

BERKELEY COUNTY, SOUTH CAROLINA

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

FISCAL YEAR ENDED JUNE 30, 2006



PREPARED BY:

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BERKELEY COUNTY, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2006

<u>FINANCIAL SECTION</u>		<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT		1
Management's Discussion and Analysis		3
Basic Financial Statements:		
<i>Government-wide Financial Statements:</i>		
Statement of Net Assets		12
Statement of Activities		15
<i>Fund Financial Statements:</i>		
Balance Sheet - Governmental Funds		16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets		17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds		18
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds to the Statement of Activities		19
Statement of Net Assets - Proprietary Funds		20
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds		21
Statement of Cash Flows - Proprietary Funds		22
Statement of Fiduciary Net Assets - Fiduciary Funds		24
<i>Notes to the Basic Financial Statements</i>		25
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>		
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - General Fund		56

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2006

OTHER SUPPLEMENTARY INFORMATION

	<u>Page Number</u>
<u>Combining and Individual Fund Schedules:</u>	
Combining Balance Sheet - Nonmajor Governmental Funds	59
Combining Balance Sheet - Special Revenue Funds	60
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	67
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Special Revenue Funds	68
Combining Schedule of Fiduciary Net Assets - All Agency Funds	74
Schedule of Court Assessments and Surcharges - Clerk of Court and Magistrates	76

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	77
Notes to Schedule of Expenditures of Federal Awards	80
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>	81
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	82
Schedule of Findings and Questioned Costs	83
Summary Schedule of Prior Audit Findings	85



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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2006, 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, 2006, 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 January 31, 2007, 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 considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison schedule, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



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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
January 31, 2007

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

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, 2006. 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 \$151,069,962 for fiscal year 2006 as compared to \$130,844,078 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 \$34,257,550. Unrestricted net assets increased \$9,726,871 over the previous fiscal year.
- The County's total net assets this fiscal year increased \$20,225,884 over the previous year, with \$1,913,889 of the increase resulting from governmental activities and \$18,311,995 resulting from business-type activities.
- At June 30, Berkeley County's governmental funds statements reported combined ending fund balances of \$15,560,815, a decrease of \$1,619,084 over the previous fiscal year due to the construction of capital projects. Of this amount, \$12,808,287 remains in the various fund types of the County as unreserved.
- The General Fund reported an unreserved fund balance of \$7,012,108 compared to last year's unreserved amount of \$5,383,002, an increase of \$1,629,106.
- The County's total capital assets were \$261,246,442 at June 30, 2006, an increase of \$39,037,652 from the previous year.
- The County's total long-term obligations were \$266,878,443 at June 30, 2006, an increase of \$104,983,559 from the previous year. This increase was due primarily to the four new issuances of debt during the year.
- The debt service coverage for the Solid Waste and the Water/Sewer revenue bonds was 252% and 190%, 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, 2006. 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).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (Continued)

Governmental activities reported in the statements include general government, public safety, airport, highways and streets, culture and recreation, health and welfare, and community development. The business-type activities are water and sewer, solid waste, parks and recreation, and emergency telephone.

Fund Financial Statements

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Berkeley County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of Berkeley County Government can be divided into three categories: governmental, proprietary, and fiduciary funds.

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

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

Proprietary Funds – Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. These funds are similar to the government-wide business-type activities, but provide more detail and additional information, such as a cash flow statement.

Fiduciary Funds – Berkeley County uses fiduciary funds to account for resources held for the benefit of parties outside county government. Although these funds are presented in the fund set of statements, they do not appear in the government-wide financial statements because the resources of fiduciary funds are not available to support Berkeley County Government's own programs. Berkeley County reports its fiduciary funds in a separate Statement of Fiduciary Net Assets.

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

Other Information – In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information that includes this analysis and the General Fund budgetary comparison.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative data for fiscal years ending June 30, 2006 and 2005 are shown below.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and Other Assets	\$ 48,374	46,314	146,424	59,271	194,798	\$ 105,585
Capital Assets, Net	39,706	35,958	221,540	186,251	261,246	222,209
Total Assets	<u>88,080</u>	<u>82,272</u>	<u>367,964</u>	<u>245,522</u>	<u>456,044</u>	<u>327,794</u>
Liabilities:						
Current Liabilities	37,670	33,577	10,870	11,053	48,540	44,630
Non-Current Liabilities	<u>36,311</u>	<u>36,510</u>	<u>220,123</u>	<u>115,810</u>	<u>256,434</u>	<u>152,320</u>
Total Liabilities	<u>73,981</u>	<u>70,087</u>	<u>230,993</u>	<u>126,863</u>	<u>304,974</u>	<u>196,950</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	4,739	4,884	104,343	98,913	109,082	103,797
Restricted	2,414	1,780	5,317	736	7,731	2,516
Unrestricted	<u>6,946</u>	<u>5,521</u>	<u>27,311</u>	<u>19,010</u>	<u>34,257</u>	<u>24,531</u>
Total Net Assets	<u>\$ 14,099</u>	<u>12,185</u>	<u>136,971</u>	<u>118,659</u>	<u>151,070</u>	<u>\$ 130,844</u>

The overall financial position of the County improved in both fiscal years 2006 and 2005. 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, 2006 and 2005 amounted to \$20,225,884 and \$6,899,165, 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, 2006 increased approximately \$9,726,000 for unrestricted net assets and \$5,215,000 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 (72.2%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). These assets are presented less any outstanding debt related to the acquisition and accumulated depreciation of those assets. The County uses capital assets to provide services to citizens and consequently these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the capital assets themselves cannot be used to liquidate that liability and other resources will be needed to repay any associated debt.

BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Comparative data for fiscal years ending June 30, 2006 and 2005 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	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	\$ 14,091	12,808	39,212	31,255	53,303	\$ 44,063
Operating Grants and Contributions	1,792	2,088	2,064	4,507	3,856	6,595
Capital Grants and Contributions	1,643	3,089	8,763	6,382	10,406	9,471
General Revenues:						
Property Taxes	26,478	20,673	-	-	26,478	20,673
Fee in Lieu of Taxes	4,738	4,543	-	-	4,738	4,543
Accommodations Taxes	458	387	-	-	458	387
Franchise Fees	317	320	-	-	317	320
Unrestricted Grants	7,455	7,478	-	-	7,455	7,478
Interest Income	508	347	4,983	736	5,491	1,083
Gain on Sale of Assets	25	3	-	338	25	341
Miscellaneous	239	161	-	-	239	161
Total Revenues	<u>57,744</u>	<u>51,897</u>	<u>55,022</u>	<u>43,218</u>	<u>112,766</u>	<u>95,115</u>
Expenses:						
General Government	18,780	17,002	-	-	18,780	17,002
Public Safety	22,010	20,299	-	-	22,010	20,299
Airport, Highways, and Streets	6,283	5,995	-	-	6,283	5,995
Culture and Recreation	2,444	2,098	-	-	2,444	2,098
Health and Welfare	1,799	1,635	-	-	1,799	1,635
Community Development	2,380	2,009	-	-	2,380	2,009
Interest and Fiscal Charges	1,757	1,755	-	-	1,757	1,755
Water and Sewer	-	-	27,129	23,410	27,129	23,410
Solid Waste	-	-	8,073	11,528	8,073	11,528
Parks and Recreation	-	-	1,359	1,225	1,359	1,225
Emergency Telephone	-	-	526	557	526	557
Total Expenses	<u>55,453</u>	<u>50,793</u>	<u>37,087</u>	<u>36,720</u>	<u>92,540</u>	<u>87,513</u>
Increase (Decrease) in Net Assets before Extraordinary Item and Transfers	2,291	1,104	17,935	6,498	20,226	7,602
Extraordinary Item	-	-	-	(703)	-	(703)
Transfers	(377)	(104)	377	104	-	-
Change in Net Assets	<u>1,914</u>	<u>1,000</u>	<u>18,312</u>	<u>5,899</u>	<u>20,226</u>	<u>6,899</u>
Net Assets, Beginning of Year	12,185	10,237	118,659	112,760	130,844	122,997
Prior Period Adjustment	-	948	-	-	-	948
Net Assets, Beginning of Year, Restated	<u>12,185</u>	<u>11,185</u>	<u>118,659</u>	<u>112,760</u>	<u>130,844</u>	<u>123,945</u>
Net Assets, End of Year	<u>\$ 14,099</u>	<u>12,185</u>	<u>136,971</u>	<u>118,659</u>	<u>151,070</u>	<u>\$ 130,844</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities. The largest increase in revenues was property taxes. This was substantially attributable to an increase in new development.

The largest increase in expenses was general government. This was substantially attributable to rising personnel costs necessary to serve the needs of the County's growing population.

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

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

FINANCIAL ANALYSIS OF BERKELEY COUNTY'S FUNDS

As noted earlier, Berkeley County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The following schedule presents a summary of all governmental fund revenues and other financing sources for the fiscal year ended June 30, 2006, 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 2005</u>	<u>Percent Increase (Decrease)</u>
Revenues				
Property and Accommodations Taxes	\$ 26,632	42.5%	\$ 5,165	24.1%
Fee in Lieu of Taxes	4,738	7.6%	193	4.2%
Licenses, Fees and Permits	2,017	3.2%	618	44.2%
Fines, Forfeitures and Fees	11,752	18.7%	865	7.9%
Interest Income	508	0.8%	162	46.8%
Local Revenue	592	0.9%	80	15.6%
Intergovernmental - Federal	2,027	3.2%	(921)	-31.2%
Intergovernmental - State and Local	8,035	12.8%	(73)	-0.9%
Miscellaneous	1,261	2.0%	125	11.0%
Other Financing Sources				
Proceeds from Capital Lease	1,480	2.4%	392	36.0%
Transfers In	3,641	5.8%	556	18.0%
Total	<u>\$ 62,683</u>	<u>100%</u>	<u>\$ 7,162</u>	<u>12.9%</u>

Property and accommodations taxes increased over 24% from the prior year due primarily to new development and increases in assessed values. Licenses, permits, fines and fees also experienced large increases due to the economic growth the County experienced during the year. The County received fewer federal and state grants, resulting in lower intergovernmental revenues compared to the prior year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

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, 2006, and the percentage of increases and decreases in relation to prior year amounts (in thousands):

	Amount	Percent of Total	Increase (Decrease) from 2005	Percent Increase (Decrease)
Expenses:				
General Government	\$ 17,649	27.4%	\$ 1,560	9.7%
Public Safety	21,026	32.7%	1,573	8.1%
Airport, Highways, and Streets	5,550	8.6%	276	5.2%
Culture and Recreation	2,479	3.9%	484	24.3%
Health and Welfare	1,679	2.6%	85	5.3%
Community Development	2,335	3.6%	422	22.1%
Capital Outlay	6,460	10.0%	(2,098)	-24.5%
Debt Service:				
Principal Retirement	1,865	2.9%	241	14.8%
Interest Fiscal Charges	1,521	2.4%	31	2.1%
Other Financing Uses:				
Transfer Out	3,739	5.8%	549	17.2%
Total	\$ 64,303	100.0%	\$ 3,123	5.1%

The largest percentage increase in expenditures and other financing uses was in culture and recreation. This was attributable to the increase in library services in the County. The largest decrease in expenditures and other financing uses was in capital outlay and is attributable to the decrease in construction of county buildings.

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 28.7% from the prior fiscal year to \$7,289,721. The increase in fund balance is attributable to the increase in revenue as of result of the growth in the County.

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, 2006, total net assets amounted to \$136,970,622 for enterprise funds as compared to \$118,658,627 at June 30, 2005. 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, 2006

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 significant increase in operating income due primarily to higher impact and capacity reservation fees, which was only partially offset by higher operating expenses. The Solid Waste Fund had increases both in operating revenue and operating expenses during this year, the net effect of which was a small increase in operating revenue for the year. 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 2006, 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)	
	2006	2005
Water and Sewer	\$ 10,047	\$ 4,029
Solid Waste	2,003	1,964
Parks and Recreation	(751)	(669)
Emergency Telephone	(41)	(44)
Total	<u>\$ 11,258</u>	<u>\$ 5,280</u>

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 2006 as well as the final budget. The difference between the original budget and the final budget is substantially related to the supplemental appropriations approved by council in January and June 2006. The change between the original budgeted revenues and other financing sources, and the final budgeted revenues and other financing sources was an increase of \$2,161,439. This amount was offset by the same increase in the change between the original budgeted expenditures and other financing uses, and the final budgeted expenditures and other financing uses.

A column for actual revenues and a column for differences between final budget and actual revenues follow the budgeted amounts columns. During fiscal year 2006, revenues exceeded budgetary estimates by \$217,152.

A column for actual expenditures and a column for differences between final budget and actual expenditures follow the budgeted amounts columns. During fiscal year 2006, expenditures were less than budgetary estimates by \$2,401,158. Most of this savings is attributable to \$525,693 and \$1,210,691 realized in finance and administration and public safety, respectively.

BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of 2006, the County had approximately \$261 million invested in capital assets, net of depreciation. This was an increase of approximately \$39 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, the purchase of the water distribution system and a wastewater collection and treatment system at St. Stephen, 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, 2006 and 2005, net of accumulated depreciation (in thousands).

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 2,506	2,506	2,777	2,765	5,283	\$ 5,271
Construction in Progress	3,870	9,543	34,994	7,845	38,864	17,388
Buildings and Improvements	22,965	14,839	-	-	22,965	14,839
Furniture and Equipment	3,803	2,766	6,030	5,480	9,833	8,246
Vehicles	3,153	3,068	-	-	3,153	3,068
Utility Systems, Plants and Buildings	-	-	177,739	170,160	177,739	170,160
Other	3,409	3,236	-	-	3,409	3,236
Total	<u>\$ 39,706</u>	<u>35,958</u>	<u>221,540</u>	<u>186,250</u>	<u>261,246</u>	<u>\$ 222,208</u>

The County also has total outstanding construction commitments at June 30, 2006 of approximately \$4.8 million. More detailed information about the County's capital assets is included in Note III. D. of the Notes to the Basic Financial Statements.

Long-Term Debt. At June 30, 2006, the County had approximately \$258.6 million in bonds, loans and capital leases outstanding versus approximately \$154.6 million at June 30, 2005, or an increase of approximately \$104 million. The table below reflects the outstanding balances (in thousands) as of June 30, 2006 and 2005.

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 27,773	28,550	-	-	27,773	\$ 28,550
Revenue Bonds	-	-	221,445	116,085	221,445	116,085
Intergovernmental Loan	5,000	5,000	-	-	5,000	5,000
Capital Leases	2,150	1,735	2,299	3,256	4,449	4,991
Total	<u>\$ 34,923</u>	<u>35,285</u>	<u>223,744</u>	<u>119,341</u>	<u>258,667</u>	<u>\$ 154,626</u>

During fiscal 2006, the County issued the following bonds:

- (1) \$105,750,000 Water and Sewer Revenue Bonds to fund the construction of several projects;
- (2) \$1,300,000 Water and Sewer System Bonds to fund the remaining purchase price of the St Stephen's Water and Sewer System;
- (3) \$2,950,000 Solid Waste Refunding Revenue Bonds to defease the outstanding Series 2000 bonds in order to obtain a lower interest rate;

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

- (4) \$36,120,000 Water and Sewer Refunding Revenue Bonds to defease \$32,310,000 of the outstanding Series 2003 Revenue Bonds. The new debt has a variable interest rate, and the County entered into an interest rate swap agreement in connection with this debt. This advance refunding was undertaken to reduce total debt service payments over the next 22 years by an estimated \$2.8 million and resulted in an economic gain of \$1.9 million.

Subsequent to year end, the County issued bonds totaling approximately \$8 million. More detailed information about the County's debt and other long-term liabilities is presented in Note III. I and Note IV. L. of the Notes to the Basic Financial Statements.

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

ECONOMIC FACTORS AND THE 2007 BUDGET

Factors considered in preparing Berkeley County's budget for the 2007 fiscal year included:

- The unemployment rate in the County increased to approximately 5.9% from approximately 5.3% in 2005, and the State's unemployment rate increased to approximately 6.7% from 6.3% in 2005.
- The population of the County was approximately 149,668 in 2005, and is expected to reach 190,000 by 2010.

During the current fiscal year, unreserved fund balance in the general fund increased to \$7,289,721. The County has appropriated \$2,582,232 of this amount for spending in the 2007 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2007 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 the Berkeley County Finance Department at Post Office Box 6122, Moncks Corner, SC 29461-6120.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2006

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 12,234,819	28,869,859	\$ 41,104,678
Receivables, Net of Allowances:			
Property Taxes	26,274,208	-	26,274,208
Accounts Receivable	4,089,188	1,106,112	5,195,300
Accrued Interest Receivable	-	3,580,576	3,580,576
Federal Government	441,771	218,855	660,626
State and Local Governments	1,935,759	2,673,733	4,609,492
Internal Balances	2,839,681	(2,839,681)	-
Inventories, at Cost	111,761	46,522	158,283
Prepaid Items and Deposits	51,008	70,359	121,367
Restricted Cash and Cash Equivalents	118,518	103,830,017	103,948,535
TOTAL CURRENT ASSETS	48,096,713	137,556,352	185,653,065
NON-CURRENT ASSETS			
Capital Assets:			
Non-Depreciable	6,376,228	37,771,013	44,147,241
Depreciable, Net of Accumulated Depreciation	33,330,248	183,768,953	217,099,201
TOTAL CAPITAL ASSETS	39,706,476	221,539,966	261,246,442
OTHER NON-CURRENT ASSETS			
Accounts Receivable, Due in More Than One Year	-	117,238	117,238
Joint Municipal Water System, Net of			
Accumulated Amortization	-	5,874,399	5,874,399
Bond Issuance Cost, Net of Accumulated Amortization	-	2,876,487	2,876,487
Other Assets	277,087	-	277,087
TOTAL OTHER NON-CURRENT ASSETS	277,087	8,868,124	9,145,211
TOTAL NON-CURRENT ASSETS	39,983,563	230,408,090	270,391,653
TOTAL ASSETS	\$ 88,080,276	367,964,442	\$ 456,044,718

(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, 2006

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 3,065,585	1,700,435	\$ 4,766,020
Accrued Interest Payable	2,245,824	142,557	2,388,381
Current Portion of Long-Term Obligations:			
Accrued Compensated Absences	1,940,252	211,720	2,151,972
Landfill Closure and Postclosure Cost Liability	-	43,196	43,196
Capital Leases	962,861	764,070	1,726,931
Bonds Payable	840,000	-	840,000
Deferred Revenue	28,615,122	10,265	28,625,387
Liabilities Payable from Restricted Assets:			
Construction Contract and Retainage Payable	-	1,499,981	1,499,981
Accrued Interest Payable	-	816,544	816,544
Bonds Payable	-	5,681,692	5,681,692
TOTAL CURRENT LIABILITIES	37,669,644	10,870,460	48,540,104
NON-CURRENT LIABILITIES			
Accrued Compensated Absences	3,190,677	525,872	3,716,549
Landfill Closure and Postclosure Cost Liability	-	2,299,099	2,299,099
Capital Leases	1,187,357	1,535,155	2,722,512
Bonds Payable	26,933,258	215,763,234	242,696,492
Intergovernmental Loan	5,000,000	-	5,000,000
TOTAL NON-CURRENT LIABILITIES	36,311,292	220,123,360	256,434,652
TOTAL LIABILITIES	73,980,936	230,993,820	304,974,756
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,738,939	104,342,911	109,081,850
Restricted For:			
Debt Service	2,287,164	5,316,576	7,603,740
Other	126,822	-	126,822
Unrestricted	6,946,415	27,311,135	34,257,550
TOTAL NET ASSETS	\$ 14,099,340	136,970,622	\$ 151,069,962

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

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BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

PRIMARY GOVERNMENT:	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
General Government	\$ 18,779,782	8,337,051	540,723	-	(9,902,008)	-	\$ (9,902,008)
Public Safety	22,010,024	5,094,604	640,585	394,008	(15,880,827)	-	(15,880,827)
Airport, Highways and Streets	6,283,491	456,950	77,100	773,681	(4,975,760)	-	(4,975,760)
Culture and Recreation	2,443,886	42,298	328,216	-	(2,073,372)	-	(2,073,372)
Health and Welfare	1,799,350	19,554	180,493	15,000	(1,584,303)	-	(1,584,303)
Community Development	2,380,358	140,563	25,000	459,834	(1,754,961)	-	(1,754,961)
Interest and Fiscal Charges	1,756,938	-	-	-	(1,756,938)	-	(1,756,938)
Total Governmental Activities	55,453,829	14,091,020	1,792,117	1,642,523	(37,928,169)	-	(37,928,169)
Business-Type Activities:							
Water and Sewer	27,128,799	28,993,421	1,949,156	8,761,633	-	12,575,411	12,575,411
Solid Waste	8,073,488	9,138,734	15,115	-	-	1,080,361	1,080,361
Parks and Recreation	1,359,429	608,066	25,375	1,500	-	(724,488)	(724,488)
Emergency Telephone	525,507	471,234	74,310	-	-	20,037	20,037
Total Business-Type Activities:	37,087,223	39,211,455	2,063,956	8,763,133	-	12,951,321	12,951,321
Total Primary Government	\$ 92,541,052	53,302,475	3,856,073	10,405,656	(37,928,169)	12,951,321	(24,976,848)
General Revenues:							
Taxes:							
Property Taxes					26,478,308	-	26,478,308
Fee in Lieu of Taxes					4,738,172	-	4,738,172
Accommodation					457,962	-	457,962
Franchise Taxes					317,404	-	317,404
Grants and Contributions not Restricted to Specific Programs					7,454,711	-	7,454,711
Interest Income					508,356	4,983,092	5,491,448
Gain on Sale of Assets					25,703	-	25,703
Miscellaneous					239,024	-	239,024
Transfers					(377,582)	377,582	-
Total General Revenues and Transfers					39,842,058	5,360,674	45,202,732
NET CHANGE IN NET ASSETS					1,913,889	18,311,995	20,225,884
NET ASSETS - Beginning of Year					12,185,451	118,658,627	130,844,078
NET ASSETS - End of Year					\$ 14,099,340	136,970,622	\$ 151,069,962

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, 2006

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 2,899,845	9,334,974	\$ 12,234,819
Receivables, Net of Allowances:			
Property Taxes	23,624,856	2,649,352	26,274,208
Accounts Receivable	521,281	3,567,907	4,089,188
Federal Government	42,808	398,963	441,771
State and Local Governments	1,863,748	72,011	1,935,759
Due from Other Funds	3,342,552	-	3,342,552
Inventories, at Cost	111,761	-	111,761
Prepaid Items	47,334	3,674	51,008
Restricted Cash and Cash Equivalents	118,518	-	118,518
TOTAL ASSETS	32,572,703	16,026,881	48,599,584
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	1,986,748	1,078,837	3,065,585
Compensated Absences Payable	1,217	-	1,217
Due to Other Funds	78,570	424,301	502,871
Deferred Revenue	23,216,447	6,252,649	29,469,096
TOTAL LIABILITIES	25,282,982	7,755,787	33,038,769
FUND BALANCES			
Reserved For:			
Inventory	111,761	-	111,761
Prepaid Items	47,334	3,674	51,008
Debt Service	-	2,344,419	2,344,419
Future Capital Lease Acquisitions	118,518	-	118,518
Other	-	126,822	126,822
Unreserved:			
Designated for Subsequent Years'			
Appropriations/Operations	2,582,232	-	2,582,232
Undesignated, Reported in:			
General Fund	4,429,876	-	4,429,876
Special Revenue Funds	-	3,893,780	3,893,780
Capital Projects Funds	-	1,902,399	1,902,399
TOTAL FUND BALANCES	7,289,721	8,271,094	15,560,815
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,572,703	16,026,881	\$ 48,599,584

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, 2006

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	15,560,815
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Amounts reported for the governmental activities in the Statement of Net Assets are different because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets were \$62,755,724 and the accumulated depreciation was \$23,049,248.		39,706,476
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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	853,974	
Other Assets	<u>277,087</u>	1,131,061

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	(27,710,000)	
Deferred Refunding Costs	226,471	
Bond Premium	(289,728)	
Intergovernmental Loan	(5,000,000)	
Capital Leases	(2,150,218)	
Accrued Compensated Absences	(5,129,713)	
Accrued Interest	<u>(2,245,824)</u>	<u>(42,299,012)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	<u>14,099,340</u>
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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 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes:			
Property	\$ 23,102,827	3,070,003	\$ 26,172,830
Other	-	457,962	457,962
Fee in Lieu of Taxes	3,691,798	1,046,374	4,738,172
Licenses, Fees and Permits	2,017,221	-	2,017,221
Fines, Forfeitures and Fees	7,856,918	3,895,865	11,752,783
Interest Income	278,296	230,060	508,356
Other Local Revenue	-	591,640	591,640
Intergovernmental - Federal	276,282	1,751,465	2,027,747
Intergovernmental - State and Local	7,074,349	960,601	8,034,950
Miscellaneous	629,419	630,905	1,260,324
TOTAL REVENUES	44,927,110	12,634,875	57,561,985
EXPENDITURES			
Current:			
General Government	16,878,192	770,382	17,648,574
Public Safety	16,501,367	4,524,669	21,026,036
Airport, Highways and Streets	5,460,996	88,566	5,549,562
Culture and Recreation	53,605	2,425,506	2,479,111
Health and Welfare	1,647,508	31,842	1,679,350
Community Development	425,518	1,909,568	2,335,086
Capital Outlay	1,323,842	5,135,991	6,459,833
Debt Service:			
Principal Retirement	1,057,526	807,631	1,865,157
Interest and Fiscal Charges	84,784	1,436,230	1,521,014
TOTAL EXPENDITURES	43,433,338	17,130,385	60,563,723
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,493,772	(4,495,510)	(3,001,738)
OTHER FINANCING SOURCES (USES)			
Proceeds from Capital Lease	1,457,831	22,223	1,480,054
Transfers In	997,649	2,643,487	3,641,136
Transfers Out	(2,323,148)	(1,415,388)	(3,738,536)
TOTAL OTHER FINANCING SOURCES (USES)	132,332	1,250,322	1,382,654
NET CHANGE IN FUND BALANCES	1,626,104	(3,245,188)	(1,619,084)
FUND BALANCE - Beginning of Year	5,663,617	11,516,282	17,179,899
FUND BALANCE - End of Year	\$ 7,289,721	8,271,094	\$ 15,560,815

