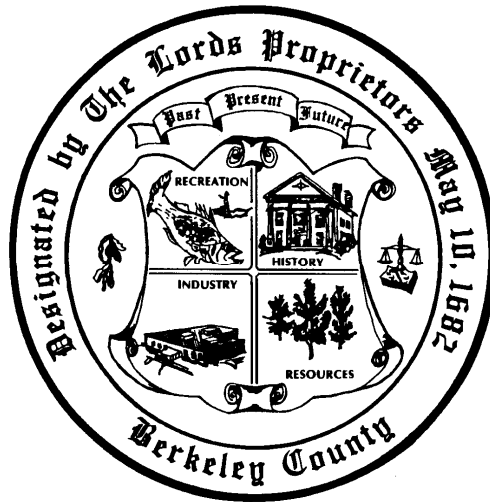


BERKELEY COUNTY, SOUTH CAROLINA
FINANCIAL STATEMENTS,
YEAR ENDED JUNE 30, 2008



PREPARED BY:

Kace Smith, CPA, Finance Director
Marietta Hicks, Accountant
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BERKELEY COUNTY, SOUTH CAROLINA

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BERKELEY COUNTY, SOUTH CAROLINA

Established in 1942

LISTING OF ELECTED OFFICIALS

County Council

Daniel W. Davis, Supervisor and Chairman
Phillip Farley, District No. 1
Timothy J. Callanan, District No. 2
William E. Crosby, District No. 3
Cathy S. Davis, District No. 4
Dennis Fish, District No. 5
Jack H. Schurlknight, District No. 6
Caldwell Pinckney, District No. 7
Steve C. Davis, District No. 8

Other Elected Officials

Janet Brown Jurosko, Auditor
Mary P. Brown, Clerk of Court
Glenn A. Rhoad, Coroner
Keith Kornahrens, Probate Judge
Cynthia B. Forte, Register of Deeds
Henry W. Dewitt, Sheriff
Scarlett A. Wilson, Solicitor
Carolyn M. Umphlett, Treasurer



INDEPENDENT AUDITORS' REPORT

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, 2008, 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 opinions 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 opinions.

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, 2008, 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 December 23, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.

Our audit was conducted for the purpose of forming opinions 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.

A handwritten signature in cursive script that reads "Greene, Finney & Horton LLP".

Greene, Finney & Horton, LLP
December 23, 2008

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

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, 2008. 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 approximately \$236 million for fiscal year 2008 as compared to approximately \$208 million at the prior 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, 2008 amounted to approximately \$28 million. Unrestricted net assets decreased approximately \$6 million over the previous fiscal year.
- The County's total net assets this fiscal year increased approximately \$28 million over the previous year: approximately \$18 million of the increase is from business-type activities, approximately \$10 million from governmental activities.
- At June 30, 2008 the County's governmental funds reported combined ending fund balances of approximately \$19 million, an increase of approximately \$1.3 million over the previous fiscal year as revenues and other financing sources (proceeds for the issuance of bonds and notes payable, transfers from other funds and proceeds from the disposal of assets) totaling approximately \$82 million exceeded expenditures and other financing uses (transfers to other funds) of approximately \$81 million. Unreserved fund balances for all governmental fund types was approximately \$8 million.
- The General Fund reported an unreserved fund balance of approximately \$3.4 million compared to last year's unreserved amount of approximately \$3.5 million. This decrease of approximately \$100 thousand was due primarily to a decrease in the collections of revenue related to the issuance of building permits and the filing fees of property deeds. The General Fund's unreserved and undesignated fund balance was approximately \$2.4 million, which represents 4.7% of 2008 actual expenditures and 4.2% percent of 2009 budgeted expenditures.
- The County's total capital assets were approximately \$346 million at June 30, 2008, an increase of approximately \$31 million from the amount reported for the previous year. Approximately \$3.2 million of this increase is the result of the County recording building improvements and infrastructure contributed by developers, while business-type activities recorded approximately \$21 million in infrastructure contributed by developers.
- The County's total long-term obligations were approximately \$250 million at June 30, 2008, a decrease of approximately \$11 million from the previous year. This decrease was due primarily to the payoff of the intergovernmental loan combined with other scheduled principal payments.
- The debt service coverage ratio for the Solid Waste and the Water and Sewer revenue bonds was 278% and 106%, respectively. The Solid Waste Fund debt coverage exceeded the 120% required by the bond covenants while the Water and Sewer Fund did not meet the debt coverage ratio. As required by bond documents, when debt coverage ratios were not met, a rate and fee study was conducted which resulted in County Council passing a resolution to increase rates and fees effective July 1, 2008. Rates increased approximately 30% for water and sewer customers for FY09 and the study estimates a 4% increase will be needed for each of the next 3 years. However, excluding nonrecurring fees (impact and capacity reservation fees) the debt coverage ratio for the Water and Sewer Fund would be 63% for 2008.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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, 2008. The difference between these assets and liabilities is reported as net assets. Changes in net assets over time may be helpful in indicating an improving or deteriorating financial condition.

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

Both statements attempt to distinguish functions of Berkeley County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

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

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Fines, Assessments, and Surcharges Collected.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative data for net assets as of June 30, 2008 and 2007 are shown below.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and Other Assets	\$ 61,078	54,857	136,758	150,311	197,836	\$ 205,168
Capital Assets, Net	76,259	73,059	269,896	242,220	346,155	315,279
Total Assets	<u>137,337</u>	<u>127,916</u>	<u>406,654</u>	<u>392,531</u>	<u>543,991</u>	<u>520,447</u>
Liabilities:						
Current Liabilities	46,849	46,068	13,433	12,838	60,282	58,906
Non-Current Liabilities	38,326	39,537	209,026	213,565	247,352	253,102
Total Liabilities	<u>85,175</u>	<u>85,605</u>	<u>222,459</u>	<u>226,403</u>	<u>307,634</u>	<u>312,008</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	45,499	37,614	157,292	132,393	202,791	170,007
Restricted	5,331	3,253	533	1,584	5,864	4,837
Unrestricted	1,332	1,444	26,370	32,151	27,702	33,595
Total Net Assets	<u>\$ 52,162</u>	<u>42,311</u>	<u>184,195</u>	<u>166,128</u>	<u>236,357</u>	<u>\$ 208,439</u>

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, 2008, decreased approximately \$5,893,000 for unrestricted net assets and increased approximately \$1,027,000 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.

BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the County's net assets (86%) 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.

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 for the fiscal years ending June 30, 2008 and 2007.

Berkeley County Statement of Activities (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 16,267	15,569	40,758	47,301	57,025	\$ 62,870
Operating Grants and Contributions	2,126	2,034	647	209	2,773	2,243
Capital Grants and Contributions	5,948	4,548	21,656	12,174	27,604	16,722
General Revenues:						
Property Taxes	29,133	26,311	-	-	29,133	26,311
Fee in Lieu of Taxes	6,378	5,370	-	-	6,378	5,370
Other Taxes	887	823	-	-	887	823
Unrestricted Grants	9,035	8,188	-	-	9,035	8,188
Interest Income	511	790	5,454	6,004	5,965	6,794
Gain (Loss) on Sale of Assets	141	2,518	134	(382)	275	2,136
Miscellaneous	292	194	-	325	292	519
Total Revenues	<u>70,718</u>	<u>66,345</u>	<u>68,649</u>	<u>65,631</u>	<u>139,367</u>	<u>131,976</u>
Expenses:						
General Government	21,558	20,618	-	-	21,558	20,618
Public Safety	24,939	24,181	-	-	24,939	24,181
Airport, Highways and Streets	9,636	9,552	-	-	9,636	9,552
Culture and Recreation	3,122	2,833	-	-	3,122	2,833
Health and Welfare	1,757	1,811	-	-	1,757	1,811
Community Development	2,322	2,550	-	-	2,322	2,550
Interest and Fiscal Charges	1,963	2,058	-	-	1,963	2,058
Water and Sewer	-	-	34,120	30,386	34,120	30,386
Solid Waste	-	-	9,977	7,535	9,977	7,535
Parks and Recreation	-	-	1,434	1,478	1,434	1,478
Emergency Telephone	-	-	621	597	621	597
Total Expenses	<u>65,297</u>	<u>63,603</u>	<u>46,152</u>	<u>39,996</u>	<u>111,449</u>	<u>103,599</u>
Increase in Net Assets before Transfers	5,421	2,742	22,497	25,635	27,918	28,377
Transfers	4,430	(3,523)	(4,430)	3,523	-	-
Change in Net Assets	<u>9,851</u>	<u>(781)</u>	<u>18,067</u>	<u>29,158</u>	<u>27,918</u>	<u>28,377</u>
Net Assets, Beginning of Year	<u>42,311</u>	<u>43,092</u>	<u>166,128</u>	<u>136,970</u>	<u>208,439</u>	<u>180,062</u>
Net Assets, End of Year	<u>\$ 52,162</u>	<u>42,311</u>	<u>184,195</u>	<u>166,128</u>	<u>236,357</u>	<u>\$ 208,439</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities. The largest percentage increase in revenues was in fee in lieu of taxes. This increase is attributable to new industries entering the County.

The largest percentage increase in expenses was in the general governmental function and was due to higher personnel costs.

Business-type Activities. The largest percentage increase in revenues was capital grants and contributions. This is attributable to the completion of several ongoing water and sewer projects by developers that were turned over the County for maintenance during 2008.

The largest increase in expenses was due to higher personnel and maintenance costs for both the Water and Sewer fund and the Solid Waste fund combined with an increase in depreciation due to additional capital assets.

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, 2008, and the amount and percentage of increases and decreases in relation to prior year amounts (in thousands):

	Amount	Percent of Total	Increase (Decrease) from 2007	Percent Increase (Decrease)
Revenues				
Property and Accommodations Taxes	\$ 29,492	35.8%	\$ 2,279	8.4%
Fee in Lieu of Taxes	6,378	7.7%	1,008	18.8%
Licenses, Fees and Permits	1,990	2.4%	(262)	-11.6%
Fines, Forfeitures and Fees	13,692	16.6%	964	7.6%
Interest Income	511	0.6%	(278)	-35.2%
Local Revenue	494	0.6%	(145)	-22.7%
Intergovernmental - Federal	1,849	2.2%	248	15.5%
Intergovernmental - State and Local	10,673	12.9%	(1,795)	-14.4%
Miscellaneous	1,297	1.6%	164	14.5%
Other Financing Sources				
Proceeds from Bonds and Notes Payable	1,812	2.2%	(9,022)	-83.3%
Proceeds from Disposal of Assets	328	0.4%	(2,292)	-87.5%
Transfers In	13,942	16.9%	10,131	265.8%
Total	<u>\$ 82,458</u>	<u>100%</u>	<u>\$ 1,000</u>	<u>1.2%</u>

Fines, forfeitures and fees increased due to the collection of impact fees that will be used for transportation needs in the County. Intergovernmental – Federal revenues increased due to the County receiving more federal grants to assist with airport projects.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

FINANCIAL ANALYSIS OF BERKELEY COUNTY'S FUNDS (CONTINUED)

Also during 2008, the County issued notes payable in the amount of \$1.8 million to finance the acquisition of capital assets.

The following schedule presents a summary of all governmental funds expenditures and other financing uses for the fiscal year ended June 30, 2008, and the percentage of increases and decreases in relation to prior year amounts (in thousands):

	Amount	Percent of Total	Increase (Decrease) from 2007	Percent Increase (Decrease)
Expenses:				
General Government	\$ 20,014	24.7%	\$ 934	4.9%
Public Safety	24,082	29.7%	852	3.7%
Airport, Highways and Streets	6,350	7.8%	211	3.4%
Culture and Recreation	3,087	3.8%	251	8.9%
Health and Welfare	1,671	2.1%	7	0.4%
Community Development	2,288	2.8%	(309)	-11.9%
Capital Outlay	4,810	5.9%	(5,074)	-51.3%
Debt Service:				
Principal Retirement	7,333	9.0%	4,475	156.6%
Interest and Fiscal Charges	2,018	2.5%	(1,713)	-45.9%
Other Financing Uses:				
Transfers Out	9,513	11.7%	2,179	29.7%
Total	<u>\$ 81,166</u>	<u>100.0%</u>	<u>\$ 1,813</u>	<u>2.3%</u>

The largest percentage increase in expenditures and other financing uses was in transfers out. This was attributable to the transfer of funds from the General Fund to the Debt Service Fund that was used to pay off the intergovernmental loan.

Governmental Funds

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the unreserved fund balance of the General Fund was approximately \$3.36 million (the reserved portion equaled \$420 thousand), while total fund balance of the General Fund was approximately \$3.78 million. As a measure of the General Fund's liquidity, it may be useful to compare both total unreserved, undesignated fund balance and total fund balance to total fund expenditures. Total unreserved, undesignated fund balance of approximately \$2.39 million represents 4.7% of total general fund expenditures of approximately \$50.67 million, while total fund balance represents 7.5% of that same amount.

The Debt Service fund has a total fund balance of approximately \$2.62 million, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was approximately \$263,000.

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, 2008, total net assets amounted to approximately \$184.2 million for enterprise funds as compared to approximately \$166.1 million at June 30, 2007. Net asset changes are a result of operations, other non-operating revenues and expenses, capital contributions and donated assets, grants and transfers from other funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

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.

