

**BERKELEY COUNTY, SOUTH CAROLINA**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY FINANCIAL INFORMATION,  
AND INDEPENDENT AUDITORS' REPORT**

**FISCAL YEAR ENDED JUNE 30, 2005**



**PREPARED BY:**

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**BERKELEY COUNTY, SOUTH CAROLINA**

**TABLE OF CONTENTS**

**YEAR ENDED JUNE 30, 2005**

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**FINANCIAL SECTION**

	<u>Page Number</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
Management's Discussion and Analysis	3
<b>Basic Financial Statements:</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Assets	12
Statement of Activities	14
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds to the Statement of Activities	18
Statement of Net Assets - Proprietary Funds	19
Statement of Revenues, Expenditures, and Changes in Fund Net Assets - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Statement of Fiduciary Net Assets - Fiduciary Funds	23
<i>Notes to the Basic Financial Statements</i>	24

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - General Fund	50
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(Continued)

**BERKELEY COUNTY, SOUTH CAROLINA**

**TABLE OF CONTENTS**

**YEAR ENDED JUNE 30, 2005**

---

**OTHER SUPPLEMENTARY INFORMATION**

	<u>Page Number</u>
<u>Combining and Individual Fund Schedules:</u>	
Combining Balance Sheet - Nonmajor Governmental Funds	53
Combining Balance Sheet - Special Revenue Funds	54
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	61
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances - Special Revenue Funds	62
Combining Statement of Fiduciary Net Assets - All Agency Funds	68
Schedule of Court Assessments and Surcharges, Clerk of Court and Magistrates	70

**COMPLIANCE SECTION**

Schedule of Expenditures of Federal Awards	71
Notes to Schedule of Expenditures of Federal Awards	74
Independent Auditors' 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>	75
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	76
Schedule of Findings and Questioned Costs	77
Summary of Prior Audit Findings	80

## INDEPENDENT AUDITORS' REPORT

The 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, 2005, 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 an opinion 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 opinion.

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, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis on pages 3 through 11 and budgetary comparison schedule on pages 50 through 51 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 an opinion 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*

Greene, Finney & Horton, LLP  
February 17, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

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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, 2005. 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 \$130,844,078 for fiscal year 2005 as compared to \$123,944,914 last 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 amounted to \$24,530,679. Unrestricted net assets increased \$516,096 over the previous fiscal year.
- The County's total net assets this fiscal year increased \$6,899,165 over the previous year, with \$1,000,410 of the increase resulting from governmental activities and \$5,898,755 resulting from business-type activities.
- At June 30, Berkeley County's governmental funds statements reported combined ending fund balances of \$17,179,899, a decrease of \$5,661,433 over the previous fiscal year due to the construction of capital projects. Of this amount, \$15,011,690 remains in the various fund types of the County as unreserved.
- The General Fund reported an unreserved fund balance of \$5,383,002 compared to last year's unreserved amount of \$5,315,371, an increase of \$67,631.
- The County's total capital assets increased by \$24,057,486 in comparison to the previous year
- The County's total long-term obligations decreased by \$3,765,819 in comparison to the previous year
- The debt service coverage for the Solid Waste and the Water/Sewer revenue bonds was 236.7% and 127.9%, 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, 2005. The difference between these assets and liabilities is reported as net assets. Changes in net assets over time may be helpful in indicating an improving or deteriorating financial condition.

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

Both statements attempt to distinguish functions of 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

*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, 2005**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Comparative data for fiscal years ending June 30, 2005 and 2004 are shown below.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004 *</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004 *</b>
<b>Assets:</b>						
Current and Other Assets	\$ 46,314	48,486	59,271	71,371	105,585	\$ 119,857
Capital Assets, Net	35,958	28,745	186,251	169,407	222,209	198,152
Total Assets	<u>82,272</u>	<u>77,231</u>	<u>245,522</u>	<u>240,778</u>	<u>327,794</u>	<u>318,009</u>
<b>Liabilities:</b>						
Current Liabilities	33,577	29,310	11,053	8,280	44,630	37,590
Non-Current Liabilities	<u>36,510</u>	<u>36,736</u>	<u>115,810</u>	<u>119,738</u>	<u>152,320</u>	<u>156,474</u>
Total Liabilities	<u>70,087</u>	<u>66,046</u>	<u>126,863</u>	<u>128,018</u>	<u>196,950</u>	<u>194,064</u>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	4,884	4,185	98,913	91,880	103,797	96,065
Restricted	1,780	1,180	736	2,685	2,516	3,865
Unrestricted	<u>5,521</u>	<u>5,820</u>	<u>19,010</u>	<u>18,195</u>	<u>24,531</u>	<u>24,015</u>
Total Net Assets	<u>\$ 12,185</u>	<u>11,185</u>	<u>118,659</u>	<u>112,760</u>	<u>130,844</u>	<u>\$ 123,945</u>

\* Amounts have been restated due to a prior period adjustment. See Note III.A. in the Notes to the Basic Financial Statements for additional information.

The overall financial position of the County improved in both fiscal years 2005 and 2004. 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, 2005 and 2004 amounted to \$6,899,165 and \$5,950,057, 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, 2005 increased approximately \$516,000 for unrestricted net assets and decreased approximately \$1,349,000 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 (79.4%) reflects its investment in capital assets (e.g., land, buildings, 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, 2005**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

Comparative data for fiscal years ending June 30, 2005 and 2004 are shown below.

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.

Berkeley County Statement of Activities (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 12,808	10,837	31,255	30,949	44,063	\$ 41,786
Operating Grants and Contributions	2,088	1,367	4,507	319	6,595	1,686
Capital Grants and Contributions	3,089	2,430	6,382	4,929	9,471	7,359
General Revenues:						
Property Taxes	20,673	20,461	-	-	20,673	20,461
Fee in Lieu of Taxes	4,543	4,342	-	-	4,543	4,342
Accommodations Taxes	387	349	-	-	387	349
Franchise Fees	320	299	-	-	320	299
Unrestricted Grants	7,478	7,042	-	-	7,478	7,042
Interest Income	347	154	736	483	1,083	637
Gain on Sale of Assets	3	-	338	27	341	27
Miscellaneous	161	84	-	-	161	84
Total Revenues	<u>51,897</u>	<u>47,365</u>	<u>43,218</u>	<u>36,707</u>	<u>95,115</u>	<u>84,072</u>
<b>Expenses:</b>						
General Government	17,002	16,033	-	-	17,002	16,033
Public Safety	20,299	19,120	-	-	20,299	19,120
Airport, Highways, and Streets	5,995	5,480	-	-	5,995	5,480
Culture and Recreation	2,098	2,038	-	-	2,098	2,038
Health and Welfare	1,635	1,441	-	-	1,635	1,441
Community Development	2,009	3,264	-	-	2,009	3,264
Interest and Fiscal Charges	1,755	1,895	-	-	1,755	1,895
Water and Sewer	-	-	23,410	19,688	23,410	19,688
Solid Waste	-	-	11,528	7,413	11,528	7,413
Parks and Recreation	-	-	1,225	1,245	1,225	1,245
Emergency Telephone	-	-	557	505	557	505
Total Expenses	<u>50,793</u>	<u>49,271</u>	<u>36,720</u>	<u>28,851</u>	<u>87,513</u>	<u>78,122</u>
Increase (Decrease) in Net Assets before Extraordinary Item and Transfers	1,104	(1,906)	6,498	7,856	7,602	5,950
Extraordinary Item	-	-	(703)	-	(703)	-
Transfers	(104)	(20)	104	20	-	-
Change in Net Assets	<u>1,000</u>	<u>(1,926)</u>	<u>5,899</u>	<u>7,876</u>	<u>6,899</u>	<u>5,950</u>
Net Assets, Beginning of Year	10,237	12,163	112,760	104,884	122,997	117,047
Prior Period Adjustment *	948	-	-	-	948	-
Net Assets, Beginning of Year, Restated	<u>11,185</u>	<u>12,163</u>	<u>112,760</u>	<u>104,884</u>	<u>123,945</u>	<u>117,047</u>
Net Assets, End of Year	<u>\$ 12,185</u>	<u>10,237</u>	<u>118,659</u>	<u>112,760</u>	<u>130,844</u>	<u>\$ 122,997</u>

Reclassifications of some 2004 amounts have been made to conform to the 2005 presentation.

\* See Note III.A. in the Notes to the Basic Financial Statements for information on the prior period adjustment.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

*Governmental Activities.* The largest increase in revenues was charges for services. This was substantially attributable to higher building permits and real estate filing fees.

The largest increase in expenses was public safety. This was substantially attributable to rising personnel costs necessary to protect and serve the needs of the County’s growing population. The largest decrease in expenses was community development. This was substantially attributable to the decrease in the amount of funds passed through the County for economic development.

*Business-type Activities.* The largest increase in revenues was charges for operating grants and contributions. This was substantially attributable to a Disaster Relief grant as a result of damages incurred from Hurricane Gaston.

The largest increase in expenses was solid waste. This was substantially attributable to clean up costs related to Hurricane Gaston. This item is discussed in greater detail in the Notes to the Basic Financial Statements

**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, 2005, and the amount and percentage of increases and decreases in relation to prior year amounts (in thousands):

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2004</u>	<u>Percent Increase (Decrease)</u>
Revenues				
Property and Accommodations Taxes	\$ 21,467	38.7%	\$ 931	4.5%
Fee in Lieu of Taxes	4,545	8.2%	212	4.9%
Licenses, Fees and Permits	1,399	2.5%	287	25.8%
Fines, Forfeitures and Fees	10,887	19.6%	1,762	19.3%
Interest Income	346	0.6%	192	124.7%
Local Revenue	512	0.9%	104	25.5%
Intergovernmental - Federal	2,948	5.3%	778	35.9%
Intergovernmental - State and Local	8,108	14.6%	9	0.1%
Miscellaneous	1,136	2.0%	399	54.1%
Other Financing Sources				
Proceeds from Capital Lease	1,088	2.0%	55	5.3%
Transfers In	3,085	5.6%	(29)	-0.9%
Total	<u>\$ 55,521</u>	<u>100%</u>	<u>\$ 4,700</u>	<u>9.2%</u>

The largest percentage increase in revenues and other financing sources was interest income. This was a result of an increase in interest rates. There was no substantial decrease in revenues from prior year.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

**FINANCIAL ANALYSIS OF BERKELEY COUNTY’S FUNDS (CONTINUED)**

The following schedule presents a summary of all governmental funds expenditures and other financing uses for the fiscal year ended June 30, 2005, and the percentage of increases and decreases in relation to prior year amounts (in thousands):

	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2004</u>	<u>Percent Increase (Decrease)</u>
<b>Expenses:</b>				
General Government	\$ 16,052	26.2%	\$ 1,126	7.5%
Public Safety	19,453	31.8%	1,099	6.0%
Airport, Highways, and Streets	5,274	8.6%	445	9.2%
Culture and Recreation	1,990	3.3%	79	4.1%
Health and Welfare	1,562	2.6%	284	22.2%
Community Development	1,987	3.2%	(1,277)	-39.1%
Capital Outlay	8,558	14.0%	4,044	89.6%
Debt Service:				
Principal Retirement	1,624	2.7%	393	31.8%
Interest Fiscal Charges	1,490	2.4%	153	11.4%
Other Financing Uses:				
Transfer Out	3,189	5.2%	55	1.8%
Total	<u>\$ 61,179</u>	<u>100.0%</u>	<u>\$ 6,401</u>	11.7%

The largest percentage increase in expenditures and other financing uses was in capital outlay. This was attributable to the capital projects including the construction of the new County administration building. The largest decrease in expenditures and other financing uses was in community development and is attributable to the decrease in funds passed through the County for economic development.

**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 increased 3.2% from the prior fiscal year to \$5,663,617. The use of fund balance is attributable to increased expenditures in most county departments.

**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, 2005, total net assets amounted to \$118,658,627 for enterprise funds as compared to \$112,759,872 at June 30, 2004. Net asset changes are a result of operations, other nonoperating revenues and expenses, capital contributions and donated assets, and grants.

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

**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. The Water and Sewer Fund experienced a decrease in operating income; while water and sewer operating revenues increased from the prior year, they were not sufficient to cover the increase in maintenance and repair costs. The Solid Waste Fund experienced an operational gain due to an increase in revenues combined with lower personnel costs. Parks and Recreation still continues to reflect net operational losses as it strives to increase its visitor attendance in a competitive market. Emergency Telephone continued to show an operational loss in fiscal year 2005, which was lower than the loss reported in prior year. While revenues experienced a slight increase, increased operational costs in most areas due to inflation caused them to exceed revenues.

	Operating Income (Loss) (In Thousands)	
	2005	2004
Water and Sewer	\$ 4,029	\$ 7,062
Solid Waste	1,964	1,281
Parks and Recreation	(669)	(626)
Emergency Telephone	(44)	(24)
Total	\$ 5,280	\$ 7,693

**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 2005 as well as the final budget. The difference between the original budget and the final budget is substantially related to the supplemental appropriation approved by council in June 2005. The change between the original budgeted revenues and other financing sources, and the final budgeted revenues and other financing sources was an increase of \$1,902,010. This amount was offset by the same increase in the change between the original budgeted expenditures and other financing uses, and the final budgeted revenues and other financing sources.

A column for actual revenues and a column for differences between final budget and actual revenues follow the budgeted amounts columns. During fiscal year 2005, revenues exceeded budgetary estimates by \$532,673.

