

BERKELEY COUNTY, SOUTH CAROLINA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016



BERKELEY COUNTY, SOUTH CAROLINA

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BERKELEY COUNTY, SOUTH CAROLINA

Established in 1942

LISTING OF ELECTED OFFICIALS

County Council

William Peagler, Supervisor and Chairman

Phillip Farley, District No. 1

Joshua Whitley, District No. 2

Kenneth Gunn, Jr., District No. 3

Tommy Newell, District No. 4

Dennis Fish, District No. 5

Jack Schurlknight, District No. 6

Caldwell Pinckney, Jr., District No. 7

Steve Davis, District No. 8

Other Elected Officials

Janet Brown Jurosko, Auditor

Mary Brown, Clerk of Court

William Salisbury, Coroner

Keith Kornahrens, Probate Judge

Cynthia Forte, Register of Deeds

Dwayne Lewis, Sheriff

Scarlett Wilson, Solicitor

Carolyn Umphlett, Treasurer



Independent Auditor's Report

To the Berkeley County Council
Berkeley County, South Carolina

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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 the County as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, the other post-employment benefit plan – defined benefit healthcare plan – schedules of employer contributions and funding status, and the pension schedules, as listed in the table of contents, to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The information identified in the table of contents as the supplementary information and schedule of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2017, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

A handwritten signature in black ink that reads "Scott and Company LLC". The script is cursive and fluid.

Columbia, South Carolina
January 17, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

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, 2016. This information should be read in conjunction with the financial statements and the accompanying notes.

FINANCIAL HIGHLIGHTS

- Berkeley County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources (net position) at June 30, 2016 by approximately \$383.2 million as compared to approximately \$394.6 million at the prior fiscal year end (adjusted for the correction of an accounting error as discussed below). Unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors; Berkeley County's unrestricted net position at June 30, 2016 amounted to a deficit balance of approximately \$16.6 million which was an increase of approximately \$6.3 million from the previous fiscal year adjusted for the correction of an accounting error as discussed below.
- The County's total net position this fiscal year decreased approximately \$11.4 million over the previous year (adjusted for the correction of an accounting error as discussed below). The decrease consists of approximately a \$18.1 million decrease from governmental activities offset by an increase of approximately \$6.7 million from business-type activities.
- At June 30, 2016, the County's governmental funds reported combined ending fund balances of approximately \$123.2 million, a decrease of approximately \$5.5 million over the previous fiscal year. Total fund balances include \$21.4 million for the General Fund, \$85.2 million for the Capital Projects Fund, \$553 thousand for the Economic Development Special Revenue Fund, and \$16.0 million for all other governmental funds.
- The General Fund reported an unassigned fund balance of approximately \$20.1 million, which is an increase of approximately \$5.3 million over the prior year's unassigned fund balance of \$14.8 million.
- The County's total capital assets were approximately \$521.4 million at June 30, 2016, an increase of approximately \$5.8 million from the prior year total capital assets of \$515.6 million, as restated.
- The County's total long-term indebtedness (bonds, loans, leases, and notes payable) was approximately \$249.3 million at June 30, 2016, an increase of approximately \$7.3 million from the previous year primarily due to new debt issued by the Capital Projects and Debt Service Funds partially offset by principal payments during the year.
- The County issued \$30 million in Series 2016 General Obligation Bonds in January 2016 to construct, renovate, and expand County facilities, construct the Sheep Island Interchange, and install enhanced security infrastructure.
- The County also issued \$10.1 million in Series 2016 General Obligation Advance Refunding Bonds in May 2016 to advance defease the 2009A General Obligation Bonds and reduce total debt service payments over the next 13 years by an estimated \$1,079,288.
- The debt service coverage ratio for the Water, Sewer and Solid Waste revenue bonds (combined for this purpose as a result of the ordinances approved in August 2010) was 188%, which exceeded the 120% required by the bond covenants. However, excluding nonrecurring fees (impact and connection fees of \$9.0 million) the debt coverage ratio would be 130% for 2016.
- The County implemented GASB Statement No. 72 *Fair Value Measurement and Application* ("GASB #72") in the year ended June 30, 2016. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The County previously reported its investments at fair value on a recurring basis, so the primary effect of the implementation of this Statement was additional disclosure.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Berkeley County's financial statements. The financial statements are comprised of three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

Government-wide financial statements provide a broad overview of the financial position of Berkeley County and are similar to private-sector financial statements. They include a Statement of Net Position and a Statement of Activities.