	Operating Income (Loss) (In Thousands)	
	2008	2007
Water and Sewer	\$ 4,438	\$ 13,249
Solid Waste	573	3,176
Parks and Recreation	(839)	(813)
Emergency Telephone	(133)	(90)
Total	<u>\$ 4,039</u>	<u>\$ 15,522</u>

The Water and Sewer Fund experienced a decrease in operating income due primarily to a reduction in the collection of impact and capacity reservation fees which is directly correlated with changes in development and construction activity. Water and Sewer experienced an increase in operating expenses primarily due to hiring additional personnel. The Solid Waste fund had a very slight decrease in operating revenue primarily due to the reduced level of C&D material coming into the landfill and an increase in operating expenses primarily due to the recognition of increased landfill closure/post closure during this year due to changes in the estimated remaining life of the open landfill.

Cypress Gardens continues to incur significant operating losses, including approximately \$839,000 for fiscal 2008. The loss from 2008 has been funded by the General Fund and accounted for as an interdepartmental receivable / payable.

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 2008 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 2008. The change between the original budgeted revenues and other financing sources, and the final budgeted revenues and other financing sources was an increase of approximately \$2,575,000. The change between the original budgeted expenditures and other financing uses and the final budgeted expenditures and other financing uses was approximately \$2,575,000.

A column for actual revenues and a column for differences between final budget and actual revenues follow the budgeted amounts columns. During fiscal year 2008, revenues were less than budgetary estimates by approximately \$329,000, as fewer building permits were issued and property deeds filed.

A column for actual expenditures and a column for differences between final budget and actual expenditures follow the budgeted amounts columns. During fiscal year 2008, expenditures were less than budgetary estimates by approximately \$2,204,000. Most of this savings is attributable to approximately \$669,000 and approximately \$332,000 realized in finance and administration and highways and streets, respectively.

BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of 2008, the County had approximately \$346 million invested in capital assets, net of depreciation. This was an increase of approximately \$31 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, infrastructure, airport improvements, software, computer equipment, ambulances, and vehicles for the Sheriff's office. The table below reflects the capital asset balances as of June 30, 2008 and 2007, net of accumulated depreciation (in thousands).

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 3,756	3,756	3,648	3,648	7,404	\$ 7,404
Construction in Progress	5,487	6,208	13,154	15,030	18,641	21,238
Buildings and Improvements	26,990	25,168	-	-	26,990	25,168
Furniture and Equipment	8,143	7,983	5,352	5,646	13,495	13,629
Utility Systems, Plants and Buildings	-	-	247,742	217,896	247,742	217,896
Infrastructure	30,553	28,782	-	-	30,553	28,782
Other	1,330	1,162	-	-	1,330	1,162
Total	<u>\$ 76,259</u>	<u>73,059</u>	<u>269,896</u>	<u>242,220</u>	<u>346,155</u>	<u>\$ 315,279</u>

The County also has total outstanding construction commitments at June 30, 2008 of approximately \$6.7 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, 2008, the County had approximately \$250 million in bonds, loans and notes payable outstanding versus approximately \$261 million at June 30, 2007, or a decrease of approximately \$11 million. The table below reflects the outstanding balances (in thousands) as of June 30, 2008 and 2007.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$ 34,100	34,957	-	-	34,100	\$ 34,957
Revenue Bonds	-	-	210,415	214,848	210,415	214,848
Intergovernmental Loan	-	4,617	-	-	-	4,617
Notes Payable	3,253	3,277	2,158	3,300	5,411	6,577
Total	<u>\$ 37,353</u>	<u>42,851</u>	<u>212,573</u>	<u>218,148</u>	<u>249,926</u>	<u>\$ 260,999</u>

In 2008, the County repaid the approximately \$4.6 million intergovernmental loan with the Public Service Authority, using the proceeds from a \$5 million transfer received from the Water and Sewer Fund.

In May 2008, the County issued refunding revenue bonds in the amount of \$38,070,000 to provide resources to currently refund outstanding Water and Sewer refunding revenue bonds and pay related termination costs. This transaction was necessary to replace the volatile variable rates and charges in effect on the old debt and the related interest rate swap agreement with a stable fixed rate instrument.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

More detailed information about the County's debt and other long-term liabilities is presented in Note III. I. of the Notes to the Basic Financial Statements.

Subsequent to year end, the County entered into a note payable of approximately \$1.5 million to finance the acquisition of certain capital assets. Additionally, the County entered into a \$1.3 loan with the South Carolina Water Quality Revolving Fund Authority to provide the funds for the rehabilitation of the A.D. Hare Water System.

The County's current general obligation rating remained at A+ and the County's revenue bond rating increased to AA- as assigned by Standard and Poor's. These ratings reflect the strength of Berkeley County and its management staff.

ECONOMIC FACTORS AND THE 2009 BUDGET

Factors considered in preparing Berkeley County's budget for the 2009 fiscal year included:

- The County's unemployment rate was ranked 36th in the state.
- The population of the County was approximately 164,000 in 2007, and is expected to reach 190,000 by 2010.

During the current fiscal year, unreserved fund balance in the general fund decreased to approximately \$3,360,000. The County has appropriated approximately \$544,000 of this amount for spending in the 2009 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2009 fiscal year.

OTHER POTENTIALLY SIGNIFICANT MATTERS

The County operates the Lower Berkeley Wastewater Treatment Plant which has a treatment capacity of 18 million gallons per day (MGD). The County also operates the Central Berkeley Wastewater Treatment Plant which has a treatment capacity of 0.35 MGD. The County plans to expand the Lower Berkeley Wastewater Treatment Plant to 22.5 MGD. The contract to expand the plant has been awarded and construction is expected to begin the first of the year. The Central Berkeley Wastewater Treatment Plant will be rebuilt at a new location with a capacity of 3 MGD. Plans are currently under design for this project.

Lake Marion Regional Water Agency was formed in the mid 1990's in order to provide safe and reliable drinking water to the residents of central South Carolina and to help bring economic growth to the Interstate 95 Corridor. The original members were the Counties of Colleton, Calhoun, Clarendon, Dorchester, and Orangeburg. Colleton County and Sumter County have been replaced with Berkeley County and the Town of Santee. The 8 MGD water treatment plant came on line in May of 2008. The Town of Santee is now supplied by the Lake Marion Regional Water Agency and lines are being designed to connect Berkeley County next, along with other areas. It is projected that Berkeley County will be connected to the Lake Marion System in the year 2011 and will have 2.5 MGD available to the County at that time. The County has committed \$10 million dollars to the Agency to help fund the transmission line that will connect the County to the regional system.

The County received notification from the SC DHEC several years ago regarding additional Total Maximum Daily Load ("TMDL") requirements for dissolved oxygen in the Cooper and the Ashley Rivers. 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 dissolved oxygen concentrations relating to effluent discharge. These new requirements are to be implemented in two phases. Already, the implementation of Phase I has cost BCWS approximately \$21 million to date. Subsequent to June 30, 2008, County Council approved the awarding of a \$13 million contract to a contractor to complete Phase I, which is expected to be completed within two years. The current Phase I TMDL for ultimate oxygen demand ("UOD") is in effect, and the County's treatment facilities are meeting the current limit.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

OTHER POTENTIALLY SIGNIFICANT MATTERS (CONTINUED)

Under Phase II, the County is evaluating the point dischargers on the Cooper and Ashley River for a revised TMDL for UOD. A three dimensional model has been approved by SC DHEC and EPA for use in determining the Phase II limits, which are much more stringent than those allowed by Phase I. The process of determining the Phase II TMDL is expected to be completed within the next year. The preliminary evaluation of the results of this model indicates a considerable reduction of limits will be required to meet the Phase II TMDL. The County is vigorously petitioning to have these requirements changed. If unsuccessful, the County estimates that it could cost an additional \$34 million to comply, which would be funded by a future revenue bond.

The Lower Berkeley Wastewater Treatment Facility is currently the only treatment facility in the region that will accept grease trap waste consisting of fat oil and grease (FOG) from food preparation facilities. Sewer use ordinances throughout the region require food preparation facilities to install and maintain grease traps to prevent FOG from entering the wastewater collection system. FOG in the sewer collection system is the major cause of sewer backups and sewer system overflows (SSO). Maintenance of grease traps requires pumping the FOG from the trap and transporting it to a disposal facility. Currently this waste stream is approximately 1,500,000 gallons annually. At our current disposal and treatment rate this represents \$150,000 of revenues annually. As enforcement of sewer use regulations becomes more stringent due to raising regulation pressure from EPA's CMOM regulations and the growth of the area this waste stream is expected to increase. The revenue received for the disposal and treatment covers the cost of handling and treatment but does not cover collateral effects of operating problems with equipment and impedance to the treatment efficiency. These problems will increase considerably as the waste stream volume increases. The County is evaluating alternatives to the current disposal of FOG waste that will be economically viable for the generators and protect the environment. One of these alternatives being considered is converting the FOG to a pelletized fuel source that can be converted to electrical energy. The County is working with Ecoplus to evaluate the feasibility of locating a FOG pelletization facility near the Berkeley County Solid Waste Disposal Facility. This location is being considered due to its proximity to the current FOG disposal location, the proposed Central Berkeley treatment facility, Berkeley Electric Co-op and the vegetation debris disposal facility. Phase I of the project will be FOG to energy with a possible Phase II to include vegetation debris to energy. The project is in the evaluation stage. The land being considered for the location of the facility is adjacent to Oakley Road on a portion of the landfill property which is the pre-1972 closed landfill.

Landfill Gas to Energy Project: This project is to extract methane gas from the landfill and transport it to ALCOA. This project will incur an estimated cost of \$10.7 million with a 12 year estimated net investment return of \$23 million. The project is environmental friendly in that it reduces green house gasses and is a renewable resource. It will also protect residents by keeping this gas out of the sewer system and their homes. . A number of options are being reviewed for the use of this gas to include: 1) a pipeline to the local Alcoa plant, 2) Use as fuel for electrical power generation and, 3) Direct injection into a natural gas pipe system after purification and pressurization.

Land Farming of Sludge: This project is to minimize the amount of sludge currently being disposed of at the Class III Landfill. Land Farming Sludge will ensure a more stable landfill thereby reducing the risk of a slide. If a slide were to occur at the Class III Landfill, it would have the potential to cause major environmental impacts.

In August 2008, County Council approved a resolution to levy and impose a one percent sales and use tax, subject to a voter referendum, with the proceeds to be used for capital outlay. In November 2008, the voters of Berkeley County approved this referendum, and the new tax will become effective May 1, 2009.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

OTHER POTENTIALLY SIGNIFICANT MATTERS (CONTINUED)

Due to the recent downturn in the economy, the County is anticipating an estimated \$2 million shortfall in General Fund revenues in fiscal 2009 compared to the amount budgeted. Primarily, these shortfalls are due to a decrease in the number of building permits issued by the County and the filing fees associated with the recording of real estate transactions. In response to this estimated revenue shortfall, the County has established a spending freeze on all non-essential spending. Additionally, in December 2008, Council by resolution, declared three unpaid legal holidays for all County employees for the remainder of the fiscal year. The County will need to continue to closely monitor and address this revenue shortfall in light of the current economic downturn.

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, 2008

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 13,551,107	28,643,680	\$ 42,194,787
Receivables, Net of Allowances:			
Property Taxes	33,676,895	-	33,676,895
Accounts Receivable	4,758,356	2,438,397	7,196,753
Accrued Interest Receivable	-	2,271,160	2,271,160
Federal, State and Local Governments	2,696,750	910,705	3,607,455
Internal Balances	510,303	(510,303)	-
Inventories, at Cost	186,110	38,585	224,695
Prepaid Items and Deposits	47,932	15,600	63,532
Restricted Cash and Cash Equivalents	5,650,936	92,186,246	97,837,182
TOTAL CURRENT ASSETS	61,078,389	125,994,070	187,072,459
NON-CURRENT ASSETS			
CAPITAL ASSETS			
Non-Depreciable	9,243,204	16,801,959	26,045,163
Depreciable, Net of Accumulated Depreciation	67,015,837	253,094,225	320,110,062
TOTAL CAPITAL ASSETS	76,259,041	269,896,184	346,155,225
OTHER NON-CURRENT ASSETS			
Accounts Receivable, Due in More Than One Year	-	78,118	78,118
Joint Municipal Water System, Net of Accumulated Amortization	-	7,379,046	7,379,046
Bond Issuance Costs, Net of Accumulated Amortization	-	3,306,912	3,306,912
TOTAL OTHER NON-CURRENT ASSETS	-	10,764,076	10,764,076
TOTAL NON-CURRENT ASSETS	76,259,041	280,660,260	356,919,301
TOTAL ASSETS	\$ 137,337,430	406,654,330	\$ 543,991,760

