

Berkeley County

Financial Audit Presentation Year Ended June 30, 2013

Greene, Finney & Horton, CPAs



2013 FINANCIAL AUDIT BERKELEY COUNTY

● HIGHLIGHTS

- Unmodified opinion
- General Fund – fund balance decreased \$235k
- 2013 Refunding Revenue Bonds resulted in net cash flow savings of \$15,174,658

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2013 FINANCIAL AUDIT BERKELEY COUNTY

● OPINION

- The County's responsibility:
 - Effective internal controls
 - Financial statements
- GF&H responsibility:
 - Opinion – reasonable assurance that financial statements are materially correct
- Issued unmodified opinion
 - **BEST OPINION THE COUNTY CAN RECEIVE**

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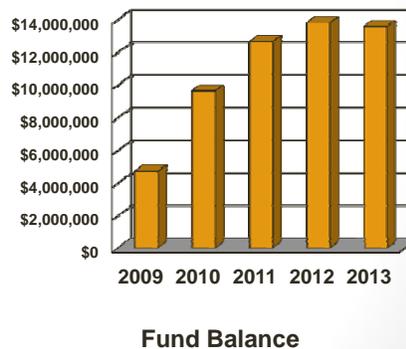


2013 FINANCIAL AUDIT BERKELEY COUNTY

● General Fund

- Total fund balance decreased \$235k
- Nonspendable fund balance of \$130k for inventory and \$82k for prepaid items
- Assigned fund balance of \$497k for Elected Officials' Carryover

GENERAL FUND



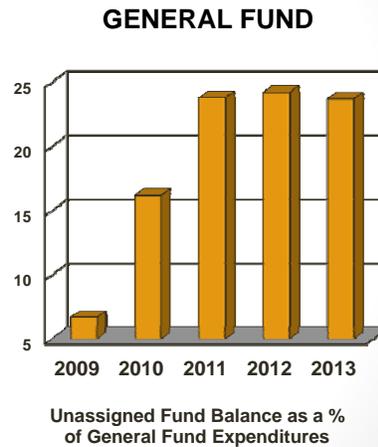
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2013 FINANCIAL AUDIT BERKELEY COUNTY

• General Fund

- Unassigned fund balance is \$12.9 million, which is 23.7% of 2013 actual expenditures and 22.2% of 2014 budgeted expenditures
- GFOA recommends a minimum of 16.7% (two months)
- The County's policy is to maintain a minimum unassigned fund balance of 15% of the next year's budget, or about \$8.7 million as of June 30, 2013.



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2013 FINANCIAL AUDIT BERKELEY COUNTY

• Major Reasons To Maintain An Adequate Fund Balance:

- Cash flow through second half of calendar year; property taxes and business licenses are cyclical.
- Significant emergencies and unanticipated expenditures.
- Flexibility for discretionary funding needs.
- Potential for better interest rates on debt issues (can save the County money).
- To cover potential shortfalls from the state (a) due to budget cuts or (b) as a result of the change in legislation.
- Unique requirements for a coastal community due to higher potential for acts of God.
- Extremely important given the uncertain economic times.

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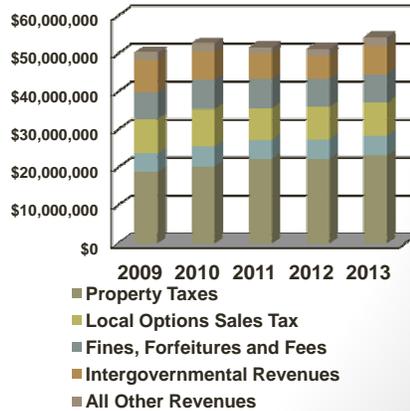


2013 FINANCIAL AUDIT BERKELEY COUNTY

General Fund Revenues:

- \$54.4 million for 2013:
 - \$23.1m from property taxes
 - \$5.3m in fee in lieu of taxes
 - \$8.7m in local options sales tax
 - \$7.6m in fines, forfeitures and fees
 - \$7.4m in intergovernmental revenues
- \$3.1m (6.1%) increase from 2012
 - \$1.2m increase in intergovernmental state and local due to an additional \$1.1m allocation in State Aid to Subdivisions revenues approved by the State legislature
 - \$848k increase in property taxes due to increased assessed values
 - \$522k increase in licenses, permits and fees
- \$1.4m (2.6%) under budget
 - \$864k under budget in fee in lieu of taxes as a result of collections being lower than anticipated
 - \$546k under budget in fines, forfeitures and fees primarily due to court fines being \$278k under budget and franchise fees being \$108k under budget