The Statement of Net Position shows the County's assets and deferred outflows of resources less its liabilities and deferred inflows of resources at June 30, 2016. The difference between these assets/deferred outflows of resources and liabilities/deferred inflows of resources is reported as net position. Changes in net position over time may be helpful in indicating an improving or deteriorating financial condition.

The Statement of Activities follows the Statement of Net Position and presents information showing how the net position 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 and solid waste.

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 Position 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, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS

Fund 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 Position.

Notes to the 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 financial statements and the accompanying notes, this report also presents certain required supplementary information that includes this analysis, the General Fund budgetary comparison, and pension related schedules. 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.

BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative data for net position as of June 30, 2016 and 2015 are shown below.

Berkeley County Net Position (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015*	2016	2015*
ASSETS						
Current and Other Assets	\$ 203,846	\$ 181,793	\$ 80,173	\$ 84,796	\$ 284,019	\$ 266,589
Capital Assets, Net	170,427	166,629	351,010	348,993	521,437	515,622
TOTAL ASSETS	<u>374,273</u>	<u>348,422</u>	<u>431,183</u>	<u>433,789</u>	<u>805,456</u>	<u>782,211</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charges	1,577	671	8,516	9,155	10,093	9,826
Deferred Pension Charges	6,556	5,437	1,514	1,531	8,070	6,968
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,133</u>	<u>6,108</u>	<u>10,030</u>	<u>10,686</u>	<u>18,163</u>	<u>16,794</u>
LIABILITIES						
Current Liabilities	45,935	24,655	13,513	14,217	59,448	38,872
Non-current Liabilities	132,957	103,716	203,546	211,577	336,503	315,293
TOTAL LIABILITIES	<u>178,892</u>	<u>128,371</u>	<u>217,059</u>	<u>225,794</u>	<u>395,951</u>	<u>354,165</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Revenue	43,245	43,429	-	-	43,245	43,429
Deferred Pension Credits	978	5,327	282	1,489	1,260	6,816
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>44,223</u>	<u>48,756</u>	<u>282</u>	<u>1,489</u>	<u>44,505</u>	<u>50,245</u>
NET POSITION						
Net Investment in Capital Assets	133,606	120,442	198,287	194,732	331,893	315,174
Restricted	66,804	101,251	1,073	1,089	67,877	102,340
Unrestricted	(41,121)	(44,290)	24,512	21,371	(16,609)	(22,919)
TOTAL NET POSITION	<u>\$ 159,289</u>	<u>\$ 177,403</u>	<u>\$ 223,872</u>	<u>\$ 217,192</u>	<u>\$ 383,161</u>	<u>\$ 394,595</u>

*The 2015 amounts shown above have been adjusted for the correction of an accounting error. See Note IV.N for information about the correction.

BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Information about changes in net position can identify sources of County revenue, and how the County uses its funds. Below is a summary of the change in net position for the fiscal years ending June 30, 2016 and 2015.

