL FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,767,616	8,620,190	\$ 11,387,806
Receivables, Net of Allowances:			
Property Taxes	25,958,083	3,668,675	29,626,758
Accounts Receivable	626,023	3,477,652	4,103,675
Federal, State and Local Governments	2,099,798	219,320	2,319,118
Due from Other Funds	168,102	-	168,102
Inventories, at Cost	142,118	-	142,118
Prepaid Items	43,153	21,458	64,611
Restricted Cash and Cash Equivalents	349,862	6,500,000	6,849,862
TOTAL ASSETS	<u>32,154,755</u>	<u>22,507,295</u>	<u>54,662,050</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	2,719,245	1,792,919	4,512,164
Compensated Absences Payable	7,673	3,809	11,482
Due to Other Funds	66,665	45,398	112,063
Deferred Revenue	25,363,491	6,996,456	32,359,947
TOTAL LIABILITIES	<u>28,157,074</u>	<u>8,838,582</u>	<u>36,995,656</u>
FUND BALANCES			
Reserved For:			
Inventory	142,118	-	142,118
Prepaid Items	43,153	21,458	64,611
Debt Service	-	2,361,762	2,361,762
Impact Fees	-	923,610	923,610
Future Capital Acquisitions	349,862	-	349,862
Other	-	91,002	91,002
Unreserved:			
Designated for Subsequent Years'			
Appropriations / Operations	2,225,587	-	2,225,587
Undesignated, Reported in:			
General Fund	1,236,961	-	1,236,961
Special Revenue Funds	-	3,687,337	3,687,337
Capital Projects Funds	-	6,583,544	6,583,544
TOTAL FUND BALANCES	<u>3,997,681</u>	<u>13,668,713</u>	<u>17,666,394</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 32,154,755</u>	<u>22,507,295</u>	<u>\$ 54,662,050</u>

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

BERKELEY COUNTY, SOUTH CAROLINA

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2007

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 17,666,394**

Amounts reported for the governmental activities in the Statement of Net Assets are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets were \$152,093,741 and the accumulated depreciation was \$79,035,128. 73,058,613

Other long-term assets are not available to pay for current period expenditures and therefore are not reported or are deferred in the funds:

Property Taxes	436,641	
Other Assets	<u>307,087</u>	743,728

Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:

General Obligation Bonds	(34,870,000)	
Deferred Refunding Costs	189,991	
Bond Premium	(276,559)	
Intergovernmental Loan	(4,617,217)	
Notes Payable	(3,277,480)	
Accrued Compensated Absences	(5,685,052)	
Accrued Interest	<u>(621,349)</u>	<u>(49,157,666)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES **\$ 42,311,069**

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES			
Taxes:			
Property	\$ 24,277,070	2,450,924	\$ 26,727,994
Accommodations	-	484,613	484,613
Fee in Lieu of Taxes	4,120,532	1,249,663	5,370,195
Licenses, Fees and Permits	2,251,819	-	2,251,819
Fines, Forfeitures and Fees	7,831,252	4,897,100	12,728,352
Interest Income	448,664	340,730	789,394
Local Revenue	-	638,417	638,417
Intergovernmental - Federal	277,817	1,323,434	1,601,251
Intergovernmental - State and Local	7,864,859	4,603,500	12,468,359
Miscellaneous	700,370	432,110	1,132,480
TOTAL REVENUES	<u>47,772,383</u>	<u>16,420,491</u>	<u>64,192,874</u>
EXPENDITURES			
Current:			
General Government	18,258,118	821,307	19,079,425
Public Safety	18,603,337	4,626,350	23,229,687
Airport, Highways and Streets	6,104,727	34,480	6,139,207
Culture and Recreation	50,000	2,786,310	2,836,310
Health and Welfare	1,663,040	1,310	1,664,350
Community Development	439,768	2,156,655	2,596,423
Capital Outlay	2,119,018	7,765,209	9,884,227
Debt Service:			
Principal Retirement	1,613,291	1,244,994	2,858,285
Interest and Fiscal Charges	137,863	3,456,284	3,594,147
Debt Issuance Costs	-	136,649	136,649
TOTAL EXPENDITURES	<u>48,989,162</u>	<u>23,029,548</u>	<u>72,018,710</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,216,779)</u>	<u>(6,609,057)</u>	<u>(7,825,836)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of General Obligation Bonds	-	8,000,000	8,000,000
Premium Received on Issuance of Bonds	-	71,506	71,506
Issuance of Note Payable	2,702,299	60,466	2,762,765
Proceeds from Disposal of Assets	364,736	2,255,232	2,619,968
Transfers In	1,021,682	2,789,678	3,811,360
Transfers Out	(6,163,978)	(1,170,206)	(7,334,184)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,075,261)</u>	<u>12,006,676</u>	<u>9,931,415</u>
NET CHANGE IN FUND BALANCES	<u>(3,292,040)</u>	<u>5,397,619</u>	<u>2,105,579</u>
FUND BALANCE - Beginning of Year	<u>7,289,721</u>	<u>8,271,094</u>	<u>15,560,815</u>
FUND BALANCE - End of Year	<u>\$ 3,997,681</u>	<u>13,668,713</u>	<u>\$ 17,666,394</u>

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

BERKELEY COUNTY, SOUTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 2,105,579**

Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in deferred revenues for the year.	(417,333)
Repayment of bond and note payable principal is an expenditure or other financing use in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	2,858,286
Proceeds from the issuance of debt provide current financial resources to governmental funds, but entering into debt increases long-term liabilities in the Statement of Net Assets. This amount represents the proceeds received in the current year.	(10,762,765)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the difference in treatment for the year.	1,624,475
Bond premiums are other financing sources in the year they are received in governmental funds; they are amortized over the lives of the bonds in the Statement of Activities. This amount represents the amortization for the year.	13,169
Deferred refunding charges are not recognized by the governmental funds but are amortized over the life of the refunded debt in the Statement of Activities. This amount represents the amortization for the year.	(36,479)
The acquisition of non-current assets is not recognized in the Statement of Activities until disposed. Whereas, in the governmental funds, the purchase is recognized as an expenditure as they require the use of current financial resources.	30,000
Some compensated absences reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.	(555,340)
In the Statement of Activities, the gain on disposal of assets has been reported, whereas in the governmental funds, proceeds from the disposal of assets increases financial resources. Thus, the change in net assets differs from the change in fund balance by the carrying amount of the assets disposed.	(101,816)
In the Statement of Activities, vehicles awarded through the courts and infrastructure contributed by developers are reported as revenues. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the fund statements.	87,926
Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$10,217,301 exceeded depreciation expense of \$5,843,614 during the year.	4,373,687

TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (780,611)**

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS

JUNE 30, 2007

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
ASSETS					
CURRENT ASSETS:					
Cash and Cash Equivalents	\$ 22,043,657	12,593,772	-	610,269	\$ 35,247,698
Accounts Receivable, Net of Allowance	2,352,095	217,290	2,500	61,604	2,633,489
Accrued Interest Receivable	252,271	-	-	-	252,271
Due from Federal, State and Local Governments, Net of Allowance	182,897	117,157	-	-	300,054
Inventories, at Cost	-	-	41,046	-	41,046
Prepaid Items and Deposits	29,530	553	5,035	8,562	43,680
Due from Other Funds	5,549,608	-	-	-	5,549,608
Restricted Cash and Cash Equivalents	100,072,225	3,366,733	-	8,284	103,447,242
TOTAL CURRENT ASSETS	130,482,283	16,295,505	48,581	688,719	147,515,088
NON-CURRENT ASSETS:					
CAPITAL ASSETS:					
Non-Depreciable	14,132,620	4,460,801	85,000	-	18,678,421
Depreciable, Net of Accumulated Depreciation	199,576,655	21,579,985	1,874,885	510,066	223,541,591
TOTAL CAPITAL ASSETS	213,709,275	26,040,786	1,959,885	510,066	242,220,012
OTHER NON-CURRENT ASSETS:					
Accounts Receivable, Due in More Than One Year	96,875	-	-	-	96,875
Joint Municipal Water System, Net	5,553,506	-	-	-	5,553,506
Bond Issuance Costs, Net	2,751,300	-	-	-	2,751,300
TOTAL OTHER NON-CURRENT ASSETS	8,401,681	-	-	-	8,401,681
TOTAL NON-CURRENT ASSETS	222,110,956	26,040,786	1,959,885	510,066	250,621,693
TOTAL ASSETS	352,593,239	42,336,291	2,008,466	1,198,785	398,136,781
LIABILITIES					
CURRENT LIABILITIES:					
Accounts Payable and Accrued Liabilities	4,092,275	119,915	65,665	7,175	4,285,030
Landfill Closure and Postclosure Cost Liability	-	16,940	-	-	16,940
Accrued Interest Payable	640,129	105,369	-	-	745,498
Accrued Compensated Absences	127,825	63,913	63,018	5,592	260,348
Due to Other Funds	-	5,605,647	-	-	5,605,647
Deferred Revenue	831,000	-	13,070	-	844,070
Current Portion of Bonds and Notes Payable	4,674,359	1,839,533	24,674	147,563	6,686,129
TOTAL CURRENT LIABILITIES	10,365,588	7,751,317	166,427	160,330	18,443,662
NON-CURRENT LIABILITIES:					
Accrued Compensated Absences	383,476	191,738	46,061	2,069	623,344
Landfill Closure and Postclosure Cost Liability	-	1,479,982	-	-	1,479,982
Bonds and Notes Payable	198,257,898	12,993,341	26,087	184,068	211,461,394
TOTAL NON-CURRENT LIABILITIES	198,641,374	14,665,061	72,148	186,137	213,564,720
TOTAL LIABILITIES	209,006,962	22,416,378	238,575	346,467	232,008,382
NET ASSETS					
Invested in Capital Assets, Net of Related Debt Restricted For:	119,009,188	11,295,876	1,909,124	178,435	132,392,623
Closure and Postclosure Costs	-	1,108,381	-	-	1,108,381
Debt Service	-	476,097	-	-	476,097
Unrestricted	24,577,089	7,039,559	(139,233)	673,883	32,151,298
TOTAL NET ASSETS	143,586,277	19,919,913	1,769,891	852,318	166,128,399
TOTAL LIABILITIES AND NET ASSETS	\$ 352,593,239	42,336,291	2,008,466	1,198,785	\$ 398,136,781

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2007

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
OPERATING REVENUES					
Sales and Services	\$ 21,197,286	9,994,451	531,887	492,522	\$ 32,216,146
Impact and Capacity Reservation Fees	13,587,008	-	-	-	13,587,008
Other Operating Revenue	1,231,327	136,428	130,219	-	1,497,974
TOTAL OPERATING REVENUES	36,015,621	10,130,879	662,106	492,522	47,301,128
OPERATING EXPENSES					
Personal Services	6,994,717	3,241,223	932,091	100,682	11,268,713
Advertising	-	-	67,199	1,762	68,961
Utilities	1,945,173	36,929	79,892	244,057	2,306,051
Office Expenses	789,393	144,896	22,432	34,973	991,694
Maintenance and Repairs	3,642,416	2,128,537	10,958	55,937	5,837,848
Contractual Services	1,023,438	243,189	17,821	6,000	1,290,448
Other Services and Charges	555,546	206,174	231,248	49,048	1,042,016
Depreciation	7,539,014	1,799,248	113,771	89,851	9,541,884
Amortization of Joint Municipal Water System	276,442	-	-	-	276,442
Landfill Closure and Postclosure Costs	-	(845,373)	-	-	(845,373)
TOTAL OPERATING EXPENSES	22,766,139	6,954,823	1,475,412	582,310	31,778,684
OPERATING INCOME (LOSS)	13,249,482	3,176,056	(813,306)	(89,788)	15,522,444
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	5,333,956	669,558	-	-	6,003,514
Grant Revenue	208,383	-	845	-	209,228
Proceeds fom Legal Settlement	325,000	-	-	-	325,000
Loss on Disposition of Assets	(61,539)	(320,348)	-	-	(381,887)
Interest Expense	(7,619,835)	(580,024)	(2,226)	(14,976)	(8,217,061)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,814,035)	(230,814)	(1,381)	(14,976)	(2,061,206)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	11,435,447	2,945,242	(814,687)	(104,764)	13,461,238
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital Contributions	12,173,715	-	-	-	12,173,715
Transfers In	-	-	3,522,824	16,977	3,539,801
Transfers Out	(16,977)	-	-	-	(16,977)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	12,156,738	-	3,522,824	16,977	15,696,539
CHANGE IN NET ASSETS	23,592,185	2,945,242	2,708,137	(87,787)	29,157,777
NET ASSETS (DEFICIT), Beginning of Year	119,994,092	16,974,671	(938,246)	940,105	136,970,622
NET ASSETS, End of Year	\$ 143,586,277	19,919,913	1,769,891	852,318	\$ 166,128,399

