

GF&H: TRUST...VISION...LEADERSHIP...INNOVATION...VALUE

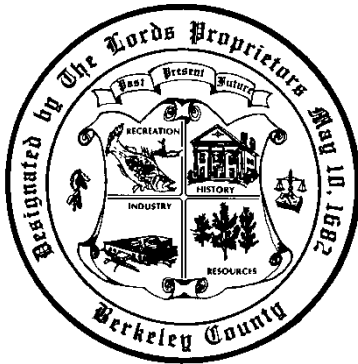
# BERKELEY COUNTY

Financial Audit Presentation

for the

Year Ended

June 30, 2010





# Berkeley County – Financial Audit-June 30, 2010

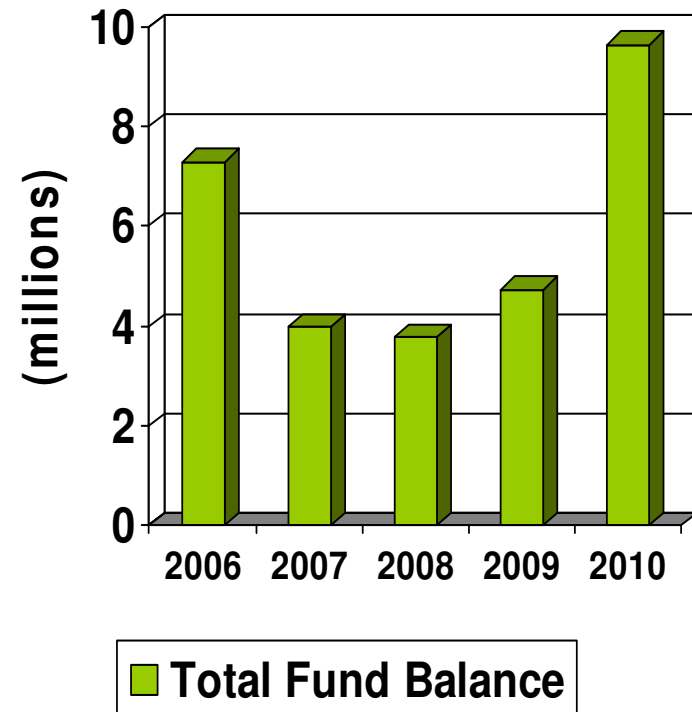
- Maintaining an effective internal control system (to prevent and detect errors and fraud) is the County's responsibility
- The Financial Statements are the County's responsibility
- Our responsibility is to express an opinion on the Financial Statements
- Reasonable assurance that the financial statements are materially correct
- We issued an unqualified opinion
  - **Best opinion the County can receive**



# Berkeley County – Financial Audit-June 30, 2010

## General Fund

- Fund balance increased \$4.9 million to \$9.6 million
  - \$2.7 million is due to transfers from Mt. Holly Commerce Park
- Unreserved fund balance is \$9.4 million –
  - \$565k designated for other post employment benefits (OPEB)
  - \$813k designated for elected officials
  - \$8,036k designated for Fund Balance policy
    - this amount represents 15% of 2011 budgeted appropriations
    - County fully met its fund balance policy





# Berkeley County – Financial Audit-June 30, 2010

## Why is a Healthy Fund Balance Important?

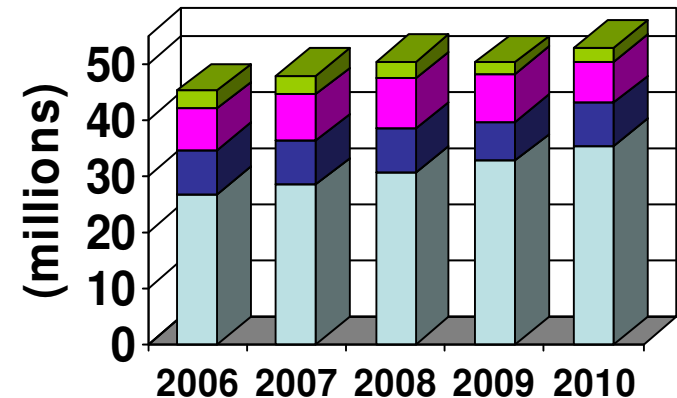
- Provides the necessary cash flow through December, before significant property tax revenues are collected
- Absolute necessity given the uncertain times and difficult economy
- Potential for stronger bond ratings, which can lead to lower interest rates and interest cost savings
- Allows for emergencies and revenue losses (State funding cuts)
- Flexibility for discretionary funding needs