A column for actual expenditures and a column for differences between final budget and actual expenditures follow the budgeted amounts columns. During fiscal year 2005, expenditures were less than budgetary estimates by \$1,494,317. Most of this savings is attributable to \$652,413 and \$634,553 realized in the general government and public safety expenditures, respectively.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** At the end of 2005, the County had approximately \$222 million invested in capital assets, net of depreciation. This was an increase of approximately \$24 million from the prior year end. 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 and plants for Water and Sewer coming on line during fiscal 2005, the purchase of computer equipment and software, ambulances, airport improvements, and vehicles for the Sheriff's office. The table below reflects the capital asset balances as of June 30, 2005 and 2004, net of accumulated depreciation (in thousands).

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 2,506	2,192	2,765	2,765	5,271	\$ 4,957
Construction in Progress	9,543	3,141	7,845	18,230	17,388	21,371
Buildings and Improvements	14,839	15,010	-	-	14,839	15,010
Furniture and Equipment	2,766	1,962	5,480	5,114	8,246	7,076
Vehicles	3,068	3,104	-	-	3,068	3,104
Utility Systems, Plants and Buildings	-	-	170,160	143,298	170,160	143,298
Other	3,236	3,336	-	-	3,236	3,336
Total	\$ 35,958	28,745	186,250	169,407	222,208	\$ 198,152

The County also has total outstanding construction commitments at June 30, 2005 of approximately \$24.7 million. More detailed information about the County's capital assets is included in Note III. E. of the Notes to the Basic Financial Statements.

**Long-Term Debt.** At June 30, 2005, the County had approximately \$154.6 million in bonds, loans and capital leases outstanding versus approximately \$158.8 million at June 30, 2004, or a decrease of approximately \$4.2 million due primarily to principal payments made during the year. The table below reflects the outstanding balances (in thousands) as of June 30, 2005 and 2004.

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 28,550	29,287	-	-	28,550	\$ 29,287
Revenue Bonds	-	-	116,085	120,485	116,085	120,485
Intergovernmental Loan	5,000	5,000	-	-	5,000	5,000
Capital Leases	1,735	1,515	3,256	2,527	4,991	4,042
Total	\$ 35,285	35,802	119,341	123,012	154,626	\$ 158,814

Subsequent to year end, the County issued three bonds totaling approximately \$143 million. More detailed information about the County's debt and other long-term liabilities is presented in Note III.J and Note IV. M. of the Notes to the Basic Financial Statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2005**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

Both the County's current general obligation rating and revenue bond rating remains 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 2006 BUDGET**

Factor considered in preparing Berkeley County's budget for the 2006 fiscal year included:

- The unemployment rate in the County increased to approximately 5.3% from approximately 4.7% in 2004, while the state's unemployment rate decreased to approximately 6.3% from approximately 6.6% in 2004.
- The population of the County was approximately 149,668 in 2005, and is expected to reach 190,000 by 2010.
- The building permits in the County increased approximately 11.3% over the prior year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$5,383,002. The County has appropriated \$1,627,074 of this amount for spending in the 2006 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2006 fiscal year.

**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 Berkeley County Finance Department at Post Office Box 6122, Moncks Corner, SC 29461-6120.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2005

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 8,269,867	13,361,026	\$ 21,630,893
Investments	7,602,957	-	7,602,957
Receivables, Net of Allowances:			
Property Taxes	22,778,843	-	22,778,843
Accounts Receivable	3,799,115	1,500,270	5,299,385
Federal Government	536,133	-	536,133
State and Local Governments	1,758,424	3,535,146	5,293,570
Internal Balances	1,151,233	(1,151,233)	-
Inventories, at Cost	108,859	554,645	663,504
Prepaid Items and Deposits	45,611	279,478	325,089
Restricted Cash and Cash Equivalents	128,100	33,319,059	33,447,159
<b>TOTAL CURRENT ASSETS</b>	<b>46,179,142</b>	<b>51,398,391</b>	<b>97,577,533</b>
<b>NON-CURRENT ASSETS</b>			
Capital Assets:			
Non-Depreciable	12,049,127	10,610,217	22,659,344
Depreciable, Net of Accumulated Depreciation	23,909,008	175,640,438	199,549,446
<b>TOTAL CAPITAL ASSETS</b>	<b>35,958,135</b>	<b>186,250,655</b>	<b>222,208,790</b>
<b>OTHER NON-CURRENT ASSETS</b>			
Accounts Receivable, Due in More Than One Year	-	131,185	131,185
Joint Municipal Water System, Net of			
Accumulated Amortization	-	6,188,034	6,188,034
Bond Issuance Cost, Net of Accumulated Amortization	-	1,553,824	1,553,824
Other Assets	135,087	-	135,087
<b>TOTAL OTHER NON-CURRENT ASSETS</b>	<b>135,087</b>	<b>7,873,043</b>	<b>8,008,130</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>36,093,222</b>	<b>194,123,698</b>	<b>230,216,920</b>
<b>TOTAL ASSETS</b>	<b>\$ 82,272,364</b>	<b>245,522,089</b>	<b>\$ 327,794,453</b>

(Continued)

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

JUNE 30, 2005

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	\$ 3,272,122	3,522,105	\$ 6,794,227
Accrued Interest Payable	2,033,210	87,704	2,120,914
Current Portion of Long-Term Obligations:			
Accrued Compensated Absences	1,791,521	190,469	1,981,990
Landfill Closure and Postclosure Cost Liability	-	53,762	53,762
Capital Leases	681,669	964,529	1,646,198
Bonds Payable	800,000	-	800,000
Deferred Revenue	24,998,789	4,298	25,003,087
Liabilities Payable from Restricted Assets:			
Construction Contract and Retainage Payable	-	579,979	579,979
Accrued Interest Payable	-	557,284	557,284
Bonds Payable	-	5,093,367	5,093,367
<b>TOTAL CURRENT LIABILITIES</b>	<b>33,577,311</b>	<b>11,053,497</b>	<b>44,630,808</b>
<b>NON-CURRENT LIABILITIES</b>			
Accrued Compensated Absences	2,706,003	485,661	3,191,664
Landfill Closure and Postclosure Cost Liability	-	2,041,264	2,041,264
Capital Leases	1,053,651	2,291,312	3,344,963
Bonds Payable	27,749,948	110,991,728	138,741,676
Intergovernmental Loan	5,000,000	-	5,000,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>36,509,602</b>	<b>115,809,965</b>	<b>152,319,567</b>
<b>TOTAL LIABILITIES</b>	<b>70,086,913</b>	<b>126,863,462</b>	<b>196,950,375</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,884,289	98,913,028	103,797,317
Restricted For:			
Debt Service	1,641,104	735,771	2,376,875
Other	139,207	-	139,207
Unrestricted	5,520,851	19,009,828	24,530,679
<b>TOTAL NET ASSETS</b>	<b>\$ 12,185,451</b>	<b>118,658,627</b>	<b>\$ 130,844,078</b>

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 ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

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
<b>Governmental Activities:</b>							
General Government	\$ 17,001,547	7,746,265	684,073	1,446,327	(7,124,882)	-	\$ (7,124,882)
Public Safety	20,299,098	4,612,972	539,702	97,220	(15,049,204)	-	(15,049,204)
Airport, Highways and Streets	5,995,437	302,275	185,291	1,367,981	(4,139,890)	-	(4,139,890)
Culture and Recreation	2,097,980	32,996	303,603	-	(1,761,381)	-	(1,761,381)
Health and Welfare	1,634,752	16,929	157,491	-	(1,460,332)	-	(1,460,332)
Community Development	2,009,385	96,621	217,748	177,520	(1,517,496)	-	(1,517,496)
Interest and Fiscal Charges	1,754,790	-	-	-	(1,754,790)	-	(1,754,790)
<b>Total Governmental Activities</b>	<b>50,792,989</b>	<b>12,808,058</b>	<b>2,087,908</b>	<b>3,089,048</b>	<b>(32,807,975)</b>		<b>(32,807,975)</b>
<b>Business-Type Activities:</b>							
Water and Sewer	23,410,431	21,903,980	471,065	6,381,800	-	5,346,414	5,346,414
Solid Waste	11,527,719	8,301,012	4,009,987	-	-	783,280	783,280
Parks and Recreation	1,224,921	555,398	25,806	-	-	(643,717)	(643,717)
Emergency Telephone	556,606	494,738	-	-	-	(61,868)	(61,868)
<b>Total Business-Type Activities:</b>	<b>36,719,677</b>	<b>31,255,128</b>	<b>4,506,858</b>	<b>6,381,800</b>	<b>-</b>	<b>5,424,109</b>	<b>5,424,109</b>
<b>Total Primary Government</b>	<b>\$ 87,512,666</b>	<b>44,063,186</b>	<b>6,594,766</b>	<b>9,470,848</b>	<b>(32,807,975)</b>	<b>5,424,109</b>	<b>(27,383,866)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes					20,672,769	-	20,672,769
Fee in Lieu of Taxes					4,543,421	-	4,543,421
Accommodation					386,568	-	386,568
Franchise Taxes					320,543	-	320,543
Grants and Contributions not Restricted to Specific Programs					7,477,599	-	7,477,599
Interest Income					346,530	735,817	1,082,347
Gain on Sale of Assets					3,662	338,208	341,870
Miscellaneous					160,941	-	160,941
<b>Extraordinary Item - Loss due to Sulfur Spill</b>					-	(703,027)	(703,027)
<b>Transfers</b>					(103,648)	103,648	-
<b>Total General Revenues, Extraordinary Item and Transfers</b>					<b>33,808,385</b>	<b>474,646</b>	<b>34,283,031</b>
<b>NET CHANGE IN NET ASSETS</b>					<b>1,000,410</b>	<b>5,898,755</b>	<b>6,899,165</b>
NET ASSETS - Beginning of Year, as Previously Stated					10,237,850	112,759,872	122,997,722
Prior Period Adjustments					947,191	-	947,191
NET ASSETS - Beginning of Year, Restated					11,185,041	112,759,872	123,944,913
<b>NET ASSETS, End of Year</b>					<b>\$ 12,185,451</b>	<b>118,658,627</b>	<b>\$ 130,844,078</b>

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, 2005**

	<b>GENERAL FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,338,090	4,931,777	\$ 8,269,867
Investments	-	7,602,957	7,602,957
Receivables, Net of Allowances:			
Property Taxes	20,044,211	2,734,632	22,778,843
Accounts Receivable	410,958	3,388,157	3,799,115
Federal Government	22,007	514,126	536,133
State and Local Governments	1,659,893	98,531	1,758,424
Due from Other Funds	2,849,164	-	2,849,164
Inventories, at Cost	108,859	-	108,859
Prepaid Items and Deposits	43,656	1,955	45,611
Restricted Cash and Cash Equivalents	128,100	-	128,100
<b>TOTAL ASSETS</b>	<b>28,604,938</b>	<b>19,272,135</b>	<b>47,877,073</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	2,112,615	1,159,507	3,272,122
Compensated Absences Payable	10,610	-	10,610
Due to Other Funds	1,193,078	504,853	1,697,931
Deferred Revenue	19,625,018	6,091,493	25,716,511
<b>TOTAL LIABILITIES</b>	<b>22,941,321</b>	<b>7,755,853</b>	<b>30,697,174</b>
<b>FUND BALANCES</b>			
Reserved For:			
Inventory	108,859	-	108,859
Prepaid Items and Deposits	43,656	1,955	45,611
Debt Service	-	1,746,432	1,746,432
Future Capital Lease Acquisitions	128,100	-	128,100
Other	-	139,207	139,207
Unreserved:			
Designated for Subsequent Years'			
Appropriations/Operations	1,627,074	-	1,627,074
Undesignated, Reported in:			
General Fund	3,755,928	-	3,755,928
Special Revenue Funds	-	3,636,462	3,636,462
Capital Projects Funds	-	5,992,226	5,992,226
<b>TOTAL FUND BALANCES</b>	<b>5,663,617</b>	<b>11,516,282</b>	<b>17,179,899</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 28,604,938</b>	<b>19,272,135</b>	<b>\$ 47,877,073</b>

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, 2005**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>		<b>\$</b>	<b>17,179,899</b>
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 was \$56,914,128 and the accumulated depreciation was \$20,955,993.			
			35,958,135
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	548,496		
Emergency Medical Fees	169,226		
Other Assets	<u>135,087</u>		852,809
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	(28,510,000)		
Deferred Refunding Costs	262,949		
Bond Premium	(302,897)		
Intergovernmental Loan	(5,000,000)		
Capital Leases	(1,735,320)		
Accrued Compensated Absences	(4,486,914)		
Accrued Interest	<u>(2,033,210)</u>		<u>(41,805,392)</u>
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>		<b>\$</b>	<b><u>12,185,451</u></b>