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2007

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers and Users	\$ 34,817,138	10,183,829	688,057	497,562	\$ 46,186,586
Cash Paid to Suppliers	(7,196,580)	(2,696,950)	(419,173)	(393,313)	(10,706,016)
Cash Paid to Employees	(6,969,677)	(3,205,398)	(930,883)	(101,794)	(11,207,752)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	20,650,881	4,281,481	(661,999)	2,455	24,272,818
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating Grant Contributions	25,486	2,385,389	1,220	-	2,412,095
Proceeds from Legal Settlement	325,000	-	-	-	325,000
Transfers and Advances Between Funds	4,383,916	(4,344,855)	674,490	16,977	730,528
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	4,734,402	(1,959,466)	675,710	16,977	3,467,623
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Issuance of Debt	-	1,700,000	51,537	123,584	1,875,121
Payment to Defease Revenue Bonds	-	-	-	-	-
Bond Issue Costs	-	-	-	-	-
Grant Contributions	716,906	-	-	-	716,906
Proceeds from the Sale of Assets	44,451	521,753	-	-	566,204
Acquisition and Construction of Capital Assets	(12,501,612)	(3,798,600)	(38,742)	(107,375)	(16,446,329)
Principal Paid - Bonds and Notes Payable	(6,001,810)	(1,634,367)	(24,280)	(143,624)	(7,804,081)
Interest Paid - Bonds and Notes Payable	(9,417,929)	(549,886)	(2,226)	(14,976)	(9,985,017)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(27,159,994)	(3,761,100)	(13,711)	(142,391)	(31,077,196)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income on Investments	8,662,261	669,558	-	-	9,331,819
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,887,550	(769,527)	-	(122,959)	5,995,064
CASH AND CASH EQUIVALENTS, Beginning of Year	115,228,332	16,730,032	-	741,512	132,699,876
CASH AND CASH EQUIVALENTS, End of Year	\$ 122,115,882	15,960,505	-	618,553	\$ 138,694,940
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets					
Cash and Cash Equivalents	\$ 22,043,657	12,593,772	-	610,269	\$ 35,247,698
Restricted Cash and Cash Equivalents	100,072,225	3,366,733	-	8,284	103,447,242
	\$ 122,115,882	15,960,505	-	618,553	\$ 138,694,940

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2007

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:					
Operating Income (Loss)	\$ 13,249,482	3,176,056	(813,306)	(89,788)	\$ 15,522,444
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:					
Depreciation and Amortization	7,815,456	1,799,248	113,771	89,851	9,818,326
(Increase) Decrease in Assets:					-
Accounts Receivable	(1,198,483)	52,950	23,146	5,040	(1,117,347)
Inventories	-	-	5,476	-	5,476
Prepaid Items and Deposits	(13,873)	38,587	3,176	(1,211)	26,679
Increase (Decrease) in Liabilities:					
Accounts Payable and Accrued Liabilities	698,285	10,005	7,938	(2,520)	713,708
Landfill Closure and Postclosure Cost Liability	-	(845,373)	-	-	(845,373)
Compensated Absences Payable	100,014	50,008	(5,005)	1,083	146,100
Deferred Revenue	-	-	2,805	-	2,805
Total Adjustments	7,401,399	1,105,425	151,307	92,243	8,750,374
Net Cash Provided by (Used in) Operating Activities	\$ 20,650,881	4,281,481	(661,999)	2,455	\$ 24,272,818
Schedule of Noncash Investing, Capital and Financing Activities:					
Acquisition of Capital Assets Through Developer Contributions	\$ 11,456,809	-	-	-	\$ 11,456,809
Acquisition of Capital Assets Not Yet Paid For	1,210,559	-	-	-	1,210,559
Amortization of Bond Premium, Deferred Refunding Costs and Issuance Costs	181,600	-	-	-	181,600
Increase in Debt Due to Accretion of Interest	\$ 275,918	-	-	-	\$ 275,918

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

BERKELEY COUNTY, SOUTH CAROLINA

**STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS**

JUNE 30, 2007

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and Cash Equivalents	\$ 27,420,347
Receivables:	
Accounts Receivable	11,347
State Government	203,712
TOTAL ASSETS	<u><u>27,635,406</u></u>
LIABILITIES	
Due to School District	6,632,919
Due to Other Designated Recipients	21,002,487
TOTAL LIABILITIES	<u><u>\$ 27,635,406</u></u>

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Berkeley County, South Carolina (the “County”) was established under the provisions of Act 681 of the 1942 South Carolina Legislature. The County is governed by an eight member County Council under the Council-Supervisor form of government. Members are elected from single member districts. The supervisor, elected at large, serves as the chief administrative officer executing the policies and legislative actions of County Council. The County provides the following services: public safety (sheriff and fire), airport, highways and streets, sanitation, health and social services, cultural and recreational programs, public improvements, planning and zoning, courts and general administrative services.

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental agencies. 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 County’s accounting policies are described below.

The basic financial statements present the County and its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the County both appoints a voting majority of the entity’s governing body, and either 1) the County is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the County. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the County. In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) Determine its budget without the County having the authority to approve or modify that budget; (b) Levy taxes or set rates or charges without approval by the County; and (c) Issue bonded debt without approval by the County. Finally, an entity could be a component unit even if it met all of the exclusions described above if excluding it would render the County’s financial statements to be incomplete or misleading. Blended component units, although legally separate entities, are in substance part of the government’s operations, and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. The County has no blended or discretely presented component units.

Related Organization

The County is a member of the Lake Moultrie Water Agency (“LMWA”), a Municipal Water System. It appoints one representative to the four member board of LMWA. The LMWA is not owned by nor is it fiscally dependent upon the County.

B. Government-wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between the governmental and business-type activities of the County.

1. Government-wide Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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 support.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

1. Government-wide Statements (Continued):

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

2. Fund Financial Statements:

The County uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain County functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a single column in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are presented by fund type and are excluded from the government-wide financial statements.

3. Major Funds:

The County reports the following major governmental fund:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The County reports the following major proprietary funds:

The *Water and Sewer Fund* accounts for the sale and distribution of potable water, and for the operation of sewage treatment plants, pumping stations and systems for the collection and treatment of sewage.

The *Solid Waste Fund* accounts for the operation and maintenance of the County Landfill and collection sites.

The *Parks and Recreation Fund* accounts for the operation and maintenance of the County's parks, including Cypress Gardens.

The *Emergency Telephone Fund* accounts for the operation of the County's 911 services.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

4. Nonmajor Funds:

In addition, the County reports the following fund types:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects) such as grants, fire and other special purpose fees, and economic development.

The *Debt Service Fund* accounts for the servicing of general obligation long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Fund* accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *Fiduciary Funds* are used to account for assets held by the government in a trustee capacity or as an agent on behalf of others. The *Agency Fund* is custodial in nature and does not present results of operations.

C. Measurement Focus and Basis of Accounting

“Measurement focus” is a term used to describe which transactions are recorded within the various financial statements. “Basis of accounting” refers to when transactions are recorded, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the current financial resources focus and the modified accrual basis of accounting in the Fund Financial Statements. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days of year-end and available to pay obligations of the current period). This includes investment earnings, fines and forfeitures, certain charges for services, and state-levied locally shared taxes. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Revenue Recognition (Continued)

Property taxes and special assessments, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property tax and special assessment receivables are recorded and deferred until they become available.

Other revenues, including permits, licenses, franchise fees and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services, in connection with a proprietary fund's principal ongoing operations. The County's business-type activities accounted for in proprietary funds are chiefly administering water and sanitation, recreation, and emergency telephone. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents and Deposits

The "deposits" classification is used only in the notes, not on the face of the statement of net assets, balance sheet or statement of cash flows. Deposits include only cash on hand, pooled money market funds and certificates of deposit.

For purposes of the statement of cash flows for the Enterprise Funds, the County considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased to be cash and cash equivalents.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. Investments

The County's investment policy is designed to operate within existing statutes (which are identical for all funds and activities, fund types and component units within the State of South Carolina) that authorize the County to invest in the following:

- (1) Obligations of the United States and agencies thereof;
- (2) General obligations of the State of South Carolina or any of its political units;
- (3) Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
- (4) Certificates of deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in (1) and (2) above, held by a third party as escrow agent or custodian of a market value, not less than the amount of the certificates or funds in deposit accounts so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government;
- (5) Collateralized repurchase agreements when collateralized by securities as set forth in (a) and (b) above and held by the governmental entity or a third party as escrow agent or custodian; and
- (6) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), and (5), of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

In addition, South Carolina State statutes authorize the County to invest in the South Carolina Local Government Investment Pool. The SCLGIP was created by state legislation which restricts the types of securities the pool can purchase. Specifically, the pool is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The reported value of the County's position in the pool, if any, is the same as the fair value of the pool shares. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.

The County's cash investment objectives are preservation of capital, liquidity and yield. The County has a number of financial instruments, none of which is held for trading purposes. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost. Debt securities are reported at cost or amortized cost. For additional information related to deposits and investments, see Note III.A.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. Investments (Continued)

The County currently or in the past year has used the following investments:

- Open ended mutual funds which are primarily invested in money market funds which invest in short term obligations of the United States and related agencies.
- Repurchase agreements are a type of transaction in which a participant acquires immediately available funds by selling securities and simultaneously agreeing to repurchase the same or similar securities after a specified time at a given price, which typically includes interest at an agreed-upon rate. The County's repurchase agreements are considered cash and cash equivalents as they may be redeemed on demand.

3. Restricted Assets

The County established certain accounts for assets restricted for specific purposes, typically by outside parties or legal agreement. Certain bond indentures require the establishment of (i) maximum annual principal and interest payments, unless a surety bond was provided; (ii) the next succeeding principal and accrued interest payment; and (iii) bond or notes payable proceeds to be used for construction purposes as required in the bond or note agreement.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "Due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The allowance for trade accounts receivable is computed based upon an estimate of collections within each aging category. The allowance for property taxes receivable is based upon a composite average of all years' collections applied to the outstanding balance at the beginning of the fiscal year.

The County bills and collects property taxes for itself and all other taxing entities within the County. The County recognizes property taxes in the period for which they are levied and available for financing current expenditures. Property taxes receivable represent delinquent real and personal taxes for the past ten years, less an allowance for amounts estimated to be uncollectible, plus taxes levied on the assessed value of real and personal property, excluding vehicles, as of January 1, 2007. All net property taxes receivable at year-end, except those collected within 60 days, are recorded as deferred revenue and thus not recognized as revenue until collected in the governmental funds.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. Receivables (Continued)

Taxes on real property and certain personal property attach as an enforceable lien on the property as of January 1. Taxes are levied and billed the following October on all property other than vehicles and are payable without penalty until January 15 of the following year. Penalties are assessed on unpaid taxes on the following dates: January 16 - three percent, February 2 - an additional seven percent, March 16 - an additional five percent. If not paid by the first Monday of November, the property is subject to sale by the delinquent tax office. Taxes on licensed motor vehicles are levied during the month when the taxpayer's license registration is due for renewal. The taxpayer must provide proof of payment to the Highway Department before that agency will renew the vehicle license.

The County charges a user fee to real property owners and certain commercial and governmental entities representing revenues for a portion of the County's solid waste collection and disposal effort (e.g., incineration and landfill). The County also charges fees on real property in the various special tax districts for the specific services provided in such districts. Annual charges to real property owners are billed in the fall for the subsequent calendar year, but are recognized in full in the year of billing.

For additional information related to receivables, see Note III.B.