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, 2006

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (1,619,084)**

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.	136,252
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.	1,865,156
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.	(1,480,054)
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.	(212,614)
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.	142,000
Some compensated absences reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.	(642,798)
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.	(50,278)
In the Statement of Activities, vehicles awarded through the courts are reported as revenues. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the fund statements.	71,344
Transfers of capital assets from a governmental fund to a proprietary fund are not reflected in the governmental funds. However, they are reported in the Statement of Activities.	(280,182)
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 \$6,794,771 exceeded depreciation expense of \$2,787,314 during the year.	4,007,457

TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 1,913,889**

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, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
ASSETS					
CURRENT ASSETS:					
Cash and Cash Equivalents	\$ 12,535,068	15,593,279	-	741,512	\$ 28,869,859
Accounts Receivable, Net of Allowance	743,582	270,240	25,646	66,644	1,106,112
Accrued Interest Receivable	3,580,576	-	-	-	3,580,576
Due From the Federal Government	218,480	-	375	-	218,855
Due from the State and Local Governments, Net of Allowance	171,187	2,502,546	-	-	2,673,733
Inventories, at Cost	-	-	46,522	-	46,522
Prepaid Items and Deposits	15,657	39,140	8,211	7,351	70,359
Due from Other Funds	9,959,155	-	-	-	9,959,155
Restricted Cash and Cash Equivalents	102,693,264	1,136,753	-	-	103,830,017
TOTAL CURRENT ASSETS	129,916,969	19,541,958	80,754	815,507	150,355,188
NON-CURRENT ASSETS:					
CAPITAL ASSETS:					
Non-Depreciable	35,271,606	2,414,407	85,000	-	37,771,013
Depreciable, Net of Accumulated Depreciation	158,857,369	22,469,128	1,949,914	492,542	183,768,953
TOTAL CAPITAL ASSETS	194,128,975	24,883,535	2,034,914	492,542	221,539,966
OTHER NON-CURRENT ASSETS:					
Accounts Receivable, Due in More Than One Year	117,238	-	-	-	117,238
Joint Municipal Water System, Net	5,874,399	-	-	-	5,874,399
Bond Issuance Costs, Net	2,876,487	-	-	-	2,876,487
TOTAL OTHER NON-CURRENT ASSETS	8,868,124	-	-	-	8,868,124
TOTAL NON-CURRENT ASSETS	202,997,099	24,883,535	2,034,914	492,542	230,408,090
TOTAL ASSETS	332,914,068	44,425,493	2,115,668	1,308,049	380,763,278
LIABILITIES					
CURRENT LIABILITIES:					
Accounts Payable and Accrued Liabilities	1,543,103	89,910	57,727	9,695	1,700,435
Landfill Closure and Postclosure Cost Liability	-	43,196	-	-	43,196
Accrued Interest Payable	111,471	31,086	-	-	142,557
Capital Leases	125,622	514,468	10,522	113,458	764,070
Accrued Compensated Absences	102,822	51,411	51,468	6,019	211,720
Due to Other Funds	-	9,950,502	-	-	9,950,502
Deferred Revenue	-	-	10,265	-	10,265
Liabilities Payable from Restricted Assets:					
Construction Contract and Retainage Payable	1,479,981	20,000	-	-	1,499,981
Accrued Interest	772,399	44,145	-	-	816,544
Bonds Payable	4,601,692	1,080,000	-	-	5,681,692
TOTAL CURRENT LIABILITIES	8,737,090	11,824,718	129,982	129,172	20,820,962
NON-CURRENT LIABILITIES:					
Accrued Compensated Absences	308,465	154,232	62,616	559	525,872
Due to Other Funds	-	-	2,848,334	-	2,848,334
Landfill Closure and Postclosure Cost Liability	-	2,299,099	-	-	2,299,099
Capital Leases	236,187	1,047,773	12,982	238,213	1,535,155
Bonds Payable	203,638,234	12,125,000	-	-	215,763,234
TOTAL NON-CURRENT LIABILITIES	204,182,886	15,626,104	2,923,932	238,772	222,971,694
TOTAL LIABILITIES	212,919,976	27,450,822	3,053,914	367,944	243,792,656
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	91,572,306	10,618,324	2,011,410	140,871	104,342,911
Restricted For Debt Service	4,701,853	614,723	-	-	5,316,576
Unrestricted Assets (Deficit)	23,719,933	5,741,624	(2,949,656)	799,234	27,311,135
TOTAL NET ASSETS (DEFICIT)	119,994,092	16,974,671	(938,246)	940,105	136,970,622
TOTAL LIABILITIES AND NET ASSETS	\$ 332,914,068	44,425,493	2,115,668	1,308,049	\$ 380,763,278

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, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
OPERATING REVENUES					
Sales and Services	\$ 18,838,881	9,116,843	497,165	471,234	\$ 28,924,123
Impact and Capacity Reservation Fees	9,146,032	-	-	-	9,146,032
Other Operating Revenue	1,008,508	21,891	110,901	-	1,141,300
TOTAL OPERATING REVENUES	28,993,421	9,138,734	608,066	471,234	39,211,455
OPERATING EXPENSES					
Personal Services	6,586,832	2,556,226	867,936	102,982	10,113,976
Advertising	-	-	53,216	1,881	55,097
Utilities	1,637,016	28,427	76,666	212,618	1,954,727
Office Expenses	553,918	115,106	23,964	16,862	709,850
Maintenance and Repairs	2,622,892	1,991,076	10,298	59,148	4,683,414
Contractual Services	865,183	380,324	23,071	7,123	1,275,701
Other Services and Charges	331,098	87,725	198,856	26,938	644,617
Depreciation	6,073,198	1,729,743	104,615	84,940	7,992,496
Amortization of Joint Municipal Water System	276,442	-	-	-	276,442
Landfill Closure and Post Closure Costs	-	247,269	-	-	247,269
TOTAL OPERATING EXPENSES	18,946,579	7,135,896	1,358,622	512,492	27,953,589
OPERATING INCOME (LOSS)	10,046,842	2,002,838	(750,556)	(41,258)	11,257,866
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	4,543,330	439,762	-	-	4,983,092
Grant Revenue	1,949,156	15,115	25,375	74,310	2,063,956
Contingency - Collection of Hurricane Gaston Receivable	-	(280,000)	-	-	(280,000)
Interest Expense	(8,182,220)	(657,592)	(807)	(13,015)	(8,853,634)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,689,734)	(482,715)	24,568	61,295	(2,086,586)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	8,357,108	1,520,123	(725,988)	20,037	9,171,280
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital Contributions	8,761,633	-	281,682	-	9,043,315
Transfers In	-	-	97,400	-	97,400
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	8,761,633	-	379,082	-	9,140,715
CHANGE IN NET ASSETS	17,118,741	1,520,123	(346,906)	20,037	18,311,995
NET ASSETS (DEFICIT), Beginning of Year	102,875,351	15,454,548	(591,340)	920,068	118,658,627
NET ASSETS (DEFICIT), End of Year	\$ 119,994,092	16,974,671	(938,246)	940,105	\$ 136,970,622

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, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers and Users	\$ 28,988,494	9,574,591	588,387	477,351	\$ 39,628,823
Cash Paid to Suppliers	(5,686,233)	(2,613,348)	(376,466)	(273,972)	(8,950,019)
Cash Paid to Employees	(6,517,200)	(2,547,031)	(849,569)	(97,957)	(10,011,757)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>16,785,061</u>	<u>4,414,212</u>	<u>(637,648)</u>	<u>105,422</u>	<u>20,667,047</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating Grant Contributions	986,717	15,115	26,500	74,310	1,102,642
Transfers and Advances Between Funds	(5,390,492)	6,574,916	601,423	-	1,785,847
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>(4,403,775)</u>	<u>6,590,031</u>	<u>627,923</u>	<u>74,310</u>	<u>2,888,489</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Capital Leases	-	-	8,608	-	8,608
Proceeds from Issuances of Debt	146,602,321	2,950,000	-	-	149,552,321
Payment to Defease Revenue Bonds	(35,571,824)	(2,950,000)	-	-	(38,521,824)
Bond Issue Costs	(2,047,442)	-	-	-	(2,047,442)
Grant Contributions	1,322,076	-	-	-	1,322,076
Proceeds from the Sale of Assets	-	89,163	-	-	89,163
Acquisition and Construction of Capital Assets	(32,759,985)	(1,397,874)	-	(5,925)	(34,163,784)
Principal Paid - Revenue Bonds and Capital Leases	(4,593,574)	(1,632,560)	(10,554)	(116,057)	(6,352,745)
Interest Paid - Revenue Bonds and Capital Leases	(8,220,745)	(590,067)	(807)	(13,015)	(8,824,634)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>64,730,827</u>	<u>(3,531,338)</u>	<u>(2,753)</u>	<u>(134,997)</u>	<u>61,061,739</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income on Investments	962,754	439,762	-	-	1,402,516
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	78,074,867	7,912,667	(12,478)	44,735	86,019,791
CASH AND CASH EQUIVALENTS, Beginning of Year	37,153,465	8,817,365	12,478	696,777	46,680,085
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 115,228,332</u>	<u>16,730,032</u>	<u>-</u>	<u>741,512</u>	<u>\$ 132,699,876</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets					
Cash and Cash Equivalents	\$ 12,535,068	15,593,279	-	741,512	\$ 28,869,859
Restricted Cash and Cash Equivalents	102,693,264	1,136,753	-	-	103,830,017
	<u>\$ 115,228,332</u>	<u>16,730,032</u>	<u>-</u>	<u>741,512</u>	<u>\$ 132,699,876</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, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:					
Operating Income (Loss)	\$ 10,046,842	2,002,838	(750,556)	(41,258)	\$ 11,257,866
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:					
Depreciation and Amortization	6,349,640	1,729,743	104,615	84,940	8,268,938
(Increase) Decrease in Assets:					-
Accounts Receivable	(4,927)	435,857	(25,646)	6,117	411,401
Inventories	491,981	-	16,142	-	508,123
Prepaid Items and Deposits	200,142	(33,176)	(8,211)	50,365	209,120
Increase (Decrease) in Liabilities:					
Accounts Payable and Accrued Liabilities	(329,237)	16,371	8,633	1,134	(303,099)
Landfill Closure and Postclosure Cost Liability	-	247,269	-	-	247,269
Compensated Absences Payable	30,620	15,310	11,408	4,124	61,462
Deferred Revenue	-	-	5,967	-	5,967
Total Adjustments	6,738,219	2,411,374	112,908	146,680	9,409,181
Net Cash Provided by (Used in) Operating Activities	\$ 16,785,061	4,414,212	(637,648)	105,422	\$ 20,667,047

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

Acquisition of Capital Assets Through Developer Contributions	\$ 8,761,633	-	-	-	\$ 8,761,633
Transfer of Capital Assets from Governmental Funds	-	-	280,182	-	280,182
Acquisition of Capital Assets Not Yet Paid For	1,920,649	-	-	-	1,920,649
Amortization of Bond Premium, Deferred Refunding Costs and Issuance Costs	73,010	-	-	-	73,010
Increase in Debt Due to Accretion of Interest	\$ 260,755	-	-	-	\$ 260,755

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, 2006

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and Cash Equivalents	\$ 33,619,555
Receivables:	
Accounts Receivable	11,573
State Government	218,530
TOTAL ASSETS	<u>33,849,658</u>
LIABILITIES	
Due to School District	12,307,444
Due to Other Designated Recipients	21,542,214
TOTAL LIABILITIES	<u>\$ 33,849,658</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, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

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

Related Organization

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

B. Government-wide and Fund Financial Statements

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

1. *Government-wide Statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Government-wide Statements (Continued):

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

2. Fund Financial Statements:

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

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

3. Major Funds:

The County reports the following major governmental fund:

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

The County reports the following major proprietary funds:

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

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

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

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. *Nonmajor Funds:*

In addition, the County reports the following fund types:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Revenue Recognition

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

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Revenue Recognition (Continued)

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

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

Expenditure Recognition

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents and Deposits

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

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Investments

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

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

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

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Investments (Continued)

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

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

3. Restricted Assets

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

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

4. Receivables

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

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

The County bills and collects property taxes for itself and all other taxing entities within the County. The County recognizes property taxes in the period for which they are levied and available for financing current expenditures. Property taxes receivable represent delinquent real and personal taxes for the past ten years, less an allowance for amounts estimated to be uncollectible, plus taxes levied on the assessed value of real and personal property, excluding vehicles, as of January 1, 2006. All net property taxes receivable at year-end, except those collected within 60 days, are recorded as deferred revenue and thus not recognized as revenue until collected in the governmental funds.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Receivables (Continued)

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

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

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

5. Inventories and Prepaid Items

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

6. Capital Assets

Capital assets, which include property, plant, equipment, software and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities 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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

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

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

GASB Statement No. 34 required the County to report and depreciate new infrastructure assets effective with the fiscal year ended June 30, 2003. Infrastructure assets include roads, bridges, drainage canals, curbs and gutters, sidewalks and guard rails. These infrastructure assets are 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 2007. 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 2007. Had all of the infrastructure networks been capitalized in 2006, net assets would be significantly higher.

