

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

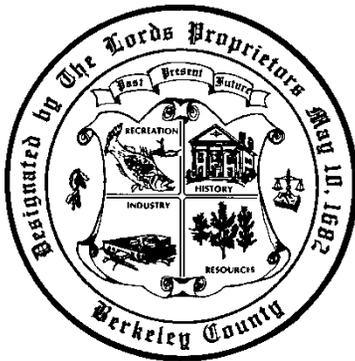
BERKELEY COUNTY

Financial Audit Presentation

for the

Year Ended

June 30, 2012





Berkeley County – Financial Audit-June 30, 2012

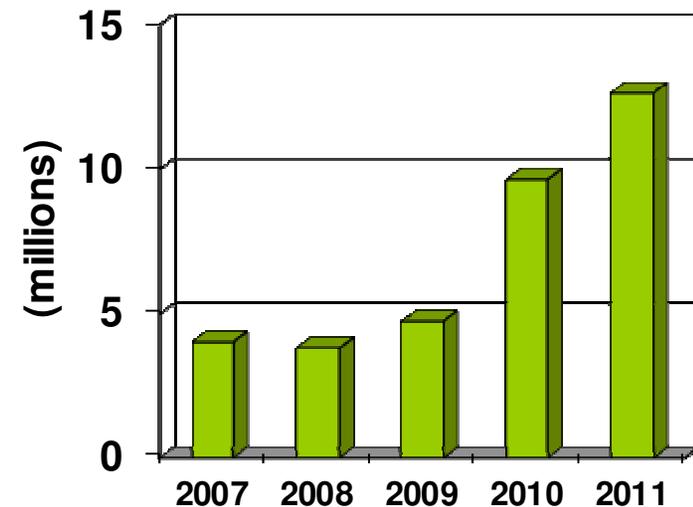
- The Financial Statements are the County's responsibility
- Our responsibility is to express an opinion on the Financial Statements
- Reasonable assurance that the financial statements are materially correct
- We issued an unqualified opinion
 - **Best opinion the County can receive**



Berkeley County – Financial Audit-June 30, 2012

General Fund

- Fund balance increased \$1.2 million to \$13.8 million
- Unassigned fund balance is \$12.9 million –
 - Included in this total is \$8.5 million for the County's Fund Balance policy
 - represents 15% of 2013 budgeted appropriations
 - County fully met its fund balance policy
 - Total unassigned fund balance is 22.8% of 2013 budgeted appropriations



■ Total Fund Balance





Berkeley County – Financial Audit-June 30, 2012

Why is a Healthy Fund Balance Important?

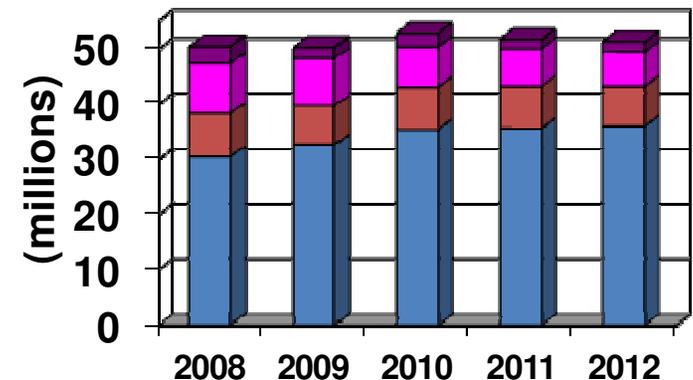
- Provides the necessary cash flow through December, before significant property tax revenues are collected again
- More important in uncertain economic times like now
- Helps the County obtain lower interest rates and interest cost savings through a stronger bond rating
- Enables flexibility for emergencies, revenue losses and discretionary funding needs