# Berkeley County – Financial Audit-June 30, 2010

## General Fund Revenues

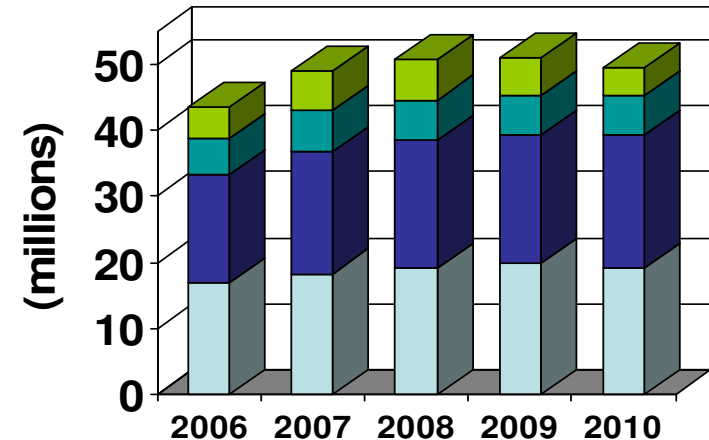
- Revenues were \$52.8M, up 4.8%, or \$2.4M vs. 2009:
  - Taxes, including FILOT and LOST, were \$35.4M, up 8%, or \$2.6 million compared to 2009 due to an increase in assessed values - Taxes represent 67% of total revenues
  - Fines, Forfeitures & Fees were up \$0.7M to \$7.7M
  - Intergovernmental Revenues were down \$1.3M to \$7.3M
  - All other revenues (primarily licenses, fees and permits) were up \$0.5M to \$2.4M due to an increase in building permits
- \$1.5M over budgeted revenues (2.9%)
  - Taxes, fines and fees (building permits) were higher than budgeted amounts



# Berkeley County – Financial Audit-June 30, 2010

## General Fund Expenditures

- Expenditures were \$49.5M, down \$1.5M (3.0%) vs. 2009:
  - Decrease in capital outlay expenditures of \$1.2M – decrease was budgeted
  - General Gov't - \$19.2M, down \$0.4M (2.3%) due to lower Judicial and Finance and Administration costs
  - Public Safety - \$20.2M, up \$0.5M (2.8%)
  - Airport, Highway and Streets - \$5.8M, down \$0.1M
  - All Others - \$3.9M, down \$0.3M
- \$1.6M less than budget of \$51.1M, primarily due to lower than budgeted personnel costs (unfilled vacancies) and other cost-cutting measures planned due to the poor economy





# Berkeley County – Financial Audit-June 30, 2010

## Other Significant Governmental Funds

- **Capital Projects** - \$55.8M fund balance, representing unspent bond proceeds and transportation sales tax collections, to be used for approved capital projects
- **Debt Service** - \$2.7M fund balance, to be used to service the County's outstanding General Obligation Bonds
- **Special Revenue Funds** - \$14.2M fund balance, earmarked for specific items (Economic Development funds - \$9.0M, Impact Fees - \$3.7M, the Sangaree Tax District of \$0.6M and other funds)





# Berkeley County – Financial Audit-June 30, 2010

## Water and Sewer Fund

- Operating Revenues of \$34.6M – increase of \$0.08M from 2009
  - Impact and connection fee revenues down \$1.0M due to less development and construction in the County in FY10
  - Recurring water and sewer charges up \$1.1M or 3.9% due to higher usage
- Operating Expenses of \$26.4M, including \$10.3M for depreciation – increase of \$0.7M (2.7%) from 2009
  - Depreciation increased \$568k due to an increase in depreciable assets
  - All other costs increased \$133k (0.5%)
- Operating Income of \$8.1M, compared to \$8.7M for 2009
- Total debt service was \$15M for 2010, representing 48% of total expenditures (excluding capital outlay)