7. Compensated Absences

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

8. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Net Assets and Reservations and Designations of Fund Balances

Government-wide Statements

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

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

Fund Statements

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

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

10. Contributed Capital

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

11. Accounting Estimates

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

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 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.

The level of budgetary control is determined by County Council at the County's total appropriations level. Expenditures by fund, department, and category (i.e., personnel, operating and capital outlay), are further defined in the budget document. The County Supervisor is authorized to make transfers of up to \$10,000 per occurrence between departments and funds as long as total appropriations are not exceeded. The budget ordinance must be amended by Council to effect changes in total appropriations. Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year ending June 30, 2006, two supplementary appropriations totaling \$2,161,439 were necessary.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At June 30, 2006, there were no encumbrances outstanding.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2006, 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.

	Appropriations	Expenditures	Excess
Sheriff Forestry	\$ 20,377	41,672	\$ 21,295
County Accommodations Tax	290,000	457,962	167,962
GIS-Non Consortium Expenses	130,019	130,609	590
National Forest Funds	702,530	715,623	13,093
Pooled Fire Fees	198,278	231,098	32,820
Devon Forest Special Tax District	\$ 27,850	34,360	\$ 6,510

C. Deficit Fund Equity

The Parks and Recreation Enterprise Fund had a deficit net asset balance of \$938,246 as of June 30, 2006, in addition to an interfund payable of \$2,848,334 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 to pay for other recreational purposes.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits might not be recovered. The County does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2006, \$9,212,967 of the County's bank balances of \$77,920,751 (which had a carrying value of \$75,349,498) were exposed to custodial credit risk as they were uninsured but collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

Investments

As of June 30, 2006, the County had the following investments:

Investment Type	Credit Rating ^	Fair Value	Less Than 1 Year
Money Market Mutual Funds - investing in			
U.S. Agencies	Aaa, AAAM	\$ 2,126,390	\$ 2,126,390
Repurchase Agreements	*	101,196,880	101,196,880
Totals		<u>\$ 103,323,270</u>	<u>\$ 103,323,270</u>

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

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

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

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a counterparty failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2006, \$101,196,880 of the County's investments was held by the counterparty's trust department or agent but not in the County's name.

Concentration of Credit Risk for Investments: The County places no limit on the amount it may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures. A repurchase agreement in the amount of \$100,296,880 is held by Citigroup Global Markets, Inc.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Reconciliation to the Financial Statements

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

Description:	Amount
Carrying Amount of Deposits	\$ 75,349,498
Fair Value of Investments	103,323,270
Total	<u>\$ 178,672,768</u>
Statement of Net Assets:	
Cash and Cash Equivalents	\$ 41,104,678
Cash and Cash Equivalents - Restricted	103,948,535
Statement of Fiduciary Net Assets:	
Cash and Cash Equivalents	33,619,555
Total	<u>\$ 178,672,768</u>

Restricted cash and cash equivalents include \$97,859,560 for future construction and capital asset acquisitions and \$6,088,975 for required debt service. Additional disclosure regarding the County's deposits and investments is located at Note I.D.1 and D.2.

B. Receivables

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows, which includes \$117,238 in non-current receivables for the Water and Sewer Fund:

Receivables:	General	Water and Sewer	Solid Waste	Parks and Recreation	Emergency Telephone	Other Nonmajor Funds
Taxes	\$ 25,173,273	-	-	-	-	\$ 2,839,028
Accounts	5,348,506	1,832,102	270,240	25,646	66,644	3,755,664
Accrued Interest	-	3,580,576	-	-	-	-
Federal Government	42,808	218,480	-	-	-	398,963
State Government	1,863,748	171,187	2,782,546	375	-	72,011
Total	<u>32,428,335</u>	<u>5,802,345</u>	<u>3,052,786</u>	<u>26,021</u>	<u>66,644</u>	<u>7,065,666</u>
Less Allowance for Uncollectibles:						
Taxes	(1,548,417)	-	-	-	-	(189,676)
Accounts	(4,827,225)	(971,282)	-	-	-	(187,757)
State Government	-	-	(280,000)	-	-	-
Total	<u>(6,375,642)</u>	<u>(971,282)</u>	<u>(280,000)</u>	<u>-</u>	<u>-</u>	<u>(377,433)</u>
Net Receivables	<u>\$ 26,052,693</u>	<u>4,831,063</u>	<u>2,772,786</u>	<u>26,021</u>	<u>66,644</u>	<u>\$ 6,688,233</u>

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE BASIC FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**C. Interfund Receivables and Payables**

The composition of interfund balances at June 30, 2006 is as follows:

	Receivable Fund	Payable Fund
General Fund	\$ 3,342,552	\$ 78,570
Special Revenue Funds:		
Emergency Preparedness	-	18,674
State Accommodations Tax	-	27,242
Sheriff's Grants	-	209,950
Miscellaneous Special Revenue	-	35,948
County Accommodations Tax	-	27,642
PARD Grant	-	8,000
Airport Improvements	-	96,845
Enterprise Funds:		
Water and Sewer	9,959,155	-
Solid Waste	-	9,950,502
Parks and Recreation	-	2,848,334
Total	<u>\$ 13,301,707</u>	<u>\$ 13,301,707</u>

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The \$2,848,334 balance that the Parks and Recreation Fund owes to the General Fund is not expected to be repaid within one year.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity in governmental funds for the year ended June 30, 2006, is as follows:

	Restated Balance 6/30/2005	Additions	Disposals	Transfers	Balance 6/30/2006
Capital Assets, Not Being Depreciated:					
Land	\$ 2,506,161	-	-	-	\$ 2,506,161
Construction in Progress	9,542,966	4,637,543	-	(10,310,442)	3,870,067
Total Capital Assets, Not Being Depreciated	12,049,127	4,637,543	-	(10,310,442)	6,376,228
Capital Assets, Being Depreciated:					
Buildings	18,086,783	12,000	-	7,634,964	25,733,747
Furniture	116,131	63,738	-	849,799	1,029,668
Equipment	9,045,267	712,296	(170,764)	144,352	9,731,151
Software	412,813	35,079	-	-	447,892
Vehicles	7,383,191	967,020	(308,229)	-	8,041,982
Improvements	6,003,920	103,500	-	1,299,832	7,407,252
Library Materials	1,525,207	334,939	(265,344)	-	1,594,802
Infrastructure	2,291,689	-	-	101,313	2,393,002
Total Capital Assets, Being Depreciated	44,865,001	2,228,572	(744,337)	10,030,260	56,379,496
Less: Accumulated Depreciation For:					
Buildings	6,530,664	547,756	-	-	7,078,420
Furniture	35,024	56,760	-	-	91,784
Equipment	6,360,637	675,610	(170,375)	-	6,865,872
Software	62,294	43,035	-	-	105,329
Vehicles	4,314,976	832,235	(258,340)	-	4,888,871
Improvements	2,720,718	376,817	-	-	3,097,535
Library Materials	769,429	177,023	(265,344)	-	681,108
Infrastructure	162,251	78,078	-	-	240,329
Total Accumulated Depreciation	20,955,993	2,787,314	(694,059)	-	23,049,248
Total Capital Assets, Being Depreciated, Net	23,909,008	(558,742)	(50,278)	10,030,260	33,330,248
Governmental Activities Capital Assets, Net	\$ 35,958,135	4,078,801	(50,278)	(280,182)	\$ 39,706,476

During the year ended June 30, 2006, the County recorded \$71,344 in vehicles awarded through the courts.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Business-Type capital asset activity for the year ended June 30, 2006, is as follows:

	Restated Balance 6/30/2005	Additions	Disposals	Transfers	Balance 6/30/2006
Capital Assets, Not Being Depreciated:					
Land	\$ 2,764,853	12,050	-	-	\$ 2,776,903
Construction in Progress	7,845,364	32,247,272	-	(5,098,526)	34,994,110
Total Capital Assets, Not Being Depreciated	10,610,217	32,259,322	-	(5,098,526)	37,771,013
Capital Assets, Being Depreciated:					
Utility Systems, Treatment Plants and Buildings	225,413,347	8,775,438	-	5,378,708	239,567,493
Equipment and Furniture	12,096,888	2,056,031	(105,000)	-	14,047,919
Total Capital Assets, Being Depreciated	237,510,235	10,831,469	(105,000)	5,378,708	253,615,412
Less: Accumulated Depreciation For:					
Utility Systems, Treatment Plants and Buildings	55,077,511	6,750,999	-	-	61,828,510
Equipment and Furniture	6,792,287	1,241,497	(15,835)	-	8,017,949
Total Accumulated Depreciation	61,869,798	7,992,496	(15,835)	-	69,846,459
Total Capital Assets, Being Depreciated, Net	175,640,437	2,838,973	(89,165)	5,378,708	183,768,953
Business-Type Activities Capital Assets, Net	\$ 186,250,654	35,098,295	(89,165)	280,182	\$ 221,539,966

The business-type capital assets at June 30, 2005 have been restated to reflect a decrease of \$6,112,775 in both the cost and accumulated depreciation balances, with no net impact, due to the write off of fully depreciated assets that had been disposed prior to fiscal 2006.

During the year ended June 30, 2006, the County recorded \$8,761,633 in utility systems contributed by developers.

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

Governmental Activities:	
General Government	\$ 934,231
Public Safety	761,667
Airport, Highways, and Streets	680,070
Culture and Recreation	260,644
Health and Welfare	105,430
Community Development	45,272
Total Governmental Activity Depreciation	<u>2,787,314</u>
Business-Type Activities:	
Water and Sewer	6,073,198
Solid Waste	1,729,743
Parks and Recreation	104,615
Emergency Telephone	84,940
Total Business-Type Activity Depreciation	<u>\$ 7,992,496</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (Continued)

Construction Commitments

At June 30, 2006, the Water and Sewer Enterprise Fund had commitments under contracts for construction of various projects not completed of approximately \$3,907,000. Airport Improvement Special Revenue Fund had commitments under contracts for construction of various projects not completed of approximately \$79,000, and the Capital Projects Fund had commitments under contracts for construction of various projects not completed of approximately \$822,000.

Capitalized Interest

The Enterprise Funds capitalized interest costs incurred during construction activities. For the year ended June 30, 2006, the Water and Sewer Fund incurred \$8,566,907 in interest on its bonds and capitalized \$726,750; 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 \$8,404,996 at June 30, 2006. Accumulated amortization was \$2,325,325 at June 30, 2006. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

E. 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 \$8,921,929 to LMWA to reserve the desired capacity. These deferred charges are being amortized over the life of the contract. Accumulated amortization at June 30, 2006, was \$3,047,530, and amortization recognized during the year was \$276,442.

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

Year Ending June 30	Amount
2007	\$ 429,402
2008	458,892
2009	493,230
2010	516,600
2011	\$ 530,472

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE BASIC FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**F. Interfund Transfers**

Interfund transfers for the year ended June 30, 2006 consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Fund:		
General Fund	\$ 997,649	\$ 2,323,148
Nonmajor Governmental Funds:		
Library	1,868,309	-
National Forest	-	699,991
Emergency Preparedness	150,715	-
GIS	245,407	-
Storm Water Management	300	-
EMS Equipment	1,465	-
State Accommodations Tax	-	27,242
Sheriff's Grants	25,576	4,093
Miscellaneous Special Revenue	12,958	-
Economic Development	280,339	-
County Accommodations Tax	-	91,592
Local Economic Development	-	592,470
Airport Improvements	18,418	-
Lake Moultrie	40,000	-
Enterprise Fund:		
Parks and Recreation	97,400	-
Total	<u>\$ 3,738,536</u>	<u>\$ 3,738,536</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. During 2006, assets totaling \$280,182 were transferred from governmental activities to business-type activities. This non-cash transaction is not reflected in the table above.