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

FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>			
Taxes:			
Property	\$ 18,664,854	2,415,730	\$ 21,080,584
Other	-	386,568	386,568
Fee in Lieu of Taxes	3,666,773	878,786	4,545,559
Licenses, Fees and Permits	1,398,520	-	1,398,520
Fines, Forfeitures and Fees	7,567,954	3,318,915	10,886,869
Interest Income	149,271	197,259	346,530
Local Revenue	-	511,926	511,926
Intergovernmental - Federal	380,691	2,566,921	2,947,612
Intergovernmental - State and Local	7,166,530	941,764	8,108,294
Miscellaneous	692,239	443,402	1,135,641
<b>TOTAL REVENUES</b>	<b>39,686,832</b>	<b>11,661,271</b>	<b>51,348,103</b>
<b>EXPENDITURES</b>			
Current:			
General Government	15,051,503	1,000,658	16,052,161
Public Safety	15,235,150	4,217,512	19,452,662
Airport, Highways and Streets	5,262,489	11,952	5,274,441
Culture and Recreation	53,605	1,935,958	1,989,563
Health and Welfare	1,561,854	-	1,561,854
Community Development	389,495	1,597,898	1,987,393
Capital Outlay	956,165	7,601,986	8,558,151
Debt Service:			
Principal Retirement	861,580	765,345	1,626,925
Interest and Fiscal Charges	72,768	1,417,524	1,490,292
<b>TOTAL EXPENDITURES</b>	<b>39,444,609</b>	<b>18,548,833</b>	<b>57,993,442</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>242,223</b>	<b>(6,887,562)</b>	<b>(6,645,339)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Capital Lease	1,087,554	-	1,087,554
Transfers In	945,953	2,139,108	3,085,061
Transfers Out	(2,099,108)	(1,089,601)	(3,188,709)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(65,601)</b>	<b>1,049,507</b>	<b>983,906</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>176,622</b>	<b>(5,838,055)</b>	<b>(5,661,433)</b>
FUND BALANCE - Beginning of Year	5,486,995	16,491,267	21,978,262
Prior Period Adjustments	-	863,070	863,070
FUND BALANCE - Beginning of Year, Restated	5,486,995	17,354,337	22,841,332
<b>FUND BALANCE - End of Year</b>	<b>\$ 5,663,617</b>	<b>11,516,282</b>	<b>\$ 17,179,899</b>

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**

**FOR THE YEAR ENDED JUNE 30, 2005**

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (5,661,433)**

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. (446,116)

Repayment of bond and capital lease 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. 1,626,925

Capital lease proceeds provide current financial resources to governmental funds, but entering into capital leases increases long-term liabilities in the Statement of Net Assets. This amount represents the proceeds received in the current year. (1,087,554)

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. (241,188)

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. 135,087

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. (515,391)

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. (121,638)

In the Statement of Activities, voter registration equipment contributed by the State of South Carolina is 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. 1,027,694

In the Statement of Activities, vehicles awarded through the courts is 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. 36,140

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 \$8,725,323 exceeded depreciation expense of \$2,454,129 during the year. 6,271,194

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**TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 1,000,410**

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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, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and Cash Equivalents	\$ 6,592,899	6,070,550	800	696,777	\$ 13,361,026
Accounts Receivable, Net of Allowance	724,708	702,801	-	72,761	1,500,270
Due from the State and Local Government	749,304	2,785,842	-	-	3,535,146
Inventories, at Cost	491,981	-	62,664	-	554,645
Prepaid Items and Deposits	215,798	5,964	-	57,716	279,478
Due from Other Funds	4,568,664	-	-	-	4,568,664
Restricted Cash and Cash Equivalents	30,560,566	2,746,815	11,678	-	33,319,059
<b>TOTAL CURRENT ASSETS</b>	<b>43,903,920</b>	<b>12,311,972</b>	<b>75,142</b>	<b>827,254</b>	<b>57,118,288</b>
<b>NON-CURRENT ASSETS:</b>					
<b>CAPITAL ASSETS:</b>					
Non-Depreciable	8,172,785	2,352,432	85,000	-	10,610,217
Depreciable, Net of Accumulated Depreciation	150,342,399	22,952,135	1,774,347	571,557	175,640,438
<b>TOTAL CAPITAL ASSETS</b>	<b>158,515,184</b>	<b>25,304,567</b>	<b>1,859,347</b>	<b>571,557</b>	<b>186,250,655</b>
<b>OTHER NON-CURRENT ASSETS:</b>					
Accounts Receivable, Due in More Than One Year	131,185	-	-	-	131,185
Joint Municipal Water System, Net	6,188,034	-	-	-	6,188,034
Bond Issuance Costs, Net	1,445,952	107,872	-	-	1,553,824
<b>TOTAL OTHER NON-CURRENT ASSETS</b>	<b>7,765,171</b>	<b>107,872</b>	<b>-</b>	<b>-</b>	<b>7,873,043</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>166,280,355</b>	<b>25,412,439</b>	<b>1,859,347</b>	<b>571,557</b>	<b>194,123,698</b>
<b>TOTAL ASSETS</b>	<b>210,184,275</b>	<b>37,724,411</b>	<b>1,934,489</b>	<b>1,398,811</b>	<b>251,241,986</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts Payable and Accrued Liabilities	3,390,911	73,539	49,094	8,561	3,522,105
Landfill Closure and Postclosure Cost Liability	-	53,762	-	-	53,762
Accrued Interest Payable	29,177	58,527	-	-	87,704
Capital Leases	172,973	667,181	8,318	116,057	964,529
Accrued Compensated Absences	96,482	48,186	43,347	2,454	190,469
Due to Other Funds	-	3,375,586	-	-	3,375,586
Deferred Revenue	-	-	4,298	-	4,298
Liabilities Payable from Restricted Assets:					
Construction Contract and Retainage Payable	559,979	20,000	-	-	579,979
Accrued Interest	500,233	57,051	-	-	557,284
Bonds Payable	4,093,367	1,000,000	-	-	5,093,367
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,843,122</b>	<b>5,353,832</b>	<b>105,057</b>	<b>127,072</b>	<b>14,429,083</b>
<b>NON-CURRENT LIABILITIES:</b>					
Accrued Compensated Absences	284,185	142,147	59,329	-	485,661
Due to Other Funds	-	-	2,344,311	-	2,344,311
Landfill Closure and Postclosure Cost Liability	-	2,041,264	-	-	2,041,264
Capital Leases	359,889	1,562,620	17,132	351,671	2,291,312
Bonds Payable	97,821,728	13,170,000	-	-	110,991,728
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>98,465,802</b>	<b>16,916,031</b>	<b>2,420,772</b>	<b>351,671</b>	<b>118,154,276</b>
<b>TOTAL LIABILITIES</b>	<b>107,308,924</b>	<b>22,269,863</b>	<b>2,525,829</b>	<b>478,743</b>	<b>132,583,359</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	86,058,548	10,905,076	1,845,575	103,829	98,913,028
Restricted for Debt Service	9,266	726,505	-	-	735,771
Unrestricted Assets (Deficit)	16,807,537	3,822,967	(2,436,915)	816,239	19,009,828
<b>TOTAL NET ASSETS (DEFICIT)</b>	<b>\$ 102,875,351</b>	<b>15,454,548</b>	<b>(591,340)</b>	<b>920,068</b>	<b>\$ 118,658,627</b>

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

FOR THE YEAR ENDED JUNE 30, 2005

	<b>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</b>				
	<b>WATER AND SEWER</b>	<b>SOLID WASTE</b>	<b>PARKS AND RECREATION</b>	<b>EMERGENCY TELEPHONE</b>	<b>TOTALS</b>
<b>OPERATING REVENUES</b>					
Sales and Services	\$ 17,588,319	8,279,218	437,551	494,725	\$ 26,799,813
Impact and Capacity Reservation Fees	3,134,875	-	-	-	3,134,875
Other Operating Revenue	1,180,786	21,794	117,847	13	1,320,440
<b>TOTAL OPERATING REVENUES</b>	<b>21,903,980</b>	<b>8,301,012</b>	<b>555,398</b>	<b>494,738</b>	<b>31,255,128</b>
<b>OPERATING EXPENSES</b>					
Personal Services	5,652,862	2,328,289	779,207	97,154	8,857,512
Advertising	-	-	37,083	1,602	38,685
Utilities	1,293,272	37,179	68,957	248,573	1,647,981
Office Expenses	320,267	108,890	24,218	21,798	475,173
Maintenance and Repairs	3,088,870	1,715,949	15,251	52,774	4,872,844
Contractual Services	603,432	207,073	11,027	9,000	830,532
Other Services and Charges	1,119,634	424,169	193,162	31,472	1,768,437
Depreciation	5,501,578	1,515,436	95,277	76,773	7,189,064
Amortization of Joint Municipal Water System	294,668	-	-	-	294,668
<b>TOTAL OPERATING EXPENSES</b>	<b>17,874,583</b>	<b>6,336,985</b>	<b>1,224,182</b>	<b>539,146</b>	<b>25,974,896</b>
<b>OPERATING INCOME (LOSS)</b>	<b>4,029,397</b>	<b>1,964,027</b>	<b>(668,784)</b>	<b>(44,408)</b>	<b>5,280,232</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest Income	571,414	164,403	-	-	735,817
Grant Revenue	471,065	4,009,987	25,806	-	4,506,858
Hurricane Gaston Clean Up Costs	-	(4,557,863)	-	-	(4,557,863)
Gain (Loss) on Disposition of Capital Assets	(127,392)	338,208	-	-	210,816
Interest Expense	(5,408,456)	(632,871)	(739)	(17,460)	(6,059,526)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(4,493,369)</b>	<b>(678,136)</b>	<b>25,067</b>	<b>(17,460)</b>	<b>(5,163,898)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS EXTRAORDINARY ITEMS AND TRANSFERS</b>	<b>(463,972)</b>	<b>1,285,891</b>	<b>(643,717)</b>	<b>(61,868)</b>	<b>116,334</b>
<b>CAPITAL CONTRIBUTIONS, EXTRAORDINARY ITEM AND TRANSFERS</b>					
Capital Contributions	6,381,800	-	-	-	6,381,800
Extraordinary Item - Loss Due to Sulfur Spill	(703,027)	-	-	-	(703,027)
Transfers In	-	-	103,648	-	103,648
<b>TOTAL CONTRIBUTIONS, EXTRAORDINARY ITEMS AND TRANSFERS</b>	<b>5,678,773</b>	<b>-</b>	<b>103,648</b>	<b>-</b>	<b>5,782,421</b>
<b>CHANGE IN NET ASSETS</b>	<b>5,214,801</b>	<b>1,285,891</b>	<b>(540,069)</b>	<b>(61,868)</b>	<b>5,898,755</b>
NET ASSETS (DEFICIT), Beginning of Year	97,660,550	14,168,657	(51,271)	981,936	112,759,872
<b>NET ASSETS (DEFICIT), End of Year</b>	<b>\$ 102,875,351</b>	<b>15,454,548</b>	<b>(591,340)</b>	<b>920,068</b>	<b>\$ 118,658,627</b>

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

FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Customers and Users	\$ 23,162,659	8,365,215	556,246	747,735	\$ 32,831,855
Cash Received from Interfund Services Provided	300,000	-	-	-	300,000
Cash Paid to Suppliers	(6,458,899)	(2,193,093)	(342,859)	(188,530)	(9,183,381)
Cash Paid to Employees	(5,919,677)	(2,448,524)	(300,945)	(97,898)	(8,767,044)
Cash Paid to Interfund Services Provided	-	(300,000)	-	-	(300,000)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>11,084,083</u>	<u>3,423,598</u>	<u>(87,558)</u>	<u>461,307</u>	<u>14,881,430</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Operating Grant Contributions	471,065	1,224,145	25,806	-	1,721,016
Hurricane Storm Gaston Clean Up Costs	-	(4,557,863)	-	-	(4,557,863)
Extraordinary Item	(703,027)	-	-	-	(703,027)
Transfers and Advances Between Funds	(4,936,390)	3,743,312	103,648	-	(1,089,430)
<b>NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES</b>	<u>(5,168,352)</u>	<u>409,594</u>	<u>129,454</u>	<u>-</u>	<u>(4,629,304)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from Capital Leases	-	1,510,000	34,350	-	1,544,350
Grant Contributions	8,845,264	-	-	-	8,845,264
Proceeds from the Sale of Assets	-	401,183	-	-	401,183
Acquisition and Construction of Capital Assets	(18,918,924)	(2,933,427)	(54,129)	(22,695)	(21,929,175)
Principal Paid - Revenue Bonds and Capital Leases	(4,270,830)	(1,379,772)	(8,900)	(111,613)	(5,771,115)
Interest Paid - Revenue Bonds and Capital Leases	(5,005,333)	(548,245)	(739)	(17,460)	(5,571,777)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(19,349,823)</u>	<u>(2,950,261)</u>	<u>(29,418)</u>	<u>(151,768)</u>	<u>(22,481,270)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Income on Investments	571,414	164,403	-	-	735,817
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(12,862,678)</b>	<b>1,047,334</b>	<b>12,478</b>	<b>309,539</b>	<b>(11,493,327)</b>
CASH AND CASH EQUIVALENTS, Beginning of Year	50,016,143	7,770,031	-	387,238	58,173,412
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ 37,153,465</u></b>	<b><u>8,817,365</u></b>	<b><u>12,478</u></b>	<b><u>696,777</u></b>	<b><u>\$ 46,680,085</u></b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>					
Cash and Cash Equivalents	6,592,899	6,070,550	800	696,777	13,361,026
Restricted Cash and Cash Equivalents	30,560,566	2,746,815	11,678	-	33,319,059
	<u>\$ 37,153,465</u>	<u>8,817,365</u>	<u>12,478</u>	<u>696,777</u>	<u>\$ 46,680,085</u>

(Continued)

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

FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</b>					
Operating Income (Loss)	\$ 4,029,397	1,964,027	(668,784)	(44,408)	\$ 5,280,232
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) from Operating Activities:</b>					
Depreciation and Amortization	5,796,246	1,515,436	95,277	76,773	7,483,732
(Increase) Decrease in Assets:					-
Accounts Receivable	1,258,679	64,203	-	252,997	1,575,879
Inventories	4,027	-	5,551	-	9,578
Prepaid Items and Deposits	(189,663)	-	3,200	174,152	(12,311)
Increase (Decrease) in Liabilities:					
Accounts Payable and Accrued Liabilities	272,568	(85,081)	(3,498)	2,537	186,526
Landfill Closure and Postclosure Cost Liability	-	-	-	-	-
Due to Other Funds	-	-	460,681	-	460,681
Deferred Revenue	-	-	848	-	848
<b>Total Adjustments</b>	<u>7,054,686</u>	<u>1,459,571</u>	<u>581,226</u>	<u>505,715</u>	<u>9,601,198</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 11,084,083</u>	<u>3,423,598</u>	<u>(87,558)</u>	<u>461,307</u>	<u>\$ 14,881,430</u>

**Schedule of Noncash Investing, Capital and Financing  
Activities:**

Acquisition of Capital Assets Through Developer and Other Contributions	\$ 6,381,800	-	-	-	\$ 6,381,800
Acquisition of Capital Assets Not Yet Paid For	1,925,776	-	-	-	1,925,776
Interest Capitalized on Assets	180,378	-	-	-	180,378
Amortization of Bond Premium, Deferred Refunding Costs and Issuance Costs	352,415	33,911	-	-	386,326
Increase in Outstanding Debt Obligations Due to Accretion of Interest	\$ 246,467	-	-	-	\$ 246,467

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, 2005**

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	<u><b>AGENCY FUNDS</b></u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 13,758,583
Investments	18,184,774
Receivables:	
Accounts	9,840
State Government	231,478
<b>TOTAL ASSETS</b>	<u><b>32,184,675</b></u>
<b>LIABILITIES</b>	
Due to School District	12,014,156
Due to Other Designated Recipients	20,170,519
<b>TOTAL LIABILITIES</b>	<u><b>\$ 32,184,675</b></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, 2005**

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**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, entities for which the County is considered to be financially accountable or for which exclusion of a component unit would render the financial statements 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.