5. Inventories and Prepaid Items

Inventories are valued at cost for the General Fund and lower of cost or market for the Proprietary Funds using the first-in, first-out method. Inventory in the General Fund consists of expendable supplies held for consumption using the purchase method. General Fund inventories have been charged as expenditures when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of fund balance. Inventory in the Proprietary Funds consists of items for resale. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

6. Capital Assets

Capital assets, which include property, plant, equipment, software and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. The County has various minimum capitalization thresholds for infrastructure assets based on the type of infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during construction of capital assets for governmental activities is not capitalized. However, interest incurred during the construction phase of business-type activity capital assets is included in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Interest capitalized on assets not acquired with tax exempt debt is the product of the average accumulated expenditures during the year for such assets and the weighted average interest rate on debt. Interest is not capitalized on assets acquired or constructed with gifts and grants. Interest costs are not capitalized when immaterial in amount, or for small projects under \$200,000, or those for which the construction period is less than six months.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (Continued)

6. Capital Assets (Continued)

All reported capital assets, except land, construction in progress and certain infrastructure assets, are depreciated. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacements. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and Other Improvements	15-40 years
Equipment and Furniture	2-15 years
Software	5-15 years
Infrastructure	12-50 years
Utility Systems, Treatment Plants and Buildings	15-50 years

7. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused personal leave benefits. Accumulated personal leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is recorded in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-term Obligations

In the government-wide financial statements and proprietary 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 assets. Bond premiums and discounts, as well as bond issuance costs, are deferred, if material, and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Gains or losses on debt refundings are deferred and amortized over the life of the bonds. Amortization of premiums, discounts, bond issuance costs and deferred advance refunding costs are included in interest expense. Bonds payable are reported net of the applicable bond premiums or discount and deferred advance refunding amounts. Bond issuance costs are included in other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In the governmental funds, General Fund resources typically have been used in prior years to liquidate compensated absences, and both the General Fund and the Debt Service Fund are used to liquidate the notes and bonds payable.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (Continued)

9. Net Assets and Reservations and Designations of Fund Balances

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- A. *Invested in capital assets, net of related debt.* Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- B. *Restricted net assets.* Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- C. *Unrestricted net assets.* All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Reservations represent portions of fund balances which are not appropriable for expenditure or have been segregated for specific future uses by legal mandate. Designations represent tentative plans by the County for financial resource utilization in a future period as documented in the budgeting process for a succeeding year. Such plans are subject to change from original authorizations and may never result in expenditures.

10. Contributed Capital

The County has received federal and state grants to pay a portion of the construction costs of the water and wastewater infrastructure. The County also receives contributions from contracting municipalities to finance water and sewer systems constructed by the County, as well as roads, water and sewer systems that are constructed by developers and transferred to the County upon completion and acceptance by the County for its subsequent operation and maintenance.

11. Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the County’s management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund and for all of the Special Revenue Funds except the following: Special Clerk of Court Accounts, Special Sheriff Accounts, Planning Grant, Highway “C” Funds and PARD Grant. The excluded Special Revenue Funds and Capital Projects Funds are budgeted over the life of the grant or project. Formal budgetary policies are not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through General Obligation Bond indenture provisions.

All agencies of the County must submit requests for appropriations to the Supervisor by March along with revenue estimates so that a budget may be prepared. By May the proposed budget is presented to County Council for review. The Council holds public hearings and adopts the final budget by July 1 through passage of an ordinance.

The level of budgetary control is determined by County Council at the County’s total appropriations level. Expenditures by fund, department, and category (i.e., personnel, operating and capital outlay), are further defined in the budget document. The County Supervisor is authorized to make transfers of up to \$10,000 per occurrence between departments and funds as long as total appropriations are not exceeded. The budget ordinance must be amended by Council to effect changes in total appropriations. Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year ending June 30, 2007, supplementary appropriations totaling \$2,804,894 million were necessary.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At June 30, 2007, there were no encumbrances outstanding.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2007, expenditures exceeded appropriations in the following Special Revenue Funds, all of which were funded through revenues in excess of budget, operating transfers and fund balances. Total expenditures for the County did not exceed total appropriations. Therefore, the County has not violated any laws or regulations.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
County Accommodations Tax	\$ 440,000	484,613	\$ 44,613
Devon Forest Special Tax District	28,400	34,225	5,825
Pimlico Special Tax District	\$ 25,875	25,900	\$ 25

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the County’s deposits might not be recovered. The County does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2007, \$16,078,185 of the County’s bank balances of \$80,952,133 (which had a recorded value of \$80,337,534) were exposed to custodial credit risk as they were uninsured and uncollateralized (\$3,831,689) or collateralized with securities held by the pledging financial institution’s trust department or the County’s agent but not in the County’s name (\$12,246,496).

Investments

As of June 30, 2007, the County had the following investments:

Investment Type	Credit Rating ^	Fair Value	Less Than 1 Year
Money Market Mutual Funds - investing in U.S. Agencies	Aaa, AAAm	\$ 3,260,920	\$ 3,260,920
Repurchase Agreements	*	100,754,501	100,754,501
Totals		<u>\$ 104,015,421</u>	<u>\$ 104,015,421</u>

* Investments in Repurchase Agreements are considered to have no credit risk and therefore the credit rating for these investments are not disclosed.

^ Credit ratings are for Moody's Investors Service and Standard & Poor's.

Interest Rate Risk: The County does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a counterparty failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2007, \$99,854,501 of the County’s investments was held by the counterparty’s trust department or agent but not in the County’s name.

Concentration of Credit Risk for Investments: The County places no limit on the amount it may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures. A repurchase agreement in the amount of \$99,854,501 is held by Citigroup Global Markets, Inc.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Reconciliation to the Financial Statements

A reconciliation of cash and investments as shown in the Statements of Net Assets and the Statement of Fiduciary Net Assets is as follows:

Description:	<u>Amount</u>
Carrying Amount of Deposits	\$ 80,337,534
Fair Value of Investments	104,015,421
Total	<u>\$ 184,352,955</u>
Statement of Net Assets:	
Cash and Cash Equivalents	\$ 46,635,504
Cash and Cash Equivalents - Restricted	110,297,104
Statement of Fiduciary Net Assets:	
Cash and Cash Equivalents	27,420,347
Total	<u>\$ 184,352,955</u>

Restricted cash and cash equivalents include \$106,876,970 for future construction and capital asset acquisitions, \$742,831 for required debt service, and \$2,677,303 for future costs for landfill closure and postclosure care. Additional disclosure regarding the County's deposits and investments is located at Note I.D.1 and D.2.

B. Receivables

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows, which includes \$96,875 in non-current receivables for the Water and Sewer Fund:

Receivables:	General	Water and Sewer	Solid Waste	Parks and Recreation	Emergency Telephone	Other Nonmajor Funds
Taxes	\$ 27,374,018	-	-	-	-	\$ 3,853,663
Accounts	6,520,270	2,873,553	217,290	2,500	61,604	3,832,906
Accrued Interest	-	252,271	-	-	-	-
Federal Government	43,576	182,897	380,714	-	-	128,608
State Government	2,056,222	-	-	-	-	90,712
Total	<u>35,994,086</u>	<u>3,308,721</u>	<u>598,004</u>	<u>2,500</u>	<u>61,604</u>	<u>7,905,889</u>
Less Allowance for Uncollectibles:						
Taxes	(1,415,935)	-	-	-	-	(184,988)
Accounts	(5,894,247)	(424,583)	-	-	-	(355,254)
State Government	-	-	(263,557)	-	-	-
Total	<u>(7,310,182)</u>	<u>(424,583)</u>	<u>(263,557)</u>	<u>-</u>	<u>-</u>	<u>(540,242)</u>
Net Receivables	<u>\$ 28,683,904</u>	<u>2,884,138</u>	<u>334,447</u>	<u>2,500</u>	<u>61,604</u>	<u>\$ 7,365,647</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables and Payables

The composition of interfund balances at June 30, 2007 is as follows:

	Receivable Fund	Payable Fund
	<u> </u>	<u> </u>
General Fund	\$ 168,102	\$ 66,665
Special Revenue Funds:		
State Accommodations Tax	-	1,125
County Accommodations Tax	-	29,648
PARD Grant	-	1,262
Airport Improvements	-	13,363
Enterprise Funds:		
Water and Sewer	5,549,608	-
Solid Waste	-	5,605,647
Total	<u>\$ 5,717,710</u>	<u>\$ 5,717,710</u>

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of these balances are expected to be paid or received within one year.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets

Capital asset activity in governmental funds for the year ended June 30, 2007, is as follows:

	Restated Balance 6/30/2006	Additions	Disposals	Transfers	Balance 6/30/2007
Capital Assets, Not Being Depreciated:					
Land	\$ 3,756,161	-	-	-	\$ 3,756,161
Construction in Progress	3,870,770	7,202,968	-	(4,866,274)	6,207,464
Total Capital Assets, Not Being Depreciated	<u>7,626,931</u>	<u>7,202,968</u>	<u>-</u>	<u>(4,866,274)</u>	<u>9,963,625</u>
Capital Assets, Being Depreciated:					
Buildings	25,733,747	32,000	-	2,229,074	27,994,821
Furniture	1,029,668	280,248	-	-	1,309,916
Equipment	9,746,809	684,170	(593,184)	16,748	9,854,543
Software	447,892	53,979	-	-	501,871
Vehicles	8,035,334	1,518,631	(789,293)	14,900	8,779,572
Improvements	7,407,252	19,776	-	1,113,464	8,540,492
Library Materials	1,594,802	369,075	(127,978)	-	1,835,899
Infrastructure	81,644,886	144,380	-	1,523,736	83,313,002
Total Capital Assets, Being Depreciated	<u>135,640,390</u>	<u>3,102,259</u>	<u>(1,510,455)</u>	<u>4,897,922</u>	<u>142,130,116</u>
Less: Accumulated Depreciation For:					
Buildings	7,078,420	671,607	-	-	7,750,027
Furniture	91,784	116,449	-	-	208,233
Equipment	6,874,451	723,375	(592,719)	16,748	7,021,855
Software	105,329	47,488	-	-	152,817
Vehicles	4,882,223	870,087	(687,942)	14,900	5,079,268
Improvements	3,180,968	437,637	-	-	3,618,605
Library Materials	597,675	203,785	(127,978)	-	673,482
Infrastructure	51,757,655	2,773,186	-	-	54,530,841
Total Accumulated Depreciation	<u>74,568,505</u>	<u>5,843,614</u>	<u>(1,408,639)</u>	<u>31,648</u>	<u>79,035,128</u>
Total Capital Assets, Being Depreciated, Net	<u>61,071,885</u>	<u>(2,741,355)</u>	<u>(101,816)</u>	<u>4,866,274</u>	<u>63,094,988</u>
Governmental Activities Capital Assets, Net	<u>\$ 68,698,816</u>	<u>4,461,613</u>	<u>(101,816)</u>	<u>-</u>	<u>\$ 73,058,613</u>

During the year ended June 30, 2007, the County recorded \$40,874 in vehicles awarded through the courts and \$11,052 in infrastructure for contributions from developers.

GASB Statement No. 34 required the County to report and depreciate new infrastructure assets effective with the fiscal year ended June 30, 2003. Infrastructure assets include roads, bridges, drainage canals, curbs and gutters, sidewalks and guard rails. These infrastructure assets are the largest asset class of the County's governmental activities. Neither their historical cost nor related depreciation on infrastructure acquired prior to 2003 had been reported in the financial statements prior to this year, as GASB Statement No. 34 allowed for an extended implementation period for the retroactive reporting of infrastructure. This retroactive reporting was completed during the 2007 fiscal year, resulting in a net increase of approximately \$29 million in capital assets as of June 30, 2006. This increase is included in the restated beginning balances above and is reflected in the Statement of Activities as a prior period adjustment.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Business-Type capital asset activity for the year ended June 30, 2007, is as follows:

	Balance 6/30/2006	Additions	Disposals	Transfers	Balance 6/30/2007
Capital Assets, Not Being Depreciated:					
Land	\$ 2,776,903	871,500	-	-	\$ 3,648,403
Construction in Progress	34,994,110	16,336,828	-	(36,300,920)	15,030,018
Total Capital Assets, Not Being Depreciated	<u>37,771,013</u>	<u>17,208,328</u>	<u>-</u>	<u>(36,300,920)</u>	<u>18,678,421</u>
Capital Assets, Being Depreciated:					
Utility Systems, Treatment Plants and Buildings	239,567,493	11,548,183	-	36,300,920	287,416,596
Equipment and Furniture	14,047,919	2,353,760	(3,076,840)	(31,648)	13,293,191
Total Capital Assets, Being Depreciated	<u>253,615,412</u>	<u>13,901,943</u>	<u>(3,076,840)</u>	<u>36,269,272</u>	<u>300,709,787</u>
Less: Accumulated Depreciation For:					
Utility Systems, Treatment Plants and Buildings	61,828,510	7,692,534	-	-	69,521,044
Equipment and Furniture	8,017,949	1,849,350	(2,188,499)	(31,648)	7,647,152
Total Accumulated Depreciation	<u>69,846,459</u>	<u>9,541,884</u>	<u>(2,188,499)</u>	<u>(31,648)</u>	<u>77,168,196</u>
Total Capital Assets, Being Depreciated, Net	<u>183,768,953</u>	<u>4,360,059</u>	<u>(888,341)</u>	<u>36,300,920</u>	<u>223,541,591</u>
Business-Type Activities Capital Assets, Net	<u>\$ 221,539,966</u>	<u>21,568,387</u>	<u>(888,341)</u>	<u>-</u>	<u>\$ 242,220,012</u>

During the year ended June 30, 2007, the County recorded \$11,456,809 in utility systems contributed by developers.