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE BASIC FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**G. Deferred Revenues**

The government-wide financial statements and the governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. In addition, governmental funds report deferred revenue in the fund financial statement in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At June 30, 2006, the various components of deferred and unearned revenue reported in the financial statements for governmental activities were as follows:

Unearned:		
Real Property Taxes	\$	24,207,431
User Fees		3,331,518
Vehicle Taxes		132,692
Other		943,481
Deferred Revenue - Statement of Net Assets		<u>28,615,122</u>
Unavailable:		
Real Property Taxes		721,283
Vehicle Taxes		132,691
Deferred Revenue - Governmental Funds	\$	<u>29,469,096</u>

H. Operating Leases

The County leases various properties under several operating lease agreements expiring through 2015. Total costs charged to operations were approximately \$433,000 for the year ended June 30, 2006, including approximately \$353,000 in General Fund expenditures and approximately \$80,000 in Special Revenue Fund expenditures. Future minimum payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 422,961
2008	403,449
2009	341,746
2010	323,083
2011	315,283
Thereafter	202,138
Total	<u>\$ 2,008,660</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Long-term Obligations

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2006:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
Series 1997 Bond	\$ 4,015,000	-	270,000	3,745,000	\$ 285,000
Series 2003 Refunding and Improvement Bond	24,495,000	-	530,000	23,965,000	555,000
Subtotal	28,510,000	-	800,000	27,710,000	840,000
Premium - Series 2003 Bond	302,897	-	13,169	289,728	-
Deferred Refunding Costs - Series 2003 Bond	(262,949)	-	(36,479)	(226,470)	-
Total - General Obligation Bonds	28,549,948	-	776,690	27,773,258	840,000
Intergovernmental Loan	5,000,000	-	-	5,000,000	-
Capital Leases	1,735,320	1,480,054	1,065,156	2,150,218	962,861
Compensated Absences	4,497,524	2,706,724	2,073,319	5,130,929	1,940,252
Total Governmental Activities	39,782,792	4,186,778	3,915,165	40,054,405	3,743,113
Business-Type Activities:					
Revenue Bonds:					
Capital Appreciation Bonds - Water & Sewer	2,307,139	-	-	2,307,139	-
Series 2000 Revenue Bonds - Water & Sewer	3,836,144	-	56,012	3,780,132	176,226
Series 2003 Revenue Bond - Water & Sewer	91,030,000	-	36,290,000	54,740,000	4,140,000
Series 2005A Revenue Bond - Water & Sewer	-	105,750,000	-	105,750,000	-
Series 2005 Revenue Bond - St Stephen Purchase	-	1,300,000	21,509	1,278,491	30,466
Series 2006A Refunding Bond - Water & Sewer	-	36,120,000	365,000	35,755,000	255,000
Series 2000 Revenue Bond - Solid Waste	2,950,000	-	2,950,000	-	-
Series 2002 Revenue Bond - Solid Waste	2,600,000	-	200,000	2,400,000	200,000
Series 2003 Revenue Bond - Solid Waste	8,620,000	-	575,000	8,045,000	600,000
Series 2005 Refunding Bond - Solid Waste	-	2,950,000	190,000	2,760,000	280,000
Subtotal	111,343,283	146,120,000	40,647,521	216,815,762	5,681,692
Accretion of Interest - Capital Appreciation Bonds	2,184,149	260,755	-	2,444,904	-
Premium - Series 2003 Revenue Bond - Water & Sewer	4,981,312	-	1,907,583	3,073,729	-
Premium - Series 2005A Revenue Bond - Water & Sewer	-	3,432,321	137,293	3,295,028	-
Deferred Refunding Costs - Series 2003 - Water & Sewer	(2,423,649)	-	(242,364)	(2,181,285)	-
Deferred Refunding Costs - Series 2006A - Water & Sewer	-	(2,033,564)	(30,352)	(2,003,212)	-
Total Revenue Bonds	116,085,095	147,779,512	42,419,681	221,444,926	5,681,692
Capital Leases	3,255,841	8,608	965,224	2,299,225	764,070
Landfill Closure and Postclosure Care Cost	2,095,026	247,269	-	2,342,295	43,196
Compensated Absences	676,130	427,400	365,938	737,592	211,720
Total Business-Type Activities	\$ 122,112,092	148,462,789	43,750,843	226,824,038	\$ 6,700,678

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE BASIC FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**I. Long-term Obligations (Continued)*****General Obligation Bonds***

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

General obligation bonds payable at June 30, 2006 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	\$ 3,745,000
Series 2003 General Obligation Refunding and Improvement Bond, with interest ranging from 2.00% to 5.00%, matures 2028	23,965,000
Total	<u>\$ 27,710,000</u>

Intergovernmental Loan

In 1998, the County entered into a ten year intergovernmental loan agreement with the South Carolina Public Service Authority (the "Public Service Authority") whereby the Public Service Authority advanced \$5,000,000 to be used in providing infrastructure for a commerce park within the County. Interest accrues on the loan at a rate equal to the rate borne by 10-year U.S. Treasury Bonds, with such rate adjusted annually on January 15. The rate at June 30, 2006 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 in 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 \$1,808,574 at June 30, 2006; there has been no repayment of principal to date through June 30, 2006.

Revenue Bonds

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

In July 2005, the County issued its Series 2005A Water and Sewer Revenue Bond in the amount of \$105,750,000 to fund the construction of several projects. The County incurred a total of \$1,529,675 in underwriters fees, bond insurance and other issuance costs associated with the new debt and received a premium of \$3,432,321 at the closing. Approximately \$8,710,000 of the proceeds were set aside in a Capitalized Interest fund which will be used for debt service payments for the first two years of this bond, which matures in December 2030.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Long-term Obligations (Continued)

Revenue Bonds (Continued)

In September 2005, the County closed on its purchase of the St Stephen's Water and Sewer System. The total purchase price was approximately \$2,307,000. The County paid a total of approximately \$1,007,000 at the closing and issued its Series 2005 Water and Sewer System Revenue Bond in the amount of \$1,300,000 to fund the remaining amount. The Town of St Stephen purchased this bond, which matures in June 2030.

In September 2005, the County issued its Series 2005 Solid Waste System Refunding Revenue Bonds in the amount of \$2,950,000 to defease the outstanding Series 2000 Bonds in the amount of \$2,950,000. These bonds were issued at par, with insignificant issuance costs, to obtain a lower rate, as the refunded bonds carried an interest rate of 6.5%, while the new debt has an interest rate of 3.56%. These bonds mature in December 2014.

In February 2006, the County issued its Series 2006A Water and Sewer System Refunding Revenue Bonds in the amount of \$36,120,000 to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments for \$32,310,000 of the outstanding Series 2003 Revenue Bonds. As a result, the refunded bonds are considered to be defeased. The new debt has a variable interest rate, and the County entered into an interest rate swap agreement in connection with this debt. See details on this agreement below. The County incurred a total of \$533,332 in underwriters fees, bond insurance and other issuance costs associated with the new debt. The reacquisition price exceeded the net carrying amount of the old debt by \$2,033,564. This amount is being netted against the new debt and is being amortized over the life of the new debt, which is the same as the life of the old debt. This advance refunding was undertaken to reduce total debt service payments over the next 22 years by an estimated \$2,808,595 and resulted in an economic gain of \$1,898,470.

There are numerous limitations, restrictions, and covenants contained in the various revenue bond indentures and ordinances. At June 30, 2006, the County is in compliance with all significant restrictions and covenants, and no events of default occurred during the past year.

Revenue bonds payable at June 30, 2006 are comprised of the following issues:

	<u>Outstanding Principal</u>
Capital Appreciation Bonds, due June 2012, exclusive of \$2,444,904 in cumulative accretion of interest at 5.3% and 5.75%. Two payments of \$3,240,000 each, which includes interest, are due in 2011 and 2012.	\$ 2,307,139
Water and Sewer System, Series 2000 – Hanahan Project, due December 2025 with an interest rate of 4.855%.	3,780,132
Water and Sewer System Refunding Revenue Bond, Series 2003, due June 2028, with interest ranging from 2.0% - 5.25%. These bonds have an issuance premium of \$3,073,729 and deferred refunding costs of \$2,181,284, both of which are net of amortization. During 2006, \$32,310,000 was defeased using the proceeds of the Series 2006A Refunding Bond.	54,740,000
Water and Sewer System Revenue Bond, Series 2005 – St Stephen Purchase, due June 2030 with interest at 4.5%.	1,278,491
Water and Sewer System Revenue Bond, Series 2005A – due December 2030 with interest ranging from 3.5% - 5.0%. These bonds have an issuance premium of \$3,295,028, which is net of amortization.	105,750,000

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Long-term Obligations (Continued)

Revenue Bonds (Continued)

Water and Sewer System Refunding Bond, Series 2006A, due June 2028. These bonds were issued to defease \$32,310,000 of the outstanding Series 2003 Bonds. They have deferred refunding costs of \$2,003,212, which is net of amortization. Interest is variable, based on a rate that would enable the bonds to be resold at a price equal to its outstanding principal (defined as "Weekly Interest Rate"). If this Weekly Interest Rate is unavailable, then the rate would be the Bond Market Association Municipal Swap Index (BMA). The Weekly Interest Rate was 4.00% at June 30, 2006. The County entered into an interest rate swap agreement in connection with this debt. See details below.

35,755,000

Total Water and Sewer Revenue / Refunding Bonds

203,610,762

Solid Waste System, Series 2002, due December 2017, with an interest rate of 4.66%.

2,400,000

Solid Waste System, Refunding Revenue Bond, Series 2003, due December 2016, with an interest rate of 3.95%.

8,045,000

Solid Waste System, Refunding Revenue Bond, Series 2005, due December 2014, with an interest rate of 3.56%.

2,760,000

Total Solid Waste Revenue Bonds

13,205,000

Total Revenue Bonds

\$ 216,815,762

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 2007 through 2011. The total outstanding principal at June 30, 2006 was \$2,150,218 and \$2,299,225 for the County's governmental and business-type activities, respectively. At June 30, 2006, the County had \$118,518 in unexpended capital lease proceeds attributable to governmental activities.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Long-term Obligations (Continued)

Debt Service Requirements to Maturity

Presented below is a summary of debt service requirements to maturity by year for the governmental and business-type activities. This schedule includes the estimated total interest at the actual synthetic rate of 3.905% at June 30, 2006 on the Water and Sewer System Refunding Revenue Bonds, Series 2006A. See details below regarding the interest rate swap agreement for these bonds.

Year Ending June 30	Debt		Capital Leases		Total
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2007	\$ 840,000	1,336,520	962,861	63,640	\$ 3,203,021
2008	880,000	1,294,105	722,875	40,166	2,937,146
2009	925,000	1,249,600	464,482	16,431	2,655,513
2010	970,000	1,202,885	-	-	2,172,885
2011	1,020,000	1,152,185	-	-	2,172,185
2012-2016	5,685,000	4,880,124	-	-	10,565,124
2017-2021	5,910,000	3,443,750	-	-	9,353,750
2022-2026	7,215,000	1,793,125	-	-	9,008,125
2027-2030	4,265,000	327,125	-	-	4,592,125
Total Governmental Activities	<u>27,710,000</u>	<u>16,679,419</u>	<u>2,150,218</u>	<u>120,237</u>	<u>46,659,874</u>
<u>Business-Type Activities</u>					
2007	5,681,692	11,450,919	764,070	65,502	17,962,183
2008	5,591,495	11,183,642	786,161	43,432	17,604,730
2009	6,093,995	10,914,747	431,987	20,689	17,008,742
2010	6,581,855	10,623,249	317,007	8,433	17,205,104
2011	5,131,344	10,310,656	-	-	15,442,000
2012-2016	36,974,423	47,753,867	-	-	84,728,290
2017-2021	44,457,515	37,648,748	-	-	82,106,263
2022-2026	53,690,800	23,511,461	-	-	77,202,261
2027-2030	52,612,643	6,559,359	-	-	59,172,002
Total Business-Type Activities	<u>\$ 216,815,762</u>	<u>169,956,648</u>	<u>2,299,225</u>	<u>138,056</u>	<u>\$ 388,431,575</u>

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

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Long-term Obligations (Continued)

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

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

Fair Value: The swap had a positive fair value to the County of approximately \$1,107,000 as of June 30, 2006. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk: The swap's fair value represented the County's credit exposure to Bank of America as of June 30, 2006. Should Bank of America fail to perform according to the terms of the swap contract, the County faced a maximum possible loss equivalent to the swap's fair value of approximately \$1,107,000. Bank of America, the swap counterparty, was rated AA- by Fitch Ratings, AA by Standard & Poor's and Aa1 by Moody's Investors Service as of June 30, 2006. To mitigate the potential for credit risk, if Bank of America's credit quality falls below A- by Standard & Poor's or A3 by Moody's Investors Service, the fair value of the swap is required to be collateralized by Bank of America with government securities to the extent provided in the "Credit Support Annex" portion of the swap documents (See "Credit Support" below).

Basis Risk: The swap exposes the County to basis risk should the relationship between the Variable Swap Leg and the Weekly Interest Rate diverge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate (3.475%) and the actual synthetic rate as of June 30, 2006 (3.905%). If a change occurs that results in the rates diverging adversely to the Authority, the expected cost savings may not be realized. As of June 30, 2006, the Weekly Interest Rate was 4.00%, whereas 67 % of LIBOR was 3.57%.