Berkeley County Net Position (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015*	2016	2015*
Revenues:						
Program Revenues:						
Charges for Services	\$ 20,522	\$ 21,132	\$ 57,772	\$ 53,199	\$ 78,294	\$ 74,331
Operating Grants and Contributions	97,597	3,676	8	349	97,605	4,025
Capital Grants and Contributions	8,029	4,359	7,506	9,887	15,535	14,246
General Revenues:						
Property Taxes	28,105	26,432	-	-	28,105	26,432
Fee in Lieu of Taxes	21,276	8,205	-	-	21,276	8,205
Local Option Sales Tax	15,734	14,816	-	-	15,734	14,816
Transportation Sales Tax	25,088	23,504	-	-	25,088	23,504
Other Taxes	1,223	1,134	-	-	1,223	1,134
Unrestricted Grants	7,272	6,980	-	-	7,272	6,980
Interest Income	897	163	35	35	932	198
Gain on Sale of Assets	28	30	175	-	203	30
Insurance Proceeds	1,051	-	-	-	1,051	-
Miscellaneous	1,356	830	-	-	1,356	830
Total Revenues	228,178	111,261	65,496	63,470	293,674	174,731
Expenses:						
General Government	33,655	25,850	-	-	33,655	25,850
Public Safety	35,512	31,362	-	-	35,512	31,362
Airport, Highways and Streets	148,902	24,161	-	-	148,902	24,161
Culture and Recreation	5,087	5,058	-	-	5,087	5,058
Health and Welfare	2,198	1,482	-	-	2,198	1,482
Community Development	23,605	4,086	-	-	23,605	4,086
Interest and Fiscal Charges	1,833	2,507	-	-	1,833	2,507
Water and Sewer	-	-	42,277	40,460	42,277	40,460
Solid Waste	-	-	12,039	12,617	12,039	12,617
Total Expenses	250,792	94,506	54,316	53,077	305,108	147,583
Increase in Net Position before Transfers	(22,614)	16,755	11,180	10,393	(11,434)	27,148
Transfers	4,500	(500)	(4,500)	500	-	-
Change in Net Position	(18,114)	16,255	6,680	10,893	(11,434)	27,148
Net Position, Beginning of Year	177,403	218,098	216,516	223,714	393,919	441,812
Change in Accounting Principle	-	(56,950)	-	(17,415)	-	(74,365)
Correction of Error	-	-	676	-	676	-
Adjusted Net Position, Beginning of Year	177,403	161,148	217,192	206,299	394,595	367,447
Net Position, End of Year	\$ 159,289	\$ 177,403	\$ 223,872	\$ 217,192	\$ 383,161	\$ 394,595

*The 2015 amounts shown above have been adjusted for the correction of an accounting error. See Note IV.N for information about the correction.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The County reported positive balances in all categories of net position in both governmental and business-type activities for 2016 except for governmental activities unrestricted net position. The County's total unrestricted net position decreased approximately \$6.3 million. Total restricted net position decreased approximately \$34.5 million and net investment in capital assets increased \$16.7 million. Unrestricted net position is County resources that may be used to meet the County's ongoing obligations to citizens and creditors while restricted assets are resources subject to external restriction. The largest portion of the County's net position (87%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, software, 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.

Governmental Activities. The County recognized an overall increase in governmental activities revenues of approximately \$116.9 million (105%) in 2016 as compared to 2015 primarily due to a \$93.9 million increase in operating grants and contributions, an increase of \$3.7 million in capital grants and contributions, and an increase of \$13.1 million in fee in lieu of taxes.

Expenses increased approximately \$156.3 million (165%) in 2016 compared to 2015 primarily due to a \$124.7 million increase in airport, highway, and street expenditures, and an \$19.5 million increase in community development expenditures.

Business-type Activities. Revenues for business-type activities increased \$2.0 million (3%) mainly due to a \$4.6 million increase in charges for services, offset by a \$2.4 million decrease in capital grants and contributions. The \$4.6 million increase in charges for services is due to increased residential construction and impact fees. The decrease in capital grants and contributions is mainly due to a decrease in systems contributed by developers.

Expenses for business-type activities increased approximately \$1.2 million (2%) due to a \$1.8 million increase in water and sewer expenses partially offset by a \$600 thousand decrease in solid waste expenditures. Water and sewer expenses increased \$1.8 million as a result of shared personnel expenses and increased system maintenance. Solid waste expenses decreased \$600 thousand as a result of reduced fuel and vegetative debris disposal expenses. Landfill closure and postclosure costs increased primarily due to the changes in estimates in the current year.

BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

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, 2016, and the amount and percentage of increases and decreases in relation to prior year amounts (in thousands):

	Amount	Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease)
Revenues				
Property and Accommodations Taxes	\$ 28,957	10.0%	\$ 1,875	6.9%
Fee in Lieu of Taxes	21,276	7.4%	13,071	159.3%
Local Taxes (transportation and local option sales tax)	40,822	14.1%	2,502	6.5%
Licenses, Fees and Permits	3,393	1.2%	554	19.5%
Fines, Forfeitures and Fees	18,380	6.4%	179	1.0%
Interest Income	897	0.3%	734	450.3%
Local Revenue	587	0.2%	(69)	(10.5%)
Intergovernmental - Federal	2,227	0.8%	196	9.7%
Intergovernmental - State and Local	104,096	36.0%	94,790	1,018.6 %
Insurance Proceeds	1,051	0.4%	1,051	100.0%
Miscellaneous	1,435	0.5%	401	38.8%
Other Financing Sources				
Premium on Issuance of Debt	3,273	0.9%	3,033	1,263.8 %
Proceeds from Issuance of Debt	40,070	13.9%	32,320	417.0%
Proceeds from Disposal of Assets	175	0.1%	143	446.9%
Transfers In	22,661	7.8%	17,740	360.5%
Total	<u>\$ 289,300</u>	<u>100.0%</u>	<u>\$ 168,520</u>	<u>139.53%</u>