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA**STATEMENT OF NET ASSETS****JUNE 30, 2008**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 5,569,750	4,517,838	\$ 10,087,588
Accrued Interest Payable	543,387	849,794	1,393,181
Accrued Compensated Absences	2,228,405	276,884	2,505,289
Landfill Closure and Postclosure Cost Liability	-	12,000	12,000
Deferred Revenue	35,961,800	881,578	36,843,378
Bonds and Notes Payable	2,546,087	6,895,245	9,441,332
TOTAL CURRENT LIABILITIES	46,849,429	13,433,339	60,282,768
NON-CURRENT LIABILITIES			
Accrued Compensated Absences	3,518,824	636,213	4,155,037
Landfill Closure and Postclosure Cost Liability	-	2,712,720	2,712,720
Bonds and Notes Payable	34,806,859	205,677,150	240,484,009
TOTAL NON-CURRENT LIABILITIES	38,325,683	209,026,083	247,351,766
TOTAL LIABILITIES	85,175,112	222,459,422	307,634,534
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	45,498,936	157,292,402	202,791,338
Restricted For:			
Debt Service	2,515,731	532,731	3,048,462
Other	2,816,018	-	2,816,018
Unrestricted	1,331,633	26,369,775	27,701,408
TOTAL NET ASSETS	\$ 52,162,318	184,194,908	\$ 236,357,226

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

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

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		TOTAL
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
Governmental Activities:							
General Government	\$ 21,558,273	8,042,295	702,092	77,194	(12,736,692)	-	\$ (12,736,692)
Public Safety	24,937,484	5,657,494	543,194	180,787	(18,556,009)	-	(18,556,009)
Airport, Highways and Streets	9,636,440	2,317,258	-	5,383,037	(1,936,145)	-	(1,936,145)
Culture and Recreation	3,121,485	63,872	357,655	10,000	(2,689,958)	-	(2,689,958)
Health and Welfare	1,757,437	21,040	223,036	-	(1,513,361)	-	(1,513,361)
Community Development	2,321,963	164,355	300,000	296,494	(1,561,114)	-	(1,561,114)
Interest and Fiscal Charges	1,962,987	-	-	-	(1,962,987)	-	(1,962,987)
Total Governmental Activities	65,296,069	16,266,314	2,125,977	5,947,512	(40,956,266)	-	(40,956,266)
Business-Type Activities:							
Water and Sewer	34,120,244	29,647,373	-	21,656,080	-	17,183,209	17,183,209
Solid Waste	9,977,584	10,040,749	643,363	-	-	706,528	706,528
Parks and Recreation	1,434,125	593,167	4,000	-	-	(836,958)	(836,958)
Emergency Telephone	621,130	476,568	-	-	-	(144,562)	(144,562)
Total Business-Type Activities:	46,153,083	40,757,857	647,363	21,656,080	-	16,908,217	16,908,217
Total Primary Government	\$ 111,449,152	57,024,171	2,773,340	27,603,592	(40,956,266)	16,908,217	(24,048,049)
General Revenues:							
Taxes:							
Property Taxes					29,133,109	-	29,133,109
Fee in Lieu of Taxes					6,377,737	-	6,377,737
Accommodation					510,947	-	510,947
Franchise Taxes					376,499	-	376,499
Grants and Contributions not Restricted to Specific Programs					9,035,251	-	9,035,251
Interest Income					511,036	5,454,438	5,965,474
Gain on Sale of Assets					140,968	133,764	274,732
Miscellaneous					292,058	-	292,058
Transfers					4,429,910	(4,429,910)	-
Total General Revenues and Transfers					50,807,515	1,158,292	51,965,807
CHANGE IN NET ASSETS					9,851,249	18,066,509	27,917,758
NET ASSETS - Beginning of Year					42,311,069	166,128,399	208,439,468
NET ASSETS - End of Year					52,162,318	184,194,908	\$ 236,357,226

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, 2008

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 2,893,915	2,592,365	8,064,827	\$ 13,551,107
Receivables, Net of Allowances:				
Property Taxes	28,426,474	3,942,764	1,307,657	33,676,895
Accounts Receivable	988,698	-	3,769,658	4,758,356
Federal, State and Local Governments	2,289,302	-	407,448	2,696,750
Due from Other Funds	864,848	-	-	864,848
Inventories, at Cost	186,110	-	-	186,110
Prepaid Items	47,932	-	-	47,932
Restricted Cash and Cash Equivalents	186,168	-	5,464,768	5,650,936
TOTAL ASSETS	35,883,447	6,535,129	19,014,358	61,432,934
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Accrued Liabilities	4,132,357	-	1,437,393	5,569,750
Due to Other Funds	283,775	-	70,770	354,545
Deferred Revenue	27,686,711	3,910,198	4,953,736	36,550,645
TOTAL LIABILITIES	32,102,843	3,910,198	6,461,899	42,474,940
FUND BALANCES				
Reserved For:				
Inventory	186,110	-	-	186,110
Prepaid Items	47,932	-	-	47,932
Debt Service	-	2,624,931	-	2,624,931
Impact Fees	-	-	2,733,153	2,733,153
Future Capital Acquisitions	186,168	-	5,376,031	5,562,199
Other	-	-	82,865	82,865
Unreserved:				
Designated for:				
Subsequent Years' Appropriations / Operations	543,834	-	-	543,834
Elected Officials' Carryover	422,702	-	-	422,702
Undesignated, Reported in:				
General Fund	2,393,858	-	-	2,393,858
Special Revenue Funds	-	-	4,360,410	4,360,410
TOTAL FUND BALANCES	3,780,604	2,624,931	12,552,459	18,957,994
TOTAL LIABILITIES AND FUND BALANCES	\$ 35,883,447	6,535,129	19,014,358	\$ 61,432,934

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, 2008

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	18,957,994
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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 \$159,937,157 and the accumulated depreciation was \$83,678,116.	76,259,041
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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	588,845

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	(33,990,000)	
Deferred Refunding Costs	153,513	
Bond Premium	(263,390)	
Notes Payable	(3,253,069)	
Accrued Compensated Absences	(5,747,229)	
Accrued Interest	(543,387)	(43,643,562)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	<u>52,162,318</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

YEAR ENDED JUNE 30, 2008

	GENERAL	DEBT SERVICE FUND	OTHER GOVERNMENT FUNDS	TOTAL GOVERNMENT FUNDS
REVENUES				
Taxes:				
Property	\$ 25,777,834	2,135,307	1,067,764	\$ 28,980,905
Accommodations	-	-	510,947	510,947
Fee in Lieu of Taxes	4,725,254	711,019	941,464	6,377,737
Licenses, Fees and Permits	1,990,383	-	-	1,990,383
Fines, Forfeitures and Fees	7,817,774	-	5,874,191	13,691,965
Interest Income	256,005	249,631	5,400	511,036
Local Revenue	-	-	493,551	493,551
Intergovernmental - Federal	266,731	-	1,582,353	1,849,084
Intergovernmental - State and Local	8,758,201	-	1,914,468	10,672,669
Miscellaneous	830,029	-	466,853	1,296,882
TOTAL REVENUES	50,422,211	3,095,957	12,856,991	66,375,159
EXPENDITURES				
Current:				
General Government	19,078,288	-	935,664	20,013,952
Public Safety	19,405,819	-	4,675,793	24,081,612
Airport, Highways and Streets	6,173,313	-	176,560	6,349,873
Culture and Recreation	50,000	-	3,036,946	3,086,946
Health and Welfare	1,671,581	-	-	1,671,581
Community Development	439,768	-	1,848,685	2,288,453
Capital Outlay	1,881,956	-	2,927,774	4,809,730
Debt Service:				
Principal Retirement	1,812,347	5,497,217	23,850	7,333,414
Interest and Fiscal Charges	152,595	1,862,880	2,163	2,017,638
TOTAL EXPENDITURES	50,665,667	7,360,097	13,627,435	71,653,199
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(243,456)	(4,264,140)	(770,444)	(5,278,040)
OTHER FINANCING SOURCES (USES)				
Issuance of Note Payable	1,786,069	-	25,717	1,811,786
Proceeds from Disposal of Assets	327,944	-	-	327,944
Transfers In	5,996,024	4,822,795	3,123,658	13,942,477
Transfers Out	(8,083,658)	(295,486)	(1,133,423)	(9,512,567)
TOTAL OTHER FINANCING SOURCES (USES)	26,379	4,527,309	2,015,952	6,569,640
NET CHANGE IN FUND BALANCES	(217,077)	263,169	1,245,508	1,291,600
FUND BALANCE - Beginning of Year	3,997,681	2,361,762	11,306,951	17,666,394
FUND BALANCE - End of Year	\$ 3,780,604	2,624,931	12,552,459	\$ 18,957,994

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**

YEAR ENDED JUNE 30, 2008

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 1,291,600**

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.	152,203
Repayment of bond and note payable 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.	7,333,414
Proceeds from the issuance of debt provide current financial resources to governmental funds, but entering into debt increases long-term liabilities in the Statement of Net Assets. This amount represents the proceeds received in the current year.	(1,811,785)
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.	77,962
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.	(36,478)
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.	(62,177)
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.	(421,733)
In the Statement of Activities, vehicles awarded through the courts and infrastructure and equipment contributed by developers and others 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.	4,097,170
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 depreciation expense of \$5,986,415 exceeded the purchase of capital asset additions of \$5,204,319 during the year.	(782,096)

TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 9,851,249**

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, 2008

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
ASSETS					
CURRENT ASSETS:					
Cash and Cash Equivalents	\$ 8,289,077	19,924,592	-	430,011	\$ 28,643,680
Accounts Receivable, Net of Allowance	2,085,373	289,697	-	63,327	2,438,397
Accrued Interest Receivable	2,271,160	-	-	-	2,271,160
Due from Federal, State and Local Governments, Net of Allowance	548,356	362,349	-	-	910,705
Inventories, at Cost	-	-	38,585	-	38,585
Prepaid Items and Deposits	15,600	-	-	-	15,600
Due from Other Funds	9,988,579	106,570	-	-	10,095,149
Restricted Cash and Cash Equivalents	91,635,968	528,004	-	22,274	92,186,246
TOTAL CURRENT ASSETS	114,834,113	21,211,212	38,585	515,612	136,599,522
NON-CURRENT ASSETS:					
CAPITAL ASSETS:					
Non-Depreciable	14,651,647	2,065,312	85,000	-	16,801,959
Depreciable, Net of Accumulated Depreciation	227,316,757	23,588,899	1,769,149	419,420	253,094,225
TOTAL CAPITAL ASSETS	241,968,404	25,654,211	1,854,149	419,420	269,896,184
OTHER NON-CURRENT ASSETS:					
Accounts Receivable, Due in More Than One Year	78,118	-	-	-	78,118
Joint Municipal Water System, Net	7,379,046	-	-	-	7,379,046
Bond Issuance Costs, Net	3,306,912	-	-	-	3,306,912
TOTAL OTHER NON-CURRENT ASSETS	10,764,076	-	-	-	10,764,076
TOTAL NON-CURRENT ASSETS	252,732,480	25,654,211	1,854,149	419,420	280,660,260
TOTAL ASSETS	367,566,593	46,865,423	1,892,734	935,032	417,259,782
LIABILITIES					
CURRENT LIABILITIES:					
Accounts Payable and Accrued Liabilities	4,246,344	176,146	77,272	18,076	4,517,838
Landfill Closure and Postclosure Cost Liability	-	12,000	-	-	12,000
Accrued Interest Payable	778,805	70,989	-	-	849,794
Accrued Compensated Absences	135,208	67,604	68,931	5,141	276,884
Due to Other Funds	-	9,955,337	650,115	-	10,605,452
Deferred Revenue	869,633	-	11,945	-	881,578
Current Portion of Bonds and Notes Payable	5,101,496	1,619,999	16,283	157,467	6,895,245
TOTAL CURRENT LIABILITIES	11,131,486	11,902,075	824,546	180,684	24,038,791
NON-CURRENT LIABILITIES:					
Accrued Compensated Absences	405,624	202,812	24,729	3,048	636,213
Landfill Closure and Postclosure Cost Liability	-	2,712,720	-	-	2,712,720
Bonds and Notes Payable	194,822,975	10,800,827	9,804	43,544	205,677,150
TOTAL NON-CURRENT LIABILITIES	195,228,599	13,716,359	34,533	46,592	209,026,083
TOTAL LIABILITIES	206,360,085	25,618,434	859,079	227,276	233,064,874
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	142,012,546	13,233,385	1,828,062	218,409	157,292,402
Restricted for Debt Service	4,727	528,004	-	-	532,731
Unrestricted Assets	19,189,235	7,485,600	(794,407)	489,347	26,369,775
TOTAL NET ASSETS	161,206,508	21,246,989	1,033,655	707,756	184,194,908
TOTAL LIABILITIES AND NET ASSETS	\$ 367,566,593	46,865,423	1,892,734	935,032	\$ 417,259,782