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Long-term Obligations (Continued)

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

Credit Support: The derivative contract includes a “Credit Support Annex” under which the party which would owe a termination payment to the other, were the swap to be terminated at that time, may be required to post collateral securities to the other party or a custodian from time to time to secure all or a portion of the amount of such termination payment. The extent to which a party is required to post such collateral depends on certain factors, principally the credit rating of the County’s parity lien water and sewer system revenue bonds (in the case of the County) or of Bank of America’s long-term unsecured, unsubordinated credit rating (in the case of Bank of America), as applicable. In particular, if a party’s such credit quality falls below A- by Standard & Poor’s or A3 by Moody’s Investors Service, the fair value of the swap is required to be collateralized by such party with government securities to the extent provided in the Credit Support Annex. However, in the case of the County, for so long as certain adverse events relative to XL Capital Assurance (which has insured certain obligations of the County under the swap agreement as described in the following paragraph) have not occurred, the County is not required to pledge collateral in favor of Bank of America under the Credit Support Annex.

Swap Insurance: As mentioned above, certain obligations of the County in favor of Bank of America under the swap agreement are insured by XL Capital Assurance, which is also the insurer of the “Series 2006 A Bonds.” In connection with such insurance, the documents governing the swap agreement provide that certain rights of the County and Bank of America thereunder, such as the right to terminate the swap upon an event of default, may be dependent upon first obtaining the consent of such insurer to any such action.

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

Year Ending June 30,	Variable-Rate Bonds		Interest Rate Swap, Net	Total Payments
	Principal	Interest		
2007	\$ 255,000	1,430,200	(33,967)	\$ 1,651,233
2008	-	1,420,000	(33,725)	1,386,275
2009	-	1,420,000	(33,725)	1,386,275
2010	210,000	1,420,000	(33,725)	1,596,275
2011	215,000	1,411,600	(33,526)	1,593,074
2012-2016	1,220,000	6,921,000	(164,374)	7,976,626
2017-2021	11,825,000	6,052,200	(143,740)	17,733,460
2022-2026	18,338,000	3,223,900	(76,579)	21,485,321
2027-2028	3,692,000	347,500	(8,242)	4,031,258
Totals	<u>\$ 35,755,000</u>	<u>23,646,400</u>	<u>(561,603)</u>	<u>\$ 58,839,797</u>

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE BASIC FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2006**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**I. Long-term Obligations (Continued)*****Landfill Closure and Postclosure Care Costs***

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

The \$2,342,295 reported as an accrual for landfill closure and postclosure care at June 30, 2006, includes the estimated remaining liability of \$1,123,100 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	23.7%	\$ 3,627,094	1,517,190	5,144,284	\$ 3,925,089
DPW-105	None	100%	-	1,123,100	1,123,100	-
			<u>\$ 3,627,094</u>	<u>2,640,290</u>	<u>6,267,384</u>	<u>\$ 3,925,089</u>

These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2006. 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 year end, the County set aside approximately \$1,123,000 for the payment of these costs.

During 2006, 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, 2006 as they could not be estimated.

J. Reserved and Designated Fund Equity

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

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

Reserved for Encumbrances. Encumbrances representing commitments to vendors which had not been received or completed at year end have been reserved since they are not legally available for appropriation. At June 30, 2006, 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 2007 budget ordinance designates \$2,582,232 of the ending General Fund fund balance for fiscal year 2007 appropriations.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. 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 has cost the Authority approximately \$13 million in prior years and an additional approximately \$7.2 million in the current year. The County estimates that it will spend an additional \$12 million in fiscal 2007 to complete the implementation of Phase I. The County is vigorously petitioning to have DHEC re-evaluate the remainder of these requirements; however, the outcome is currently uncertain. If the rest of DHEC's TMDL requirements are enacted without any modifications, the County estimates that it will cost an additional \$34 million to comply, which would be expected to be funded through a revenue bond. The County is hopeful that DHEC's requirements will be moderated, and therefore the impact will be reduced or eliminated.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

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, 2006, was \$127,354. As of year-end there were 81 employees who had retired with the County and are continuing their coverage.

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

IV. OTHER INFORMATION (CONTINUED)

E. Employee Retirement Systems and Plans

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

Funding Policy SCRS Plan members are required to contribute 6.25% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rate is 7.55% of annual covered payroll. The County's contributions to SCRS for the years ending June 30, 2006, 2005 and 2004 were \$1,943,297; \$1,614,284; and \$1,517,656, respectively, equal to the required contributions for each year. Additionally, participating employers of the SCRS contribute 0.15% of payroll to provide a group life insurance benefit for their participants.

SCPORS Plan members are required to contribute 6.5% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rate is 10.3% of annual covered payroll. The County's contributions to SCPORS for the years ending June 30, 2006, 2005 and 2004 were \$634,967; \$603,541, and \$589,281; respectively, equal to the required contributions for each year. Additionally, participating employers of the SCPORS contribute 0.4% of payroll to provide a group life insurance benefit and an accidental death benefit for their participants.

F. Concentrations of Credit Risk

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

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

G. Conduit Debt

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

As of June 30, 2006, there were forty-five series of Special Source Revenue Bonds outstanding. The outstanding aggregate principal amount payable for the nineteen series issued after July 1, 1995, was approximately \$1.2 billion. The aggregate principal amount payable for the twenty-six series issued prior to July 1, 1995, could not be determined; however, the original issue amounts for these bonds totaled approximately \$776 million.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

IV. OTHER INFORMATION (CONTINUED)

H. Reciprocal Interfund Transactions

During the year ended June 30, 2006, the Water and Sewer Enterprise Fund paid the General Fund \$138,915 for administrative services.

The Local Economic Development Special Revenue Fund paid the Parks and Recreation Enterprise Fund \$110,000 for landscaping, mowing and other services provided. These amounts are reported as if they were external transactions, as revenues and expenses in the applicable fund.

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, 2006, was set by County Council in June 2005 at 47.0 mills (\$4.70 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were set as follows: 38.0 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, 2006 was approximately \$514 million, exclusive of vehicles valued at approximately \$66 million, according to the records of the County Auditor and Assessor.

J. Related Party Transactions

The Director of the County's Water and Sewer Funds and the husband of another County employee are two of the three owners of a local development company. During 2006, the County executed an agreement with this company to provide water and sewer services to a subdivision that is being developed by this company. Using the County's established published rates and fee structure for providing these types of services, and in accordance with the terms of the agreement, in July 2006 the County charged this company capacity reservation, plan review and legal fees totaling approximately \$143,000. The County anticipates charging impact fees and other fees totaling an additional \$100,000 when this company completes the required infrastructure. The agreement and related fees are equivalent to those that prevail in arm's-length transactions.

Until April 2006, the wife of an engineer employed by the County was employed by an engineering company used by the County for professional services. During the year ended June 30, 2006, the Water and Sewer Fund paid a total of approximately \$707,000 to this company. The payments were for services rendered on terms equivalent to those that prevail in arm's-length transactions.

K. 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 ("FEMA"), which was passed through the South Carolina Adjutant General's office. Under the terms of the grant, the County expects to be reimbursed for a total of 87.5% of eligible costs, or approximately \$4.0 million. In June 2005, the County received approximately \$1.2 million, with an additional \$2.8 million to be received. The County has not received any additional funds during 2006 and through the date of this report. As a result of Hurricane Katrina and other more recent disasters, FEMA's regional headquarters have not reviewed the final reimbursement requests for the County. As of June 30, 2006, the County recorded a \$280,000 reserve on the unpaid balance due to an uncertainty of receiving the full amount on this grant.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

IV. OTHER INFORMATION (CONTINUED)

L. Subsequent Events

In August 2006, County Council authorized the County Supervisor to negotiate a contract for the purchase of the A.D. Hare Water System, which provides water services to the Pinopolis Peninsula and several areas to the south of Pinopolis. The A. D. Hare Water System has been failing for some time and is currently operating under a consent order from DHEC. A contract has recently been executed for a purchase price of approximately \$682,000. However, this transaction has not yet closed due to title issues for some of the existing wells in this system. Management anticipates that these issues will be resolved in the near future, at which time they expect to proceed with the purchase. In addition, management estimates that it will cost an additional approximately \$1,400,000 to rehabilitate the system and bring it up to current DHEC standards.

In November 2006, the County issued \$8,000,000 in General Obligation Improvement Bonds for the purpose of providing funds to finance the cost of certain capital improvements in the County including the construction and renovation to the Sheriff and Magistrate's Offices, Detention Center and other County service buildings. County Council approved the issuance of these bonds in September 2006. Principal payments begin in 2008, ranging from \$20,000 to \$615,000, with interest ranging from 4.0% to 6.0%. The bonds mature in September 2029.

In November 2006, County Council approved the issuance of Water and Sewer Revenue Bonds not to exceed \$10,000,000 for the Lake Marion Water Project. The County anticipates issuing these bonds in the near future.

In November 2006, County Council approved a resolution to use 94% of the fee-in-lieu of ad valorem taxes collected within the Mt. Holly Commerce Park to repay the outstanding intergovernmental loan. In December 2006, the County received a total of approximately \$2,318,000 in net proceeds from the sale of properties in the commerce park. In accordance with the terms of the intergovernmental loan agreement, the County paid approximately \$2,255,000 to the Public Service Authority, consisting of approximately \$1,900,000 applied to the outstanding unpaid accrued interest at December 2006, with the balance applied to the loan principal.

Subsequent to June 30, 2006, County Council approved construction contracts totaling approximately \$14,044,000. In addition, County Council approved the issuances of two capital leases: (a) one for County operations (excluding the Water and Sewer and Solid Waste Funds) in the amount of \$2,937,886, with a term of four years and an interest rate of 3.93%, and (b) one for the Water and Sewer and Solid Waste Funds in the amount of \$1,700,000, with a term of five years and an interest rate of 3.62%.

BERKELEY COUNTY, SOUTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2006

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	WITH FINAL
REVENUES				BUDGET
Property Taxes	\$ 23,557,121	23,557,121	23,102,827	\$ (454,294)
Fee in Lieu of Taxes	3,704,486	3,704,486	3,691,798	(12,688)
Licenses, Fees and Permits	1,654,800	1,736,735	2,017,221	280,486
Fines, Forfeitures and Fees	7,442,915	7,866,049	7,856,918	(9,131)
Interest Income	62,300	79,072	278,296	199,224
Intergovernmental - Federal	178,000	178,000	276,282	98,282
Intergovernmental - State and Local	7,049,365	7,049,365	7,074,349	24,984
Miscellaneous	357,363	539,130	629,419	90,289
TOTAL REVENUES	44,006,350	44,709,958	44,927,110	217,152
EXPENDITURES				
Current:				
General Government				
Legislative	461,367	462,324	397,868	64,456
Judicial	4,845,181	4,923,562	4,837,833	85,729
Executive	141,951	149,434	141,817	7,617
Finance and Administration	11,388,909	11,720,323	11,191,655	528,668
Elections	302,184	302,184	309,019	(6,835)
Total General Government	17,139,592	17,557,827	16,878,192	679,635
Public Safety				
Sheriff	7,984,010	8,393,806	8,008,835	384,971
Crime Stoppers	3,000	3,000	3,000	-
Corrections	2,698,817	2,857,118	2,432,637	424,481
Fire	326,747	326,747	326,201	546
Communications	1,057,685	1,059,155	1,020,511	38,644
Emergency Medical Services	4,702,821	4,786,579	4,420,435	366,144
Coroner	274,258	285,653	289,748	(4,095)
Total Public Safety	17,047,338	17,712,058	16,501,367	1,210,691
Airport, Highways and Streets				
Airport	336,754	431,217	440,911	(9,694)
Highways and Streets	4,359,627	4,392,287	4,022,494	369,793
Fleet Management	545,438	475,577	416,951	58,626
Engineering	615,651	635,762	580,640	55,122
Total Airport, Highways and Streets	5,857,470	5,934,843	5,460,996	473,847
Culture and Recreation				
Berkeley Museum	40,000	40,000	40,000	-
Spires Landing Operations	13,605	13,605	13,605	-
Total Culture and Recreation	\$ 53,605	53,605	53,605	\$ -

(Continued)

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, 2006

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
EXPENDITURES (CONTINUED)				
Current (Continued):				
Health and Welfare				
Health State	\$ 101,270	101,270	104,797	\$ (3,527)
Mosquito Abatement	503,031	548,815	505,196	43,619
Veterans Services	113,752	124,965	113,300	11,665
Other Programs Assistance	916,630	934,699	924,215	10,484
Total Health and Welfare	1,634,683	1,709,749	1,647,508	62,241
Community Development				
Santee Cooper Country	5,000	5,000	5,000	-
Regional Development Alliance	285,000	285,000	285,000	-
BCD Council of Governments	135,518	135,518	135,518	-
Total Community Development	425,518	425,518	425,518	-
Capital Outlay	392,637	1,301,536	1,323,842	(22,306)
Debt Service:				
Principal Retirement	679,502	1,057,539	1,057,526	13
Interest and Fiscal Charges	52,458	84,796	84,784	12
Total Debt Service	731,960	1,142,335	1,142,310	25
TOTAL EXPENDITURES	43,282,803	45,837,471	43,433,338	2,404,133
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	723,547	(1,127,513)	1,493,772	2,621,285
OTHER FINANCING SOURCES (USES)				
Reserved for Contingency	(600,000)	(181,552)	-	181,552
Proceeds from Capital Lease	-	1,457,831	1,457,831	-
Transfers In	954,630	954,630	997,649	43,019
Transfers Out	(2,705,251)	(2,730,470)	(2,323,148)	407,322
Total Other Financing Sources (Uses)	(2,350,621)	(499,561)	132,332	631,893
NET CHANGE IN FUND BALANCES	(1,627,074)	(1,627,074)	1,626,104	3,253,178
FUND BALANCE - Beginning of Year	5,663,617	5,663,617	5,663,617	-
FUND BALANCE - End of Year	\$ 4,036,543	4,036,543	7,289,721	\$ 3,253,178