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.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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.

**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.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

When grant funds are received in advance, revenue recognition is deferred until the qualifying expenditures are made.

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.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

*Expenditure Recognition (Continued)*

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.

**2. Investments**

The County's investment policy is designed to operate within existing statutes (which are identical for all funds, 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

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**2. Investments (Continued)**

(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.B.

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.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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, and (ii) the next succeeding principal and accrued interest payment.

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, 2005. 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.

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 unfunded 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.C.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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 replacement parts, supplies for operating systems, and 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 columns 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's minimum capitalization threshold for infrastructure assets is \$100,000. 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.

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	4-15 years
Software	5-15 years
Infrastructure	15-40 years
Utility Systems, Treatment Plants and Buildings	15-40 years

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**6. Capital Assets (Continued)**

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, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the County. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and must be completed by the fiscal year ending in 2006. The County has elected not to implement the retroactive provisions of GASB Statement No. 34 in the current year for infrastructure. The County is still gathering cost information and plans to implement the retroactive provisions for those assets in fiscal year 2006. Had all of the infrastructure networks been capitalized in 2005, net assets would be significantly higher.

**7. Compensated Absences**

It is the County's policy to permit employees to accumulate earned but unused vacation, personal and sick pay benefits. There is no liability for unpaid accumulated sick leave since it is the County's policy to record the cost of sick leave only when it is paid. Accumulated vacation and personal pay 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, and gains or losses on debt refundings are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Costs related to the issuance of bonds are recognized as deferred charges and are amortized over the life of the related debt.

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.

**9. 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.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**9. Reservations and Designations of Fund Balances (Continued)**

*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. 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.

**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, PARD Grant, Heritage Community Service, and Legal Forfeiture Proceeds. 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.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**A. Budgetary Information (Continued)**

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 \$2,000 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, 2005, one supplementary appropriation of \$1,896,834 was 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, 2005, there were no encumbrances outstanding.

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2005, 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>
Sheriff DSS	\$ 13,125	14,108	\$ 983
State Accommodations Tax	60,000	90,228	30,228
County Accommodations Tax	290,000	386,568	96,568
GIS-Non Consortium Expenses	118,694	119,113	419
National Forest Funds	670,000	683,942	13,942
Pooled Fire Fees	187,090	280,308	93,218
Devon Forest Special Tax District	27,800	28,500	700
Pimlico Special Tax District	24,450	25,375	925
Airport Improvements	\$ 720,000	902,303	\$ 182,303

**C. Deficit Fund Equity**

The Parks and Recreation Enterprise Fund had a deficit net asset balance of \$591,340 as of June 30, 2005, in addition to an interfund payable of \$2,344,311 due to the General Fund. The County intends to designate funding to cover this deficit, to pay the amount due to the General Fund and for other recreational purposes.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**III. DETAILED NOTES ON ALL FUNDS**

**A. Prior Period Adjustment**

The County accounts for transactions related to Special Tax Districts in Special Revenue funds. During 2005, the County determined that it owned the assets and was responsible for the liabilities of the Special Tax Districts, including Sangaree Special Tax District, which is the only fund with net assets. Accordingly, the beginning fund balance has been restated to reflect the County's ownership of the net assets of Sangaree Special Tax District Fund, resulting in an increase in net assets of approximately \$863,000 as of June 30, 2004. This change impacted the Statement of Revenues, Expenditures and Changes in Fund Balance by approximately \$240,000 for the year ended June 30, 2004. This change also impacted the government-wide statements, increasing net assets by approximately \$947,000, comprised of cash of approximately \$863,000 and capital assets of approximately \$84,000, as of June 30, 2004 and increasing revenues by approximately \$240,000 for the year ended June 30, 2004.

**B. 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, 2005, \$8,590,650 of the County's bank balances of \$62,680,786 (which had a carrying value of \$62,212,279) were exposed to custodial credit risk as \$8,549,855 was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name and \$40,795 was uninsured but collateralized with securities held by the pledging financial institution.

*Investments*

As of June 30, 2005, the County had the following investments:

Investment Type	Credit Rating ^	Fair Value	Less Than 1 Year
Money Market Mutual Funds - investing in			
U.S. Treasury Obligations	AAAm	\$ 712,642	\$ 712,642
Repurchase Agreements	*	31,699,445	31,699,445
Totals		<u>\$ 32,412,087</u>	<u>\$ 32,412,087</u>

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

^ If available, credit ratings are for Moody's Investors Service and Standard & Poor's.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Deposits and Investments (Continued)**

**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, 2005, \$1,658,000 of the County's investments were held by the counterparty's trust department but not in the County's name and \$30,041,445 of the County's investments were held by the counterparty.

**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 \$30,041,445 is held by Citigroup Global Markets, Inc.

***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:	Amount
Carrying Amount of Deposits	\$ 62,212,279
Fair Value of Investments	32,412,087
Total	<u>\$ 94,624,366</u>
Statement of Net Assets:	
Cash and Cash Equivalents	\$ 21,630,893
Cash and Cash Equivalents - Restricted	33,447,159
Investments	7,602,957
Statement of Fiduciary Net Assets:	
Cash and Cash Equivalents	13,758,583
Investments	18,184,774
Total	<u>\$ 94,624,366</u>

Additional disclosure regarding the County's deposits and investments is located at Note I.D.1 and D.2.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Receivables**

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows, which includes \$131,185 in non-current receivables for the Water and Sewer Fund:

<b>Receivables:</b>	<b>General</b>	<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Emergency Telephone</b>	<b>Other Nonmajor Funds</b>	<b>Agency Funds</b>
Taxes	\$ 21,404,781	-	-	-	2,922,473	\$ -
Accounts	4,477,990	1,440,894	882,106	72,761	3,572,012	9,840
Federal Government	22,007	-	-	-	514,126	-
State Government	1,659,893	749,304	2,785,842	-	98,531	231,478
<b>Total</b>	<b>27,564,671</b>	<b>2,190,198</b>	<b>3,667,948</b>	<b>72,761</b>	<b>7,107,142</b>	<b>241,318</b>
Less Allowance for Uncollectibles:						
Taxes	(1,360,570)	-	-	-	(187,841)	-
Accounts	(4,067,032)	(585,001)	(179,305)	-	(183,855)	-
<b>Total</b>	<b>(5,427,602)</b>	<b>(585,001)</b>	<b>(179,305)</b>	<b>-</b>	<b>(371,696)</b>	<b>-</b>
<b>Net Receivables</b>	<b>\$ 22,137,069</b>	<b>1,605,197</b>	<b>3,488,643</b>	<b>72,761</b>	<b>6,735,446</b>	<b>\$ 241,318</b>

**D. Interfund Receivables and Payables**

The composition of interfund balances at June 30, 2005 is as follows:

	<b>Receivable Fund</b>	<b>Payable Fund</b>
General Fund	\$ 2,849,164	\$ 1,193,078
Special Revenue Funds:		
Emergency Preparedness	-	7,367
State Accommodations Tax	-	3,261
Sheriff's Grants	-	166,280
Miscellaneous Special Revenue	-	13,000
Solicitor's Grants	-	13,549
County Accommodations Tax	-	26,558
PARC Grant	-	7,231
Airport Improvements	-	267,607
Emergency Funds:		
Water and Sewer	4,568,664	-
Solid Waste	-	3,375,586
Parks and Recreation	-	2,344,311
<b>Total</b>	<b>\$ 7,417,828</b>	<b>\$ 7,417,828</b>

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.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Capital Assets**

Capital asset activity in governmental funds for the year ended June 30, 2005, is as follows:

	Restated Balance 6/30/2004	Additions	Disposals	Transfers	Balance 6/30/2005
Capital Assets, Not Being Depreciated:					
Land	\$ 2,192,113	244,669	-	69,379	\$ 2,506,161
Construction in Progress	3,140,895	6,826,641		(424,570)	9,542,966
Total Capital Assets, Not Being Depreciated	<u>5,333,008</u>	<u>7,071,310</u>	<u>-</u>	<u>(355,191)</u>	<u>12,049,127</u>
Capital Assets, Being Depreciated:					
Buildings	18,086,783	-	-	-	18,086,783
Furniture	81,345	24,812	-	9,974	116,131
Equipment	7,879,111	1,401,862	(112,743)	-	9,168,230
Software	323,232	39,602	-	49,979	412,813
Vehicles	7,133,908	858,915	(751,084)	18,489	7,260,228
Improvements	5,483,198	225,484	-	295,238	6,003,920
Library Materials	1,441,468	167,172	(83,433)	-	1,525,207
Infrastructure	2,291,689	-	-	-	2,291,689
Total Capital Assets, Being Depreciated	<u>42,720,734</u>	<u>2,717,847</u>	<u>(947,260)</u>	<u>373,680</u>	<u>44,865,001</u>
Less: Accumulated Depreciation For:					
Infrastructure	85,861	76,390	-	-	162,251
Buildings	6,078,494	452,170	-	-	6,530,664
Furniture	25,680	9,344	-	-	35,024
Equipment	5,972,491	620,646	(109,537)	-	6,483,600
Software	25,492	36,802	-	-	62,294
Vehicles	4,029,773	776,403	(632,652)	18,489	4,192,013
Improvements	2,481,780	322,371	(83,433)	-	2,720,718
Library Materials	609,426	160,003	-	-	769,429
Total Accumulated Depreciation	<u>19,308,997</u>	<u>2,454,129</u>	<u>(825,622)</u>	<u>18,489</u>	<u>20,955,993</u>
Total Capital Assets, Being Depreciated, Net	<u>23,411,737</u>	<u>263,718</u>	<u>(121,638)</u>	<u>355,191</u>	<u>23,909,008</u>
Governmental Activities Capital Assets, Net	<u>\$ 28,744,745</u>	<u>7,335,028</u>	<u>(121,638)</u>	<u>-</u>	<u>\$ 35,958,135</u>

The balances as of June 30, 2004 were increased in total by \$84,121 to reflect the County's ownership of the capital assets in the Sangaree Special Tax District operations. See Note III.A. for additional information related to this prior period adjustment. During the year ended June 30, 2005, the County recorded \$1,027,694 in voter registration equipment contributed by the State of South Carolina and \$36,140 in vehicles awarded through the courts.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Capital Assets (Continued)**

Business-Type capital asset activity for the year ended June 30, 2005, is as follows:

	Balance 6/30/2004	Additions	Disposals	Transfers	Balance 6/30/2005
Capital Assets, Not Being Depreciated:					
Land	\$ 2,764,853	-	-	-	\$ 2,764,853
Construction in Progress	18,229,611	18,334,370	(2,026,193)	(26,692,424)	7,845,364
Total Capital Assets, Not Being Depreciated	<u>20,994,464</u>	<u>18,334,370</u>	<u>(2,026,193)</u>	<u>(26,692,424)</u>	<u>10,610,217</u>
Capital Assets, Being Depreciated:					
Utility Systems, Treatment Plants and Buildings	192,647,245	6,060,891	(188,742)	26,692,424	225,211,818
Equipment and Furniture	16,623,915	2,078,455	(254,201)	(18,489)	18,429,680
Total Capital Assets, Being Depreciated	<u>209,271,160</u>	<u>8,139,346</u>	<u>(442,943)</u>	<u>26,673,935</u>	<u>243,641,498</u>
Less: Accumulated Depreciation For:					
Utility Systems, Treatment Plants and Buildings	49,348,984	5,702,644	-	-	55,051,628
Equipment and Furniture	11,510,081	1,486,420	(28,580)	(18,489)	12,949,432
Total Accumulated Depreciation	<u>60,859,065</u>	<u>7,189,064</u>	<u>(28,580)</u>	<u>(18,489)</u>	<u>68,001,060</u>
Total Capital Assets, Being Depreciated, Net	<u>148,412,095</u>	<u>950,282</u>	<u>(414,363)</u>	<u>26,692,424</u>	<u>175,640,438</u>
Business-Type Activities Capital Assets, Net	<u>\$ 169,406,559</u>	<u>19,284,652</u>	<u>(2,440,556)</u>	<u>-</u>	<u>\$ 186,250,655</u>

During the year ended June 30, 2005, the County recorded \$6,381,800 in utility systems contributed by developers.