Depreciation expense was charged to County functions as follows:

Governmental Activities:	
General Government	\$ 1,392,181
Public Safety	642,315
Airport, Highways and Streets	3,327,823
Culture and Recreation	321,544
Health and Welfare	128,972
Community Development	30,779
Total Governmental Activity Depreciation	<u>5,843,614</u>
Business-Type Activities:	
Water and Sewer	7,539,014
Solid Waste	1,799,248
Parks and Recreation	113,771
Emergency Telephone	89,851
Total Business-Type Activity Depreciation	<u>\$ 9,541,884</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Construction Commitments

At June 30, 2007, the Enterprise Funds and the Capital Projects Fund had commitments under contracts for construction of various projects not completed of approximately \$6,881,000 and \$603,000, respectively.

Capitalized Interest

The Enterprise Funds capitalized interest costs incurred during construction activities. For the year ended June 30, 2007, the Water and Sewer Fund incurred \$9,174,189 in interest on its bonds and capitalized \$2,011,872; no interest was capitalized for the other enterprise funds.

E. Joint Municipal Water System - Lake Moultrie Water Agency

In prior years, the County's Water and Sewer Enterprise Fund entered into a contract with Lake Moultrie Water Agency ("LMWA") to purchase 24% of the finished water produced by LMWA. The contract expires on October 2, 2027. Provisions of the contract require a deposit to reserve the capacity and to pay monthly demand (fixed) and volumetric (variable) charges. The original deposit was recognized as a deferred charge and is being amortized over the life of the contract; the remaining unamortized amount is included in other non-current assets. The County paid \$8,921,929 to LMWA to reserve the desired capacity. In June 2007, Segment 7 was sold to the city of Goose Creek for \$44,451, reducing the residual purchase price to \$8,877,478. These deferred charges are being amortized over the life of the contract. Accumulated amortization at June 30, 2007, was \$3,323,972, and amortization recognized during the year was \$276,442. The unamortized balance was \$5,553,506 as of June 30, 2007.

The estimated demand charges, excluding amortization of deferred charges for the next five years, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2007	\$ 458,889
2008	493,231
2009	527,757
2010	564,700
2011	\$ 604,229

Additionally, construction is underway to upgrade the transmission portion of the plant and is expected to be completed during the next fiscal year. This upgrade will not expand the capacity.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Interfund Transfers

Interfund transfers for the year ended June 30, 2007 consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Fund:		
General Fund	\$ 1,021,682	\$ 6,163,978
Nonmajor Governmental Funds:		
Library	2,197,084	-
National Forest	-	705,617
Emergency Preparedness	186,744	-
GIS	258,842	-
Storm Water Management	13,203	-
EMS Equipment	2,214	-
State Accommodations Tax	-	27,571
Sheriff's Grants	36,802	999
County Accommodations Tax	-	96,922
Local Economic Development	-	339,097
Airport Improvements	50,980	-
Lake Moultrie	40,000	-
Victim's Assistance	3,809	-
Enterprise Funds:		
Water and Sewer	-	16,977
Emergency Telephone	16,977	-
Parks and Recreation	3,522,824	-
Total	<u>\$ 7,351,161</u>	<u>\$ 7,351,161</u>

Transfers are used (1) to move revenues from the fund that a statute or budget requires to collect them to the fund that a statute or budget requires to expend them, and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The operations of Cypress Gardens are accounted for in the Parks and Recreation Fund. Cypress Gardens continues to incur significant operating losses, including approximately \$815,000 for fiscal 2007. These losses have been funded by the General Fund and accounted for as an interdepartmental receivable / payable. Subsequent to the fiscal 2007 year end, but retroactive to June 30, 2007, County Council approved the reclassification of the outstanding balance on this interdepartmental receivable / payable of \$3,522,824 as of June 30, 2007 as a transfer. Cypress Gardens has no outstanding balance due to the General Fund as of June 30, 2007 as a result of this transfer.

During 2007, fully depreciated capital assets with an initial cost of \$31,648 were transferred from business-type activities to governmental activities. This non-cash transaction is not reflected in the table above.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

G. Deferred Revenues

The government-wide financial statements and the governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. In addition, governmental funds report deferred revenue in the fund financial statement in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2007, the various components of deferred and unearned revenue reported in the financial statements for governmental activities were as follows:

Unearned:		
Real Property Taxes	\$	27,741,926
User Fees		3,223,043
Other		958,337
Deferred Revenue - Statement of Net Assets		<u>31,923,306</u>
Unavailable:		
Real Property Taxes		436,641
Deferred Revenue - Governmental Funds	\$	<u>32,359,947</u>

H. Operating Leases

The County leases various properties under several operating lease agreements expiring through 2015. Total costs charged to operations were approximately \$195,000 for the year ended June 30, 2007, including approximately \$153,000 in General Fund expenditures, approximately \$33,000 in Special Revenue Fund expenditures and approximately \$9,000 in Enterprise Fund expenditures. Future minimum payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 192,796
2008	128,688
2009	100,025
2010	62,103
2011	62,103
Thereafter	163,675
Total	<u>\$ 709,390</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

I. Long-term Obligations

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2007:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
Series 1997 Bond	\$ 3,745,000	-	285,000	3,460,000	\$ 300,000
Series 2003 Refunding and Improvement Bond	23,965,000	-	555,000	23,410,000	580,000
Series 2006 Bond	-	8,000,000	-	8,000,000	-
Subtotal	27,710,000	8,000,000	840,000	34,870,000	880,000
Premium - Series 2003 Bond	289,728	-	13,169	276,559	-
Deferred Refunding Costs - Series 2003 Bond	(226,470)	-	(36,479)	(189,991)	-
Total - General Obligation Bonds	27,773,258	8,000,000	816,690	34,956,568	880,000
Intergovernmental Loan	5,000,000	-	382,783	4,617,217	4,617,217
Notes Payable	2,150,218	2,762,765	1,635,503	3,277,480	1,400,249
Compensated Absences	5,130,929	2,662,432	2,096,827	5,696,534	2,113,363
Total Governmental Activities	40,054,405	13,425,197	4,931,803	48,547,799	9,010,829
Business-Type Activities:					
Revenue Bonds:					
Capital Appreciation Bonds - Water & Sewer	2,307,139	-	-	2,307,139	-
Series 2000 Revenue Bonds - Water & Sewer	3,780,132	-	176,227	3,603,905	124,642
Series 2003 Revenue Bond - Water & Sewer	54,740,000	-	4,140,000	50,600,000	4,340,000
Series 2005A Revenue Bond - Water & Sewer	105,750,000	-	-	105,750,000	-
Series 2005 Revenue Bond - St Stephen Purchase	1,278,491	-	1,278,491	-	-
Series 2006A Refunding Bond - Water & Sewer	35,755,000	-	255,000	35,500,000	-
Series 2002 Revenue Bond - Solid Waste	2,400,000	-	200,000	2,200,000	200,000
Series 2003 Revenue Bond - Solid Waste	8,045,000	-	600,000	7,445,000	620,000
Series 2005 Refunding Bond - Solid Waste	2,760,000	-	280,000	2,480,000	275,000
Subtotal	216,815,762	-	6,929,718	209,886,044	5,559,642
Accretion of Interest - Capital Appreciation Bonds	2,444,904	275,918	-	2,720,822	-
Premium - Series 2003 Revenue Bond - Water & Sewer	3,073,729	-	139,715	2,934,014	-
Premium - Series 2005A Revenue Bond - Water & Sewer	3,295,028	-	137,293	3,157,735	-
Deferred Refunding Costs - Series 2003 - Water & Sewer	(2,181,285)	-	(242,365)	(1,938,920)	-
Deferred Refunding Costs - Series 2006A - Water & Sewer	(2,003,212)	-	(91,056)	(1,912,156)	-
Total Revenue Bonds	221,444,926	275,918	6,873,305	214,847,539	5,559,642
Notes Payable	2,299,225	1,875,121	874,362	3,299,984	1,126,487
Landfill Closure and Postclosure Care Cost	2,342,295	-	845,373	1,496,922	16,940
Compensated Absences	737,592	370,024	223,924	883,692	260,348
Total Business-Type Activities	\$ 226,824,038	2,521,063	8,816,964	220,528,137	\$ 6,963,417

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

I. Long-term Obligations (Continued)

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. The primary source of revenue for repayment of bonds reported in the governmental activities is property taxes.

In October 2006, the County issued its Series 2006 General Obligation Bonds in the amount of \$8,000,000 to finance improvements to the sheriff's office, detention center and the courthouse. These bonds were issued at a premium of approximately \$72,000 and the County incurred approximately \$137,000 in issuance costs. The premium and issuance costs have been expensed in the government-wide Statement of Activities due to their immateriality.

General obligation bonds payable at June 30, 2007 are comprised of the following issues:

Title of Issues	Principal Amount Outstanding
Series 1997 General Obligation Bonds, with interest ranging from 4.80% to 5%, matures 2015	\$ 3,460,000
Series 2003 General Obligation Refunding and Improvement Bonds, with interest ranging from 2.00% to 5.00%, matures 2028	23,410,000
Series 2006 General Obligation Bonds, with interest ranging from 4.00% to 6.00%, matures 2031	8,000,000
Total	\$ 34,870,000

Intergovernmental Loan

In 1998, the County entered into a ten year intergovernmental loan agreement with the South Carolina Public Service Authority (the "Public Service Authority") whereby the Public Service Authority advanced \$5,000,000 to be used in providing infrastructure for a commerce park within the County. Interest accrues on the loan at a rate equal to the rate borne by 10-year U.S. Treasury Bonds, with such rate adjusted annually on January 15. The rate at June 30, 2007 was approximately 4.8%. Proceeds from the sale of property in the commerce park will be paid first to the property owner at the greater of \$25,500 per acre, or 80% of sales proceeds, net of closing costs. Remaining funds will be paid to the County and will be pledged to the reduction of accrued interest and loan principal. Such pledged revenues are to be remitted annually to the Public Service Authority on January 15. During 2007 a total of \$2,382,027, including principal of \$382,783 and interest of \$1,999,244, in payments were made. The loan matured in February 2008, and the County repaid the outstanding principal balance of \$4,617,217 plus accrued interest of \$205,578 upon maturity, using the proceeds from a \$5 million transfer received from the Water and Sewer Fund.

Revenue Bonds

The County issues revenue bonds to provide funds for the acquisition and construction of major capital facilities. The government pledges income derived from the acquired or constructed assets to pay debt service. The Water and Sewer Revenue Bonds are payable from revenues derived by the County from the operation of its system and monies on deposit established pursuant to the bond ordinance. Similarly, the debt service on the solid waste bonds is payable from revenues derived from the operation of the landfill and monies on deposit established pursuant to the bond ordinance.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

I. Long-term Obligations (Continued)

Revenue Bonds (Continued)

In February 2006, the County issued its Series 2006A Water and Sewer System Refunding Revenue Bonds in the amount of \$36,120,000 to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments for \$32,310,000 of the outstanding Series 2003 Revenue Bonds. As a result, the refunded bonds are considered to be defeased until called for redemption, which is expected to occur in June 2013.

There are numerous limitations, restrictions, and covenants contained in the various revenue bond indentures and ordinances. As of June 30, 2007, the County is in compliance with all significant restrictions and covenants, and no events of default occurred during the past year.