Berkeley County – Financial Audit-June 30, 2012

General Fund Revenues

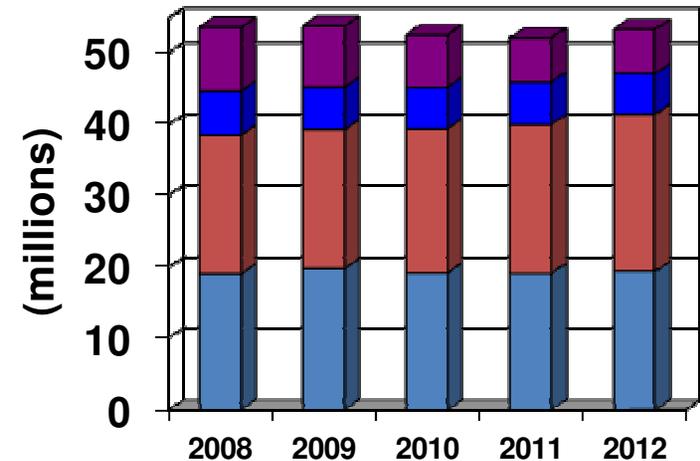
- Revenues were \$51.3M, down 0.8%, or \$0.4M vs. 2011:
 - Taxes, including FILOT and LOST, were \$36.0M, up 1.1%, or \$0.4M compared to 2011- Taxes represent 70% of total revenues
 - Fines, Forfeitures & Fees were decreased \$0.4M or 5.2% to \$7.3M mainly due to a \$145k decrease in EMS Fees and a \$137k decrease in franchise fees
 - Intergovernmental Revenues were down \$0.6M or 8.8% to \$6.2M mainly due to a \$388k decrease in the State Aid to Subdivisions revenues
 - Other revenues (licenses, fees and permits, interest income, and miscellaneous) were up \$0.2M to \$1.8M.



Berkeley County – Financial Audit-June 30, 2012

General Fund Expenditures

- Expenditures were \$53.4M, up \$1.3M (2.5%) vs. 2011:
 - General Government – up \$0.4M or 1.8%
 - Public Safety – up \$1.2M or 5.7%
 - Airport, Highways, and Streets – down \$0.2M or (3.6%)
 - Culture and Recreation – down \$0.1M or (1.8%)
 - Health and Welfare – up \$0.1M or 4.7%
 - Community Development – consistent with the prior year
 - Capital Outlay – up \$0.4m or 592.8%
 - Debt Service – down \$0.5m or (47.3%)
- The overall increase is primarily due to a \$0.8M increase in salaries and \$0.4M increase in related benefits mostly due to the one-time disbursement approved in December 2011





Berkeley County – Financial Audit-June 30, 2012

General Fund Revenues

- Revenues were \$51.3M, which was \$2.3M less than the final budget:
 - Taxes, including FILOT and LOST, were lower than budget by \$0.8M due to lower than expected collections of delinquent property tax revenues
 - Fines, Forfeitures & Fees were lower than budget by \$0.9M due to lower than expected revenues generated from building permits and court fines
 - Intergovernmental Revenues were lower than budget by \$0.4M
 - Other revenues (licenses, fees and permits, interest income, and miscellaneous) were lower than budget by \$0.2M





Berkeley County – Financial Audit-June 30, 2012

General Fund Expenditures

- Expenditures were \$53.4M, which was \$2.2M less than the final budget:
 - General Government – lower than the budget by \$1.4M
 - Airport, Highways, and Streets – lower than the budget by \$0.6M
 - All other functions combined were \$0.2M lower than the budget
- The overall decrease is primarily due to personnel expenditures being approximately \$1.1M less than the budget as a result of both unfilled positions and the delaying of hiring certain positions. Other significant factors included elected officials savings of \$776,000 and operations savings of \$185,000.





Berkeley County – Financial Audit-June 30, 2012

Other Significant Governmental Funds

- **Capital Projects** - \$82.5M fund balance, representing unspent bond proceeds, assessment district fees, and transportation sales tax collections, to be used for approved capital projects
- **Debt Service** - \$1.9M fund balance, restricted for future debt service payments
- **Special Revenue Funds** - \$11.4M fund balance, earmarked for specific items (Impact Fees - \$5.7M, Economic Development funds - \$3.9M, the Sangaree Tax District - \$0.7M and other funds)





Berkeley County – Financial Audit-June 30, 2012

Other Significant Governmental Funds (cont.)

- **Special Revenue Funds (Cont.):**

- The Storm Water Management Fund had an unassigned deficit fund balance of \$236,999 as of June 30, 2012 and an interfund balance due to the General Fund of \$188,489 due to a net decrease in fund balance of \$236,999. The County's General Fund is currently financing the deficits of this fund.
- The Sheriff's Grant Fund has an unassigned deficit fund balance of \$28,497 as of June 30, 2012 primarily due to the expenditures for the School Resource Officer Program exceeding the reimbursements received from the School District's and the amount budgeted to be provided from the General Fund.