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General Government	\$ 841,355
Public Safety	555,404
Airport, Highways, and Streets	707,285
Culture and Recreation	258,968
Health and Welfare	69,125
Community Development	21,992
Total Governmental Activity Depreciation	<u>2,454,129</u>
Business-Type Activities:	
Water and Sewer	5,501,578
Solid Waste	1,515,436
Parks and Recreation	95,277
Emergency Telephone	76,773
Total Business-Type Activity Depreciation	<u>\$ 7,189,064</u>

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Capital Assets (Continued)**

*Construction commitments*

At June 30, 2005, the Water and Sewer Enterprise Fund had commitments under contracts for construction of various projects not completed of \$22,771,011. Airport Improvement Special Revenue Fund had commitments under contracts for construction of various projects not completed of \$162,141, and the Capital Projects Fund had commitments under contracts for construction of various projects not completed of \$1,770,403.

*Capitalized Interest*

The Enterprise Funds capitalized interest costs incurred during construction activities. For the year ended June 30, 2005, the Water and Sewer Fund incurred \$5,588,834 in interest on its bonds and capitalized \$180,378; no interest was capitalized for the other funds.

*Equipment Purchased under Capital Lease*

The cost of equipment recorded under various capital leases for the County totaled \$5,515,233 at June 30, 2005. Accumulated amortization was \$1,774,810 at June 30, 2005. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

**F. Joint Municipal Water System - Lake Moultrie Water Agency**

In prior years, the Authority's Water and Sewer Enterprise Fund entered into a contract expiring October 2, 2027, with Lake Moultrie Water Agency ("LMWA") to purchase 24% of the finished water produced by LMWA. 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 Authority paid \$8,959,122 to LMWA to reserve the desired capacity. These deferred charges are being amortized over the life of the contract. Accumulated amortization at June 30, 2005, is \$2,771,088, and amortization recognized during the year \$294,668.

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>
2006	\$ 582,905
2007	\$ 622,007
2008	\$ 645,545
2009	\$ 674,261
2010	\$ 708,655

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Interfund Transfers**

Interfund transfers for the year ended June 30, 2005 consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Fund:		
General Fund	\$ 945,953	\$ 2,099,108
Nonmajor Governmental Funds:		
Library	1,695,970	-
National Forest	-	683,942
Emergency Preparedness	113,899	-
GIS	233,505	-
Storm Water Management	3,309	-
EMS Equipment	2,629	-
State Accommodations Tax	-	28,261
Sheriff's Grants	6,629	7,498
Miscellaneous Special Revenue	4,333	-
Solicitor's Grants	9,211	-
County Accommodations Tax	-	77,268
PARD Grants	-	3,060
Local Economic Development	-	279,924
Airport Improvements	29,623	-
Lake Moultrie	40,000	9,648
Enterprise Fund:		
Parks and Recreation	103,648	-
Total	<u>\$ 3,188,709</u>	<u>\$ 3,188,709</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.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. 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. At June 30, 2005, the various components of deferred and unearned revenue reported in the financial statements for governmental activities were as follows:

Unearned:		
Real Property Taxes	\$	21,777,286
User Fees		3,091,838
Vehicle Taxes		84,223
Other		45,442
Deferred Revenue - Statement of Net Assets		<u>24,998,789</u>
Unavailable:		
Real Property Taxes		526,509
Vehicle Taxes		21,987
EMS Fees		169,226
Deferred Revenue - Governmental Funds	\$	<u>25,716,511</u>

**I. Operating Leases**

The County leases various properties under several operating lease agreements expiring through 2015. Total costs charged to operations were approximately \$150,000 for the year ended June 30, 2005, including \$42,000 in General Fund expenditures, and \$108,000 in Special Revenue Fund expenditures. Future minimum payments for these leases are as follows:

Year Ending June 30,	Amount
2006	\$ 180,076
2007	160,161
2008	140,649
2009	78,946
2010	50,283
Thereafter	230,464
Total	<u>\$ 840,579</u>

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**J. Long-term Obligations**

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2005:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
Series 1997 Bond	\$ 4,270,000	-	255,000	4,015,000	\$ 270,000
Series 2003 Refunding and Improvement Bond	25,000,000	-	505,000	24,495,000	530,000
Subtotal	29,270,000	-	760,000	28,510,000	800,000
Premium - Series 2003 Bond	316,066	-	13,169	302,897	-
Deferred Refunding Costs - Series 2003 Bond	(299,428)	-	(36,479)	(262,949)	-
Total - General Obligation Bonds	29,286,638	-	736,690	28,549,948	800,000
Intergovernmental Loan	5,000,000	-	-	5,000,000	-
Capital Leases	1,514,691	1,087,554	866,925	1,735,320	681,669
Compensated Absences	3,972,329	2,217,398	1,692,203	4,497,524	1,791,521
<b>Total Governmental Activities</b>	<b>39,773,658</b>	<b>3,304,952</b>	<b>3,295,818</b>	<b>39,782,792</b>	<b>3,273,190</b>
<b>Business-Type Activities:</b>					
Revenue Bonds:					
Capital Appreciation Bonds - Water and Sewer	2,307,139	-	-	2,307,139	-
Series 2000 Revenue Bonds - Water and Sewer	3,996,430	-	160,286	3,836,144	113,367
Series 2003 Revenue Bond - Water and Sewer	94,860,000	-	3,830,000	91,030,000	3,980,000
Series 2000 Revenue Bond - Solid Waste	3,175,000	-	225,000	2,950,000	225,000
Series 2002 Revenue Bond - Solid Waste	2,800,000	-	200,000	2,600,000	200,000
Series 2003 Revenue Bond - Solid Waste	9,175,000	-	555,000	8,620,000	575,000
Subtotal	116,313,569	-	4,970,286	111,343,283	5,093,367
Accretion of Interest - Capital Appreciation Bonds	1,937,682	246,467	-	2,184,149	-
Premium - Series 2003 Revenue Bond - Water and Sewer	5,147,765	-	166,453	4,981,312	-
Deferred Refunding Costs - Series 2003 - Water and Sewer	(2,880,333)	-	(456,684)	(2,423,649)	-
Deferred Refunding Costs - Series 2003 - Solid Waste	(33,911)	-	(33,911)	-	-
Total Revenue Bonds	120,484,772	246,467	4,646,144	116,085,095	5,093,367
Capital Leases	2,527,382	1,544,350	815,891	3,255,841	964,529
Landfill Closure and Postclosure Care Cost	2,095,026	-	-	2,095,026	53,762
Compensated Absences	779,865	419,354	523,089	676,130	190,469
<b>Total Business-Type Activities</b>	<b>\$ 125,887,045</b>	<b>2,210,171</b>	<b>5,985,124</b>	<b>122,112,092</b>	<b>\$ 6,302,127</b>

***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.

General obligation bonds payable at June 30, 2005 are comprised of the following issues:

Title of Issues	Principal Amount Outstanding
Series 1997 General Obligation Bond, with interest ranging from 4.80% to 5%, matures 2015	\$ 4,015,000
Series 2003 General Obligation Refunding and Improvement Bond, with interest ranging from 2.00% to 5.00%, matures 2028	24,495,000
Total	<u>\$ 28,510,000</u>

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**J. Long-term Obligations (Continued)**

*Intergovernmental Loan*

On January 15, 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, 2005 was approximately 5%. 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. In the event that pledged revenues are insufficient to pay all principal and accrued interest by the maturity date of January 15, 2008, the County shall issue a Special Source Revenue Bond to pay the insufficiency. The Special Source Revenue Bond will be paid from fee in lieu of tax revenue. Outstanding accrued interest was \$1,588,423 at June 30, 2005; there has been no repayment of principal to date.

*Revenue Bonds*

The Enterprise Funds issue 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.

There are numerous limitations, restrictions, and covenants contained in the various revenue bond indentures and ordinances. At June 30, 2005, the County is in compliance with all significant restrictions and covenants, and no events of default occurred during the past year.

	<u>Outstanding Principal</u>
Capital Appreciation Bonds due June 2012, exclusive of \$2,184,149 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%.	3,836,144
Water and Sewer System Refunding Revenue Bond, Series 2003, due June 2028, with an interest rate of 2.0% - 5.25%. These bonds have an issuance premium of \$4,981,312 and deferred refunding costs of \$2,423,649, both of which are net of amortization.	<u>91,030,000</u>
<b>Total Water and Sewer Revenue Bonds</b>	<b><u>97,173,283</u></b>
Solid Waste System, Series 2000, due December 2014, with an interest rate of 6.5%.	2,950,000
Solid Waste System, Series 2002, due December 2017, with an interest rate of 4.66%.	2,600,000
Solid Waste System Refunding Revenue Bond, Series 2003, due December 2016, with an interest rate of 3.95%.	<u>8,620,000</u>
<b>Total Solid Waste Revenue Bonds</b>	<b><u>14,170,000</u></b>
<b>Total Revenue Bonds</b>	<b><u>\$ 111,343,283</u></b>

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**J. Long-term Obligations (Continued)**

*Capital Leases*

The County has entered into various lease agreements to finance the acquisition of certain capital assets. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of the future minimum lease payments as of the inception date. The interest rates on these leases range from 2.21% to 4.75% and mature in various dates from 2006 through 2010. The total outstanding principal at June 30, 2005 was \$1,735,320 and \$3,257,383 for the County's governmental and business-type activities, respectively. At June 30, 2005, the County had \$2,154,762 in unexpended capital lease proceeds, including \$128,100 attributable to governmental activities and \$2,026,662 attributable to business-type activities.

**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.

Year Ending June 30	Debt		Capital Leases		Total
	Principal	Interest	Principal	Interest	
<b><u>Governmental Activities</u></b>					
2006	\$ 800,000	1,376,965	681,669	52,576	\$ 2,911,210
2007	840,000	1,336,520	605,059	34,280	2,815,859
2008	880,000	1,294,105	359,140	16,739	2,549,984
2009	925,000	1,249,600	89,452	4,536	2,268,588
2010	970,000	1,202,885	-	-	2,172,885
2011 - 2015	5,690,000	5,176,434	-	-	10,866,434
2016 - 2020	5,620,000	3,732,000	-	-	9,352,000
2021 - 2025	7,220,000	2,134,500	-	-	9,354,500
2026 - 2028	5,565,000	553,375	-	-	6,118,375
Total Governmental Activities	<u>28,510,000</u>	<u>18,056,384</u>	<u>1,735,320</u>	<u>108,131</u>	<u>48,409,835</u>
<b><u>Business-Type Activities</u></b>					
2006	5,093,367	5,309,413	964,529	87,674	11,454,983
2007	5,308,871	5,097,874	761,983	65,330	11,234,058
2008	5,534,642	4,836,893	784,040	43,295	10,371,535
2009	5,790,693	4,564,224	429,824	20,620	10,354,917
2010	6,072,038	4,278,538	315,465	8,433	10,350,576
2011 - 2015	31,388,823	17,639,996	-	-	49,028,819
2016 - 2020	21,683,445	10,490,703	-	-	32,174,148
2021 - 2025	18,646,845	5,739,272	-	-	24,386,117
2026 - 2028	11,824,559	1,173,968	-	-	12,998,527
Total Business-Type Activities	<u>\$ 111,343,283</u>	<u>59,130,881</u>	<u>3,255,841</u>	<u>225,352</u>	<u>\$ 172,353,680</u>

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**J. 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 \$2,095,026 reported as an accrual for landfill closure and postclosure care at June 30, 2005, includes the estimated remaining liability of \$1,155,330 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	22 years	18.57%	\$ 3,521,450	1,473,000	4,994,450	\$ 4,054,754
DPW-105	None	100%	-	1,155,330	1,155,330	-
			<u>\$ 3,521,450</u>	<u>2,628,330</u>	<u>6,149,780</u>	<u>\$ 4,054,754</u>

These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2005. Actual cost may be higher due to inflation, changes in technology or changes in regulations. The Subtitle D landfill site began accepting waste in July 2000. No assets have been restricted for payment of closure and postclosure care costs.

Subsequent to June 30, 2005, DHEC notified the County concerning the water quality standards surrounding the closed landfill (DPW-105). At the time of issuance of the financial statements, management had not decided on a course of action to address DHEC’s concerns. The County will incur additional costs related to this matter. However, no amounts have been recorded for these additional costs at June 30, 2005 as they could not be estimated.

**K. 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, 2005, 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 2006 budget ordinance designates \$1,627,074 of the ending General Fund fund balance for fiscal year 2006 appropriations.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**K. Reserved and Designated Fund Equity (Continued)**

*Reserved for Future Capital Lease Acquisitions.* Fund balance has been reserved to indicate that the County had unexpended capital lease 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 coverages 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 have cost the Authority approximately \$13 million in prior years. The County is vigorously petitioning to have DHEC re-evaluate the remainder of these requirements; 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 \$22.0 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, 2005**

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**IV. OTHER INFORMATION (CONTINUED)**

**B. Contingent Liabilities (Continued)**

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-retirement 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 \$140 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, 2005, was \$114,146. As of year-end there were 66 employees who had retired with the County and are continuing their coverage.