Revenue bonds payable at June 30, 2007 are comprised of the following issues:	<u>Outstanding Principal</u>
Capital Appreciation Bonds, due June 2012, exclusive of \$2,444,904 in cumulative accretion of interest at 5.3% and 5.75%. Two payments of \$3,240,000 each, which includes interest, are due in 2011 and 2012.	\$ 2,307,139
Water and Sewer System, Series 2000 – Hanahan Project, due December 2025 with an interest rate of 4.855%.	3,603,905
Water and Sewer System Refunding Revenue Bond, Series 2003, due June 2028, with interest ranging from 2.0% - 5.25%. These bonds have an issuance premium of \$2,934,014 and deferred refunding costs of \$1,938,919, both of which are net of amortization. During 2006, \$32,310,000 was defeased using the proceeds of the Series 2006A Refunding Bond.	50,600,000
Water and Sewer System Revenue Bond, Series 2005A – due December 2030 with interest ranging from 3.5% - 5.0%. These bonds have an issuance premium of \$3,295,028, which is net of amortization.	105,750,000
Water and Sewer System Refunding Bond, Series 2006A, due June 2028. These bonds were issued to defease \$32,310,000 of the outstanding Series 2003 Bonds. They have deferred refunding costs of \$1,912,156, which is net of amortization. Interest is variable, based on a rate that would enable the bonds to be resold at a price equal to its outstanding principal (defined as “Weekly Interest Rate”). If this Weekly Interest Rate is unavailable, then the rate would be the Bond Market Association Municipal Swap Index (BMA). The Weekly Interest Rate was 3.73% at June 30, 2007. The County entered into an interest rate swap agreement in connection with this debt. See details below.	<u>35,500,000</u>
Total Water and Sewer Revenue / Refunding Bonds	<u>197,761,044</u>
Solid Waste System, Series 2002, due December 2017, with an interest rate of 4.66%.	2,200,000
Solid Waste System, Refunding Revenue Bond, Series 2003, due December 2016, with an interest rate of 3.95%.	7,445,000
Solid Waste System, Refunding Revenue Bond, Series 2005, due December 2014, with an interest rate of 3.56%.	<u>2,480,000</u>
Total Solid Waste Revenue Bonds	<u>12,125,000</u>
Total Revenue Bonds	<u>\$ 209,886,044</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

I. Long-term Obligations (Continued)

Notes Payable

The County has entered into various note agreements to finance the acquisition of certain capital assets. The interest rates on these notes range from 2.21% to 4.75% and mature in various dates from 2007 through 2011. The total outstanding principal at June 30, 2007 was \$3,277,480 and \$3,299,985 for the County’s governmental and business-type activities, respectively. At June 30, 2007, the County had \$349,862 and \$8,284 in unexpended proceeds attributable to governmental activities and business-type activities, respectively.

Debt Service Requirements to Maturity

Presented below is a summary of debt service requirements to maturity by year for the governmental and business-type activities. This schedule includes the estimated total interest at the actual synthetic rate of 3.641% at June 30, 2007 on the Water and Sewer System Refunding Revenue Bonds, Series 2006A. See details below regarding the interest rate swap agreement for these bonds.

Year Ending June 30	Debt		Notes Payable		Total
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2008	\$ 880,000	1,655,181	1,400,249	108,456	\$ 4,043,886
2009	945,000	1,610,276	1,154,215	71,758	3,781,249
2010	970,000	1,563,161	723,016	28,197	3,284,374
2011	1,020,000	1,512,461	-	-	2,532,461
2012	1,075,000	1,457,249	-	-	2,532,249
2013-2017	6,300,000	6,351,957	-	-	12,651,957
2018-2022	8,085,000	4,541,835	-	-	12,626,835
2023-2027	9,600,000	2,422,644	-	-	12,022,644
2028-2032	5,995,000	501,384	-	-	6,496,384
Total Governmental Activities	<u>34,870,000</u>	<u>21,616,148</u>	<u>3,277,480</u>	<u>208,411</u>	<u>59,972,039</u>
<u>Business-Type Activities</u>					
2008	5,559,642	9,387,548	1,126,487	103,906	16,177,583
2009	6,060,693	9,120,104	805,556	74,287	16,060,640
2010	6,547,038	8,830,120	653,008	48,421	15,377,158
2011	5,094,942	8,519,669	351,112	25,881	13,614,611
2012	5,181,555	8,342,606	363,822	13,171	13,524,161
2013-2017	40,495,419	30,937,857	-	-	71,433,276
2018-2022	45,023,240	28,895,684	-	-	73,918,924
2023-2027	55,793,515	19,558,688	-	-	75,352,203
2028-2030	40,130,000	6,006,868	-	-	46,136,868
Total Business-Type Activities	<u>\$ 209,886,044</u>	<u>129,599,144</u>	<u>3,299,985</u>	<u>265,666</u>	<u>\$ 341,595,424</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

I. Long-term Obligations (Continued)

Interest Rate Swap Agreement on the Series 2006A Water and Sewer System Refunding Revenue Bonds

Objective of the Interest Rate Swap: As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in February 2006, the County entered into an interest rate swap with Bank of America, N.A., in connection with its \$36,120,000 Series 2006A variable-rate Water and Sewer System Refunding Revenue Bonds (“Series 2006 A Bonds.”) The intention of the swap was to effectively change the County’s variable interest rate on the bonds to a synthetic fixed rate of 3.475%.

Terms: The bonds and the related swap agreement mature in June 1, 2028, and the swap’s notional amount of \$36,120,000 matches the \$36,120,000 “Series 2006 A Bonds.” The swap was entered into at the same time the bonds were issued. The notional value of the swap and the principal amount of the associated debt decline over time, starting in fiscal 2006. Under the swap, the County pays Bank of America a fixed payment of 3.475% and receives a variable payment computed as that amount (the “Variable Swap Leg”) equal to 67% of the One-Month London Interbank Offered Rate (“LIBOR”). Conversely, the bond’s variable-rate coupons are based on a rate that would enable the bonds to be resold at a price equal to its outstanding principal (defined as “Weekly Interest Rate”). If this Weekly Interest Rate is unavailable, then the variable rate will be equal to the Bond Market Association™ Municipal Swap Index (“BMA”). The County did not receive or pay any amount to Bank of America when the swap was initiated in connection therewith.

Fair Value: The swap had a positive fair value to the County of approximately \$871,000 as of June 30, 2007. Because the coupons on the government’s variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk: The swap’s fair value represented the County’s credit exposure to Bank of America as of June 30, 2007. Should Bank of America fail to perform according to the terms of the swap contract, the County faced a maximum possible loss equivalent to the swap’s fair value of approximately \$871,000. Bank of America, the swap counterparty, was rated AA by Fitch Ratings, AA+ by Standard & Poor’s and Aaa by Moody’s Investors Service as of June 30, 2007.

Basis Risk: The swap exposes the County to basis risk should the relationship between the Variable Swap Leg and the Weekly Interest Rate diverge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.475%) and the actual synthetic rate as of June 30, 2007 (3.641%). If a change occurs that results in the rates diverging adversely to the Authority, the expected cost savings may not be realized. As of June 30, 2007, the Weekly Interest Rate was 3.73%, whereas 67 % of LIBOR was 3.5644%.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

I. Long-term Obligations (Continued)

Interest Rate Swap Agreement on the Series 2006A Water and Sewer System Refunding Revenue Bonds (Continued)

Termination Risk: The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events such as failure to pay, default under other specified indebtedness and bankruptcy. The County or Bank of America may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by either party if the credit quality rating of the County’s “Series 2006 A Bonds” (in the case of the Authority) or Bank of America (in the case of Bank of America) falls below Baa2 as determined by Moody’s Investor Services or BBB as determined by Standard & Poor’s. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the County would be liable to Bank of America for a payment equal to the swap’s fair value.

Swap Payments and Associated Debt: Debt service requirements of the “Series 2006 A Bonds” and net swap payments, assuming current interest rates as of June 30, 2007 remain the same for their term, are presented below. As interest rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30,	Variable-Rate Bonds		Interest Rate	Total Payments
	Principal	Interest	Swap, Net	
2008	\$ -	1,324,150	(31,737)	\$ 1,292,413
2009	-	1,324,150	(31,737)	1,292,413
2010	210,000	1,324,150	(31,737)	1,502,413
2011	215,000	1,316,317	(31,549)	1,499,768
2012	225,000	1,308,298	(31,357)	1,501,941
2013-2017	1,265,000	6,408,327	(153,594)	7,519,733
2018-2022	14,685,000	5,202,604	(124,695)	19,762,909
2023-2028	18,900,000	2,508,612	(60,126)	21,348,486
Totals	\$ 35,500,000	20,716,608	(496,532)	\$ 55,720,076

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

I. Long-term Obligations (Continued)

Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill sites when each site stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The \$1,496,922 reported as an accrual for landfill closure and postclosure care at June 30, 2007, includes the estimated remaining liability of \$440,440 for postclosure care of the previously closed landfill site plus the estimated total liability less amounts paid to date for the open site, based on the following information:

Landfill	Estimated Remaining Landfill Life	Percentage Balance of Capacity Used	Estimated Total Costs			Remaining To Be Recognized
			Closure	Postclosure	Total	
Subtitle D	21 years	24.0%	\$ 2,984,728	1,473,000	4,457,728	\$ 3,401,246
DPW-105	None	100%	-	440,440	440,440	-
			<u>\$ 2,984,728</u>	<u>1,913,440</u>	<u>4,898,168</u>	<u>\$ 3,401,246</u>

These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2007. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Subtitle D landfill site began accepting waste in July 2000. The Authority has set aside approximately \$2,677,000 as of June 30, 2007 for the payment of these costs

J. Reserved and Designated Fund Equity

Reserved for Inventory. Fund balance has been reserved for inventory to indicate that these amounts do not represent available spendable resources even though they are components of fund balance.

Reserved for Prepaid Items and Deposits. Fund balance has been reserved for prepaid items to indicate that these amounts do not represent available spendable resources even though they are components of fund balance.

Reserved for Encumbrances. Encumbrances representing commitments to vendors which had not been received or completed at year end have been reserved since they are not legally available for appropriation. At June 30, 2007, there were no encumbrances outstanding.

Reserved for Debt Service. Fund balances are subject to the provision of various bond indenture agreements as to restrictions on expenditures.

Designated for Subsequent Year's Appropriations/Operations. The fiscal year 2008 budget ordinance designates \$2,225,587 of the ending General Fund fund balance for fiscal year 2008 appropriations.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

J. Reserved and Designated Fund Equity (Continued)

Reserved for Future Capital Asset Acquisitions. Fund balance has been reserved to indicate that the County had unexpended note proceeds which are restricted under financing agreements to be expended only on capital asset additions.

Reserved for Other. Fund balance has been reserved to indicate that the County has unexpended National Forest Funds for Title III projects as defined by the Secure Rural Schools and Community Self-Determination Act of 2000.

IV. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. For all of these risks, the County is a member of the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The County pays an annual premium to the State Insurance Reserve Fund for its general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

The County is also subject to risks of loss from providing health, life, accident, dental and other medical benefits to employees, retirees and their dependents. The County enrolled substantially all of its employees in the State's health insurance plans administered by the South Carolina Budget and Control Board. The County pays a portion of the premiums and collects from employees and retirees the remaining premiums which are remitted to the state. In addition, the County insures the risk of job related injury or illness to its employees through South Carolina Counties Worker's Compensation Trust, a public entity risk pool operating for the benefit of local governments. The County pays an annual premium to the Worker's Compensation Trust for its insurance coverage.

For all of the above risk management programs, the County has not significantly reduced insurance coverage from the previous year and settled claims in excess of insurance coverage for the past three years were immaterial. For each of the insurance programs and public entity risk pools in which they participate, the County has effectively transferred all risk with no liability for unfunded claims.

B. Contingent Liabilities

Several years ago the County received notification from the South Carolina Department of Health and Environmental Control ("DHEC") regarding new Total Maximum Daily Load (TMDL) requirements for its sewer operations. TMDL refers to the allowable pollutants that can be discharged into a body of water without degradation to the quality of the natural environment. It relates to the total suspended solids, dissolved oxygen concentrations, biological oxygen demands, alkalinity, and other factors relating to effluent discharge. The implementation of Phase I of these requirements has cost the Authority approximately \$21 million in the past several years. The County estimates that it will spend an additional \$12 million in the next two years to complete the implementation of Phase I. The County is vigorously petitioning to have DHEC re-evaluate the remainder of these requirements; however, the outcome is currently uncertain. If the rest of DHEC's TMDL requirements are enacted without any modifications, the County estimates that it will cost an additional \$34 million to comply, which would be expected to be funded through a revenue bond. The County is hopeful that DHEC's requirements will be moderated, and therefore the impact will be reduced or eliminated.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

IV. OTHER INFORMATION (CONTINUED)

B. Contingent Liabilities (Continued)

During 2007 the County, after receiving approval from County Council, purchased the A.D. Hare Water System for approximately \$682,000. This system, which provides water services to the Pinopolis Peninsula and several areas to the south of Pinopolis, has been failing for some time and is not operating in accordance with current DHEC standards. Management estimates that it will cost an additional approximately \$1,500,000 to rehabilitate the system and bring it up to current standards. In December 2007, County Council gave approval for the County to apply for a \$1,500,000 loan from the South Carolina Water Quality Revolving Fund Authority to provide the funds for the rehabilitation of this system.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial. Management has not been informed of any significant matters of noncompliance with grant provisions or planned grantor audits.