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 - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

	CAPITAL PROJECTS	DEBT SERVICE	SPECIAL REVENUE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 2,357,141	2,319,057	4,658,776	\$ 9,334,974
Receivables, Net of Allowances:				
Property Taxes	-	1,638,400	1,010,952	2,649,352
Accounts Receivable	-	-	3,567,907	3,567,907
Federal Government	-	-	398,963	398,963
State and Local Governments	-	-	72,011	72,011
Prepaid Items	-	-	3,674	3,674
TOTAL ASSETS	<u>2,357,141</u>	<u>3,957,457</u>	<u>9,712,283</u>	<u>16,026,881</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Accrued Liabilities	454,742	-	624,095	1,078,837
Due to Other Funds	-	-	424,301	424,301
Deferred Revenue	-	1,613,038	4,639,611	6,252,649
TOTAL LIABILITIES	<u>454,742</u>	<u>1,613,038</u>	<u>5,688,007</u>	<u>7,755,787</u>
FUND BALANCES				
Reserved For:				
Prepaid Items	-	-	3,674	3,674
Debt Service	-	2,344,419	-	2,344,419
Other	-	-	126,822	126,822
Unreserved:				
Undesignated, Reported in:				
Special Revenue Funds	-	-	3,893,780	3,893,780
Capital Projects Funds	1,902,399	-	-	1,902,399
TOTAL FUND BALANCES	<u>1,902,399</u>	<u>2,344,419</u>	<u>4,024,276</u>	<u>8,271,094</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,357,141</u>	<u>3,957,457</u>	<u>9,712,283</u>	<u>\$ 16,026,881</u>

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2006

	LIBRARY	NATIONAL FOREST	EMERGENCY PREPAREDNESS
ASSETS			
Cash and Cash Equivalents	\$ 108,987	129,947	-
Receivables, Net of Allowances:			
Property Taxes	-	-	-
Accounts Receivable	-	-	-
Federal Government	28,007	-	29,012
State and Local Governments	-	-	-
Prepaid Items	1,318	-	9
TOTAL ASSETS	138,312	129,947	29,021
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	130,183	3,125	10,347
Due to Other Funds	-	-	18,674
Deferred Revenue	-	-	-
TOTAL LIABILITIES	130,183	3,125	29,021
FUND BALANCES			
Reserved for:			
Prepaid Items	1,318	-	9
Other	-	126,822	-
Unreserved:			
Undesignated	6,811	-	(9)
TOTAL FUND BALANCES	8,129	126,822	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 138,312	129,947	29,021

GIS	STORM WATER MANAGEMENT	HIGHWAY "C" FUNDS	CLERK OF COURT	ECONOMIC DEVELOPMENT
109,608	-	59,751	53,573	\$ 840,656
-	-	-	-	-
-	-	-	-	-
-	-	-	1,661	-
-	-	-	21,112	-
-	-	-	-	-
109,608	-	59,751	76,346	840,656
19,612	-	8,831	15,768	11,854
-	-	-	-	-
-	-	50,920	-	-
19,612	-	59,751	15,768	11,854
-	-	-	-	-
-	-	-	-	-
89,996	-	-	60,578	828,802
89,996	-	-	60,578	828,802
109,608	-	59,751	76,346	\$ 840,656

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2006

	STATE ACCOMMODATIONS TAX	SHERIFF'S GRANTS	MISCELLANEOUS SPECIAL REVENUE
ASSETS			
Cash and Cash Equivalents	\$ 45,667	172,999	335,473
Receivables, Net of Allowances:			
Property Taxes	-	-	-
Accounts Receivable	-	2,589	-
Federal Government	-	211,104	35,948
State and Local Governments	24,168	-	-
Prepaid Items	-	-	-
TOTAL ASSETS	69,835	386,692	371,421
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	42,593	22,782	-
Due to Other Funds	27,242	209,950	35,948
Deferred Revenue	-	119,661	-
TOTAL LIABILITIES	69,835	352,393	35,948
FUND BALANCES			
Reserved for:			
Prepaid Items	-	-	-
Other	-	-	-
Unreserved:			
Undesignated	-	34,299	335,473
TOTAL FUND BALANCES	-	34,299	335,473
TOTAL LIABILITIES AND FUND BALANCES	\$ 69,835	386,692	371,421

VICTIM'S WITNESS	SOLICITOR'S GRANTS	COUNTY ACCOMMODATIONS TAX	PARD GRANT	LOCAL ECONOMIC DEVELOPMENT
298,980	-	89,802	-	\$ 1,032,459
-	-	-	-	423,706
-	-	48,410	-	2,154
-	-	-	-	-
-	-	-	8,000	-
2,147	-	-	-	200
301,127	-	138,212	8,000	1,458,519
17,780	-	110,570	-	14,827
-	-	27,642	8,000	-
-	-	-	-	428,706
17,780	-	138,212	8,000	443,533
2,147	-	-	-	200
-	-	-	-	-
281,200	-	-	-	1,014,786
283,347	-	-	-	1,014,986
301,127	-	138,212	8,000	\$ 1,458,519

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2006

	AIRPORT IMPROVEMENTS	REGIONAL DISASTER PLANNING GRANT	SANGAREE SPECIAL TAX DISTRICT	PIMLICO SPECIAL TAX DISTRICT
ASSETS				
Cash and Cash Equivalents	\$ -	27,492	1,157,851	-
Receivables, Net of Allowances:				
Property Taxes	-	-	587,246	-
Accounts Receivable	-	-	4,000	25,732
Federal Government	93,231	-	-	-
State and Local Governments	18,731	-	-	-
Prepaid Items	-	-	-	-
TOTAL ASSETS	111,962	27,492	1,749,097	25,732
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Accrued Liabilities	15,117	27,492	25,783	100
Due to Other Funds	96,845	-	-	-
Deferred Revenue	-	-	574,447	25,632
TOTAL LIABILITIES	111,962	27,492	600,230	25,732
FUND BALANCES				
Reserved for:				
Prepaid Items	-	-	-	-
Other	-	-	-	-
Unreserved:				
Undesignated	-	-	1,148,867	-
TOTAL FUND BALANCES	-	-	1,148,867	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 111,962	27,492	1,749,097	25,732

TALL PINES SPECIAL TAX DISTRICT	DEVON FOREST SPECIAL TAX DISTRICT	SPECIAL COUNTY TAX DISTRICT	LAKE MOULTRIE PARK	LEGAL FORFEITURE PROCEEDS	TOTAL SPECIAL REVENUE FUNDS
-	-	102,554	35,538	57,439	\$ 4,658,776
-	-	-	-	-	1,010,952
74,906	34,141	3,375,975	-	-	3,567,907
-	-	-	-	-	398,963
-	-	-	-	-	72,011
-	-	-	-	-	3,674
74,906	34,141	3,478,529	35,538	57,439	9,712,283
200	120	147,011	-	-	624,095
-	-	-	-	-	424,301
74,706	34,021	3,331,518	-	-	4,639,611
74,906	34,141	3,478,529	-	-	5,688,007
-	-	-	-	-	3,674
-	-	-	-	-	126,822
-	-	-	35,538	57,439	3,893,780
-	-	-	35,538	57,439	4,024,276
74,906	34,141	3,478,529	35,538	57,439	\$ 9,712,283

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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, 2006

	CAPITAL PROJECTS	DEBT SERVICE	SPECIAL REVENUE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Taxes:				
Property	\$ -	2,219,700	850,303	\$ 3,070,003
Other	-	-	457,962	457,962
Fee in Lieu of Taxes	-	327,502	718,872	1,046,374
Fines, Forfeitures and Fees	-	-	3,895,865	3,895,865
Interest Income	-	229,310	750	230,060
Local Revenue	-	-	591,640	591,640
Intergovernmental - Federal	-	-	1,751,465	1,751,465
Intergovernmental - State and Local	200,000	-	760,601	960,601
Miscellaneous	-	57,084	573,821	630,905
TOTAL REVENUES	200,000	2,833,596	9,601,279	12,634,875
EXPENDITURES				
Current:				
General Government	55,737	-	714,645	770,382
Public Safety	-	-	4,524,669	4,524,669
Airport, Highways, and Streets	37,265	-	51,301	88,566
Culture and Recreation	5,412	-	2,420,094	2,425,506
Health and Welfare	31,842	-	-	31,842
Community Development	-	-	1,909,568	1,909,568
Capital Outlay	4,159,571	-	976,420	5,135,991
Debt Service:				
Principal Retirement	-	800,000	7,631	807,631
Interest and Fiscal Charges	-	1,435,609	621	1,436,230
TOTAL EXPENDITURES	4,289,827	2,235,609	10,604,949	17,130,385
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,089,827)	597,987	(1,003,670)	(4,495,510)
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease	-	-	22,223	22,223
Transfers In	-	-	2,643,487	2,643,487
Transfers Out	-	-	(1,415,388)	(1,415,388)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	1,250,322	1,250,322
NET CHANGE IN FUND BALANCES	(4,089,827)	597,987	246,652	(3,245,188)
FUND BALANCE - Beginning of Year	5,992,226	1,746,432	3,777,624	11,516,282
FUND BALANCE - End of Year	\$ 1,902,399	2,344,419	4,024,276	\$ 8,271,094

BERKELEY COUNTY, SOUTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2006

	LIBRARY	NATIONAL FOREST	EMERGENCY PREPAREDNESS
REVENUES			
Taxes:			
Property	\$ -	-	-
Other	-	-	-
Fee in Lieu of Taxes	-	-	-
Fines, Forfeitures and Fees	42,298	-	-
Interest Income	-	-	-
Local Revenue	-	-	-
Intergovernmental - Federal	28,007	703,238	45,198
Intergovernmental - State and Local	285,302	-	-
Miscellaneous	1,124	-	560
TOTAL REVENUES	356,731	703,238	45,758
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	193,910
Airport, Highways, and Streets	-	-	-
Culture and Recreation	2,348,867	15,632	-
Community Development	-	-	-
Capital Outlay	-	-	18,489
Debt Service:			
Principal Retirement	1,849	-	5,782
Interest and Fiscal Charges	106	-	515
TOTAL EXPENDITURES	2,350,822	15,632	218,696
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,994,091)	687,606	(172,938)
OTHER FINANCING SOURCES (USES)			
Proceeds from Capital Lease	-	-	22,223
Transfers In	1,868,309	-	150,715
Transfers Out	-	(699,991)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,868,309	(699,991)	172,938
NET CHANGE IN FUND BALANCES	(125,782)	(12,385)	-
FUND BALANCE - Beginning of Year	133,911	139,207	-
FUND BALANCE - End of Year	\$ 8,129	126,822	-

GIS	STORM WATER MANAGEMENT	HIGHWAY "C" FUNDS	EMS EQUIPMENT	CLERK OF COURT
-	-	-	-	\$ -
-	-	-	-	-
-	-	-	-	-
21,159	-	-	-	-
-	-	-	-	-
115,113	-	93,220	-	-
-	-	-	-	306,472
-	-	369,400	33,200	-
-	-	-	-	-
136,272	-	462,620	33,200	306,472
360,206	-	-	-	285,235
-	-	-	8,076	-
-	300	51,001	-	-
-	-	-	-	-
-	-	-	-	-
-	-	411,619	26,589	-
-	-	-	-	-
-	-	-	-	-
360,206	300	462,620	34,665	285,235
(223,934)	(300)	-	(1,465)	21,237
-	-	-	-	-
245,407	300	-	1,465	-
-	-	-	-	-
245,407	300	-	1,465	-
21,473	-	-	-	21,237
68,523	-	-	-	39,341
89,996	-	-	-	\$ 60,578

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2006

	ECONOMIC DEVELOPMENT	STATE ACCOMMODATIONS TAX	SHERIFF'S GRANTS
REVENUES			
Taxes:			
Property	\$ -	-	-
Other	-	-	-
Fee in Lieu of Taxes	-	-	-
Fines, Forfeitures and Fees	-	-	14,586
Interest Income	-	-	223
Local Revenue	-	-	383,307
Intergovernmental - Federal	-	-	442,262
Intergovernmental - State and Local	-	69,834	1,375
Miscellaneous	415,000	-	4,577
TOTAL REVENUES	415,000	69,834	846,330
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	520,238
Airport, Highways, and Streets	-	-	-
Culture and Recreation	-	-	-
Community Development	189,717	42,592	-
Capital Outlay	-	-	368,870
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
TOTAL EXPENDITURES	189,717	42,592	889,108
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	225,283	27,242	(42,778)
OTHER FINANCING SOURCES (USES)			
Proceeds from Capital Lease	-	-	-
Transfers In	280,339	-	25,576
Transfers Out	-	(27,242)	(4,093)
TOTAL OTHER FINANCING SOURCES (USES)	280,339	(27,242)	21,483
NET CHANGE IN FUND BALANCES	505,622	-	(21,295)
FUND BALANCE - Beginning of Year	323,180	-	55,594
FUND BALANCE - End of Year	\$ 828,802	-	34,299