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**

YEAR ENDED JUNE 30, 2008

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	WATER AND SEWER	SOLID WASTE	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTALS
OPERATING REVENUES					
Sales and Services	\$ 22,623,693	9,908,106	583,338	476,568	\$ 33,591,705
Impact and Capacity Reservation Fees	5,912,802	-	-	-	5,912,802
Other Operating Revenue	1,110,878	132,643	9,829	-	1,253,350
TOTAL OPERATING REVENUES	29,647,373	10,040,749	593,167	476,568	40,757,857
OPERATING EXPENSES					
Personal Services	7,841,942	3,564,471	990,271	143,616	12,540,300
Advertising	-	-	39,689	2,925	42,614
Utilities	2,092,861	50,911	80,408	259,635	2,483,815
Office Expenses	587,879	92,551	13,577	21,893	715,900
Maintenance and Repairs	4,153,230	2,185,964	22,188	65,028	6,426,410
Contractual Services	1,037,124	234,426	6,474	3,067	1,281,091
Other Services and Charges	534,555	198,214	173,999	14,838	921,606
Depreciation	8,578,595	1,913,095	105,736	98,670	10,696,096
Amortization of Joint Municipal Water System	383,327	-	-	-	383,327
Landfill Closure and Postclosure Costs	-	1,227,798	-	-	1,227,798
TOTAL OPERATING EXPENSES	25,209,513	9,467,430	1,432,342	609,672	36,718,957
OPERATING INCOME (LOSS)	4,437,860	573,319	(839,175)	(133,104)	4,038,900
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	4,828,040	623,076	3,322	-	5,454,438
Grant Revenue	579,806	643,363	4,000	-	1,227,169
Gain (Loss) on Disposition of Assets	136,292	(2,528)	-	-	133,764
Interest Expense	(8,910,731)	(510,154)	(1,783)	(11,458)	(9,434,126)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(3,366,593)	753,757	5,539	(11,458)	(2,618,755)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,071,267	1,327,076	(833,636)	(144,562)	1,420,145
CAPITAL CONTRIBUTIONS AND TRANSFERS					
Capital Contributions	21,076,274	-	-	-	21,076,274
Transfers In	472,690	-	97,400	-	570,090
Transfers Out	(5,000,000)	-	-	-	(5,000,000)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	16,548,964	-	97,400	-	16,646,364
CHANGE IN NET ASSETS	17,620,231	1,327,076	(736,236)	(144,562)	18,066,509
NET ASSETS, Beginning of Year	143,586,277	19,919,913	1,769,891	852,318	166,128,399
NET ASSETS, End of Year	\$ 161,206,508	21,246,989	1,033,655	707,756	\$ 184,194,908

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**

YEAR ENDED JUNE 30, 2008

	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	\$ 29,971,485	9,968,342	594,542	474,847	\$ 41,009,216
Cash Paid to Suppliers	(7,427,173)	(2,729,538)	(317,204)	(352,167)	(10,826,082)
Cash Paid to Employees	(7,790,377)	(3,525,449)	(1,005,717)	(138,845)	(12,460,388)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>14,753,935</u>	<u>3,713,355</u>	<u>(728,379)</u>	<u>(16,165)</u>	<u>17,722,746</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Operating Grant Contributions	214,347	398,171	4,000	-	616,518
Transfers and Advances Between Funds	(8,426,448)	3,703,287	747,515	-	(3,975,646)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>(8,212,101)</u>	<u>4,101,458</u>	<u>751,515</u>	<u>-</u>	<u>(3,359,128)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Issuance of Debt	38,540,477	-	-	22,274	38,562,751
Bond Issue Costs	(1,163,256)	-	-	-	(1,163,256)
Capital Grants	127,797	-	-	-	127,797
Proceeds from the Sale of Assets	138,662	-	-	-	138,662
Acquisition and Construction of Capital Assets	(16,764,283)	(1,529,049)	-	(8,025)	(18,301,357)
Payments to Joint Municipal Water System for Upgrades	(1,310,202)	-	-	-	(1,310,202)
Payment to Redeem Revenue Refunding Bonds	(37,290,000)	-	-	-	(37,290,000)
Principal Paid - Bonds and Notes Payable	(4,674,359)	(1,872,215)	(24,674)	(152,894)	(6,724,142)
Interest Paid - Bonds and Notes Payable	(9,146,658)	(544,534)	(1,784)	(11,458)	(9,704,434)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(31,541,822)</u>	<u>(3,945,798)</u>	<u>(26,458)</u>	<u>(150,103)</u>	<u>(35,664,181)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income on Investments	<u>2,809,151</u>	<u>623,076</u>	<u>3,322</u>	<u>-</u>	<u>3,435,549</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,190,837)	4,492,091	-	(166,268)	(17,865,014)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>122,115,882</u>	<u>15,960,505</u>	<u>-</u>	<u>618,553</u>	<u>138,694,940</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 99,925,045</u>	<u>20,452,596</u>	<u>-</u>	<u>452,285</u>	<u>\$ 120,829,926</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets					
Cash and Cash Equivalents	\$ 8,289,077	19,924,592	-	430,011	\$ 28,643,680
Restricted Cash and Cash Equivalents	91,635,968	528,004	-	22,274	92,186,246
	<u>\$ 99,925,045</u>	<u>20,452,596</u>	<u>-</u>	<u>452,285</u>	<u>\$ 120,829,926</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**

YEAR ENDED JUNE 30, 2008

	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)	\$ 4,437,860	573,319	(839,175)	(133,104)	\$ 4,038,900
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:					
Depreciation and Amortization	8,961,922	1,913,095	105,736	98,670	11,079,423
(Increase) Decrease in Assets:					
Accounts Receivable	285,479	(72,407)	2,500	(1,721)	213,851
Inventories		-	2,461	-	2,461
Prepaid Items and Deposits	13,930	553	5,035	8,562	28,080
Increase (Decrease) in Liabilities:					
Accounts Payable and Accrued Liabilities	986,580	56,232	11,608	10,900	1,065,320
Landfill Closure and Postclosure Cost Liability	-	1,227,798	-	-	1,227,798
Compensated Absences Payable	29,531	14,765	(15,419)	528	29,405
Deferred Revenue	38,633	-	(1,125)	-	37,508
Total Adjustments	10,316,075	3,140,036	110,796	116,939	13,683,846
Net Cash Provided by (Used in) Operating Activities	\$ 14,753,935	3,713,355	(728,379)	(16,165)	\$ 17,722,746
Schedule of Noncash Investing, Capital and Financing Activities:					
Acquisition of Capital Assets Through Developer Contributions	\$ 20,948,477	-	-	-	\$ 20,948,477
Acquisition of Capital Assets Not Yet Paid For	(832,511)	-	-	-	(832,511)
Amortization of Bond Premium, Deferred Refunding Costs and Issuance Costs	191,983	-	-	-	191,983
Increase in Debt Due to Accretion of Interest	\$ 291,924	-	-	-	\$ 291,924

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, 2008

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and Cash Equivalents	\$ 31,366,276
Receivables:	
Accounts Receivable	13,409
Due from the State Government	200,595
TOTAL ASSETS	<u>31,580,280</u>
LIABILITIES	
Due to School District	7,531,999
Due to Other Designated Recipients	24,048,281
TOTAL LIABILITIES	<u>\$ 31,580,280</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, 2008

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

During 2008 the County executed an agreement with the Lake Marion Regional Water Agency ("Lake Marion WA"), a joint municipal water system. The County has a 29% voting representation on this system's board, representing its proportionate commitment to purchase water to the system's total capacity. Lake Marion WA 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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. *Government-wide Statements:*

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

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

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 funds:

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

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, 2008

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 *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.

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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.

2. Investments

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Investments (Continued)

(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. Nonparticipating 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.

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Investments (Continued)

- 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.
- Purchase of Greenwood County South Carolina bond Anticipation Notes, Series 2008A.

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 notes payable proceeds to be used for construction purposes as required in the bond or note 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, 2008. 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, 2008

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 Assets

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. General Fund inventories have been charged as expenditures when consumed. 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 column 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 of two years or more. The County has various minimum capitalization thresholds for infrastructure assets based on the type of infrastructure. 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, 2008

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 and construction in progress, 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	12-50 years
Utility Systems, Treatment Plants and Buildings	15-50 years

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. In the governmental funds, General Fund resources typically have been used in prior years to liquidate compensated absences, and both the General Fund and the Debt Service Fund are used to liquidate the notes and bonds payable.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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.

During 2007 the County adopted a fund balance policy for the General Fund, with the goal of 15% of the next year’s budget to be so designated. During 2008 the County adopted a net asset policy for the Water and Sewer Fund, which is effective for fiscal 2009; the policy states that the Water and Sewer Fund will maintain unrestricted net assets equal to 50-75% of the operating and maintenance expenses for that fiscal year.

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 roads, water and sewer systems that are constructed by developers and transferred to the County upon completion and acceptance by the County for its 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, 2008

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 Impact Fees. 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 \$25,000 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, 2008, supplementary appropriations totaling \$2,575,491 were made.

Encumbrances lapse at the end of the fiscal year.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

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, 2008, \$208,446 of the County's bank balances of \$74,861,239 (which had a recorded value of \$75,553,854) were exposed to custodial credit risk as they were uninsured and collateralized with securities held by the pledging bank's trust department but not in the name of the County.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (continued)

Investments

As of June 30, 2008, 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	\$ 3,313,149	\$ 3,313,149
Repurchase Agreements	*	92,531,242	92,531,242
Totals		<u>\$ 95,844,391</u>	<u>\$ 95,844,391</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, 2008, \$91,631,242 of the County's total investments of \$95,844,391 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 \$91,631,242 was held by Citigroup Global Markets, Inc. at June 30, 2008.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (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	\$ 75,553,854
Fair Value of Investments	95,844,391
Total	<u>\$ 171,398,245</u>
Statement of Net Assets:	
Cash and Cash Equivalents	\$ 42,194,787
Cash and Cash Equivalents - Restricted	97,837,182
Statement of Fiduciary Net Assets:	
Cash and Cash Equivalents	31,366,276
Total	<u>\$ 171,398,245</u>

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 \$78,118 in non-current receivables for the Water and Sewer Fund:

	General	Debt Service	Water and Sewer	Solid Waste	Emergency Telephone	Other Nonmajor Funds	Totals
Receivables:							
Taxes	\$ 29,994,351	4,193,770	-	-	-	1,307,657	\$ 35,495,778
Accounts	1,449,392	-	2,789,902	289,697	63,327	3,976,424	8,568,742
Accrued Interest	-	-	2,271,160	-	-	-	2,271,160
Federal, State and Local Governments	2,289,302	-	548,356	362,349	-	407,448	3,607,455
Total	<u>33,733,045</u>	<u>4,193,770</u>	<u>5,609,418</u>	<u>652,046</u>	<u>63,327</u>	<u>5,691,529</u>	<u>49,943,135</u>
Less Allowance for Uncollectibles:							
Taxes	(1,567,877)	(251,006)	-	-	-	-	(1,818,883)
Accounts	(460,694)	-	(626,411)	-	-	(206,766)	(1,293,871)
Total	<u>(2,028,571)</u>	<u>(251,006)</u>	<u>(626,411)</u>	<u>-</u>	<u>-</u>	<u>(206,766)</u>	<u>(3,112,754)</u>
Net Receivables	<u>\$ 31,704,474</u>	<u>3,942,764</u>	<u>4,983,007</u>	<u>652,046</u>	<u>63,327</u>	<u>5,484,763</u>	<u>\$ 46,830,381</u>

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE BASIC FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2008**

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

The composition of interfund balances at June 30, 2008 is as follows:

	Receivable Fund	Payable Fund
General Fund	\$ 864,848	\$ 283,775
Special Revenue Funds:		
Homeland Security	-	21,658
Storm Water	-	4,667
State Accommodations Tax	-	911
County Accommodations Tax	-	28,583
PARC Grant	-	14,951
Enterprise Funds:		
Water and Sewer	9,988,579	-
Solid Waste	106,570	9,955,337
Parks and Recreation	-	650,115
Total	<u>\$ 10,959,997</u>	<u>\$ 10,959,997</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. All of these balances are expected to be paid or received within one year except for the Cypress Gardens balance as noted below.

The operations of Cypress Gardens are accounted for in the Parks and Recreation Fund. Cypress Gardens continues to incur significant operating losses, including approximately \$839,000 for fiscal 2008. Similar losses in prior years were reclassified as a transfer in fiscal 2007; the loss for the current year has been funded by the General Fund and accounted for as an interdepartmental receivable / payable at June 30, 2008. This balance is not expected to be received within one year; however, the County has plans for the repayment of this balance. Management is beginning to explore the possibility of extracting methane gas from its landfill for sale as an affordable fuel for local industries. The County is considering the use of the annual cash flow from this project (estimated at \$500,000 for the first three years and \$1 million beginning in year four) for funding various recreational opportunities in the County, including Cypress Gardens and the repayment of any funds owed from Cypress Gardens to the General Fund.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets

Capital asset activity in governmental funds for the year ended June 30, 2008, is as follows:

	Balance 6/30/2007	Additions	Disposals	Transfers	Balance 6/30/2008
Capital Assets, Not Being Depreciated:					
Land	\$ 3,756,161	-	-	-	\$ 3,756,161
Construction in Progress	6,207,464	2,683,877	-	(3,404,298)	5,487,043
Total Capital Assets, Not Being Depreciated	9,963,625	2,683,877	-	(3,404,298)	9,243,204
Capital Assets, Being Depreciated:					
Buildings	27,994,821	-	-	-	27,994,821
Furniture	1,309,916	5,608	-	-	1,315,524
Equipment	9,317,669	653,562	(288,205)	-	9,683,026
Software	1,038,745	66,310	-	-	1,105,055
Vehicles	8,779,572	1,390,113	(970,032)	-	9,199,653
Improvements	8,540,492	134,123	(13,875)	2,954,582	11,615,322
Library Materials	1,835,899	394,589	(185,961)	-	2,044,527
Infrastructure	83,313,002	3,973,307	-	449,716	87,736,025
Total Capital Assets, Being Depreciated	142,130,116	6,617,612	(1,458,073)	3,404,298	150,693,953
Less: Accumulated Depreciation For:					
Buildings	7,750,027	699,870	-	-	8,449,897
Furniture	208,233	130,742	-	-	338,975
Equipment	6,484,981	756,697	(285,016)	-	6,956,662
Software	689,691	32,264	-	-	721,955
Vehicles	5,079,268	926,420	(862,954)	-	5,142,734
Improvements	3,618,605	561,381	(9,496)	-	4,170,490
Library Materials	673,482	226,943	(185,961)	-	714,464
Infrastructure	54,530,841	2,652,098	-	-	57,182,939
Total Accumulated Depreciation	79,035,128	5,986,415	(1,343,427)	-	83,678,116
Total Capital Assets, Being Depreciated, Net	63,094,988	631,197	(114,646)	3,404,298	67,015,837
Governmental Activities Capital Assets, Net	\$ 73,058,613	3,315,074	(114,646)	-	\$ 76,259,041