The County, its officers and its employees, are defendants in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's attorney that resolution of these matters, either individually or in the aggregate, will not have a material adverse effect on the financial condition of the County.

C. Deferred Compensation Plan

The County offers its employees a deferred compensation plan, offered through the State of South Carolina, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular full-time employees, permits participants to defer a portion of their salaries until future years. The deferred compensation is not available to the employee or his beneficiaries until termination, retirement, death, disability or an approved hardship.

All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The plan is administered by the State of South Carolina.

D. Other Post-employment Benefits

The County provides post-employment health, life and dental care benefits, as per the requirement of a local ordinance, for certain retirees and their dependents. Substantially all employees who retire under the state retirement plans are eligible to continue their coverage. The County pays up to \$187 per month of the retiree's premium for standard health and dental coverage. The retiree pays the remaining balance, plus any additional coverage for dependents. The government finances the plan on a pay-as-you-go-basis. The cost to the County for the year ended June 30, 2007, was approximately \$171,000. As of year-end there were 98 employees who had retired with the County and are continuing their coverage.

Beginning with fiscal year 2008-2009, the County will be required to implement the new reporting standard for post-employment benefits other than pensions issued by the Governmental Accounting Standards Board (GASB) as Statement No. 45. This new reporting and accounting requirement will require the County to recognize the cost of providing other post-employment benefits (OPEB) over the active service life of their employees. Currently, the County is accounting for the cost of OPEB on a pay-as-you-go basis. The County is in the process of developing a strategy to identify the impact of this new requirement and respond to the long-term funding challenges.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

IV. OTHER INFORMATION (CONTINUED)

E. Employee Retirement Systems and Plans

Plan Description The County contributes to both the South Carolina Retirement System (SCRS) and to the South Carolina Police Officers' Retirement System (SCPORS), which are cost-sharing, multiple-employer defined benefit pension plans administered by the Retirement Division of the State Budget and Control Board. Both the South Carolina Retirement System and Police Officers Retirement System offer retirement and disability benefits, cost of living adjustments on an ad-hoc-basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, PO Box 11960, Columbia, SC 29211-1960.

Funding Policy SCRS Plan members are required to contribute 6.5% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The rate at June 30, 2007 was 8.05% of annual covered payroll. The County's contributions to SCRS for the years ending June 30, 2007, 2006, and 2005 were \$2,285,874, \$1,943,297, and \$1,614,284, respectively, equal to the required contributions for each year. Additionally, participating employers of the SCRS contribute 0.15% of payroll to provide a group life insurance benefit for their participants.

SCPORS Plan members are required to contribute 6.5% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The rate at June 30, 2007 was 10.3% of annual covered payroll. The County's contributions to SCPORS for the years ending June 30, 2007, 2006 and 2005 were \$713,681, \$634,967, and \$603,541, respectively, equal to the required contributions for each year. Additionally, participating employers of the SCPORS contribute 0.4% of payroll to provide a group life insurance benefit and an accidental death benefit for their participants.

F. Concentrations of Credit Risk

The Water and Sewer and the Solid Waste Enterprise Funds grant credit to customers in Berkeley County, South Carolina. Accounts receivable and financed impact fees are financial instruments that potentially subject the Funds to credit risk. No collateral is required for credit granted to customers.

The Enterprise Funds terminate services for accounts unpaid after 60 days. Additionally, the Funds participate in the State of South Carolina debt collection program, whereby delinquent customer balances may be withheld from customers' state income tax refunds.

G. Conduit Debt

From time to time, the County issues Special Source Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2007, there were forty-five series of Special Source Revenue Bonds outstanding. The outstanding aggregate principal amount payable for the nineteen series issued after July 1, 1995, was approximately \$1.2 billion. The aggregate principal amount payable for the twenty-six series issued prior to July 1, 1995, could not be determined; however, the original issue amounts for these bonds totaled approximately \$776 million.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

IV. OTHER INFORMATION (CONTINUED)

H. Reciprocal Interfund Transactions

During the year ended June 30, 2007, the General Fund charged the Water and Sewer Enterprise Fund approximately \$330,000 for administrative services.

The Local Economic Development Special Revenue Fund paid the Parks and Recreation Enterprise Fund approximately \$125,000 for landscaping, mowing and other services provided. These amounts are reported as if they were external transactions, as revenues and expenses in the applicable funds and government-wide statements.

I. Property Taxes

The County is permitted under South Carolina law to levy property taxes for general governmental services and for the principal and interest on long-term debt. The County tax rate to finance general governmental services payments for the year ended June 30, 2007, was set by County Council in June 2005 at 47.0 mills (\$4.70 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were set as follows: 34.0 mills for the Sangaree Special Tax District and 3.0 mills for debt retirement. The assessed valuation of properties within the County's boundaries as of June 30, 2007 was approximately \$535.9 million, exclusive of vehicles valued at approximately \$65.6 million, according to the records of the County Auditor and Assessor.

J. Subsequent Events

Subsequent to June 30, 2007, County Council approved construction contracts totaling approximately \$12,925,000. In addition, County Council approved the execution of a note agreement with a bank to finance the acquisition of certain capital assets. This note is not to exceed \$2,100,000 for a period of four years with an interest rate of 3.8%

Subsequent to June 30, 2007, the credit rating of the bond insurance company that provided the guarantee for the repayment of the Series 2006A Water and Sewer System Refunding Bonds was downgraded. As a result of this downgrade, the variable interest rate that is currently being paid on the bonds is higher than the variable payment paid from the interest rate swap. If the negative basis spread continues, the annual amount of interest payments will increase. County Council is considering options provided by the County's advisors to restore the economic viability of these bonds.

BERKELEY COUNTY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGETS AND ACTUAL - GENERAL FUND**

YEAR ENDED JUNE 30, 2007

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Property Taxes	\$ 24,965,966	24,965,966	24,277,070	\$ (688,896)
Fee in Lieu of Taxes	3,894,769	3,894,769	4,120,532	225,763
Licenses, Fees and Permits	2,204,800	2,204,800	2,251,819	47,019
Fines, Forfeitures and Fees	8,220,362	8,177,510	7,831,252	(346,258)
Interest Income	174,800	187,714	448,664	260,950
Intergovernmental - Federal	178,000	260,050	277,817	17,767
Intergovernmental - State and Local	7,742,071	7,814,238	7,864,859	50,621
Miscellaneous	679,834	883,706	700,370	(183,336)
TOTAL REVENUES	48,060,602	48,388,753	47,772,383	(616,370)
EXPENDITURES				
Current:				
General Government				
Legislative	510,691	507,217	440,445	66,772
Judicial	5,430,824	5,548,288	5,354,336	193,952
Executive	149,417	152,685	147,689	4,996
Finance and Administration	12,406,649	12,413,007	11,977,427	435,580
Elections	328,911	349,868	338,221	11,647
Total General Government	18,826,492	18,971,065	18,258,118	712,947
Public Safety				
Sheriff	9,217,090	9,462,460	9,253,460	209,000
Crime Stoppers	3,000	3,000	3,000	-
Corrections	2,960,021	2,847,346	2,713,909	133,437
Fire	352,525	352,525	352,339	186
Communications	1,208,198	1,189,598	1,140,045	49,553
Emergency Medical Services	4,875,073	4,900,136	4,759,407	140,729
Coroner	337,398	386,756	381,177	5,579
Total Public Safety	18,953,305	19,141,821	18,603,337	538,484
Airport, Highways and Streets				
Airport	504,444	578,750	498,892	79,858
Highways and Streets	4,609,302	4,639,278	4,468,694	170,584
Fleet Management	565,036	552,756	531,170	21,586
Engineering	711,157	662,572	605,971	56,601
Total Airport, Highways and Streets	6,389,939	6,433,356	6,104,727	328,629
Culture and Recreation				
Berkeley Museum	50,000	50,000	50,000	-
Total Culture and Recreation	\$ 50,000	50,000	50,000	\$ -

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGETS AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2007

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
EXPENDITURES (CONTINUED)				
Current (Continued):				
Health and Welfare				
Health State	\$ 101,270	101,270	103,568	\$ (2,298)
Mosquito Abatement	556,913	539,913	489,728	50,185
Veterans Services	153,286	149,236	144,712	4,524
Other Programs Assistance	936,411	939,811	925,032	14,779
Total Health and Welfare	<u>1,747,880</u>	<u>1,730,230</u>	<u>1,663,040</u>	<u>67,190</u>
Community Development				
Santee Cooper Country	5,000	5,000	5,000	-
Regional Development Alliance	299,250	299,250	299,250	-
BCD Council of Governments	135,518	135,518	135,518	-
Total Community Development	<u>439,768</u>	<u>439,768</u>	<u>439,768</u>	<u>-</u>
Capital Outlay	657,124	2,171,761	2,119,018	52,743
Debt Service:				
Principal Retirement	955,670	1,613,310	1,613,291	19
Interest and Fiscal Charges	63,110	137,879	137,863	16
Total Debt Service	<u>1,018,780</u>	<u>1,751,189</u>	<u>1,751,154</u>	<u>35</u>
TOTAL EXPENDITURES	<u>48,083,288</u>	<u>50,689,190</u>	<u>48,989,162</u>	<u>1,700,028</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(22,686)</u>	<u>(2,300,437)</u>	<u>(1,216,779)</u>	<u>1,083,658</u>
OTHER FINANCING SOURCES (USES)				
Reserved for Contingency	(600,000)	(1,139,362)	-	1,139,362
Issuance of Note Payable	-	2,714,855	2,702,299	(12,556)
Proceeds from Disposal of Assets	-	-	364,736	364,736
Transfers In	1,016,829	1,003,101	1,021,682	18,581
Transfers Out	(2,976,375)	(6,360,389)	(6,163,978)	196,411
Total Other Financing Sources (Uses)	<u>(2,559,546)</u>	<u>(3,781,795)</u>	<u>(2,075,261)</u>	<u>1,706,534</u>
NET CHANGE IN FUND BALANCES	<u>(2,582,232)</u>	<u>(6,082,232)</u>	<u>(3,292,040)</u>	<u>2,790,192</u>
FUND BALANCE - Beginning of Year	<u>7,289,721</u>	<u>7,289,721</u>	<u>7,289,721</u>	<u>-</u>
FUND BALANCE - End of Year	<u>\$ 4,707,489</u>	<u>1,207,489</u>	<u>3,997,681</u>	<u>\$ 2,790,192</u>

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

(This page intentionally left blank.)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 260,180	2,316,520	6,043,490	\$ 8,620,190
Investments	-	-	-	-
Receivables, Net of Allowances:				
Property Taxes	-	2,303,002	1,365,673	3,668,675
Accounts Receivable	-	-	3,477,652	3,477,652
Federal, State and Local Governments	-	-	219,320	219,320
Prepaid Items	-	-	21,458	21,458
Restricted Cash and Cash Equivalents	6,500,000	-	-	6,500,000
TOTAL ASSETS	<u>6,760,180</u>	<u>4,619,522</u>	<u>11,127,593</u>	<u>22,507,295</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Accrued Liabilities	176,636	-	1,616,283	1,792,919
Compensated Absences Payable	-	-	3,809	3,809
Due to Other Funds	-	-	45,398	45,398
Deferred Revenue	-	2,257,760	4,738,696	6,996,456
TOTAL LIABILITIES	<u>176,636</u>	<u>2,257,760</u>	<u>6,404,186</u>	<u>8,838,582</u>
FUND BALANCES				
Reserved For:				
Prepaid Items	-	-	21,458	21,458
Debt Service	-	2,361,762	-	2,361,762
Impact Fees	-	-	923,610	923,610
Other	-	-	91,002	91,002
Unreserved:				
Undesignated, Reported in:				
Special Revenue Funds	-	-	3,687,337	3,687,337
Capital Projects Funds	6,583,544	-	-	6,583,544
TOTAL FUND BALANCES	<u>6,583,544</u>	<u>2,361,762</u>	<u>4,723,407</u>	<u>13,668,713</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,760,180</u>	<u>4,619,522</u>	<u>11,127,593</u>	<u>\$ 22,507,295</u>