# Berkeley County – Financial Audit-June 30, 2010

## Water and Sewer Fund (continued)

- \$0.5M in transfers received from the General Fund; the General Fund has transferred a total of \$1.3M back to Water/Sewer of the \$4.8M that was transferred from Water/Sewer to the General Fund in 2008 and used to repay the Public Service Authority debt
- Total increase in Net Assets (includes infrastructure contributed by developers of \$2.8M) of \$6.5M, compared to \$7.8M for 2009
- As of 6/30/10, total Net Assets were \$175.4M, including \$14.9M in Unrestricted Net Assets
- Debt Service Coverage Ratio for 2010 was 1.25 - revenue bonds require a minimum of 1.20
  - The coverage ratio was met due to the reliance on one-time fees
  - Excluding these one-time fees, the coverage ratio for 2010 was 0.99
- As of 6/30/10, the County had \$66M in unspent proceeds relating to its Series 2005A Revenue Bonds



# Berkeley County – Financial Audit-June 30, 2010

## Solid Waste Fund

- Operating Revenues of \$9.7M – virtually no change from 2009
- Operating Expenses of \$9.7M – virtually no change from 2009
  - Landfill Closure and Post Closure Care Costs were \$1,463k, compared to \$140K in 2009, or a net increase of \$1,323k – increase due to higher expenses related to trenches and infiltration soil layers
  - Repairs and Maintenance costs decreased \$674k due to several new assets requiring less maintenance
  - Personnel costs decreased by \$469k due to fewer employees and vacancies
  - Depreciation decreased by \$190k due to many assets becoming fully depreciated
- Operating Income of \$40k, compared to \$43k for 2009





# Berkeley County – Financial Audit-June 30, 2010

## Solid Waste Fund (continued)

- Non-operating Revenues/Expenses (net) were (\$0.1M), a decrease of \$81k from the prior year primarily due to a \$106k decrease in interest income offset by a \$54k decrease in interest expense
- Total decrease in Net Assets of \$103k for 2010
- As of 6/30/10, the Net Assets were \$21.0M, including \$5.5M in Unrestricted Net Assets
- Total debt service was \$1.8M, representing 19% of total expenditures (excluding capital outlay)
- Debt Service Coverage Ratio for 2010 was 2.16 – revenue bonds require a minimum of 1.20





# Berkeley County – Financial Audit-June 30, 2010

## Parks and Recreation Fund (Cypress Gardens)

- Operating Loss of \$547k, compared to \$611k loss in 2009 – lower expenses in 2010 were partially offset by lower revenues (decrease in attendance)
- The General Fund transferred \$440k to Cypress Gardens to partially fund the operating losses
- As of 6/30/10, total Net Assets were \$669k –
  - Unrestricted Net Assets is a **deficit** of \$1,075k
- County Council is addressing this deficit
  - 1.0 mill in property taxes will be used to help fund the operating losses at Cypress Gardens, effective for fiscal 2011