During the year ended June 30, 2008, the County recorded \$107,813 in vehicles awarded through the courts, \$3,973,307 in infrastructure contributed from developers and \$16,050 in equipment donated by private parties for emergency medical services equipment. The County also reclassified \$536,874 from equipment to software in fiscal 2008 with no net impact to the total balances.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Business-Type capital asset activity for the year ended June 30, 2008, is as follows:

	Balance 6/30/2007	Additions	Disposals	Transfers	Balance 6/30/2008
Capital Assets, Not Being Depreciated:					
Land	\$ 3,648,403	-	-	-	\$ 3,648,403
Construction in Progress	15,030,018	16,378,701	-	(18,255,163)	13,153,556
Total Capital Assets, Not Being Depreciated	18,678,421	16,378,701	-	(18,255,163)	16,801,959
Capital Assets, Being Depreciated:					
Utility Systems, Treatment Plants and Buildings	287,359,596	20,948,477	-	17,657,747	325,965,820
Equipment and Furniture	13,350,191	1,049,987	(90,290)	597,416	14,907,304
Total Capital Assets, Being Depreciated	300,709,787	21,998,464	(90,290)	18,255,163	340,873,124
Less: Accumulated Depreciation For:					
Utility Systems, Treatment Plants and Buildings	69,521,044	8,702,262	-	-	78,223,306
Equipment, Vehicles and Furniture	7,647,152	1,993,834	(85,393)	-	9,555,593
Total Accumulated Depreciation	77,168,196	10,696,096	(85,393)	-	87,778,899
Total Capital Assets, Being Depreciated, Net	223,541,591	11,302,368	(4,897)	18,255,163	253,094,225
Business-Type Activities Capital Assets, Net	\$ 242,220,012	27,681,069	(4,897)	-	\$ 269,896,184

During the year ended June 30, 2008, the County recorded \$20,948,477 in utility systems contributed by developers.

Depreciation expense for the year ended June 30, 2008 was charged to County functions as follows:

Governmental Activities:	
General Government	\$ 1,440,736
Public Safety	701,029
Airport, Highways and Streets	3,275,285
Culture and Recreation	375,851
Health and Welfare	160,005
Community Development	33,509
Total Governmental Activity Depreciation	\$ 5,986,415
Business-Type Activities:	
Water and Sewer	\$ 8,578,595
Solid Waste	1,913,095
Parks and Recreation	105,736
Emergency Telephone	98,670
Total Business-Type Activity Depreciation	\$ 10,696,096

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Construction Commitments

At June 30, 2008, the Enterprise Funds and the Capital Projects Fund had commitments under contracts for construction of various projects not completed of approximately \$5,986,000 and \$672,000, respectively.

Capitalized Interest

For the year ended June 30, 2008, the Water and Sewer Fund incurred \$9,662,941 in interest on its bonds and capitalized \$858,510; no interest was capitalized for the other enterprise funds.

E. Joint Municipal Water Systems

Lake Moultrie Water Agency

In prior years, the County entered into a contract with Lake Moultrie WA to purchase 24% of the finished water produced by Lake Moultrie WA. The contract expires on October 2, 2027. 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 County paid \$8,921,929 to Lake Moultrie WA to reserve the desired capacity. In June 2007, Segment 7 was sold to the city of Goose Creek for \$44,451, reducing the residual purchase price to \$8,877,478. During 2008, the construction to upgrade the transmission portion of the plant was completed; the County's portion of these charges totaled \$2,208,867, which increased the purchase price to \$11,086,345. These deferred charges are being amortized over the life of the contract. Accumulated amortization at June 30, 2008, was \$3,707,299, and amortization recognized during the year was \$383,327. The unamortized balance was \$7,379,046 as of June 30, 2008.

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

Year Ending June 30	Amount
2009	\$ 506,622
2010	531,126
2011	550,920
2012	566,658
2013	\$ 583,734

Lake Marion Water Agency

In November 2007, the County entered into a contract with Lake Marion Water Agency ("Lake Marion WA"). This system's water treatment plant, which has the capacity of producing 8 million gallons a day, came on line in May 2008. The County has committed to purchase up to 2.5 million gallons a day, or 29.4% of the total capacity of the plant. The initial term of the agreement is for twenty years, which shall be extended for subsequent twenty-year terms unless the County notifies Lake Marion WA in writing of its intent to terminate not less than thirty months prior to the expiration of the initial term or the expiration date of any renewal. Provisions of the agreement require the County to pay its share of the funds required to operate and maintain Lake Marion WA and to defray its capital costs, in addition to monthly demand (fixed) and volumetric (variable) charges based upon the amount of water purchased. The total paid during 2008 was approximately \$27,000.

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE BASIC FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2008**

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**E. Joint Municipal Water Systems (continued)****Lake Marion Water Agency (continued)**

The anticipated initial delivery of water is in 2011. The County has committed \$10 million dollars to the Lake Marion WA to assist in the funding of the transmission line that will connect the County to this regional system. This commitment is expected to be funded by the issuance of a revenue bond, which was approved by County Council in 2006.

F. Interfund Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

	Transfer In	Transfer Out
Major Governmental Funds:		
General Fund	\$ 5,996,024	\$ 8,083,657
Debt Service	4,822,795	295,486
Nonmajor Governmental Funds:		
Library	2,522,346	-
National Forest	-	704,451
Emergency Preparedness	191,909	-
Storm Water Management	32,519	-
EMS Equipment	1,716	-
PARD	3,750	-
State Accommodations Tax	-	27,534
Sheriff's Grants	14,362	-
Economic Development	-	299,250
County Accommodations Tax	-	102,189
Airport Improvements	40,503	-
Lake Moultrie	40,000	-
GIS	276,553	-
Enterprise Funds:		
Water and Sewer	472,690	5,000,000
Parks and Recreation	97,400	-
Total	<u>\$ 14,512,567</u>	<u>\$ 14,512,567</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.

In January 2008, County Council authorized the transfer of \$5,000,000 from the Water and Sewer Fund to the General Fund to be used for the repayment of the County's intergovernmental loan with the Public Service Authority that matured in February 2008. During the remainder of fiscal 2008, the General Fund transferred back to the Water and Sewer Fund a total of \$472,690.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (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. As of June 30, 2008, the various components of deferred and unearned revenue reported in the financial statements for governmental activities were as follows:

Unearned:	
Property Taxes	\$ 35,551,067
Other	<u>410,733</u>
Deferred Revenue - Statement of Net Assets	<u>35,961,800</u>
Unavailable:	
Property Taxes	<u>588,845</u>
Deferred Revenue - Governmental Funds	<u><u>\$ 36,550,645</u></u>

H. Operating Leases

The County leases various properties under several operating lease agreements expiring through 2015. Total costs charged to operations were approximately \$203,000 for the year ended June 30, 2008, including approximately \$154,000 in General Fund expenditures, approximately \$46,000 in Special Revenue Fund expenditures and approximately \$3,000 in Enterprise Fund expenditures. Future minimum payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 207,500
2010	164,600
2011	126,351
2012	62,103
2013	62,103
Thereafter	101,572
Total	<u><u>\$ 724,229</u></u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

I. Long-term Obligations

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2008:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
Series 1997 Bond	\$ 3,460,000	-	300,000	3,160,000	\$ 320,000
Series 2003 Refunding and Improvement Bond	23,410,000	-	580,000	22,830,000	605,000
Series 2006 Bond	8,000,000	-	-	8,000,000	20,000
Subtotal	34,870,000	-	880,000	33,990,000	945,000
Premium - Series 2003 Bond	276,559	-	13,169	263,390	-
Deferred Refunding Costs - Series 2003 Bond	(189,991)	-	(36,478)	(153,513)	-
Total - General Obligation Bonds	34,956,568	-	856,691	34,099,877	945,000
Intergovernmental Loan	4,617,217	-	4,617,217	-	-
Notes Payable	3,277,480	1,811,786	1,836,197	3,253,069	1,601,087
Compensated Absences	5,696,534	2,286,415	2,235,720	5,747,229	2,228,405
Total Governmental Activities	48,547,799	4,098,201	9,545,825	43,100,175	4,774,492
Business-Type Activities:					
Revenue Bonds:					
Capital Appreciation Bonds - Water & Sewer	2,307,139	-	-	2,307,139	-
Series 2000 Revenue Bonds - Water & Sewer	3,603,905	-	124,642	3,479,263	130,693
Series 2003 Revenue Bond - Water & Sewer	50,600,000	-	4,340,000	46,260,000	4,565,000
Series 2005A Revenue Bond - Water & Sewer	105,750,000	-	-	105,750,000	250,000
Series 2006A Refunding Bond - Water & Sewer	35,500,000	-	35,500,000	-	-
Series 2008A Refunding Bond - Water & Sewer	-	38,070,000	-	38,070,000	25,000
Series 2002 Revenue Bond - Solid Waste	2,200,000	-	200,000	2,000,000	200,000
Series 2003 Revenue Bond - Solid Waste	7,445,000	-	620,000	6,825,000	645,000
Series 2005 Refunding Bond - Solid Waste	2,480,000	-	275,000	2,205,000	270,000
Subtotal	209,886,044	38,070,000	41,059,642	206,896,402	6,085,693
Accretion of Interest - Capital Appreciation Bonds	2,720,822	291,924	-	3,012,746	-
Premium - Series 2003 Revenue Bond - Water & Sewer	2,934,014	-	139,716	2,794,298	-
Premium - Series 2005A Revenue Bond - Water & Sewer	3,157,735	-	137,293	3,020,442	-
Premium - Series 2008A Revenue Bond - Water & Sewer	-	470,477	1,960	468,517	-
Deferred Refunding Costs - Series 2003 - Water & Sewer	(1,938,920)	-	(242,369)	(1,696,551)	-
Deferred Refunding Costs - Series 2006A - Water & Sewer	(1,912,156)	-	(1,912,156)	-	-
Deferred Refunding Costs - Series 2008A - Water & Sewer	-	(4,098,290)	(17,076)	(4,081,214)	-
Total Revenue Bonds	214,847,539	34,734,111	39,167,010	210,414,640	6,085,693
Notes Payable	3,299,984	22,274	1,164,503	2,157,755	809,552
Landfill Closure and Postclosure Care Cost	1,496,922	1,227,798	-	2,724,720	12,000
Compensated Absences	883,692	281,704	252,299	913,097	276,884
Total Business-Type Activities	\$ 220,528,137	36,265,887	40,583,812	216,210,212	\$ 7,184,129

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (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, 2008 are comprised of the following issues:

Title of Issues	Principal Amount Outstanding
Series 1997 General Obligation Bonds, with interest ranging from 4.80% to 5%, matures 2015	\$ 3,160,000
Series 2003 General Obligation Refunding and Improvement Bonds, with interest ranging from 2.00% to 5.00%, matures 2028	22,830,000
Series 2006 General Obligation Bonds, with interest ranging from 4.00% to 6.00%, matures 2031	8,000,000
Total	<u>\$ 33,990,000</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. The loan matured in February 2008, and the County repaid the outstanding principal balance of \$4,617,217 plus accrued interest of \$205,578 upon maturity, using the proceeds from a \$5 million transfer received from the Water and Sewer Fund.

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 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 until called for redemption, which is expected to occur in June 2013.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

I. Long-term Obligations (Continued)

Revenue Bonds (Continued)

In May 2008, the County issued its Series 2008A Water and Sewer System Refunding Revenue Bonds in the amount of \$38,070,000 to provide resources to currently refund \$35,500,000 in outstanding Series 2006A Water and Sewer System Refunding Revenue Bonds and to pay \$1,790,000 in termination fees associated with the interest rate swap agreement that was related to the Series 2006A Bonds. The County incurred a total of \$1,163,256 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 \$4,098,290. 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 old debt. This current refunding was undertaken to replace the volatile variable rates and charges in effect on the old debt and the related interest rate swap agreement with a stable fixed rate instrument.