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2007

	<u>LIBRARY</u>	<u>NATIONAL FOREST</u>	<u>EMERGENCY PREPAREDNESS</u>
ASSETS			
Cash and Cash Equivalents	\$ 209,725	94,127	6,180
Receivables, Net of Allowances:			
Property Taxes	-	-	-
Accounts Receivable	-	-	-
Federal, State and Local Governments	-	-	7,435
Prepaid Items	15,243	-	15
TOTAL ASSETS	<u>224,968</u>	<u>94,127</u>	<u>13,630</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	142,455	3,125	10,630
Compensated Absences Payable	-	-	-
Due to Other Funds	-	-	-
Deferred Revenue	-	-	3,000
TOTAL LIABILITIES	<u>142,455</u>	<u>3,125</u>	<u>13,630</u>
FUND BALANCES			
Reserved for:			
Prepaid Items	15,243	-	15
Impact Fees	-	-	-
Other	-	91,002	-
Unreserved:			
Undesignated	67,270	-	(15)
TOTAL FUND BALANCES	<u>82,513</u>	<u>91,002</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 224,968</u>	<u>94,127</u>	<u>13,630</u>

GIS	STORM WATER MANAGEMENT	HIGHWAY "C" FUNDS	EMS EQUIPMENT	CLERK OF COURT
118,962	1,987	837,965	6,296	\$ 35,748
-	-	-	-	-
-	713	-	-	-
-	-	-	-	48,383
-	-	-	-	-
118,962	2,700	837,965	6,296	84,131
21,887	2,700	837,965	6,296	20,577
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
21,887	2,700	837,965	6,296	20,577
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
97,075	-	-	-	63,554
97,075	-	-	-	63,554
118,962	2,700	837,965	6,296	\$ 84,131

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2007

	ECONOMIC DEVELOPMENT	STATE ACCOMMODATIONS TAX	IMPACT FEES
ASSETS			
Cash and Cash Equivalents	\$ 890,421	-	923,610
Receivables, Net of Allowances:			
Property Taxes	-	-	-
Accounts Receivable	-	-	-
Federal, State and Local Governments	-	22,508	-
Prepaid Items	-	-	-
TOTAL ASSETS	890,421	22,508	923,610
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	-	21,383	-
Compensated Absences Payable	-	-	-
Due to Other Funds	-	1,125	-
Deferred Revenue	-	-	-
TOTAL LIABILITIES	-	22,508	-
FUND BALANCES			
Reserved for:			
Prepaid Items	-	-	-
Impact Fees	-	-	923,610
Other	-	-	-
Unreserved:			
Undesignated	890,421	-	-
TOTAL FUND BALANCES	890,421	-	923,610
TOTAL LIABILITIES AND FUND BALANCES	\$ 890,421	22,508	923,610

SHERIFF'S GRANTS	MISCELLANEOUS SPECIAL REVENUE	VICTIM'S ASSISTANCE	COUNTY ACCOMMODATIONS TAX	PARD GRANT
102,802	316,941	176,000	98,881	\$ -
-	-	-	-	-
3,454	-	-	49,360	-
1,073	4,357	-	-	1,262
-	-	-	-	-
107,329	321,298	176,000	148,241	1,262
22,173	4,357	23,228	118,593	-
-	-	3,809	-	-
-	-	-	29,648	1,262
48,032	-	-	-	-
70,205	4,357	27,037	148,241	1,262
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
37,124	316,941	148,963	-	-
37,124	316,941	148,963	-	-
107,329	321,298	176,000	148,241	\$ 1,262

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2007

	LOCAL ECONOMIC DEVELOPMENT	AIRPORT IMPROVEMENTS	SANGAREE SPECIAL TAX DISTRICT
ASSETS			
Cash and Cash Equivalents	\$ 902,442	-	1,081,277
Receivables, Net of Allowances:			
Property Taxes	484,958	-	880,715
Accounts Receivable	4,920	-	-
Federal, State and Local Governments	-	134,302	-
Prepaid Items	200	-	-
TOTAL ASSETS	1,392,520	134,302	1,961,992
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	17,753	120,939	29,009
Compensated Absences Payable	-	-	-
Due to Other Funds	-	13,363	-
Deferred Revenue	452,454	-	868,980
TOTAL LIABILITIES	470,207	134,302	897,989
FUND BALANCES			
Reserved for:			
Prepaid Items	200	-	-
Impact Fees	-	-	-
Other	-	-	-
Unreserved:			
Undesignated	922,113	-	1,064,003
TOTAL FUND BALANCES	922,313	-	1,064,003
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,392,520	134,302	1,961,992

PIMLICO SPECIAL TAX DISTRICT	TALL PINES SPECIAL TAX DISTRICT	DEVON FOREST SPECIAL TAX DISTRICT	SPECIAL COUNTY TAX DISTRICT	LAKE MOULTRIE PARK	LEGAL FORFEITURE PROCEEDS	TOTAL SPECIAL REVENUE FUNDS
-	-	-	160,238	31,961	47,927	\$ 6,043,490
-	-	-	-	-	-	1,365,673
26,296	75,830	41,951	3,275,128	-	-	3,477,652
-	-	-	-	-	-	219,320
-	-	-	-	-	6,000	21,458
26,296	75,830	41,951	3,435,366	31,961	53,927	11,127,593
50	600	240	212,323	-	-	1,616,283
-	-	-	-	-	-	3,809
-	-	-	-	-	-	45,398
26,246	75,230	41,711	3,223,043	-	-	4,738,696
26,296	75,830	41,951	3,435,366	-	-	6,404,186
-	-	-	-	-	6,000	21,458
-	-	-	-	-	-	923,610
-	-	-	-	-	-	91,002
-	-	-	-	31,961	47,927	3,687,337
-	-	-	-	31,961	53,927	4,723,407
26,296	75,830	41,951	3,435,366	31,961	53,927	\$ 11,127,593

(This page intentionally left blank.)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUES				
Taxes:				
Property	\$ -	1,627,236	823,688	\$ 2,450,924
Accommodations	-	-	484,613	484,613
Fee in Lieu of Taxes	-	473,868	775,795	1,249,663
Fines, Forfeitures and Fees	-	-	4,897,100	4,897,100
Interest Income	-	337,856	2,874	340,730
Local Revenue	-	-	638,417	638,417
Intergovernmental - Federal	-	-	1,323,434	1,323,434
Intergovernmental - State and Local	-	-	4,603,500	4,603,500
Miscellaneous	-	-	432,110	432,110
TOTAL REVENUES	-	2,438,960	13,981,531	16,420,491
EXPENDITURES				
Current:				
General Government	99,370	-	721,937	821,307
Public Safety	-	-	4,626,350	4,626,350
Airport, Highways and Streets	-	-	34,480	34,480
Culture and Recreation	2,909	-	2,783,401	2,786,310
Health and Welfare	1,310	-	-	1,310
Community Development	20,586	-	2,136,069	2,156,655
Capital Outlay	3,129,537	-	4,635,672	7,765,209
Debt Service:				
Principal Retirement	-	1,222,783	22,211	1,244,994
Interest and Fiscal Charges	-	3,454,066	2,218	3,456,284
Debt Issuance Costs	136,649	-	-	136,649
TOTAL EXPENDITURES	3,390,361	4,676,849	14,962,338	23,029,548
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,390,361)	(2,237,889)	(980,807)	(6,609,057)
OTHER FINANCING SOURCES (USES)				
Issuance of General Obligation Bonds	8,000,000	-	-	8,000,000
Premium Received on Issuance of Bonds	71,506	-	-	71,506
Issuance of Note Payable	-	-	60,466	60,466
Proceeds from Disposal of Assets	-	2,255,232	-	2,255,232
Transfers In	-	-	2,789,678	2,789,678
Transfers Out	-	-	(1,170,206)	(1,170,206)
TOTAL OTHER FINANCING SOURCES (USES)	8,071,506	2,255,232	1,679,938	12,006,676
NET CHANGE IN FUND BALANCES	4,681,145	17,343	699,131	5,397,619
FUND BALANCE - Beginning of Year	1,902,399	2,344,419	4,024,276	8,271,094
FUND BALANCE - End of Year	\$ 6,583,544	2,361,762	4,723,407	\$ 13,668,713

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2007

	<u>LIBRARY</u>	<u>NATIONAL FOREST</u>	<u>EMERGENCY PREPAREDNESS</u>
REVENUES			
Taxes:			
Property	\$ -	-	-
Accommodations	-	-	-
Fee in Lieu of Taxes	-	-	-
Fines, Forfeitures and Fees	50,887	-	-
Interest Income	-	-	-
Local Revenue	-	-	-
Intergovernmental - Federal	19,034	710,271	30,933
Intergovernmental - State and Local	404,876	-	1,230
Miscellaneous	80,736	-	-
TOTAL REVENUES	555,533	710,271	32,163
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	213,066
Airport, Highways and Streets	-	-	-
Culture and Recreation	2,698,088	40,474	-
Community Development	-	-	-
Capital Outlay	6,057	-	-
Debt Service:			
Principal Retirement	11,081	-	5,398
Interest and Fiscal Charges	1,123	-	443
TOTAL EXPENDITURES	2,716,349	40,474	218,907
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,160,816)	669,797	(186,744)
OTHER FINANCING SOURCES (USES)			
Issuance of Note Payable	38,116	-	-
Transfers In	2,197,084	-	186,744
Transfers Out	-	(705,617)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,235,200	(705,617)	186,744
NET CHANGE IN FUND BALANCES	74,384	(35,820)	-
FUND BALANCE - Beginning of Year	8,129	126,822	-
FUND BALANCE - End of Year	\$ 82,513	91,002	-

GIS	STORM WATER MANAGEMENT	HIGHWAY "C" FUNDS	EMS EQUIPMENT	CLERK OF COURT
-	-	-	-	\$ -
-	-	-	-	-
-	-	-	-	-
41,137	-	-	-	-
-	-	-	-	-
119,975	-	176,509	-	-
-	-	-	-	328,782
-	-	4,021,412	32,774	-
-	7,148	-	-	-
161,112	7,148	4,197,921	32,774	328,782
386,133	-	-	-	311,067
-	-	-	34,988	-
-	20,351	12,993	-	-
-	-	-	-	-
-	-	-	-	-
26,742	-	4,184,928	-	14,739
-	-	-	-	-
-	-	-	-	-
412,875	20,351	4,197,921	34,988	325,806
(251,763)	(13,203)	-	(2,214)	2,976
-	-	-	-	-
258,842	13,203	-	2,214	-
-	-	-	-	-
258,842	13,203	-	2,214	-
7,079	-	-	-	2,976
89,996	-	-	-	60,578
97,075	-	-	-	\$ 63,554

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2007

	ECONOMIC DEVELOPMENT	STATE ACCOMMODATIONS TAX	IMPACT FEES
REVENUES			
Taxes:			
Property	\$ -	-	-
Accommodations	-	-	-
Fee in Lieu of Taxes	-	-	-
Fines, Forfeitures and Fees	-	-	923,610
Interest Income	-	-	-
Local Revenue	-	-	-
Intergovernmental - Federal	-	-	-
Intergovernmental - State and Local	-	76,414	-
Miscellaneous	240,000	-	-
TOTAL REVENUES	240,000	76,414	923,610
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Airport, Highways and Streets	-	-	-
Culture and Recreation	-	-	-
Community Development	178,381	48,843	-
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
TOTAL EXPENDITURES	178,381	48,843	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	61,619	27,571	923,610
OTHER FINANCING SOURCES (USES)			
Issuance of Note Payable	-	-	-
Transfers In	-	-	-
Transfers Out	-	(27,571)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(27,571)	-
NET CHANGE IN FUND BALANCES	61,619	-	923,610
FUND BALANCE - Beginning of Year	828,802	-	-
FUND BALANCE - End of Year	\$ 890,421	-	923,610

SHERIFF'S GRANTS	MISCELLANEOUS SPECIAL REVENUE	VICTIM'S ASSISTANCE	COUNTY ACCOMMODATIONS TAX	PARD GRANT
-	-	-	-	\$ -
-	-	-	484,613	-
-	-	-	-	-
14,145	190,339	248,324	-	-
1,865	1,009	-	-	-
341,933	-	-	-	-
93,775	8,770	-	-	-
-	-	-	-	1,262
1,705	98,569	-	-	-
453,423	298,687	248,324	484,613	1,262
-	14,265	-	-	-
424,810	256,653	364,867	-	-
-	-	-	-	-
-	-	-	-	1,262
-	-	-	387,691	-
61,591	46,301	21,650	-	-
-	-	-	-	-
-	-	-	-	-
486,401	317,219	386,517	387,691	1,262
(32,978)	(18,532)	(138,193)	96,922	-
-	-	-	-	-
36,802	-	3,809	-	-
(999)	-	-	(96,922)	-
35,803	-	3,809	(96,922)	-
2,825	(18,532)	(134,384)	-	-
34,299	335,473	283,347	-	-
37,124	316,941	148,963	-	\$ -