Berkeley County – Financial Audit-June 30, 2012

Water and Sewer Fund

- Operating Revenues of \$36.3M—increase of \$1.0M (2.9%) from 2011
 - Recurring water and sewer charges were \$31.2M, up \$0.9M or 3.1% due to higher usage
 - Impact and connection fee revenues were \$4.1M, down \$0.1M or 2.0%
 - Other revenues of \$1.0M, up \$0.2M
- Operating Expenses of \$28.3M, including \$11.3M for depreciation – total increase in operating expenses of \$1.0M (3.5%) from 2011 is due to the \$1.1M increase in depreciation expense related to new equipment and completed projects that were depreciated in 2012 for the first year
- Operating Income of \$8.0M – consistent with prior year operating income





Berkeley County – Financial Audit-June 30, 2012

Water and Sewer Fund (continued)

- Net non-operating Revenues/(Expenses), which includes interest expense of \$8.8M, were (\$7.8M), an increase of \$1.1M from the prior year primarily due to an increase in interest expense of \$1.5M due to lower amounts capitalized
- This fund also recognized \$7.8M in water/sewer systems contributed by developers (\$3.9M in 2011) and received \$0.5M transferred from the County (\$0.5M in 2011 also)
- Total increase in Net Assets of \$8.6M for 2012, compared to an increase of \$5.7M for 2011
- As of 6/30/12, \$19.8M in Unrestricted Net Assets





Berkeley County – Financial Audit-June 30, 2012

Water and Sewer Fund (continued)

- Total debt service was \$14.9M for 2012, representing 46% of total cash outflows (excluding capital outlay and transfers/advances between funds)
- Debt Service Coverage Ratio for 2012 was 1.37 – (Water, Sewer and Solid Waste operations, combined as a result of the Combining Ordinances approved in fiscal 2011) - revenue bonds require a minimum of 1.20
 - The coverage ratio was met due in part to the reliance on one-time fees (impact and connection fees)
 - Excluding the one-time fees, the coverage ratio for 2012 would have been 1.12
- Unrestricted Net Assets for the Water and Sewer Fund represent 57% of budgeted expenses for FY13 but are not relatively large at all
 - About \$15-16M in annual debt service expenditures required for numerous years
 - The risk of storm or other damage to a water / sewer line requires having significant funds on hand to deal with an emergency or contingency





Berkeley County – Financial Audit-June 30, 2012

Solid Waste Fund

- Operating Revenues of \$10.1M, down \$0.2M or 2.2% from 2011, primarily due to a decrease in delinquent landfill fees
- Operating Expenses of \$9.1M, up \$0.3M or 3.5% from 2011
 - Repairs and maintenance expenses increased \$194k or 12.1%
 - Depreciation expense increased \$126k or 5.9%
- Operating Income of \$1.0M for 2012, compared to \$1.5M for 2011
- Net non-operating Revenues/(Expenses), which includes interest expense of \$413k, were (\$0.1M)





Berkeley County – Financial Audit-June 30, 2012

Solid Waste Fund (continued)

- Total increase in Net Assets of \$1.0M for 2012, compared to \$1.6M in 2011
- As of 6/30/12, \$8.8M in Unrestricted Net Assets, which represents approximately 83% of budgeted expenses for FY13
- Total debt service was \$1.9M, representing 22% of total cash outflows (excluding capital purchases and transfers/advances between funds)





Berkeley County – Financial Audit-June 30, 2012

Parks and Recreation Fund (Cypress Gardens)

- County Council has addressed the deficit in Unrestricted Net Assets in this fund
- Positive results of \$68k in 2012, compared to \$86k in 2011 – 1.0 mill in property taxes resulted in \$681k in additional revenues in 2012
- Cypress Gardens repaid the General Fund \$68k in 2012; still owes \$786k at 6/30/12
- As of 6/30/12, total Net Assets were \$823k –
 - Unrestricted Net Assets is a **deficit** of \$810k
 - However, this is an improvement of \$123k from the prior year's deficit of \$933k





Berkeley County – Financial Audit-June 30, 2012

County-wide (GASB 34)