There are numerous limitations, restrictions, and covenants contained in the various revenue bond indentures and ordinances. As of June 30, 2008, the County is in compliance with all significant restrictions and covenants. The Water and Sewer Fund did not meet its debt coverage ratio for 2008. In accordance with the bond documents, the County conducted a rate and fee study in the spring of 2008, which resulted in County Council passing a resolution to increase the rates and fees effective July 1, 2008. Rates increased roughly 30% for water and sewer customers for fiscal 2009 and the study estimates that a 4% increase will be needed for each of the next three years.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

I. Long-term Obligations (Continued)

Revenue Bonds (Continued)

Revenue bonds payable at June 30, 2008, are comprised of the following issues:	<u>Outstanding Principal</u>
Capital Appreciation Bonds, due June 2012, exclusive of \$3,012,746 in cumulative accretion of interest at 5.3% and 5.75%. Two payments of \$3,240,000 each are due in 2011 and 2012.	\$ 2,307,139
Water and Sewer System, Series 2000 – Hanahan Project, due December 2025, with annual payments totaling \$296,053, which includes interest at 4.855%.	3,479,263
Water and Sewer System Refunding Revenue Bond, Series 2003, due June 2028, with annual payments ranging from \$455,000 to \$6,360,000 and interest ranging from 2.0% - 5.25%. These bonds have an issuance premium of \$2,794,298 and deferred refunding costs of \$1,696,554, both of which are net of amortization.	46,260,000
Water and Sewer System Revenue Bond, Series 2005A, due June 2030, with annual principal payments ranging from \$250,000 to \$14,025,000 and interest ranging from 3.5% - 5.0%. These bonds have an issuance premium of \$3,020,442, which is net of amortization.	105,750,000
Water and Sewer System Refunding Bond, Series 2008A, due June 2028, with annual principal payments ranging from \$25,000 to \$3,445,000 and interest ranging from 3.0% to 5.0%. These bonds were issued to currently redeem the outstanding Series 2006A Refunding Revenue Bonds. These bonds have an issuance premium of \$468,517 and deferred refunding costs of \$4,081,214, both of which are net of amortization.	38,070,000
Total Water and Sewer Revenue / Refunding Bonds	<u>195,866,402</u>
Solid Waste System, Series 2002, due December 2017, with annual principal payments of \$200,000 and interest at 4.66%.	2,000,000
Solid Waste System, Refunding Revenue Bond, Series 2003, due December 2016, with an interest rate of 3.95%.	6,825,000
Solid Waste System, Refunding Revenue Bond, Series 2005, due December 2014, with an interest rate of 3.56%.	2,205,000
Total Solid Waste Revenue Bonds	<u>11,030,000</u>
Total Revenue Bonds	<u>\$ 206,896,402</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

I. Long-term Obligations (Continued)

Notes Payable

The County has entered into various note agreements to finance the acquisition of certain capital assets. The interest rates on these notes range from 2.21% to 4.75% and mature in various dates from 2008 through 2011. The total outstanding principal at June 30, 2008 was \$3,253,069 and \$2,157,755 for the County's governmental and business-type activities, respectively. At June 30, 2008, the County had \$186,168 and \$22,274 in unexpended proceeds attributable to governmental activities and business-type activities, respectively.

Debt Service Requirements to Maturity

Presented below is a summary of debt service requirements to maturity by year for the governmental and business-type activities.

Year Ending June 30	Debt		Notes Payable		Total
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2009	\$ 945,000	1,610,276	1,601,087	80,609	\$ 4,236,972
2010	970,000	1,563,161	1,173,518	28,197	3,734,876
2011	1,020,000	1,512,461	478,464	-	3,010,925
2012	1,075,000	1,457,249	-	-	2,532,249
2013	1,135,000	1,398,614	-	-	2,533,614
2014-2018	6,625,000	6,015,168	-	-	12,640,168
2019-2023	8,500,000	4,140,969	-	-	12,640,969
2024-2028	9,700,000	1,995,713	-	-	11,695,713
2029-2032	4,020,000	267,355	-	-	4,287,355
Total Governmental Activities	<u>33,990,000</u>	<u>19,960,966</u>	<u>3,253,069</u>	<u>108,806</u>	<u>57,312,841</u>
<u>Business-Type Activities</u>					
2009	6,085,693	9,542,665	809,552	74,287	16,512,197
2010	7,082,038	9,210,102	663,353	48,421	16,292,140
2011	5,334,942	8,884,946	352,234	25,881	14,219,888
2012	5,436,555	8,702,060	332,616	13,171	14,138,615
2013	7,797,982	8,508,973	-	-	16,306,955
2014-2018	42,317,676	36,912,339	-	-	79,230,015
2019-2023	46,736,799	27,060,255	-	-	73,797,054
2024-2028	58,684,717	14,820,438	-	-	73,505,155
2029-2030	27,420,000	1,863,450	-	-	29,283,450
Total Business-Type Activities	<u>\$ 206,896,402</u>	<u>125,505,228</u>	<u>\$ 2,157,755</u>	<u>\$ 161,760</u>	<u>\$ 333,285,469</u>

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE BASIC FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2008****III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (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 \$2,724,720 reported as an accrual for landfill closure and postclosure care at June 30, 2008, includes the estimated remaining liability of \$294,000 for postclosure care of the previously closed landfill site for another twenty-four and a half years 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	8.5 years	64.0%	\$ 3,438,000	360,000	3,798,000	\$ 1,367,280
DPW-105	None	100%	-	294,000	294,000	-
			<u>\$ 3,438,000</u>	<u>654,000</u>	<u>4,092,000</u>	<u>\$ 1,367,280</u>

These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2008. Actual costs may be higher due to inflation, changes in technology or changes in regulations. South Carolina Department of Health and Environmental Control ("SC DHEC") has recently issued new regulations concerning closure and postclosure care costs for landfills; these new regulations must be implemented no later than November 2009. The County provides financial assurance for closure and postclosure care costs through its ability to meet the requirements of the local government financial test as contained in SC DHEC regulations. The Subtitle D landfill site began accepting waste in July 2000.

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. 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 Debt Service. Fund balances are subject to the provision of various bond indenture agreements as to restrictions on expenditures.

Reserved for Impact Fees. Fund balance has been reserved for the capital improvement plan for roadways in unincorporated areas.

Reserved for Future Capital Asset Acquisitions. Fund balance has been reserved to indicate that the County had unexpended bond and note proceeds which are restricted under the bond and financing agreements to be expended only on capital asset additions.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

J. Reserved and Designated Fund Equity (Continued)

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.

Designated for Subsequent Year's Appropriations/Operations. The fiscal year 2009 budget ordinance designates \$543,834 of the ending General Fund fund balance for fiscal year 2009 appropriations.

Designated for Elected Officials' Carryover. The County executed a contract with elected officials concerning their expenditures for the 2008 fiscal year, and the difference between the amount allocated and actual expenditures is available to them for the upcoming fiscal year. A total of \$422,702 was available for carryover at June 30, 2008.

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 coverage 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

Sewer Pollutants

The County received notification from the SC DHEC several years ago regarding additional Total Maximum Daily Load ("TMDL") requirements for dissolved oxygen in the Cooper and the Ashley Rivers. 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 dissolved oxygen concentrations relating to effluent discharge. These new requirements are to be implemented in two phases. Already, the implementation of Phase I has cost the County approximately \$21 million to date. Subsequent to June 30, 2008, County Council approved the awarding of a \$13 million contract to a contractor to complete Phase I, which is expected to be completed within two years. The current Phase I TMDL for ultimate oxygen demand ("UOD") is in effect, and the County's treatment facilities are meeting the current limit.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

IV. OTHER INFORMATION (CONTINUED)

B. Contingent Liabilities (Continued)

Sewer Pollutants (Continued)

Under Phase II, the County is evaluating the point dischargers on the Cooper and Ashley River for a revised TMDL for UOD. A three dimensional model has been approved by SC DHEC and EPA for use in determining the Phase II limits, which are much more stringent than those allowed by Phase I. The process of determining the Phase II TMDL is expected to be completed within the next year. The preliminary evaluation of the results of this model indicates a considerable reduction of limits will be required to meet the Phase II TMDL. The County is vigorously petitioning to have these requirements changed. If unsuccessful, the County estimates that it could cost an additional \$34 million to comply, which would be funded by a future revenue bond.

Grants

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.

Litigation

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 and external counsel 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-employment 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 \$175 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, 2008, was approximately \$157,000. As of year-end there were 84 employees who had retired with the County and are continuing their coverage.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

IV. OTHER INFORMATION (CONTINUED)

D. Other Post-employment Benefits (Continued)

Beginning with fiscal year 2009, the County will be required to implement the new reporting standard for post employment benefits other than pensions issued by the 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 has received an actuarial report for the plan currently in place, which estimates that the County's portion of the unfunded actuarial accrued liability as of June 30, 2009 would be approximately \$11,711,000; the annual required contribution for the fiscal year ending June 30, 2009 would be approximately \$1,738,000. The County is in the process of developing a strategy to respond to the long-term funding challenges of implementing GASB 45.

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 6.5% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The rate at June 30, 2008 was 9.06% of annual covered payroll. Additionally, participating employers of the SCRS contribute 0.15% of payroll to provide a group life insurance benefit for their participants. The County's total contributions to SCRS for the years ending June 30, 2008, 2007, and 2006 were \$2,727,590, \$2,285,874, and \$1,943,297, respectively, equal to the required contributions for each year.

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 rate at June 30, 2008 was 10.3% of annual covered payroll. 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. The County's total contributions to SCPORS for the years ending June 30, 2008, 2007 and 2006 were \$771,765, \$713,681, and \$634,967, respectively, equal to the required contributions for each year.

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

IV. OTHER INFORMATION (CONTINUED)

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, 2008, there were twenty-three series of Special Source Revenue Bonds with an outstanding aggregate principal amount of approximately \$1.2 billion.

H. Reciprocal Interfund Transactions

During the year ended June 30, 2008, the General Fund charged the Water and Sewer and the Solid Waste Funds approximately \$181,000 for administrative services.

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, 2008, was set by County Council in June 2007 at 47.0 mills (\$4.70 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were applied in fiscal year 2008 as follows: 50.0 mills for the Sangaree Special Tax District and 4.0 mills for debt retirement. The assessed valuation of properties within the County's boundaries as of June 30, 2008 was approximately \$553.7 million, exclusive of vehicles valued at approximately \$71.1 million, according to the records of the County Auditor and Assessor.

J. Subsequent Events

Subsequent to June 30, 2008, the County approved approximately \$23.3 million in construction contracts. In addition, the County Council approved the execution of a Lease Purchase Agreement with a bank to finance the acquisition of certain capital assets. This note is not to exceed \$1,536,932, with interest at 3.66% for a term of four years.

During 2007 the County, after receiving approval from County Council, purchased the A.D. Hare Water System for approximately \$682,000. This system, which provides water services to the Pinopolis Peninsula and several areas to the south of Pinopolis, has been failing for some time and is not operating in accordance with current DHEC standards. Management estimates that it will cost an additional approximately \$1,300,000 to rehabilitate the system and bring it up to current standards. In December 2007, County Council gave approval for the County to apply for a loan from the South Carolina Water Quality Revolving Fund Authority to provide the funds for the rehabilitation of this system. In December 2008, the County was successful in closing a loan with the South Carolina Water Quality Revolving Fund Authority to fund the rehab in an amount not to exceed \$1,305,000, with interest at 1% for a term of twenty years. The County has also awarded contracts to two contractors for the rehabilitation of the system and expects this work to be completed during 2009.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

IV. OTHER INFORMATION (CONTINUED)

J. Subsequent Events (Continued)

In August 2008, County Council approved a resolution to levy and impose a one percent sales and use tax, subject to a voter referendum, with the proceeds to be used for capital outlay. In November 2008, the voters of Berkeley County approved this referendum, and the new tax will become effective May 1, 2009.

In December 2008, the County purchased Greenwood County, South Carolina Obligation Bond Anticipation Notes, Series 2008A in the amount of \$15,000,000. These notes carry interest at 4.49% and mature in December 2009.

Due to the recent downturn in the economy, the County is anticipating an estimated \$2 million shortfall in General Fund revenues in fiscal 2009 compared to the amount budgeted. Primarily, these shortfalls are due to a decrease in the number of building permits issued by the County and the filing fees associated with the recording of real estate transactions. In response to this estimated revenue shortfall, the County has established a spending freeze on all non-essential spending. Additionally, in December 2008, Council by resolution, declared three unpaid legal holidays for all County employees for the remainder of the fiscal year. The County will need to continue to closely monitor and address this revenue shortfall in light of the current economic downturn.