**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.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**IV. OTHER INFORMATION (CONTINUED)**

**E. Employee Retirement Systems and Plans (Continued)**

*Funding Policy* SCRS Plan members are required to contribute 6% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rate is 6.7% of annual covered payroll. The County's contributions to SCRS for the years ending June 30, 2005, 2004 and 2003 were \$1,614,284; \$1,517,656; and \$1,383,834, respectively, equal to the required contributions for each year. Additionally, participating employers of the SCRS contribute .2% 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 current rate is 10.3% of annual covered payroll. The County's contributions to SCPORS for the years ending June 30, 2005, 2004 and 2003 were \$603,541; \$589,281, and \$516,165; respectively, equal to the required contributions for each year. Additionally, participating employers of the SCPORS contribute .2% of payroll to provide a group life insurance 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 90 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, 2005, 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.

**H. Reciprocal Interfund Transactions**

During the year ended June 30, 2005, the Water and Sewer Enterprise Fund paid the General Fund \$70,000 for administrative services.

The Local Economic Development Special Revenue Fund paid the Parks and Recreation Enterprise Fund \$116,150 for landscaping, mowing and other services provided. The Solid Waste Enterprise Fund reimbursed the Water and Sewer Enterprise Fund for administrative services totaling \$300,000 in 2005. These amounts are reported as if they were external transactions, as revenues and expenses in the applicable fund.

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**

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**IV. OTHER INFORMATION (CONTINUED)**

**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, 2005, was set by County Council in June 2004 at 49.5 mills (\$4.95 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were set as follows: 48.0 mills for the Sangaree Special Tax District, and 4.5 mills for debt retirement. The assessed valuation of properties within the County's boundaries as of June 30, 2005 was \$376,421,559, exclusive of vehicles valued at \$65,509,505, according to the records of the County Auditor and Assessor.

**J. Related Party Transactions**

The wife of an engineer employed by the County is an employee of an engineering company used by the County for professional services. During the year ended June 30, 2005, the Water and Sewer Fund paid a total of approximately \$1,239,000 to this company. The payments were for services rendered on terms equivalent to those that prevail in arm's-length transactions.

**K. Extraordinary Item – Loss Due to Sulfur Spill**

In the fall of 2004, a sulfur spill occurred near the Water and Sanitation Authority's offices leaving a large contaminated site. A total of \$703,027 in costs related to cleaning up the site was incurred; these costs, which were not covered by insurance, were paid from the Water and Sewer Fund. In addition, the company that caused the spill has not assumed any responsibility related to the spill. The County has treated these costs as an extraordinary item in the financial statements for the year ended June 30, 2005.

**L. Hurricane Gaston**

During fiscal year 2005, Hurricane Gaston hit the South Carolina coast, causing major damage to certain County assets. The County's Solid Waste Fund incurred significant clean up and repair costs totaling approximately \$4.6 million related to the hurricane. The County received a Disaster Relief grant from the Federal Emergency Management Agency, which passed through the South Carolina Adjutant General's office. Under the terms of the grant, the County will be reimbursed for a total of 87.5% of eligible costs, which is estimated at approximately \$4.0 million. In June 2005, the County received approximately \$1.2 million. The remaining balance of \$2.8 million is expected to be received in the near future.

**M. Subsequent Events**

Subsequent to June 30, 2005, County Council, in the normal course of business, approved the issuance of three bonds for the Water and Sewer Fund. In July 2005, the County issued a Revenue Bond in the amount of \$105,750,000 to finance capital improvements to the Water and Sewer Systems. In September 2005, the County issued a Revenue Bond in the amount of \$1,300,000 for the purchase of St. Stephens Water and Sewer Facilities. In February 2006, the County issued a Revenue Bond in the amount of \$36,120,000 to refund a portion of the Water and Sewer Fund's outstanding Series 2003 Revenue Bond.

Subsequent to June 30, 2005, County Council approved construction contracts totaling \$23,218,673. In addition, County Council approved the issuance of a capital lease in the amount of \$1,488,622.

**BERKELEY COUNTY, SOUTH CAROLINA**

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

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Property Taxes	\$ 19,112,104	19,112,104	18,664,854	\$ (447,250)
Fee in Lieu of Taxes	3,957,000	3,957,000	3,666,773	(290,227)
Licenses, Fees and Permits	1,505,800	1,505,800	1,398,520	(107,280)
Fines, Forfeitures and Fees	6,174,513	6,781,938	7,567,954	786,016
Interest Income	55,000	55,000	149,271	94,271
Intergovernmental - Federal	184,536	253,266	380,691	127,425
Intergovernmental - State and Local	6,823,420	6,834,877	7,166,530	331,653
Miscellaneous	539,008	654,174	692,239	38,065
<b>TOTAL REVENUES</b>	<b>38,351,381</b>	<b>39,154,159</b>	<b>39,686,832</b>	<b>532,673</b>
<b>EXPENDITURES</b>				
Current:				
General Government				
Legislative	417,966	421,497	372,525	48,972
Judicial	4,500,470	4,573,973	4,442,095	131,878
Executive	127,908	127,908	124,316	3,592
Finance and Administration	9,997,095	10,262,547	9,830,704	431,843
Elections	317,991	317,991	281,863	36,128
<b>Total General Government</b>	<b>15,361,430</b>	<b>15,703,916</b>	<b>15,051,503</b>	<b>652,413</b>
Public Safety				
Sheriff	7,194,032	7,506,954	7,290,023	216,931
Crime Stoppers	3,000	3,000	3,000	-
Corrections	2,373,037	2,536,905	2,424,299	112,606
Fire	326,747	326,747	325,734	1,013
Communications	941,163	978,879	906,822	72,057
Emergency Medical Services	4,177,727	4,246,054	4,010,050	236,004
Coroner	257,956	271,164	275,222	(4,058)
<b>Total Public Safety</b>	<b>15,273,662</b>	<b>15,869,703</b>	<b>15,235,150</b>	<b>634,553</b>
Airport, Highways and Streets				
Airport	294,214	310,450	304,089	6,361
Highways and Streets	3,841,233	4,053,463	3,948,452	105,011
Fleet Management	514,582	539,272	479,705	59,567
Engineering	542,888	563,466	530,243	33,223
<b>Total Airport, Highways and Streets</b>	<b>5,192,917</b>	<b>5,466,651</b>	<b>5,262,489</b>	<b>204,162</b>
Culture and Recreation				
Berkeley Museum	40,000	40,000	40,000	-
Spire Landing Operations	13,605	13,605	13,605	-
<b>Total Culture and Recreation</b>	<b>\$ 53,605</b>	<b>53,605</b>	<b>53,605</b>	<b>\$ -</b>

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.

**BERKELEY COUNTY, SOUTH CAROLINA**

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

**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>EXPENDITURES (CONTINUED)</b>				
Current (Continued):				
Health and Welfare				
Health State	\$ 101,270	101,270	94,182	\$ 7,088
Mosquito Abatement	412,334	516,023	494,598	21,425
Veterans Services	96,121	118,073	113,854	4,219
Other Programs Assistance	890,834	891,046	859,220	31,826
Total Health and Welfare	<u>1,500,559</u>	<u>1,626,412</u>	<u>1,561,854</u>	<u>64,558</u>
Community Development				
Santee Cooper Country	5,000	5,000	5,000	-
Regional Development Alliance	248,977	248,977	248,977	-
BCD Council of Governments	135,518	135,518	135,518	-
Total Community Development	<u>389,495</u>	<u>389,495</u>	<u>389,495</u>	<u>-</u>
Capital Outlay	338,517	894,768	956,165	(61,397)
Debt Service:				
Principal Retirement	580,881	861,592	861,580	12
Interest and Fiscal Charges	49,444	72,784	72,768	16
Total Debt Service	<u>630,325</u>	<u>934,376</u>	<u>934,348</u>	<u>28</u>
TOTAL EXPENDITURES	<u>38,740,510</u>	<u>40,938,926</u>	<u>39,444,609</u>	<u>1,494,317</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>(389,129)</u></b>	<b><u>(1,784,767)</u></b>	<b><u>242,223</u></b>	<b><u>2,026,990</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Reserved for Contingency	(600,000)	(270,841)	-	270,841
Proceeds from Capital Lease	-	1,099,232	1,087,554	(11,678)
Transfers In	900,598	900,598	945,953	45,355
Transfers Out	(2,419,856)	(2,452,609)	(2,099,108)	353,501
Total Other Financing Sources (Uses)	<u>(2,119,258)</u>	<u>(723,620)</u>	<u>(65,601)</u>	<u>658,019</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b><u>(2,508,387)</u></b>	<b><u>(2,508,387)</u></b>	<b><u>176,622</u></b>	<b><u>2,685,009</u></b>
FUND BALANCE - Beginning of Year	<u>5,486,995</u>	<u>5,486,995</u>	<u>5,486,995</u>	<u>-</u>
<b>FUND BALANCE - End of Year</b>	<b><u>\$ 2,978,608</u></b>	<b><u>2,978,608</u></b>	<b><u>5,663,617</u></b>	<b><u>\$ 2,685,009</u></b>

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.

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**BERKELEY COUNTY, SOUTH CAROLINA**

**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 92,128	576,690	4,262,959	\$ 4,931,777
Investments	6,447,656	1,155,301	-	7,602,957
Receivables, Net of Allowances:				
Property Taxes	-	1,921,990	812,642	2,734,632
Accounts Receivable	-	-	3,388,157	3,388,157
Federal Government	-	-	514,126	514,126
State and Local Governments	-	-	98,531	98,531
Prepaid Items	-	-	1,955	1,955
<b>TOTAL ASSETS</b>	<b><u>6,539,784</u></b>	<b><u>3,653,981</u></b>	<b><u>9,078,370</u></b>	<b><u>19,272,135</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	547,558	-	611,949	1,159,507
Due to Other Funds	-	-	504,853	504,853
Deferred Revenue	-	1,907,549	4,183,944	6,091,493
<b>TOTAL LIABILITIES</b>	<b><u>547,558</u></b>	<b><u>1,907,549</u></b>	<b><u>5,300,746</u></b>	<b><u>7,755,853</u></b>
<b>FUND BALANCES</b>				
Reserved For:				
Prepaid Items	-	-	1,955	1,955
Debt Service	-	1,746,432	-	1,746,432
Other	-	-	139,207	139,207
Unreserved:				
Undesignated, Reported in:				
Special Revenue Funds	-	-	3,636,462	3,636,462
Capital Projects Funds	5,992,226	-	-	5,992,226
<b>TOTAL FUND BALANCES</b>	<b><u>5,992,226</u></b>	<b><u>1,746,432</u></b>	<b><u>3,777,624</u></b>	<b><u>11,516,282</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 6,539,784</u></b>	<b><u>3,653,981</u></b>	<b><u>9,078,370</u></b>	<b><u>\$ 19,272,135</u></b>

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2005

	<u>PLANNING GRANT</u>	<u>LIBRARY</u>	<u>NATIONAL FOREST</u>	<u>EMERGENCY PREPAREDNESS</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	218,347	139,207	-
Receivables, Net of Allowances:				
Property Taxes	-	-	-	-
Accounts Receivable	-	2,360	-	-
Federal Government	-	-	-	16,186
State and Local Governments	-	-	-	-
Prepaid Items	-	1,955	-	-
<b>TOTAL ASSETS</b>	<b>-</b>	<b>222,662</b>	<b>139,207</b>	<b>16,186</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	-	88,751	-	8,819
Due to Other Funds	-	-	-	7,367
Deferred Revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>88,751</b>	<b>-</b>	<b>16,186</b>
<b>FUND BALANCES</b>				
Reserved for:				
Prepaid Items	-	1,955	-	-
Other	-	-	139,207	-
Unreserved:				
Undesignated	-	131,956	-	-
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>133,911</b>	<b>139,207</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>222,662</b>	<b>139,207</b>	<b>16,186</b>

<b>GIS</b>	<b>STORM WATER MANAGEMENT</b>	<b>HIGHWAY "C" FUNDS</b>	<b>EMS EQUIPMENT</b>	<b>CLERK OF COURT</b>	<b>ECONOMIC DEVELOPMENT</b>
87,012	-	39,152	-	31,864	\$ 323,180
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	21,753	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>87,012</b>	<b>-</b>	<b>39,152</b>	<b>-</b>	<b>53,617</b>	<b>323,180</b>
18,489	-	39,152	-	14,276	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>18,489</b>	<b>-</b>	<b>39,152</b>	<b>-</b>	<b>14,276</b>	<b>-</b>
-	-	-	-	-	-
-	-	-	-	-	-
68,523	-	-	-	39,341	323,180
<b>68,523</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,341</b>	<b>323,180</b>
<b>87,012</b>	<b>-</b>	<b>39,152</b>	<b>-</b>	<b>53,617</b>	<b>\$ 323,180</b>