# Berkeley County – Financial Audit-June 30, 2010

## County-wide (GASB 34)

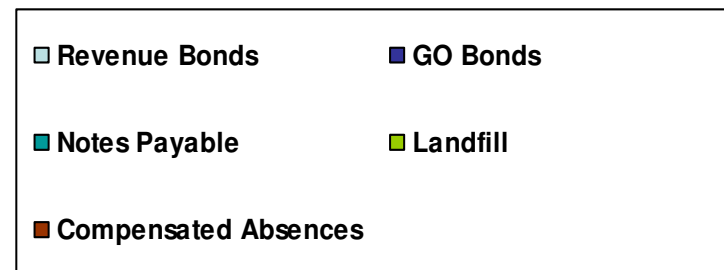
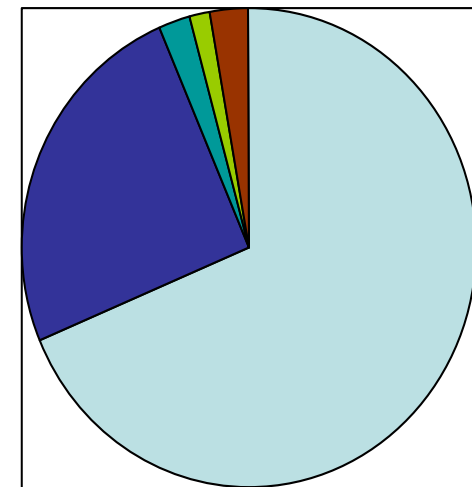
- Assets-\$651.4M
  - \$414.4M is capital assets
  - \$179.2M is cash and investments
- Liabilities-\$346.6M
  - \$276.8M is debt
- Net Assets-\$304.9M
- Revenues-\$164.7M
- Expenses-\$118.9M
  - \$20.3M is non-cash depreciation



# Berkeley County – Financial Audit-June 30, 2010

## Other Items of Note

- The County's total outstanding long-term obligations were \$289.2M at June 30, 2010 – increase of \$26M vs. 2009:
  - \$198.2M in Revenue bonds for the Water and Sanitation Department
  - \$72.5M in General Obligation bonds
  - \$6.1M in notes payable
  - \$12.4M in compensated absences and estimated landfill closure and post closure care costs



# Berkeley County – Financial Audit-June 30, 2010

## Other Items of Note (continued)

- The County issued a General Obligation Refunding Bond in the amount of \$27.7M
  - These funds were used to retire a General Obligation Bond Anticipation Note, issued in 2009 to finance the acquisition, design, and construction of various transportation projects
  - The long term GO Bond will be repaid using the funds collected from the new one cent transportation sales tax that was approved by voter referendum in 2008; the County began receiving these funds in fiscal 2010
- The County obtained a loan in the amount of \$6.4M from the South Carolina Transportation Infrastructure Bank for Phase I of the Jedburg Road Improvement District. As of June 30, 2010 the County had drawn down \$2.9M of this loan.
- In August 2010, the County combined the Water and Sewer System with the Solid Waste System for Bond Purposes, which allows the County to use proceeds from prior or future debt issuance to fund capital projects for either system.





# Berkeley County – Financial Audit-June 30, 2010

## Other Items of Note (continued)

- OPEB (Other Post-Employment Benefits) – retiree health, etc.
  - Total Actuarial Accrued Liability was \$13.0M at 6/30/10
  - The County did not fund the Annual Required Contribution (ARC) of approximately \$1.7M in 2010
  - The actuarial valuation was based on the assumption that the County would fund its ARC, but the report states that the ARC could increase by an estimated 39% (\$681k) and the Actuarial Accrued Liability could increase by an estimated 50% (\$6.5M) if the plan is not funded
  - The County has NOT funded its OPEB for the past two years
  - County Council needs to address OPEB







# Berkeley County – Financial Audit-June 30, 2010

## New Accounting Pronouncement:

- GASB 54 will be implemented in the upcoming 2011 fiscal year
  - No changes in the total Fund Balance, but significant changes in the definitions, categories and components of Fund Balance
  - Instead of Reserved, Designated and Undesignated categories, you will now have Nonspendable, Restricted, Committed, Assigned and Unassigned





# Berkeley County – Financial Audit-June 30, 2010

## Compliance and Single Audit - Findings

- No findings noted for the current year

## Management Letter

- Required communications to management and those charged with governance
- Comments:
  - OPEB long-term funding challenges
  - Annual closing process





# Berkeley County – Financial Audit-June 30, 2010

## Summary

- Unqualified opinion on the Financial Statements
- Good management of finances by Council and management in light of the current economy
- General Fund: Net Unreserved Fund Balance of \$9.4M at June 30, 2010
  - County fully met the goal of 15% of next year's budgeted appropriations, which was adopted by Council in 2008
  - Remaining unreserved fund balance of \$565k was designated for OPEB
- Looks like continued tough economic times in the future