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
REVENUES				
Property Taxes	\$ 25,813,227	25,813,227	25,777,834	\$ (35,393)
Fee in Lieu of Taxes	3,974,981	3,974,981	4,725,254	750,273
Licenses, Fees and Permits	2,284,200	2,284,200	1,990,383	(293,817)
Fines, Forfeitures and Fees	8,989,715	9,034,444	7,817,774	(1,216,670)
Interest Income	264,000	326,148	256,005	(70,143)
Intergovernmental - Federal	160,000	160,000	266,731	106,731
Intergovernmental - State and Local	8,646,509	8,646,509	8,758,201	111,692
Miscellaneous	473,449	512,205	830,029	317,824
TOTAL REVENUES	50,606,081	50,751,714	50,422,211	(329,503)
EXPENDITURES				
Current:				
General Government				
Legislative	518,795	532,556	486,158	46,398
Judicial	5,706,104	5,730,388	5,468,963	261,425
Executive	249,291	255,901	244,642	11,259
Finance and Administration	12,937,933	13,127,757	12,459,209	668,548
Elections	358,626	394,424	419,316	(24,892)
Total General Government	19,770,749	20,041,026	19,078,288	962,738
Public Safety				
Sheriff	9,580,856	9,602,847	9,803,170	(200,323)
Crime Stoppers	3,000	3,000	3,000	-
Corrections	3,110,368	3,037,705	2,835,474	202,231
Fire	358,775	358,775	358,315	460
Communications	1,230,268	1,231,710	1,095,535	136,175
Emergency Medical Services	5,084,793	5,195,341	4,979,699	215,642
Coroner	365,380	370,904	330,626	40,278
Total Public Safety	19,733,440	19,800,282	19,405,819	394,463
Airport, Highways and Streets				
Airport	525,327	556,503	472,879	83,624
Highways and Streets	4,643,155	4,745,815	4,413,635	332,180
Fleet Management	582,399	607,332	544,033	63,299
Engineering	835,646	811,091	742,766	68,325
Total Airport, Highways and Streets	6,586,527	6,720,741	6,173,313	547,428
Culture and Recreation				
Berkeley Museum	50,000	50,000	50,000	-
Total Culture and Recreation	\$ 50,000	50,000	50,000	\$ -

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
EXPENDITURES (CONTINUED)				
Current (Continued):				
Health and Welfare				
Health State	\$ 101,270	101,270	104,958	\$ (3,688)
Mosquito Abatement	515,768	558,112	537,034	21,078
Veterans Services	155,485	163,404	162,532	872
Other Programs Assistance	877,365	877,365	867,057	10,308
Total Health and Welfare	1,649,888	1,700,151	1,671,581	28,570
Community Development				
Santee Cooper Country	5,000	5,000	5,000	-
Regional Development Alliance	299,250	299,250	299,250	-
BCD Council of Governments	135,518	135,518	135,518	-
Total Community Development	439,768	439,768	439,768	-
Capital Outlay	578,192	2,152,560	1,881,956	270,604
Debt Service:				
Principal Retirement	1,378,935	1,812,365	1,812,347	18
Interest and Fiscal Charges	106,512	152,609	152,595	14
Total Debt Service	1,485,447	1,964,974	1,964,942	32
TOTAL EXPENDITURES	50,294,011	52,869,502	50,665,667	2,203,835
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	312,070	(2,117,788)	(243,456)	1,874,332
OTHER FINANCING SOURCES (USES)				
Reserved for Contingency	(600,000)	(170,338)	-	170,338
Issuance of Note Payable	-	1,982,277	1,786,069	(196,208)
Proceeds from Disposal of Assets	150,000	228,210	327,944	99,734
Transfers In	988,467	5,988,467	5,996,024	7,557
Transfers Out	(3,076,124)	(8,136,415)	(8,083,658)	52,757
Total Other Financing Sources (Uses)	(2,537,657)	(107,799)	26,379	134,178
NET CHANGE IN FUND BALANCES	(2,225,587)	(2,225,587)	(217,077)	2,008,510
FUND BALANCE - Beginning of Year	3,997,681	3,997,681	3,997,681	-
FUND BALANCE - End of Year	\$ 1,772,094	1,772,094	3,780,604	\$ 2,008,510

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

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2008

	CAPITAL PROJECTS	SPECIAL REVENUE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ -	8,064,827	\$ 8,064,827
Receivables, Net of Allowances:			
Property Taxes	-	1,307,657	1,307,657
Accounts Receivable	-	3,769,658	3,769,658
Federal, State and Local Governments	-	407,448	407,448
Restricted Cash and Cash Equivalents	5,464,768	-	5,464,768
TOTAL ASSETS	5,464,768	13,549,590	19,014,358
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	88,737	1,348,656	1,437,393
Due to Other Funds	-	70,770	70,770
Deferred Revenue	-	4,953,736	4,953,736
TOTAL LIABILITIES	88,737	6,373,162	6,461,899
FUND BALANCES			
Reserved For:			
Impact Fees	-	2,733,153	2,733,153
Other	-	82,865	82,865
Future Capital Acquisitions	5,376,031	-	5,376,031
Unreserved:			
Undesignated, Reported in:			
Special Revenue Funds	-	4,360,410	4,360,410
TOTAL FUND BALANCES	5,376,031	7,176,428	12,552,459
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,464,768	13,549,590	\$ 19,014,358

BERKELEY COUNTY, SOUTH CAROLINA**COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS****JUNE 30, 2008**

	LIBRARY	NATIONAL FOREST	EMERGENCY PREPAREDNESS
ASSETS			
Cash and Cash Equivalents	\$ 185,082	85,990	2,826
Receivables, Net of Allowances:			
Property Taxes	-	-	-
Accounts Receivable	1,679	-	-
Federal, State and Local Governments	-	-	9,066
TOTAL ASSETS	186,761	85,990	11,892
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	158,504	3,125	11,892
Due to Other Funds	-	-	-
Deferred Revenue	-	-	-
TOTAL LIABILITIES	158,504	3,125	11,892
FUND BALANCES			
Reserved for:			
Impact Fees	-	-	-
Other	-	82,865	-
Unreserved:			
Undesignated	28,257	-	-
TOTAL FUND BALANCES	28,257	82,865	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 186,761	85,990	11,892

GIS	STORM WATER MANAGEMENT	HIGHWAY "C" FUNDS	EMS EQUIPMENT	CLERK OF COURT
111,309	-	451,312	-	\$ 107,242
-	-	-	-	-
-	12,507	-	-	-
-	-	-	-	30,614
111,309	12,507	451,312	-	137,856
21,554	7,840	451,312	-	42,533
-	4,667	-	-	-
-	-	-	-	-
21,554	12,507	451,312	-	42,533
-	-	-	-	-
-	-	-	-	-
89,755	-	-	-	95,323
89,755	-	-	-	95,323
111,309	12,507	451,312	-	\$ 137,856

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2008

	ECONOMIC DEVELOPMENT	STATE ACCOMMODATIONS TAX	IMPACT FEES
ASSETS			
Cash and Cash Equivalents	\$ 1,190,421	-	2,733,153
Receivables, Net of Allowances:			
Property Taxes	-	-	-
Accounts Receivable	-	-	-
Federal, State and Local Governments	-	18,229	-
TOTAL ASSETS	1,190,421	18,229	2,733,153
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	-	17,318	-
Due to Other Funds	-	911	-
Deferred Revenue	-	-	-
TOTAL LIABILITIES	-	18,229	-
FUND BALANCES			
Reserved for:			
Impact Fees	-	-	2,733,153
Other	-	-	-
Unreserved:			
Undesignated	1,190,421	-	-
TOTAL FUND BALANCES	1,190,421	-	2,733,153
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,190,421	18,229	2,733,153

SHERIFF'S GRANTS	MISCELLANEOUS SPECIAL REVENUE	VICTIM'S ASSISTANCE	COUNTY ACCOMMODATIONS TAX	PARD GRANT
76,180	291,979	94,773	96,072	\$ -
-	-	-	-	-
3,115	-	14,387	46,843	-
40,013	-	-	-	14,951
119,308	291,979	109,160	142,915	14,951
19,569	-	11,886	114,332	-
21,658	-	-	28,583	14,951
28,381	-	-	-	-
69,608	-	11,886	142,915	14,951
-	-	-	-	-
-	-	-	-	-
49,700	291,979	97,274	-	-
49,700	291,979	97,274	-	-
119,308	291,979	109,160	142,915	\$ 14,951

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

JUNE 30, 2008

	LOCAL ECONOMIC DEVELOPMENT	AIRPORT IMPROVEMENTS	SANGAREE SPECIAL TAX DISTRICT
ASSETS			
Cash and Cash Equivalents	\$ 1,309,476	3,350	1,136,648
Receivables, Net of Allowances:			
Property Taxes	419,974	-	887,683
Accounts Receivable	14,075	-	-
Federal, State and Local Governments	-	294,575	-
TOTAL ASSETS	1,743,525	297,925	2,024,331
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	4,205	297,925	36,963
Due to Other Funds	-	-	-
Deferred Revenue	424,974	-	874,369
TOTAL LIABILITIES	429,179	297,925	911,332
FUND BALANCES			
Reserved for:			
Impact Fees	-	-	-
Other	-	-	-
Unreserved:			
Undesignated	1,314,346	-	1,112,999
TOTAL FUND BALANCES	1,314,346	-	1,112,999
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,743,525	297,925	2,024,331

PIMLICO SPECIAL TAX DISTRICT	TALL PINES SPECIAL TAX DISTRICT	DEVON FOREST SPECIAL TAX DISTRICT	SPECIAL COUNTY TAX DISTRICT	LAKE MOULTRIE PARK	LEGAL FORFEITURE PROCEEDS	TOTAL SPECIAL REVENUE FUNDS
-	-	-	98,658	58,356	32,000	\$ 8,064,827
-	-	-	-	-	-	1,307,657
27,227	76,173	42,051	3,531,601	-	-	3,769,658
-	-	-	-	-	-	407,448
27,227	76,173	42,051	3,630,259	58,356	32,000	13,549,590
50	500	140	149,008	-	-	1,348,656
-	-	-	-	-	-	70,770
27,177	75,673	41,911	3,481,251	-	-	4,953,736
27,227	76,173	42,051	3,630,259	-	-	6,373,162
-	-	-	-	-	-	2,733,153
-	-	-	-	-	-	82,865
-	-	-	-	58,356	32,000	4,360,410
-	-	-	-	58,356	32,000	7,176,428
27,227	76,173	42,051	3,630,259	58,356	32,000	\$ 13,549,590

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BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	CAPITAL PROJECTS	SPECIAL REVENUE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Taxes:			
Property	\$ -	1,067,764	\$ 1,067,764
Accommodations	-	510,947	510,947
Fee in Lieu of Taxes	-	941,464	941,464
Fines, Forfeitures and Fees	-	5,874,191	5,874,191
Interest Income	-	5,400	5,400
Local Revenue	-	493,551	493,551
Intergovernmental - Federal	-	1,582,353	1,582,353
Intergovernmental - State and Local	-	1,914,468	1,914,468
Miscellaneous	9,298	457,555	466,853
TOTAL REVENUES	9,298	12,847,693	12,856,991
EXPENDITURES			
Current:			
General Government	195,752	739,912	935,664
Public Safety	-	4,675,793	4,675,793
Airport, Highways and Streets	77,157	99,403	176,560
Culture and Recreation	-	3,036,946	3,036,946
Community Development	-	1,848,685	1,848,685
Capital Outlay	943,902	1,983,872	2,927,774
Debt Service:			
Principal Retirement	-	23,850	23,850
Interest and Fiscal Charges	-	2,163	2,163
TOTAL EXPENDITURES	1,216,811	12,410,624	13,627,435
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,207,513)	437,069	(770,444)
OTHER FINANCING SOURCES (USES)			
Issuance of Note Payable	-	25,717	25,717
Transfers In	-	3,123,658	3,123,658
Transfers Out	-	(1,133,423)	(1,133,423)
TOTAL OTHER FINANCING SOURCES (USES)	-	2,015,952	2,015,952
NET CHANGE IN FUND BALANCES	(1,207,513)	2,453,021	1,245,508
FUND BALANCE - Beginning of Year	6,583,544	4,723,407	11,306,951
FUND BALANCE - End of Year	\$ 5,376,031	7,176,428	\$ 12,552,459

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	LIBRARY	NATIONAL FOREST	EMERGENCY PREPAREDNESS
REVENUES			
Taxes:			
Property	\$ -	-	-
Accommodations	-	-	-
Fee in Lieu of Taxes	-	-	-
Fines, Forfeitures and Fees	63,872	-	-
Interest Income	-	-	-
Local Revenue	-	-	-
Intergovernmental - Federal	-	708,813	44,941
Intergovernmental - State and Local	342,704	-	1,630
Miscellaneous	31,625	-	6,100
TOTAL REVENUES	438,201	708,813	52,671
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	238,739
Airport, Highways and Streets	-	-	-
Culture and Recreation	2,992,140	12,500	-
Community Development	-	-	-
Capital Outlay	19,217	-	-
Debt Service:			
Principal Retirement	12,589	-	5,488
Interest and Fiscal Charges	1,228	-	353
TOTAL EXPENDITURES	3,025,174	12,500	244,580
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,586,973)	696,313	(191,909)
OTHER FINANCING SOURCES (USES)			
Issuance of Note Payable	10,372	-	-
Transfers In	2,522,345	-	191,909
Transfers Out	-	(704,450)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,532,717	(704,450)	191,909
NET CHANGE IN FUND BALANCES	(54,256)	(8,137)	-
FUND BALANCE - Beginning of Year	82,513	91,002	-
FUND BALANCE - End of Year	\$ 28,257	82,865	-

GIS	STORM WATER MANAGEMENT	HIGHWAY "C" FUNDS	EMS EQUIPMENT	CLERK OF COURT	
-	-	-	-	\$	-
-	-	-	-		-
-	-	-	-		-
28,483	-	-	-		-
-	-	-	-		-
124,070	-	6,360	-		-
-	-	-	-		359,758
-	-	1,394,072	28,513		-
-	12,507	-	-		-
152,553	12,507	1,400,432	28,513		359,758
406,438	-	-	-		296,959
-	-	-	30,229		-
-	45,026	53,453	-		-
-	-	-	-		-
-	-	-	-		-
29,988	-	1,346,979	-		31,030
-	-	-	-		-
-	-	-	-		-
436,426	45,026	1,400,432	30,229		327,989
(283,873)	(32,519)	-	(1,716)		31,769
-	-	-	-		-
276,553	32,519	-	1,716		-
-	-	-	-		-
276,553	32,519	-	1,716		-
(7,320)	-	-	-		31,769
97,075	-	-	-		63,554
89,755	-	-	-	\$	95,323