GENERAL FUND REVENUES



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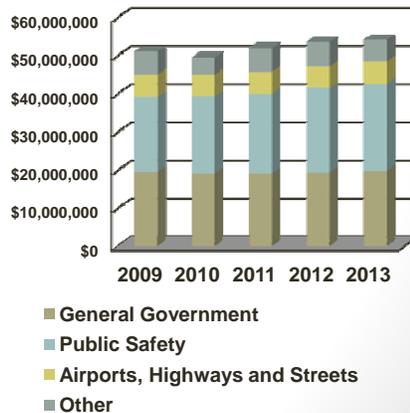


2013 FINANCIAL AUDIT BERKELEY COUNTY

General Fund Expenditures:

- \$54.2 million for 2013:
 - \$19.9m in general government
 - \$22.8m in public safety
 - \$5.8m in airports, highways and streets
 - \$5.7m in other expenditures
- \$833k (1.6%) increase from 2012
 - \$747k increase in Public Safety due to the one time salaries adjustment approved by County Council
 - \$399k increase in General Government due to the one time salaries adjustment approved by County Council
 - \$547k decrease in Debt Service due to the notes payable being fully repaid in fiscal year 2012
- \$3.7m (6.3%) under budget
 - \$2.5m under budget in general government primarily due to the County budgeting for a compensation plan which was not implemented during the fiscal year
 - \$502k under budget in airport, highways and streets due to personnel costs being under budget as a result of less employees compared to prior year

GENERAL FUND EXPENDITURES



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2013 FINANCIAL AUDIT BERKELEY COUNTY

Enterprise Funds

- **Water & Sewer** had a \$5.9m increase in net position compared to an \$8.5m increase in the prior year:
 - Total Water and Sewer Fund operating revenues increased approximately \$1.7m or 4.8% from the prior year primarily due to increased water and sewer revenues as a result of a rate increase with one of the large contract customers as well as overall increased consumption. Capital contributions (contributed systems from developers) decreased \$3.6m or 45.8% primarily due to several large systems being contributed in the prior fiscal year.
 - Water and Sewer Fund operating expenses increased \$1.6m or 5.7% primarily due to the one time salaries adjustment approved by County Council as well as increased water purchases and energy costs. Depreciation expense also increased \$399k.

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2013 FINANCIAL AUDIT BERKELEY COUNTY

Enterprise Funds

- **Solid Waste** had a \$2.4m increase in net position compared to a \$962k increase in the prior year:
 - Total Solid Waste Fund operating revenues increased \$1.1m or 10.8% primarily due to a \$409k increase in delinquent landfill fees as a result of increased collections and a \$620k increase in tipping fees as a result of increased commercial waste taken in at the landfill. In addition, non-operating gain on sale of assets increased \$577k primarily due to the sale of multiple assets with little to no net book value.
 - Solid Waste Fund operating expenses increased \$259k or 2.9% primarily due to the one time salaries adjustment approved by County Council.

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Enterprise Funds

- **Parks and Recreation** had an \$84k increase in net position compared to a \$68k increase in the prior year:
 - Operating revenues increased \$39k or 7.4% to \$568k primarily due to an increase in other operating revenues. Nonoperating revenues increased \$25k or 3.6% to \$707k primarily due to the increase in property tax revenues as a result of increased assessed values.
 - Operating expenses increased \$48k or 4.2% primarily due to an increase in salaries and related benefits as a result of the one time salaries adjustment approved by County Council.
 - The total unrestricted deficit is \$641k.

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2013 FINANCIAL AUDIT BERKELEY COUNTY

Enterprise Funds

- **Emergency Telephone** had a \$7k increase in net position compared to a \$91k decrease in the prior year.
 - Operating revenues decreased \$98k or 17.5% to \$462k due to a decrease in sales and services. Nonoperating revenues increased \$116k to \$117k as a result of increased state grant revenues in support of the program.
 - Operating expenses decreased \$79k or 12.1% to \$572k primarily due to a decrease in depreciation expense as several large assets became fully depreciated early in fiscal year 2013.

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2013 FINANCIAL AUDIT BERKELEY COUNTY

Other Funds

- **Capital Projects fund** had a \$10.9m increase in fund balance compared to a \$15.1m increase in the prior year:
 - Revenues increased \$8.8m or 39.3% to \$31.3m primarily due to an \$8.0m increase in intergovernmental – state and local revenues as the County received an \$8.0m grant from the State Ports Authority for future infrastructure improvements. Transportation Sales Tax revenues also increased \$878k.
 - Expenditures increased approximately \$14.2m or 208.3% to \$21.0m primarily due to increases in expenditures for large road projects (Hwy 6, Jedburg Rd, etc.).
- **Debt Service fund** had a \$175k decrease in fund balance compared to a \$466k decrease in the prior year:
 - Revenues increased \$27k or 1.1% to \$2.5m primarily due to an increase in property taxes as a result of increased assessed values.
 - Expenditures decreased \$400k or 13.2% to \$2.6m primarily due to a decrease in interest expenditures.