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2005

	STATE ACCOMMODATIONS TAX	SHERIFF'S GRANTS	MISCELLANEOUS SPECIAL REVENUE	VICTIM'S WITNESS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 19,076	97,504	196,808	399,784
Receivables, Net of Allowances:				
Property Taxes	-	-	-	-
Accounts Receivable	-	1,783	-	-
Federal Government	-	168,290	-	-
State and Local Governments	46,152	-	13,000	-
Prepaid Items	-	-	-	-
<b>TOTAL ASSETS</b>	<b>65,228</b>	<b>267,577</b>	<b>209,808</b>	<b>399,784</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	61,967	30,350	-	16,140
Due to Other Funds	3,261	166,280	13,000	-
Deferred Revenue	-	15,353	-	-
<b>TOTAL LIABILITIES</b>	<b>65,228</b>	<b>211,983</b>	<b>13,000</b>	<b>16,140</b>
<b>FUND BALANCES</b>				
Reserved for:				
Prepaid Items	-	-	-	-
Other	-	-	-	-
Unreserved:				
Undesignated	-	55,594	196,808	383,644
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>55,594</b>	<b>196,808</b>	<b>383,644</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 65,228</b>	<b>267,577</b>	<b>209,808</b>	<b>399,784</b>

<b>SOLICITOR'S GRANTS</b>	<b>COUNTY ACCOMMODATIONS TAX</b>	<b>PARD GRANT</b>	<b>LOCAL ECONOMIC DEVELOPMENT</b>	<b>AIRPORT IMPROVEMENTS</b>	<b>REGIONAL DISASTER PLANNING GRANT</b>
-	94,068	-	1,365,180	-	\$ -
-	-	-	173,337	-	-
-	38,720	-	5,740	-	-
15,750	-	-	-	256,685	35,462
-	-	7,231	-	32,148	-
-	-	-	-	-	-
<b>15,750</b>	<b>132,788</b>	<b>7,231</b>	<b>1,544,257</b>	<b>288,833</b>	<b>35,462</b>
2,201	106,230	-	12,592	21,226	35,462
13,549	26,558	7,231	-	267,607	-
-	-	-	235,420	-	-
<b>15,750</b>	<b>132,788</b>	<b>7,231</b>	<b>248,012</b>	<b>288,833</b>	<b>35,462</b>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,296,245	-	-
-	-	-	1,296,245	-	-
<b>15,750</b>	<b>132,788</b>	<b>7,231</b>	<b>1,544,257</b>	<b>288,833</b>	<b>\$ 35,462</b>

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2005

	SANGAREE SPECIAL TAX DISTRICT	PIMLICO SPECIAL TAX DISTRICT	TALL PINES SPECIAL TAX DISTRICT	DEVON FOREST SPECIAL TAX DISTRICT
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,063,857	-	-	-
Receivables, Net of Allowances:				
Property Taxes	639,305	-	-	-
Accounts Receivable	-	25,265	36,719	28,501
Federal Government	-	-	-	-
State and Local Governments	-	-	-	-
Prepaid Items	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>1,703,162</u></b>	<b><u>25,265</u></b>	<b><u>36,719</u></b>	<b><u>28,501</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	17,762	100	147	125
Due to Other Funds	-	-	-	-
Deferred Revenue	632,099	25,165	36,572	28,376
<b>TOTAL LIABILITIES</b>	<b><u>649,861</u></b>	<b><u>25,265</u></b>	<b><u>36,719</u></b>	<b><u>28,501</u></b>
<b>FUND BALANCES</b>				
Reserved for:				
Prepaid Items	-	-	-	-
Other	-	-	-	-
Unreserved:				
Undesignated	1,053,301	-	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>1,053,301</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,703,162</u></b>	<b><u>25,265</u></b>	<b><u>36,719</u></b>	<b><u>28,501</u></b>

<b>SPECIAL COUNTY TAX DISTRICT</b>	<b>LAKE MOULTRIE PARK</b>	<b>LEGAL FORFEITURE PROCEEDS</b>	<b>TOTAL SPECIAL REVENUE FUNDS</b>
94,524	41,419	51,977	\$ 4,262,959
-	-	-	812,642
3,249,069	-	-	3,388,157
-	-	-	514,126
-	-	-	98,531
-	-	-	1,955
<b>3,343,593</b>	<b>41,419</b>	<b>51,977</b>	<b>9,078,370</b>
132,634	5,193	333	611,949
-	-	-	504,853
3,210,959	-	-	4,183,944
<b>3,343,593</b>	<b>5,193</b>	<b>333</b>	<b>5,300,746</b>
-	-	-	1,955
-	-	-	139,207
-	36,226	51,644	3,636,462
-	36,226	51,644	3,777,624
<b>3,343,593</b>	<b>41,419</b>	<b>51,977</b>	<b>\$ 9,078,370</b>

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BERKELEY COUNTY, SOUTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2005

	CAPITAL PROJECTS	DEBT SERVICE	SPECIAL REVENUE	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes:				
Property	\$ -	1,604,690	811,040	\$ 2,415,730
Other	-	-	386,568	386,568
Fee in Lieu of Taxes	-	330,589	548,197	878,786
Fines, Forfeitures and Fees	-	-	3,318,915	3,318,915
Interest Income	-	195,699	1,560	197,259
Local Revenue	-	-	511,926	511,926
Intergovernmental - Federal	25,000	-	2,541,921	2,566,921
Intergovernmental - State and Local	-	-	941,764	941,764
Miscellaneous	-	-	443,402	443,402
<b>TOTAL REVENUES</b>	<b>25,000</b>	<b>2,130,978</b>	<b>9,505,293</b>	<b>11,661,271</b>
<b>EXPENDITURES</b>				
Current:				
General Government	144,969	-	855,689	1,000,658
Public Safety	258	-	4,217,254	4,217,512
Airport, Highways, and Streets	8,508	-	3,444	11,952
Culture and Recreation	-	-	1,935,958	1,935,958
Community Development	46,027	-	1,551,871	1,597,898
Capital Outlay	5,984,379	-	1,617,607	7,601,986
Debt Service:				
Principal Retirement	-	760,000	5,345	765,345
Interest and Fiscal Charges	-	1,417,255	269	1,417,524
<b>TOTAL EXPENDITURES</b>	<b>6,184,141</b>	<b>2,177,255</b>	<b>10,187,437</b>	<b>18,548,833</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(6,159,141)</b>	<b>(46,277)</b>	<b>(682,144)</b>	<b>(6,887,562)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	2,139,108	2,139,108
Transfers Out	-	-	(1,089,601)	(1,089,601)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>1,049,507</b>	<b>1,049,507</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(6,159,141)</b>	<b>(46,277)</b>	<b>367,363</b>	<b>(5,838,055)</b>
FUND BALANCE - Beginning of Year, as Previously Stated	12,151,367	1,792,709	2,547,191	16,491,267
Prior Period Adjustments	-	-	863,070	863,070
FUND BALANCE - Beginning of Year, Restated	12,151,367	1,792,709	3,410,261	17,354,337
<b>FUND BALANCE - End of Year</b>	<b>\$ 5,992,226</b>	<b>1,746,432</b>	<b>3,777,624</b>	<b>\$ 11,516,282</b>

BERKELEY COUNTY, SOUTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2005

	PLANNING GRANT	LIBRARY	NATIONAL FOREST	EMERGENCY PREPAREDNESS
<b>REVENUES</b>				
Taxes:				
Property	\$ -	-	-	-
Other	-	-	-	-
Fee in Lieu of Taxes	-	-	-	-
Fines, Forfeitures and Fees	-	40,160	-	-
Interest Income	-	-	-	-
Local Revenue	-	-	-	-
Intergovernmental - Federal	43,304	-	687,428	43,232
Intergovernmental - State and Local	-	290,197	-	25
Miscellaneous	-	10,834	-	-
<b>TOTAL REVENUES</b>	<b>43,304</b>	<b>341,191</b>	<b>687,428</b>	<b>43,257</b>
<b>EXPENDITURES</b>				
Current:				
General Government	43,304	-	-	-
Public Safety	-	-	-	156,178
Airport, Highways, and Streets	-	-	-	-
Culture and Recreation	-	1,901,225	-	-
Community Development	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	-	1,895	-	1,036
Interest and Fiscal Charges	-	130	-	42
<b>TOTAL EXPENDITURES</b>	<b>43,304</b>	<b>1,903,250</b>	<b>-</b>	<b>157,256</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(1,562,059)</b>	<b>687,428</b>	<b>(113,999)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	1,695,970	-	113,899
Transfers Out	-	-	(683,942)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>1,695,970</b>	<b>(683,942)</b>	<b>113,899</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>133,911</b>	<b>3,486</b>	<b>(100)</b>
FUND BALANCE - Beginning of Year, as Previously Stated	-	-	135,721	100
Prior Period Adjustments	-	-	-	-
FUND BALANCE - Beginning of Year, Restated	-	-	135,721	100
<b>FUND BALANCE - End of Year</b>	<b>\$ -</b>	<b>133,911</b>	<b>139,207</b>	<b>-</b>

<b>GIS</b>	<b>STORM WATER MANAGEMENT</b>	<b>HIGHWAY "C" FUNDS</b>	<b>EMS EQUIPMENT</b>	<b>CLERK OF COURT</b>	<b>ECONOMIC DEVELOPMENT</b>
-	-	-	-	-	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
22,052	-	-	-	-	-
-	-	-	-	-	-
115,450	-	30,182	-	-	-
-	-	-	394	290,207	-
-	-	494,719	31,480	-	1,914
-	-	-	-	-	302,748
<b>137,502</b>	<b>-</b>	<b>524,901</b>	<b>31,874</b>	<b>290,207</b>	<b>304,662</b>
345,386	-	-	-	348,646	-
-	-	-	13,129	-	-
-	3,309	135	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,914
-	-	524,766	21,374	-	-
2,414	-	-	-	-	-
97	-	-	-	-	-
<b>347,897</b>	<b>3,309</b>	<b>524,901</b>	<b>34,503</b>	<b>348,646</b>	<b>1,914</b>
<b>(210,395)</b>	<b>(3,309)</b>	<b>-</b>	<b>(2,629)</b>	<b>(58,439)</b>	<b>302,748</b>
233,505	3,309	-	2,629	-	-
-	-	-	-	-	-
<b>233,505</b>	<b>3,309</b>	<b>-</b>	<b>2,629</b>	<b>-</b>	<b>-</b>
<b>23,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(58,439)</b>	<b>302,748</b>
45,413	-	-	-	97,780	20,432
-	-	-	-	-	-
<b>45,413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97,780</b>	<b>20,432</b>
<b>68,523</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,341</b>	<b>\$ 323,180</b>

BERKELEY COUNTY, SOUTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2005

	STATE ACCOMMODATIONS TAX	SHERIFF'S GRANTS	MISCELLANEOUS SPECIAL REVENUE	VICTIM'S WITNESS
<b>REVENUES</b>				
Taxes:				
Property	\$ -	-	-	-
Other	-	-	-	-
Fee in Lieu of Taxes	-	-	-	-
Fines, Forfeitures and Fees	-	13,440	106,135	263,177
Interest Income	-	1,032	528	-
Local Revenue	-	366,294	-	-
Intergovernmental - Federal	-	493,306	16,284	-
Intergovernmental - State and Local	90,228	469	-	-
Miscellaneous	-	3,302	122,679	-
<b>TOTAL REVENUES</b>	<b>90,228</b>	<b>877,843</b>	<b>245,626</b>	<b>263,177</b>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	24,369	-
Public Safety	-	734,551	203,318	317,986
Airport, Highways, and Streets	-	-	-	-
Culture and Recreation	-	-	-	-
Community Development	61,967	-	-	-
Capital Outlay	-	146,648	-	22,516
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>61,967</b>	<b>881,199</b>	<b>227,687</b>	<b>340,502</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>28,261</b>	<b>(3,356)</b>	<b>17,939</b>	<b>(77,325)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	6,629	4,333	-
Transfers Out	(28,261)	(7,498)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(28,261)</b>	<b>(869)</b>	<b>4,333</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(4,225)</b>	<b>22,272</b>	<b>(77,325)</b>
FUND BALANCE - Beginning of Year, as Previously Stated	-	59,819	174,536	460,969
Prior Period Adjustments	-	-	-	-
FUND BALANCE - Beginning of Year, Restated	-	59,819	174,536	460,969
<b>FUND BALANCE - End of Year</b>	<b>\$ -</b>	<b>55,594</b>	<b>196,808</b>	<b>383,644</b>

<b>SOLICITOR'S GRANTS</b>	<b>COUNTY ACCOMMODATIONS TAX</b>	<b>PARD GRANT</b>	<b>LOCAL ECONOMIC DEVELOPMENT</b>	<b>AIRPORT IMPROVEMENTS</b>	<b>REGIONAL DISASTER PLANNING GRANT</b>
-	-	-	32,644	-	\$ -
-	386,568	-	-	-	-
-	-	-	548,197	-	-
-	-	-	5,740	-	-
-	-	-	-	-	-
-	-	-	-	-	-
80,920	-	-	-	843,080	43,766
-	-	3,132	-	29,600	-
-	-	-	-	-	-
<b>80,920</b>	<b>386,568</b>	<b>3,132</b>	<b>586,581</b>	<b>872,680</b>	<b>43,766</b>
90,131	-	-	-	-	-
-	-	-	-	-	43,766
-	-	-	-	-	-
-	-	72	-	-	-
-	309,300	-	495,805	-	-
-	-	-	-	902,303	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>90,131</b>	<b>309,300</b>	<b>72</b>	<b>495,805</b>	<b>902,303</b>	<b>43,766</b>
<b>(9,211)</b>	<b>77,268</b>	<b>3,060</b>	<b>90,776</b>	<b>(29,623)</b>	<b>-</b>
9,211	-	-	-	29,623	-
-	(77,268)	(3,060)	(279,924)	-	-
<b>9,211</b>	<b>(77,268)</b>	<b>(3,060)</b>	<b>(279,924)</b>	<b>29,623</b>	<b>-</b>
-	-	-	<b>(189,148)</b>	-	-
-	-	-	1,485,393	-	-
-	-	-	-	-	-
-	-	-	1,485,393	-	-
-	-	-	<b>1,296,245</b>	-	<b>\$ -</b>