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	ECONOMIC DEVELOPMENT	STATE ACCOMMODATIONS TAX	IMPACT FEES
REVENUES			
Taxes:			
Property	\$ -	-	-
Accommodations	-	-	-
Fee in Lieu of Taxes	-	-	-
Fines, Forfeitures and Fees	-	-	1,806,319
Interest Income	-	-	3,224
Local Revenue	-	-	-
Intergovernmental - Federal	9,875	-	-
Intergovernmental - State and Local	-	75,674	-
Miscellaneous	300,000	-	-
TOTAL REVENUES	309,875	75,674	1,809,543
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Airport, Highways and Streets	-	-	-
Culture and Recreation	-	-	-
Community Development	9,875	48,140	-
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
TOTAL EXPENDITURES	9,875	48,140	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	300,000	27,534	1,809,543
OTHER FINANCING SOURCES (USES)			
Issuance of Note Payable	-	-	-
Transfers In	-	-	-
Transfers Out	-	(27,534)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(27,534)	-
NET CHANGE IN FUND BALANCES	300,000	-	1,809,543
FUND BALANCE - Beginning of Year	890,421	-	923,610
FUND BALANCE - End of Year	\$ 1,190,421	-	2,733,153

SHERIFF'S GRANTS	MISCELLANEOUS SPECIAL REVENUE	VICTIM'S ASSISTANCE	COUNTY ACCOMMODATIONS TAX	PARD GRANT
-	-	-	-	\$ -
-	-	-	510,947	-
-	-	-	-	-
15,418	209,460	226,159	-	-
876	1,300	-	-	-
363,121	-	-	-	-
124,146	-	-	-	-
-	-	-	-	14,951
1,850	100,057	3,534	-	-
505,411	310,817	229,693	510,947	14,951
-	4,546	-	-	-
501,654	235,380	281,382	-	-
-	-	-	-	-
-	-	-	-	18,701
-	-	-	408,758	-
5,544	95,853	-	-	-
-	-	-	-	-
-	-	-	-	-
507,198	335,779	281,382	408,758	18,701
(1,787)	(24,962)	(51,689)	102,189	(3,750)
-	-	-	-	-
14,363	-	-	-	3,750
-	-	-	(102,189)	-
14,363	-	-	(102,189)	3,750
12,576	(24,962)	(51,689)	-	-
37,124	316,941	148,963	-	-
49,700	291,979	97,274	-	\$ -

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2008

	LOCAL ECONOMIC DEVELOPMENT	AIRPORT IMPROVEMENTS	REGIONAL DISASTER PLANNING GRANT
REVENUES			
Taxes:			
Property	\$ 63,875	-	-
Accommodations	-	-	-
Fee in Lieu of Taxes	941,464	-	-
Fines, Forfeitures and Fees	19,815	-	-
Interest Income	-	-	-
Local Revenue	-	-	-
Intergovernmental - Federal	-	296,494	38,326
Intergovernmental - State and Local	-	56,924	-
Miscellaneous	-	-	-
TOTAL REVENUES	1,025,154	353,418	38,326
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	38,326
Airport, Highways and Streets	-	924	-
Culture and Recreation	-	-	-
Community Development	327,516	-	-
Capital Outlay	15,345	392,997	-
Debt Service:			
Principal Retirement	5,773	-	-
Interest and Fiscal Charges	582	-	-
TOTAL EXPENDITURES	349,216	393,921	38,326
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	675,938	(40,503)	-
OTHER FINANCING SOURCES (USES)			
Issuance of Note Payable	15,345	-	-
Transfers In	-	40,503	-
Transfers Out	(299,250)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(283,905)	40,503	-
NET CHANGE IN FUND BALANCES	392,033	-	-
FUND BALANCE - Beginning of Year	922,313	-	-
FUND BALANCE - End of Year	\$ 1,314,346	-	-

SANGAREE SPECIAL TAX DISTRICT	PIMLICO SPECIAL TAX DISTRICT	TALL PINES SPECIAL TAX DISTRICT	DEVON FOREST SPECIAL TAX DISTRICT	SPECIAL COUNTY TAX DISTRICT	LAKE MOULTRIE PARK	LEGAL FORFEITURE PROCEEDS	TOTAL SPECIAL REVENUE FUNDS
1,003,889	-	-	-	-	-	-	\$ 1,067,764
-	-	-	-	-	-	-	510,947
-	-	-	-	-	-	-	941,464
-	26,450	76,000	42,090	3,350,083	-	10,042	5,874,191
-	-	-	-	-	-	-	5,400
-	-	-	-	-	-	-	493,551
-	-	-	-	-	-	-	1,582,353
-	-	-	-	-	-	-	1,914,468
1,882	-	-	-	-	-	-	457,555
1,005,771	26,450	76,000	42,090	3,350,083	-	10,042	12,847,693
-	-	-	-	-	-	31,969	739,912
-	-	-	-	3,350,083	-	-	4,675,793
-	-	-	-	-	-	-	99,403
-	-	-	-	-	13,605	-	3,036,946
909,856	26,450	76,000	42,090	-	-	-	1,848,685
46,919	-	-	-	-	-	-	1,983,872
-	-	-	-	-	-	-	23,850
-	-	-	-	-	-	-	2,163
956,775	26,450	76,000	42,090	3,350,083	13,605	31,969	12,410,624
48,996	-	-	-	-	(13,605)	(21,927)	437,069
-	-	-	-	-	-	-	25,717
-	-	-	-	-	40,000	-	3,123,658
-	-	-	-	-	-	-	(1,133,423)
-	-	-	-	-	40,000	-	2,015,952
48,996	-	-	-	-	26,395	(21,927)	2,453,021
1,064,003	-	-	-	-	31,961	53,927	4,723,407
1,112,999	-	-	-	-	58,356	32,000	\$ 7,176,428

BERKELEY COUNTY, SOUTH CAROLINA

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

JUNE 30, 2008

	CLERK OF COURT	MASTER IN EQUITY	TAX COLLECTOR
ASSETS			
Cash and Cash Equivalents	\$ 3,368,012	655,022	2,528,304
Receivables:			
Accounts Receivable	-	-	-
State Government	-	-	-
TOTAL ASSETS	3,368,012	655,022	2,528,304
LIABILITIES			
Due to School District	-	-	-
Due to Other Designated Recipients	3,368,012	655,022	2,528,304
TOTAL LIABILITIES	\$ 3,368,012	655,022	2,528,304

SHERIFF	MAGISTRATES	TREASURER	"C" FUNDS ADMINISTRATION	TOTALS
244,174	469,384	12,667,753	11,433,627	\$ 31,366,276
-	-	13,409	-	13,409
-	-	-	200,595	200,595
244,174	469,384	12,681,162	11,634,222	31,580,280
-	-	7,531,999	-	7,531,999
244,174	469,384	5,149,163	11,634,222	24,048,281
244,174	469,384	12,681,162	11,634,222	\$ 31,580,280

BERKELEY COUNTY, SOUTH CAROLINA

SUPPLEMENTAL SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES COLLECTED

JUNE 30, 2008

	<u>TOTAL COLLECTIONS</u>	<u>REMITTANCE TO STATE</u>	<u>RETAINED BY COUNTY</u>	<u>GENERAL FUND</u>	<u>VICTIM ASSISTANCE</u>	<u>TOTAL COUNTY REVENUES</u>
MAGISTRATES						
Fines:						
Traffic/Criminal	\$ 831,492	657	830,835	830,835	-	\$ 830,835
Wildlife/Littering	41,365	41,365	-	-	-	-
DUI/DUS	24,567	24,567	-	-	-	-
Fees	382,987	2,056	380,931	380,931	-	380,931
Assessments	968,269	873,488	94,781	-	94,781	94,781
Surcharges	410,859	340,768	70,091	-	70,091	70,091
Total Magistrates	<u>2,659,539</u>	<u>1,282,901</u>	<u>1,376,638</u>	<u>1,211,766</u>	<u>164,872</u>	<u>1,376,638</u>
CLERK OF COURT						
Fines:						
General Sessions	37,457	15,431	22,026	22,026	-	22,026
DUI/DUS	3,430	3,430	-	-	-	-
Fees	1,625,854	1,016,120	609,734	609,734	-	609,734
Assessments	57,280	45,733	11,547	-	11,547	11,547
Surcharges	61,626	11,886	49,740	-	49,740	49,740
Total Clerk of Court	<u>1,785,647</u>	<u>1,092,600</u>	<u>693,047</u>	<u>631,760</u>	<u>61,287</u>	<u>693,047</u>
TOTAL MAGISTRATES AND CLERK OF COURT	<u>\$ 4,445,186</u>	<u>2,375,501</u>	<u>2,069,685</u>	<u>1,843,526</u>	<u>226,159</u>	<u>\$ 2,069,685</u>

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	ALLOWABLE FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through South Carolina Office of the Governor - Division of Economic Development/ Community Development Block Grant Regional Disaster Planning - COG			
Cross Water Line Project	14.228	4-CI-05-017	\$ 204,250
Northern Cross Water Line Project	14.228	4-CI-07-001	371,488
Total U.S. Department of Housing and Urban Development			575,738
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through South Carolina Department of Social Services (SCDSS) - Sheriff's Department	93.563	G-08SC4004	6,468
Total of CFDA # 93.563			6,468
Federal Financial Participation, Passed Through SCDSS- Administration for Children and Families			
Family Preservation & Support Services (CWS-Part II)	93.556	G-08SCOOFP	870
TANF Block Grant	93.558	G-08SCTANF	76,122
Child Support Enforcement	93.563	G-08SC4004	22
Child Welfare Services - State Grants	93.645	G-08SC1400	2,342
Title IV-E Foster Care	93.658	G-08SC1401	17,218
Social Services Block Grant	93.667	G-08SCSSBG	23,976
Center for Medicare and Medicare Services Medicaid Programs	93.778	G-07SCMEDI	37,671
USDA Food Nutrition Service State Administration Matching Grant			
Food Stamp Program	10.561	G-08S3F407	39,946
Child Care Development Fund	93.575	G-08SCCDBG	1,137
General/All State	Unknown	Unknown	23,731
Total of Federal Financial Participation			223,035
Total U.S. Department of Health and Human Services			229,503
U.S. DEPARTMENT OF TRANSPORTATION			
Passed Through Department of Transportation			
Federal Aviation Administration	20.106	3-45-0041-14	12,019
Federal Aviation Administration	20.106	3-45-0041-15	300,013
Total U.S. Department of Transportation			\$ 312,032

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	ALLOWABLE FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through South Carolina State Treasurer National Forest Fund	10.665	n/a	\$ 708,813
Total Department of Agriculture			708,813
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed Through Adjutant General's Office Homeland Security	97.067	6SHSP26	21,871
Local Emergency Management Performance	97.067	HMESC6042140	4,500
Local Emergency Management Performance	97.067	7EMPG01	33,005
Local Emergency Management Performance	97.067	8EMPG01	7,435
Total Federal Emergency Management Agency			66,811
U.S. DEPARTMENT OF JUSTICE			
Passed Through South Carolina Public Safety State Criminal Alien Assistance Program	16.606	2006-F3521-SC-AP	12,573
State Criminal Alien Assistance Program	16.606	2007-F6952-SC-AP	9,078
Passed Through Adjutant General's Office Justice Assistance Grant	16.607	n/a	30,920
Total U.S. Department of Justice			52,571
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,945,468

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2008

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.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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, 2008, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated December 23, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s basic financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control. We consider item 2008-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the entity’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency 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 grant 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 objective 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 *Government Auditing Standards*.

We noted certain matters that we have reported to management of the County in a separate letter dated December 23, 2008.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, County Council, others within the County, 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
Mauldin, South Carolina
December 23, 2008

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

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, 2008. 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, 2008.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over compliance.

A *control deficiency* in an entity’s internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity’s internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, County Council, others within the County, 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

Greene, Finney & Horton, LLP
Mauldin, South Carolina
December 23, 2008

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

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

Significant deficiencies 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

Significant deficiencies 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>
14.228	Community Development / Regional Disaster Planning
20.106	Federal Aviation Administration

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

Auditee qualified as low-risk auditee? X Yes No

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

Section II – Findings – 2008 Financial Statements Audit

2008-1: RECOGNITION OF GRANT REVENUES

- Condition:** The County's Solid Waste Fund incurred approximately \$362,000 in reimbursable expenditures for state grants during the year ended June 30, 2008; however, they did not initially recognize the revenues from these grants prior to our audit, as both the request for reimbursement and the receipt of the funds occurred subsequent to year end. These revenues have since been correctly reflected in the financial statements for the year ended June 30, 2008.
- Criteria:** The County needs to ensure that revenues are recognized in the same accounting period that the expenditures are incurred for reimbursement-driven grants, if the conditions for reimbursement have been met and collectability is certain.
- Effect:** The financial records will not appropriately reflect revenues associated with expenditure-driven grants in the proper accounting period.
- Recommendation:** The County needs to be more diligent in ensuring that revenues for reimbursement-driven grants are recorded in the appropriate accounting period.
- Response:** This failure to recognize the revenues during the correct period was an oversight. As part of the annual financial statement close process, we will review these types of transactions more thoroughly to ensure that they are recorded in the appropriate accounting period.

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, 2008

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 Budget ("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.