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2007

	LOCAL ECONOMIC DEVELOPMENT	AIRPORT IMPROVEMENTS	REGIONAL DISASTER PLANNING GRANT
REVENUES			
Taxes:			
Property	\$ 128,295	-	-
Accommodations	-	-	-
Fee in Lieu of Taxes	775,795	-	-
Fines, Forfeitures and Fees	4,920	-	-
Interest Income	-	-	-
Local Revenue	-	-	-
Intergovernmental - Federal	-	81,183	50,686
Intergovernmental - State and Local	-	65,532	-
Miscellaneous	227	-	-
TOTAL REVENUES	<u>909,237</u>	<u>146,715</u>	<u>50,686</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	50,686
Airport, Highways and Streets	-	1,136	-
Culture and Recreation	-	-	-
Community Development	656,429	-	-
Capital Outlay	22,350	196,559	-
Debt Service:			
Principal Retirement	5,732	-	-
Interest and Fiscal Charges	652	-	-
TOTAL EXPENDITURES	<u>685,163</u>	<u>197,695</u>	<u>50,686</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>224,074</u>	<u>(50,980)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Issuance of Note Payable	22,350	-	-
Transfers In	-	50,980	-
Transfers Out	(339,097)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(316,747)</u>	<u>50,980</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(92,673)</u>	<u>-</u>	<u>-</u>
FUND BALANCE - Beginning of Year	<u>1,014,986</u>	<u>-</u>	<u>-</u>
FUND BALANCE - End of Year	<u>\$ 922,313</u>	<u>-</u>	<u>-</u>

SANGAREE SPECIAL TAX DISTRICT	PIMLICO SPECIAL TAX DISTRICT	TALL PINES SPECIAL TAX DISTRICT	DEVON FOREST SPECIAL TAX DISTRICT	SPECIAL COUNTY TAX DISTRICT	LAKE MOULTRIE PARK	LEGAL FORFEITURE PROCEEDS	TOTAL SPECIAL REVENUE FUNDS
695,393	-	-	-	-	-	-	\$ 823,688
-	-	-	-	-	-	-	484,613
-	-	-	-	-	-	-	775,795
-	25,900	75,373	34,225	3,281,280	-	6,960	4,897,100
-	-	-	-	-	-	-	2,874
-	-	-	-	-	-	-	638,417
-	-	-	-	-	-	-	1,323,434
-	-	-	-	-	-	-	4,603,500
3,725	-	-	-	-	-	-	432,110
699,118	25,900	75,373	34,225	3,281,280	-	6,960	13,981,531
-	-	-	-	-	-	10,472	721,937
-	-	-	-	3,281,280	-	-	4,626,350
-	-	-	-	-	-	-	34,480
-	-	-	-	-	43,577	-	2,783,401
729,227	25,900	75,373	34,225	-	-	-	2,136,069
54,755	-	-	-	-	-	-	4,635,672
-	-	-	-	-	-	-	22,211
-	-	-	-	-	-	-	2,218
783,982	25,900	75,373	34,225	3,281,280	43,577	10,472	14,962,338
(84,864)	-	-	-	-	(43,577)	(3,512)	(980,807)
-	-	-	-	-	-	-	60,466
-	-	-	-	-	40,000	-	2,789,678
-	-	-	-	-	-	-	(1,170,206)
-	-	-	-	-	40,000	-	1,679,938
(84,864)	-	-	-	-	(3,577)	(3,512)	699,131
1,148,867	-	-	-	-	35,538	57,439	4,024,276
1,064,003	-	-	-	-	31,961	53,927	\$ 4,723,407

BERKELEY COUNTY, SOUTH CAROLINA

**COMBINING SCHEDULE OF FIDUCIARY NET ASSETS -
ALL AGENCY FUNDS**

JUNE 30, 2007

	<u>CLERK OF COURT</u>	<u>MASTER IN EQUITY</u>	<u>TAX COLLECTOR</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,404,070	85,025	2,140,514
Receivables:			
Accounts Receivable	-	-	-
State Government	-	-	-
TOTAL ASSETS	<u><u>3,404,070</u></u>	<u><u>85,025</u></u>	<u><u>2,140,514</u></u>
LIABILITIES			
Due to School District	-	-	-
Due to Other Designated Recipients	3,404,070	85,025	2,140,514
TOTAL LIABILITIES	<u><u>\$ 3,404,070</u></u>	<u><u>85,025</u></u>	<u><u>2,140,514</u></u>

SHERIFF	MAGISTRATES	TREASURER	"C" FUNDS ADMINISTRATION	TOTALS
198,186	234,197	9,430,361	11,927,994	\$ 27,420,347
-	-	11,347	-	11,347
-	-	-	203,712	203,712
198,186	234,197	9,441,708	12,131,706	27,635,406
-	-	6,632,919	-	6,632,919
198,186	234,197	2,808,789	12,131,706	21,002,487
198,186	234,197	9,441,708	12,131,706	\$ 27,635,406

BERKELEY COUNTY, SOUTH CAROLINA

**SCHEDULE OF COURT ASSESSMENTS AND SURCHARGES
CLERK OF COURT AND MAGISTRATES**

YEAR ENDED JUNE 30, 2007

REVENUES

Collections:		
Assessments	\$	1,069,938
Surcharges		535,728
Total Collections		<u>1,605,666</u>
Remitted to State Treasurer:		
Assessments		956,317
Surcharges		401,025
Total Remitted to State Treasurer		<u>1,357,342</u>
Revenues Retained by the County for Victim's Assistance Program		248,324

EXPENDITURES

Salaries and Wages		227,296
Fringe Benefits		73,609
Other Operating Expenditures, net of Transfers In from Other Funds		60,153
Capital Outlay		21,650
Total Program Expenses		<u>382,708</u>
Deficiency of Revenues Over Expenditures		(134,384)

BALANCES CARRIED FORWARD

Beginning of Year		283,347
End of Year	\$	<u>148,963</u>

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	ALLOWABLE FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through South Carolina Office of the Governor - Division of Economic Development/ Community Development Block Grant Regional Disaster Planning - COG Cross Water Line Project	14.228	4-CI-05-017	\$ 208,383
Total U.S. Department of Housing and Urban Development			208,383
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through South Carolina Department of Social Services (SCDSS) - Child Support Enforcement Title IV-D Clerk of Court - Filing Fees Sheriff's Department	93.563 93.563 93.563	G-07SC4004 G-07SC4004 G-07SC4004	328,781 19,844 6,402
Total of CFDA # 93.563			<u>355,027</u>
Federal Financial Participation, Passed Through SCDSS - Administration for Children and Families Family Preservation and Support Services (CWS-Part II) TANF Block Grant Child Support Enforcement Child Care Development Fund Child Welfare Services - State Grants Title IV-E Foster Care Social Services Block Grant	93.556 93.558 93.563 93.575 93.645 93.658 93.667	G-07SCOOPF G-07SCTANF G-07SC4004 G-07SCCDBG G-07SC1400 G-07SC1401 G-07SCSSBG	2,409 49,556 42 305 3,239 9,025 12,084
Center for Medicare and Medicare Services Medicaid Programs	93.778	G-07SCMEDI	16,320
USDA Food Nutrition Service State Administration Matching Grant Food Stamp Program General / All State	10.561 Unknown	12-35-4541 Unknown	31,727 13,718
Total of Federal Financial Participation			<u>138,425</u>
Total U.S. Department of Health and Human Services			493,452
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Department of Transportation Federal Aviation Administration Federal Aviation Administration	20.106 20.106	3-45-0041-12 3-45-0041-14	20,331 67,360
Total U.S. Department of Transportation			\$ 87,691

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	ALLOWABLE FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through South Carolina State Treasurer			
Emergency Water Shed Funding	10.054	69-469-5-5016	\$ 104,550
National Forest Fund	10.665	n/a	710,271
Prescribed Burning	Unknown	7246395A922	240
Total U.S. Department of Agriculture			815,061
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed Through Adjutant General's Office			
Homeland Security	97.067	5SHSP08	15,407
Local Planning Grant for All Hazard Emergency Planning	97.067	5EMPG01	16,340
Local Planning Grant for All Hazard Emergency Planning	97.067	6EMPG01	7,158
Local Planning Grant for All Hazard Emergency Planning	97.067	7EMPG01	7,435
Total Federal Emergency Management Agency			46,340
U.S. DEPARTMENT OF JUSTICE			
Passed Through Adjutant General's Office			
Justice Assistance Grant	16.738	2005-DJ-BX-0651	71,966
Total U. S. Department of Justice			71,966
U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
State Library Program			
LSTA Project - Collection Development	45.310	ID-05-08	19,034
Total U.S. Institute of Museum and Library Services			19,034
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,741,927

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

Basis of Presentation

- A. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Berkeley County, South Carolina and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of basic financial statements.

(This page intentionally left blank.)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berkeley County, South Carolina (the “County”) as of and for the year ended June 30, 2007, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated February 14, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s basic financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the entity’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County’s basic financial statements are free of 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 basic 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2007-1.

We noted certain matters that we have reported to management of the County in a separate letter dated February 14, 2008.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, County Council, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP

February 14, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Berkeley County, South Carolina (the “County”) with the types of compliance requirements described in the US Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County’s management. Our responsibility is to express an opinion on the County’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County’s compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over compliance.

A *control deficiency* in an entity’s internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity’s internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, County Council, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP

February 14, 2008

BERKELEY COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u>
Noncompliance material to financial statements noted?	_____ <u>X</u> Yes	_____ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ Yes	_____ <u>X</u> No
--	-----------	-------------------

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development / Regional Disaster Planning
10.665	National Forest Fund

Dollar threshold used to distinguish between type A and type B programs:	\$ _____ <u>300,000</u>
--	-------------------------

Auditee qualified as low-risk auditee?	_____ Yes	_____ <u>X</u> No
--	-----------	-------------------

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

Section II – Findings – 2007 Financial Statements Audit

2007-1: NONCOMPLIANCE WITH STATE COLLATERALIZATION LAWS AND REGULATIONS

- Condition:** The County’s bank deposits were under collateralized by approximately \$3,831,689 at one of its banks as of June 30, 2007.
- Criteria:** State law requires all monies deposited by a government entity at a financial institution be collateralized for any amount in excess of FDIC insurance.
- Effect:** The County was not in compliance with State law at June 30, 2007.
- Recommendation:** We recommend that the County coordinate with this bank in order to maintain sufficient collateral on these deposits at all times.
- Response:** The County has subsequently contacted bank officials to ensure that the County is adequately collateralized on its bank deposits.

Section III - Findings and Questioned Costs - Major Federal Awards Programs Audit

No matters were reported

BERKELEY COUNTY, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2007

2005-2: ALLOWABLE COSTS

Federal Agency: US Department of Health and Human Services

Pass-through Agency: South Carolina Department of Social Services

CFDA # 93.563, Child Support Enforcement Title IV-D

Pass Through Grantor's Number: G-05SC5005; Award Year: July 1, 2004 through June 30, 2005

- Condition:** The Berkeley County Clerk of Court has filed a complaint against Berkeley County. During fiscal 2005, the Clerk of Court paid \$50,000 to an attorney for fees incurred related to this complaint and charged it to this program. Legal counsel for Berkeley County asked that the South Carolina Department of Social Services ("SCDSS") to investigate whether it was proper to charge this expenditure to the IV-D program. Counsel for SCDSS responded as follows: "The agency would conduct a review after the conclusion of the litigation. Legal costs, including attorney fees, are allowable expenditures under OMB Circular A-87. Whether federal financial participation in this \$50,000 fee is allowed, in whole or in part, or must be repaid, will depend on whether the Clerk of Court can document that it is an expense necessary for the administration of the IV-D program." The Clerk of Court responded as follows: "In 2004, I inquired of the South Carolina Department of Social Services Director of the Child Support Enforcement Division, if DSS funds could be used to pay for attorney fees related to the subject litigation. I was informed that nothing in federal or state law and regulations was found that would preclude use of the funds for this purpose. The South Carolina Department of Social Services will review the case once it is closed to determine the amount allowable under the program based on fees paid relevant to DSS issues. I am confident that the fees paid will be judged as allowable."
- Criteria:** The County, through the Clerk of Court, is to comply with the allowable cost regulations as required by the Office of Management and Budget ("OMB").
- Status:** There has been no action taken concerning this finding. The SCDSS has not conducted its review as the litigation has not yet been concluded.