BERKELEY COUNTY, SOUTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2005

	SANGAREE SPECIAL TAX DISTRICT	PIMLICO SPECIAL TAX DISTRICT	TALL PINES SPECIAL TAX DISTRICT	DEVON FOREST SPECIAL TAX DISTRICT
<b>REVENUES</b>				
Taxes:				
Property	\$ 778,396	-	-	-
Other	-	-	-	-
Fee in Lieu of Taxes	-	-	-	-
Fines, Forfeitures and Fees	-	25,375	37,006	28,500
Interest Income	-	-	-	-
Local Revenue	-	-	-	-
Intergovernmental - Federal	-	-	-	-
Intergovernmental - State and Local	-	-	-	-
Miscellaneous	3,839	-	-	-
TOTAL REVENUES	<u>782,235</u>	<u>25,375</u>	<u>37,006</u>	<u>28,500</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Airport, Highways, and Streets	-	-	-	-
Culture and Recreation	-	-	-	-
Community Development	592,004	25,375	37,006	28,500
Capital Outlay	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
TOTAL EXPENDITURES	<u>592,004</u>	<u>25,375</u>	<u>37,006</u>	<u>28,500</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u><b>190,231</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u><b>190,231</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
FUND BALANCE - Beginning of Year, as Previously Stated	-	-	-	-
Prior Period Adjustments	863,070	-	-	-
FUND BALANCE - Beginning of Year, Restated	<u>863,070</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - End of Year</b>	<u><b>\$ 1,053,301</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

<b>SPECIAL COUNTY TAX DISTRICT</b>	<b>LAKE MOULTRIE PARK</b>	<b>LEGAL FORFEITURE PROCEEDS</b>	<b>TOTAL SPECIAL REVENUE FUNDS</b>
-	-	-	\$ 811,040
-	-	-	386,568
-	-	-	548,197
2,748,326	-	29,004	3,318,915
-	-	-	1,560
-	-	-	511,926
-	-	-	2,541,921
-	-	-	941,764
-	-	-	443,402
<b>2,748,326</b>	<b>-</b>	<b>29,004</b>	<b>9,505,293</b>
-	-	3,853	855,689
2,748,326	-	-	4,217,254
-	-	-	3,444
-	34,661	-	1,935,958
-	-	-	1,551,871
-	-	-	1,617,607
-	-	-	5,345
-	-	-	269
<b>2,748,326</b>	<b>34,661</b>	<b>3,853</b>	<b>10,187,437</b>
<b>-</b>	<b>(34,661)</b>	<b>25,151</b>	<b>(682,144)</b>
-	40,000	-	2,139,108
-	(9,648)	-	(1,089,601)
-	30,352	-	1,049,507
<b>-</b>	<b>(4,309)</b>	<b>25,151</b>	<b>367,363</b>
-	40,535	26,493	2,547,191
-	-	-	863,070
-	40,535	26,493	3,410,261
<b>-</b>	<b>36,226</b>	<b>51,644</b>	<b>\$ 3,777,624</b>

**BERKELEY COUNTY, SOUTH CAROLINA**

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

**FOR THE YEAR ENDED JUNE 30, 2005**

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	<b>CLERK OF COURT</b>	<b>MASTER IN EQUITY</b>	<b>TAX COLLECTOR</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,315,606	420,482	1,393,245
Investments	-	-	-
Receivables:			
Accounts	494	-	-
State Government	-	-	-
<b>TOTAL ASSETS</b>	<b><u>1,316,100</u></b>	<b><u>420,482</u></b>	<b><u>1,393,245</u></b>
<b>LIABILITIES</b>			
Due to School District	-	-	-
Due to Other Designated Recipients	1,316,100	420,482	1,393,245
<b>TOTAL LIABILITIES</b>	<b><u>\$ 1,316,100</u></b>	<b><u>420,482</u></b>	<b><u>1,393,245</u></b>

<b>SHERIFF</b>	<b>MAGISTRATES</b>	<b>TREASURER</b>	<b>"C" FUNDS ADMINISTRATION</b>	<b>TOTALS</b>
84,588	192,007	7,731,276	2,621,379	\$ 13,758,583
-	-	8,826,679	9,358,095	18,184,774
-	-	9,346	-	9,840
-	-	-	231,478	231,478
<b>84,588</b>	<b>192,007</b>	<b>16,567,301</b>	<b>12,210,952</b>	<b>32,184,675</b>
-	-	12,014,156	-	12,014,156
84,588	192,007	4,553,145	12,210,952	20,170,519
<b>84,588</b>	<b>192,007</b>	<b>16,567,301</b>	<b>12,210,952</b>	<b>\$ 32,184,675</b>

**BERKELEY COUNTY, SOUTH CAROLINA**

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

**FOR THE YEAR ENDED JUNE 30, 2005**

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**REVENUES**

Collections:

Assessments	\$ 1,057,971
Surcharges	536,335
Total Collections	<u>1,594,306</u>

Remitted to State Treasurer:

Assessments	933,007
Surcharges	398,122
Total Remitted to State Treasurer	<u>1,331,129</u>

Revenues Retained by the County for Victim's Assistance Program 263,177

**EXPENDITURES**

Salaries and Wages	204,893
Fringe Benefits	61,890
Other Operating Expenses	73,719
Total Program Expenses	<u>340,502</u>

**Deficiency of Revenues Over Expenditures (77,325)**

**BALANCES CARRIED FORWARD**

Beginning of the Year	460,969
<b>End of the Year</b>	<b><u>\$ 383,644</u></b>

**BERKELEY COUNTY, SOUTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>ALLOWABLE FEDERAL EXPENDITURES</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Passed Through South Carolina Office of the Governor - Division of Economic Development/ Community Development Block Grant Regional Disaster Planning - COG			
Local Planning Assistance	14.228	4-P-02-009	\$ 80,450
Local Planning Assistance	14.228	4-P-03-009	6,620
Russellville Water Extension	14.228	4-L-03-003	104,167
Honey Hill Shulerville	14.228	4-L-03-026	23,814
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>215,051</u></b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed Through South Carolina Department of Social Services (SCDSS) -			
Child Support Enforcement Title IV-D	93.563	G-05SC5005	279,079
Child Support Enforcement Title IV-D	93.563	G-05SC5005	69,567
Clerk of Court - Filing Fees	93.563	G-05SC5005	22,920
Sheriff's Department	93.563	G-05SC5005	14,108
Total of CFDA # 93.563			<b><u>385,674</u></b>
Federal Financial Participation, Passed Through SCDSS - Administration for Children and Families			
Family Preservation and Support Services (CWS-Part II)	93.556	G-01SCOOPF	1,529
TANF Block Grant	93.558	G-01SCTANF	46,738
Child Support Enforcement	93.563	G-05SC5005	124
Child Welfare Services - State Grants	93.645	G-101SC1400	1,088
Title IV-E Foster Care	93.658	G-01SC1401	5,896
Social Services Block Grant	93.667	Reimbursement from SCDHHS	21,847
Center for Medicare and Medicare Services Medicaid Programs	93.778	Reimbursement from SCDHHS	20,938
USDA Food Nutrition Service State Administration Matching Grant Food Stamp Program	10.561	12-35-4541	39,589
Total of Federal Financial Participation			<b><u>137,749</u></b>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>\$ 523,423</u></b>

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	ALLOWABLE FEDERAL EXPENDITURES
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed Through Department of Transportation			
Federal Aviation Administration	20.106	3-45-0041-10	\$ 34,383
Federal Aviation Administration	20.106	3-45-0041-11	220,202
Federal Aviation Administration	20.106	3-45-0041-12	581,643
<b>Total U.S. Department of Transportation</b>			<b>836,228</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through South Carolina State Treasurer			
Emergency Water Shed Funding	10.054	69-469-5-5016	146,550
National Forest Fund	10.665	n/a	687,427
National Geodetic Survey	11.400	n/a	25,000
<b>Total U.S. Department of Agriculture</b>			<b>858,977</b>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
Passed Through Adjutant General's Office			
Disaster Relief	97.036	FEMA-1547-DR-SC	3,528,102
Local Planning Grant for All Hazard Emergency Planning	97.042	EMA-2004-GR-5006	43,084
<b>Total Federal Emergency Management Agency</b>			<b>3,571,186</b>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Direct			
Special Water Infrastructure Projects	66.606	XP984939-00-0	467,432
<b>Total Environmental Protection Agency</b>			<b>467,432</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed Through South Carolina Public Safety:			
Local Law Enforcement Block Grant	16.592	2002-LB-BX-0680	3,035
Local Law Enforcement Block Grant	16.592	2003-LB-BX-0217	5,985
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0209	50,294
Total CFDA # 16.592			<b>59,314</b>
State Criminal Alien Assistance Program	16.606	2004APBX0195	4,263
Passed Through South Carolina Public Safety:			
Drug Control and System Improvement Program	16.579	1D04064	17,333
Passed Through County of Charleston			
Community Gun Violence Prosecution Program	16.609	2001-F0645-SC-GP	36,844
Solicitor Project Sentry	16.609	2003SE-CX0019	44,076
<b>Total U. S. Department of Justice</b>			<b>\$ 161,830</b>

(Continued)

**BERKELEY COUNTY, SOUTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

<b>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS THROUGH GRANTOR'S NUMBER</b>	<b>ALLOWABLE FEDERAL EXPENDITURES</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through South Carolina Public Safety:			
Homeland Security	97.004	4SHSP41	\$ 353,015
Law Enforcement Terrorism Prevention Allocation	97.004	3LETP13	63,465
Passed Through Adjutant General's Office			
<b>Total U.S. Department of Homeland Security</b>			<b>416,480</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 7,050,607</b>

**BERKELEY COUNTY, SOUTH CAROLINA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2005**

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**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.

**INDEPENDENT AUDITORS' 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***

The 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, 2005, which collectively comprise Berkeley County, South Carolina's basic financial statements and have issued our report thereon dated February 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States America and the standards applicable to financial audits contained in *Governmental 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as Finding 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

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 grants 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 object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

We noted certain other matters that we reported to management of the County in a separate letter dated February 17, 2006.

This report is intended solely for the information and use of the members of County Council, management, others within the organization, 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  
February 17, 2006

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

The 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, 2005. 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, 2005. However, the results of our auditing procedures disclosed an instance of potential noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as 2005-2.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of County Council, management, others within the organization, 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  
February 17, 2006

**BERKELEY COUNTY, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

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**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
Reportable condition(s) identified that are not considered to be material weaknesses?	_____ <u>X</u> Yes	_____ No
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Reportable condition(s) 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?	_____ <u>X</u> Yes	_____ No
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement Title IV-D
20.106	Federal Aviation Administration
97.036	Public Assistance Grants

Dollar threshold used to distinguish between type A and type B programs:	\$ _____ <u>300,000</u>
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Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes	_____ No
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(Continued)

**BERKELEY COUNTY, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2005**

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**Section II – Findings – 2005 Financial Statements Audit**

**2005-1: LACK OF ADEQUATE MANAGEMENT REVIEW OR MONITORING**

**Condition:** The County’s Water and Sanitation Authority needs to improve its internal controls related to the review and monitoring of certain accounting functions. We noted the following specific areas in which controls should be improved:

1. Recording of capital asset activities.
2. Bank reconciliations for accounts restricted for debt service.
3. Accounts receivable detail ledgers, including grant activity.
4. Accounts payable detail ledgers.

**Criteria:** In order to ensure that transactions are recorded timely, accurately and in accordance with accounting principles generally accepted in the United States of America, management needs to have an adequate system for reviewing and monitoring transactions and account balances.

**Effect:** Transactions may not be recorded properly, timely and in accordance with management's expectations. In addition, errors may occur and may not be detected in a timely manner.

**Recommendation:** We recommend that the County implement a system to review and monitor its accounting functions as soon as possible. This system cannot be effectively implemented until additional personnel are hired and trained in finance.

**Response:** The County is aware of its lack of adequate management review and monitoring. We are taking steps to alleviate this problem. The first step is opening two new upper level accounting positions. These positions will create a greater division of duties in the Authority’s Finance Department and help provide a greater system of necessary controls that have been lacking in the past. Second, we are hiring a new accounting clerk that will be able to reconcile accounts and complete quarterly reports. Last, we are working on upgrading our computer system to ensure that our internal controls are more adequate and will expand upon a division of duties.

(Continued)

**BERKELEY COUNTY, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2005**

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

**Questioned Costs**

**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**

<b>Condition:</b>	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."	<u>\$ 50,000</u>
<b>Criteria:</b>	The County, through the Clerk of Court, is to comply with the allowable cost regulations as required by the Office of Management and Budgets ("OMB").	
<b>Effect:</b>	The County, through the Clerk of Court, may not be in compliance with the above OMB regulations.	
<b>Recommendation:</b>	We recommend that the County contact SCDSS as soon as the complaint has been concluded in order to receive a determination as to the allowability of the \$50,000 in costs. If SCDSS determines the costs are not allowable under the OMB regulations, the costs will need to be reimbursed as soon as possible..	
<b>Response:</b>	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."	

**BERKELEY COUNTY, SOUTH CAROLINA**

**SUMMARY OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2005**

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None