MISCELLANEOUS SPECIAL REVENUE	VICTIM'S WITNESS	COUNTY ACCOMMODATIONS TAX	PARD GRANT	LOCAL ECONOMIC DEVELOPMENT
-	-	-	-	\$ 61,508
-	-	457,962	-	-
-	-	-	-	718,872
188,485	260,473	-	-	5,669
527	-	-	-	-
-	-	-	-	-
38,881	-	-	-	-
-	-	-	14,907	-
144,400	232	-	-	-
<u>372,293</u>	<u>260,705</u>	<u>457,962</u>	<u>14,907</u>	<u>786,049</u>
55,792	-	-	-	-
190,794	339,627	-	-	-
-	-	-	-	-
-	-	-	14,907	-
-	-	366,370	-	474,838
-	21,375	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>246,586</u>	<u>361,002</u>	<u>366,370</u>	<u>14,907</u>	<u>474,838</u>
125,707	(100,297)	91,592	-	311,211
-	-	-	-	-
12,958	-	-	-	-
-	-	(91,592)	-	(592,470)
<u>12,958</u>	<u>-</u>	<u>(91,592)</u>	<u>-</u>	<u>(592,470)</u>
138,665	(100,297)	-	-	(281,259)
196,808	383,644	-	-	1,296,245
<u>335,473</u>	<u>283,347</u>	<u>-</u>	<u>-</u>	<u>\$ 1,014,986</u>

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2006

	AIRPORT IMPROVEMENTS	REGIONAL DISASTER PLANNING GRANT	SANGAREE SPECIAL TAX DISTRICT	PIMLICO SPECIAL TAX DISTRICT
REVENUES				
Taxes:				
Property	\$ -	-	788,795	-
Other	-	-	-	-
Fee in Lieu of Taxes	-	-	-	-
Fines, Forfeitures and Fees	-	-	-	25,425
Interest Income	-	-	-	-
Local Revenue	-	-	-	-
Intergovernmental - Federal	124,477	62,930	-	-
Intergovernmental - State and Local	(13,417)	-	-	-
Miscellaneous	-	-	7,928	-
TOTAL REVENUES	111,060	62,930	796,723	25,425
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	62,930	-	-
Airport, Highways, and Streets	-	-	-	-
Culture and Recreation	-	-	-	-
Community Development	-	-	701,157	25,425
Capital Outlay	129,478	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
TOTAL EXPENDITURES	129,478	62,930	701,157	25,425
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(18,418)	-	95,566	-
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease	-	-	-	-
Transfers In	18,418	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	18,418	-	-	-
NET CHANGE IN FUND BALANCES	-	-	95,566	-
FUND BALANCE - Beginning of Year	-	-	1,053,301	-
FUND BALANCE - End of Year	\$ -	-	1,148,867	-

TALL PINES SPECIAL TAX DISTRICT	DEVON FOREST SPECIAL TAX DISTRICT	SPECIAL COUNTY TAX DISTRICT	LAKE MOULTRIE PARK	LEGAL FORFEITURE PROCEEDS	TOTAL SPECIAL REVENUE FUNDS
-	-	-	-	-	\$ 850,303
-	-	-	-	-	457,962
-	-	-	-	-	718,872
75,109	34,360	3,209,094	-	19,207	3,895,865
-	-	-	-	-	750
-	-	-	-	-	591,640
-	-	-	-	-	1,751,465
-	-	-	-	-	760,601
-	-	-	-	-	573,821
75,109	34,360	3,209,094	-	19,207	9,601,279
-	-	-	-	13,412	714,645
-	-	3,209,094	-	-	4,524,669
-	-	-	-	-	51,301
-	-	-	40,688	-	2,420,094
75,109	34,360	-	-	-	1,909,568
-	-	-	-	-	976,420
-	-	-	-	-	7,631
-	-	-	-	-	621
75,109	34,360	3,209,094	40,688	13,412	10,604,949
-	-	-	(40,688)	5,795	(1,003,670)
-	-	-	-	-	22,223
-	-	-	40,000	-	2,643,487
-	-	-	-	-	(1,415,388)
-	-	-	40,000	-	1,250,322
-	-	-	(688)	5,795	246,652
-	-	-	36,226	51,644	3,777,624
-	-	-	35,538	57,439	\$ 4,024,276

BERKELEY COUNTY, SOUTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2006

	CLERK OF COURT	MASTER IN EQUITY	TAX COLLECTOR
ASSETS			
Cash and Cash Equivalents	\$ 1,310,366	187,196	1,973,813
Receivables:			
Accounts Receivable	358	-	-
State Government	-	-	-
TOTAL ASSETS	1,310,724	187,196	1,973,813
LIABILITIES			
Due to School District	-	-	-
Due to Other Designated Recipients	1,310,724	187,196	1,973,813
TOTAL LIABILITIES	\$ 1,310,724	187,196	1,973,813

SHERIFF	MAGISTRATES	TREASURER	"C" FUNDS ADMINISTRATION	TOTALS
200,867	188,385	16,317,490	13,441,438	\$ 33,619,555
-	-	11,215	-	11,573
-	-	-	218,530	218,530
200,867	188,385	16,328,705	13,659,968	33,849,658
-	-	12,307,444	-	12,307,444
200,867	188,385	4,021,261	13,659,968	21,542,214
200,867	188,385	16,328,705	13,659,968	\$ 33,849,658

BERKELEY COUNTY, SOUTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2006

REVENUES

Collections:	
Assessments	\$ 1,176,036
Surcharges	565,635
Total Collections	<u>1,741,671</u>
Remitted to State Treasurer:	
Assessments	1,048,358
Surcharges	432,839
Total Remitted to State Treasurer	<u>1,481,197</u>
Revenues Retained by the County for Victim's Assistance Program	260,474

EXPENDITURES

Salaries and Wages	208,905
Fringe Benefits	71,492
Other Operating Expenses	58,999
Capital Outlay	21,375
Total Program Expenses	<u>360,771</u>
Deficiency of Revenues Over Expenditures	(100,297)

BALANCES CARRIED FORWARD

Beginning of Year	383,644
End of Year	<u>\$ 283,347</u>

BERKELEY COUNTY, SOUTH CAROLINA**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	ALLOWABLE FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
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-03-009	\$ 12,930
Local Planning Assistance	14.228	4-RP-04-009	50,000
Old Field Water Projects	14.228	4-CI-004-002	500,000
Cross Water Line Project	14.228	4-CI-05-017	34,117
Project Green	14.228	1706	200,000
Total U.S. Department of Housing and Urban Development			<u>797,047</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through South Carolina Department of Social Services (SCDSS) - Child Support Enforcement Title IV-D			
Clerk of Court - Filing Fees	93.563	G-06SC4004	285,235
Sheriff's Department	93.563	G-06SC4004	15,840
	93.563	G-06SC4004	10,148
Total of CFDA # 93.563			<u>311,223</u>
Federal Financial Participation, Passed Through SCDSS - Administration for Children and Families			
Family Preservation and Support Services (CWS-Part II)	93.556	G-01SCOFP	3,303
TANF Block Grant	93.558	G-01SCTANF	65,393
Child Support Enforcement	93.563	G-06SC4004	126
Child Welfare Services - State Grants	93.645	G-01SC1400	6,714
Title IV-E Foster Care	93.658	G-01SC1401	7,527
Social Services Block Grant	93.667	Reimbursement from SCDHHS	22,255
Center for Medicare and Medicare Services Medicaid Programs	93.778	Reimbursement from SCDHHS	21,623
USDA Food Nutrition Service State Administration Matching Grant Food Stamp Program	10.561	12-35-4541	53,552
Total of Federal Financial Participation			<u>180,493</u>
Total U.S. Department of Health and Human Services			<u>\$ 491,716</u>

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	ALLOWABLE FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Department of Transportation			
Federal Aviation Administration	20.106	3-45-0041-12	\$ 54,489
Federal Aviation Administration	20.106	3-45-0041-13	68,517
Total U.S. Department of Transportation			<u>123,006</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through South Carolina State Treasurer			
Emergency Water Shed Funding	10.054	69-469-5-5016	77,100
National Forest Fund	10.665	n/a	703,238
Prescribed Burning	Unknown	7246395A922	375
Total U.S. Department of Agriculture			<u>780,713</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Passed Through Adjutant General's Office			
Local Planning Grant for All Hazard Emergency Planning	97.042	5EMPG01	45,198
Total Federal Emergency Management Agency			<u>45,198</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Direct			
Special Water Infrastructure Projects	66.606	XP98408297	270,000
Special Water Infrastructure Projects	66.606	SP98493900	249,285
Water to Cross Schools	66.606	XP964156040	262,439
Total Environmental Protection Agency			<u>781,724</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through South Carolina Public Safety:			
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0209	14,793
State Criminal Alien Assistance Program	16.606	2005-F0825-SC-AP	2,849
Passed Through South Carolina Public Safety:			
Magistrate Office Automation	16.738	ID05058	38,881
Live Scan Device	16.738	ID05017	48,200
Justice Assistance Grant	16.738	2006-DJ-BX-0154	17,528
Total CFDA # 16.738			<u>104,609</u>
Total U. S. Department of Justice			<u>\$ 122,251</u>

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	ALLOWABLE FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through South Carolina Public Safety: Homeland Security			
Law Enforcement Terrorism Prevention Allocation	97.067	5LETP08	\$ 74,190
EMS Basic COBRA Response Team	97.067	5SHSP08	289,464
Total U.S. Department of Homeland Security			<u>363,654</u>
<u>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>			
State Library Program			
LSTA Project - Collection Development	45.310	ID-05-08	28,007
Total U.S. Institute of Museum and Library Services			<u>28,007</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,533,316</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2006

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.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF 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, 2006, which collectively comprise Berkeley County, South Carolina's basic financial statements and have issued our report thereon dated January 31, 2007. 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 *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 2006-1.

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 January 31, 2007.

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
January 31, 2007

**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, 2006. 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, 2006.

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
January 31, 2007

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes _____ X No

Reportable condition(s) identified that are not
considered to be material weaknesses? _____ X Yes _____

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes _____ X No

Reportable condition(s) identified that are not
considered to be material weaknesses? _____ Yes _____ X None Reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement Title IV-D
14.228	Community Development / Regional Disaster Planning
10.665	National Forest Fund

Dollar threshold used to distinguish between type A and type B programs: _____ \$ _____ 300,000

Auditee qualified as low-risk auditee? _____ Yes _____ X No

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Section II – Findings – 2006 Financial Statements Audit

2006-1: LACK OF TIMELY RECONCILIATIONS AND MANAGEMENT REVIEW OR MONITORING

Condition:	<p>The County's Water and Sanitation Authority made improvements in its financial operations since the prior year. However, we noted the following specific areas in which internal controls and procedures should be improved as of June 30, 2006:</p> <ol style="list-style-type: none">1. Bank reconciliation process, as bank reconciliations for a number of accounts had not been prepared on a timely basis throughout the year.2. Billing and accounts receivable transactions, including reconciliations to detail supporting records and monitoring of account balances.3. Timely review and reconciliation of other accounts.
Criteria:	<p>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 completing reconciliations on a timely basis and for reviewing and monitoring those reconciliations and account balances.</p>
Effect:	<p>Transactions may not be recorded accurately, completely, timely and in accordance with management's expectations. In addition, errors may occur and may not be detected in a timely manner. This also results in an increased risk of fraud.</p>
Recommendation:	<p>We recommend that the Authority implement a system that (1) ensures that financial staff focus on timely reconciliations of balance sheet accounts and (2) ensures that financial management focus on thoroughly reviewing those reconciliations and monitoring significant transactions and account balances.</p>
Response:	<p>In response to last year's written audit recommendations, the Authority has implemented a new computerized accounting system that allows Finance and several other departments access to timely financial information to assist in the monitoring of revenues, expenditures and budgets. Although not fully implemented, this new system has significantly improved the Authority's overall ability to verify that transactions are recorded accurately, timely and in accordance with the budget approved by County Council. By setting up individual accounts for all current capital improvement projects the Finance department has greatly enhanced its ability to financially monitor projects. The Finance department is currently completing all bank account reconciliation's monthly and is working with the external auditors to adopt and implement policies regarding reconciliation's of all other accounts.</p>

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

No matters were reported

BERKELEY COUNTY, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2006

2005-2: ALLOWABLE COSTS

Federal Agency: US Department of Health and Human Services

Pass-through Agency: South Carolina Department of Social Services

CFDA # 93.563, Child Support Enforcement Title IV-D

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

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