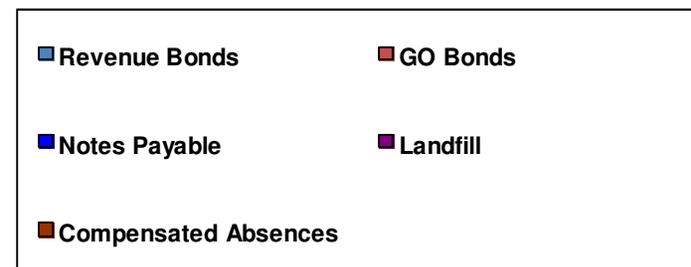
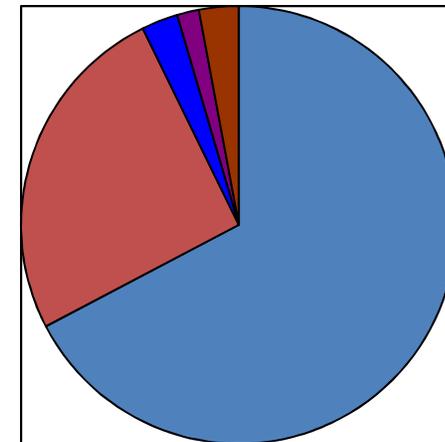
- Assets-\$712.4M
 - \$473.8M is capital assets
 - \$180.5M is cash and cash equivalents
- Liabilities-\$327.9M
 - \$261.1M is debt
- Net Assets-\$384.5M
- Revenues-\$171.9M
- Expenses-\$122.2M
 - \$23.1M is non-cash depreciation



Berkeley County – Financial Audit-June 30, 2012

Other Items of Note

- The County's total outstanding long-term obligations were \$273.5M at June 30, 2012 – decrease of \$10.0M vs. 2011:
 - \$184.0M in Revenue bonds for the Water and Sanitation Department
 - \$69.6M in General Obligation bonds
 - \$7.4M in notes and loans payable
 - \$12.4M in compensated absences and estimated landfill closure and post closure care costs



Berkeley County – Financial Audit-June 30, 2012

Other Items of Note (continued)

- OPEB (Other Post-Employment Benefits) – retiree health, etc.
 - Total Actuarial Accrued Liability (AAL) was \$5.2M at 6/30/12
 - The County did not fund the Annual Required Contribution (ARC) of approximately \$0.5M in 2012
 - Council voted to change the OPEB plan, effective October 1, 2011:
 - This decreased the AAL by \$3.7M from the 6/30/11 AAL of \$8.8M and decreased the ARC by \$0.6M from the 6/30/11 ARC of \$1.1M
 - However: the County has not funded its OPEB for the past four years:
 - **County Council still needs to address the funding for OPEB**





Berkeley County – Financial Audit-June 30, 2012

Other Items of Note (continued)

- Construction Commitments:
 - As of June 30, 2012, the Capital Projects Fund had remaining construction commitments of approximately \$7,113,000.
 - Subsequent to June 30, 2012, the County awarded an additional \$4,397,000 in construction contracts.
- Subsequent Events
 - In November 2012, the County signed an intergovernmental agreement with the South Carolina Transportation Infrastructure Bank (SCTIB) whereby the SCTIB agreed to provide up to \$6.5M in grant funds related to the Sheep Island interchange project and up to \$15.0M in grant funds related to the I-26 widening project.





Berkeley County – Financial Audit-June 30, 2012

Accounting/Auditing Update

- GASB Statement No. 68 “*Accounting and Financial Reporting for Pensions*”
 - The County will be required to report a net pension liability for its participation in the SCRS and SCPORS on the government-wide GASB34 statements. The effect of implementation has not been determined, but it is anticipated that it will materially decrease the County’s unrestricted net assets.
- There are other new standards that must be implemented over the next two years





Berkeley County – Financial Audit-June 30, 2012

Compliance and Single Audit - Findings

- Audited the Airport Improvement Program and the CDBG Program as part of federal awards testing – No findings were noted.

Management Letter

- Required communications to management and those charged with governance
- Comments all related to funding issues: OPEB long-term funding challenges; Storm Water Management program deficit fund balance; Emergency Telephone fund-losses over the last 5 years





Berkeley County – Financial Audit-June 30, 2012

Summary

- Unqualified opinion on the Financial Statements
- Good management of finances by Council and management
- Overall good financial condition, even with some funding issues to resolve
- The economy continues to struggle – tough decisions may still need to be made