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2013 FINANCIAL AUDIT BERKELEY COUNTY

Other Funds

- **Special Revenue funds** had a \$4.6m increase in fund balance compared to a \$1.1m increase in the prior year:
 - Revenues decreased \$2.8m or 14.5% to \$16.4m primarily due to the reporting of FILOT revenues from Mt. Holly properties. In the prior year, these revenues were reported in a special revenue fund and transferred out to the General Fund and Water and Sewer Fund. Beginning in fiscal 2013 all FILOT revenues are reported in an agency fund and distributed accordingly.
 - Expenditures decreased \$3.9m or 25.7% to \$11.1m primarily due to a \$5.0m decrease in capital outlay as a result of many of the C-Funds projects nearing completion at the end of the prior fiscal year.
 - Net transfers out decreased by \$2.5m or 79.5% to \$639k primarily due to a change in the reporting of FILOT revenues compared to prior year. In the prior year, the revenues were reported in a special revenue fund and transferred out to the General Fund. The County reported FILOT revenues in an agency fund for fiscal 2013.

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2013 FINANCIAL AUDIT BERKELEY COUNTY

AUDITING/ACCOUNTING UPDATE:

- Future Significant Changes in Auditing Principles:
 - None
- Future Significant Changes in Accounting Principles:
 - GASB #65: Items Previously Reported as Assets and Liabilities. Becomes effective in 2014. No significant impact noted except that certain assets and liabilities will become deferred outflows and inflows, respectively. Also, all current and prospective bond issuance costs will be expensed when incurred.
 - GASB #67/68: Accounting and Financial Reporting for Pension Plans and Pensions. Becomes effective in 2014 for your own plan and in 2015 for cost-sharing multiple-employer plans. Since the County participates in the state multiple-employer pension plans (SCRS and PORS), the County will be required to record its pro-rata portion of the net pension liability associated with these plans in its Statement of Net Position which will significantly decrease the County's net position.

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2013 FINANCIAL AUDIT BERKELEY COUNTY

Other Items of Note:

- Total capital assets were \$477.4m at 6/30/13 – increase of \$3.6m from 6/30/12:
 - \$10.6m in donated infrastructure for governmental activities and \$4.2m in contributed systems for the water and sewer fund.
 - Depreciation expense totaled \$24.7m, including \$10.4m for governmental activities and \$14.3m for business-type activities.
 - Construction in progress is \$39.8m at 6/30/13. The largest ongoing projects are the Central Berkeley Wastewater Treatment Plant, which was nearing completion as of 6/30/13, and the Flex Net project, which was also nearing completion at 6/30/13.
- Construction commitments total \$7.2m for the Capital Projects Fund, \$3.4m for the Water and Sewer Fund, and \$1.1m for the Solid Waste Fund at 6/30/13. Subsequent to June 30, 2013, the County awarded an additional \$9.7m, \$9.6m, and \$2.3m in construction contracts for its Capital Projects Fund, Water and Sewer Fund, and Solid Waste Fund, respectively.

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2013 FINANCIAL AUDIT BERKELEY COUNTY

Other Items of Note:

- Total long-term obligations outstanding at 6/30/13 were \$265.1m – decrease of \$10.6m from 6/30/12:
 - Governmental Activities - \$82.9m
 - \$66.7m in GO Bonds
 - \$5.8m in SCTIB Loan
 - \$2.2m in OPEB
 - \$6.9m in Compensated Absences
 - Business-Type Activities - \$182.3m
 - \$165.0m in Revenue Bonds
 - \$4.0m in landfill closure and postclosure
 - Issued \$123.6m in 2013 Refunding Revenue Bonds, receiving a premium of \$20.4m, to refund \$139.4m in outstanding bonds. The refunding resulted in net cash flow savings of \$15.2m.
- Total debt service payments for 2014 on outstanding debt are expected to be \$29.8m including \$14.2m in governmental activities and \$15.6m in business-type activities.

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2013 FINANCIAL AUDIT BERKELEY COUNTY

Other Items of Note:

- Subsequent Events
 - Issuance of the Series 2013 GO Refunding Bonds, which reduced debt service payments over the next 15 years by \$363k.
 - Withdrawal from Lake Marion Regional Water Agency and pending lawsuit

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2013 FINANCIAL AUDIT BERKELEY COUNTY

Compliance

- No findings, significant deficiencies, or material weaknesses were noted
- Single Audit was required for 2013
 - Highway Safety Grant
 - National Forest Funds

Management Letter

- Required communications to management and those charged with governance:
 - Other Post-employment Benefits
 - Deficit Balances in the Parks and Recreation and Stormwater Management funds

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2013 FINANCIAL AUDIT BERKELEY COUNTY

Summary

- Unmodified opinion on the Financial Statements from GF&H
- Good financial condition as of June 30, 2013
- Important financial funding decisions need to be made in the near future

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