Local Taxes increased \$2.5 million mainly due to increased transportation tax collections. Fee in lieu of taxes revenue increased \$13.1 million due to the council's approval to allocate fees to the governmental funds which were previously held by the agency funds. Intergovernmental – State and Local revenues increased \$94.8 million due to a significant amount of proceeds from the Department of Commerce for economic development. Proceeds from the issuance of refunding debt increased \$32.3 million due to the issuance of the Series 2016 General Obligation Advance Refunding Bonds and Series 2016 General Obligation Bonds.

The following schedule presents a summary of all governmental funds expenditures and other financing uses for the fiscal year ended June 30, 2016, and the percentage of increases and decreases in relation to prior year amounts (in thousands):

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF BERKELEY COUNTY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

	Amount	Percent of Total	Increase (Decrease) from 2015	Percent Increase (Decrease)
Expenditures:				
General Government	\$ 32,686	11.1%	\$ 9,129	38.8%
Public Safety	34,038	11.5%	3,141	10.2%
Airport, Highways and Streets	7,063	2.4%	237	3.5%
Culture and Recreation	4,440	1.5%	(20)	(0.4%)
Health and Welfare	1,946	0.7%	112	6.1%
Community Development	23,555	8.0%	20,000	562.6%
Flood of 2015	755	0.3%	755	100.0%
Capital Outlay	142,384	48.3%	124,017	675.2%
Debt Service:				
Principal Retirement	17,526	5.9%	6,804	63.5%
Interest and Fiscal Charges	1,797	0.6%	(781)	(30.3%)
Debt Issuance Costs	391	0.1%	202	106.9%
Other Financing Uses:				
Deposit to Debt Refunding Agent	10,052	3.4%	2,251	28.9%
Transfers Out	18,161	6.2%	12,740	235.0%
Total	<u>\$ 294,794</u>	<u>100.0%</u>	<u>\$ 178,587</u>	<u>153.68%</u>

Total expenditures increased \$178.6 million, including a \$124.0 million increase in capital outlay primarily for economic development, a \$20 million increase in community development expenditures and a \$9.1 million increase in general government expenditures. The \$124.0 million in capital outlay expenditures is due to expenditures on the capital projects and economic development special revenue funds projects funded by sales taxes and intergovernmental revenues. The \$20 million increase in community development expenditures is due to expenditures on economic development special revenue fund projects funded by intergovernmental revenues. Lastly, the \$9.1 million increase in general government expenditures is due to budgeted increases in judicial, executive, and administrative areas.

Governmental Funds

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance in the General Fund was \$21.4 million of which \$20.1 million was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures and transfers to other funds. Total net unassigned fund balance of approximately \$20.1 million represents 30.1% of total General Fund expenditures and transfers to other funds of approximately \$66.5 million, while total fund balance of \$21.4 million represents 32.2% of that same amount.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF BERKELEY COUNTY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

The Capital Projects fund has a total fund balance of approximately \$85.2 million, all of which is either nonspendable due to prepaid items, or restricted for future transportation projects, the assessment district capital projects, or for other capital projects. The net decrease in fund balance during the current year was approximately \$7.8 million primarily due to increased capital outlay expenditures.

The Economic Development Special Revenue fund, which is a new major fund created for economic development in connection with the Volvo plant, has a total fund balance of approximately \$552.6 thousand, all of which is restricted for future economic development. The net increase in fund balance during the current year was approximately \$552.6 due to increased intergovernmental revenues over capital outlay and community development expenditures.

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 two enterprise funds are Water and Sewer and Solid Waste.

At June 30, 2016, total net position amounted to approximately \$223.9 million for enterprise funds as compared to approximately \$217.2 million at June 30, 2015 (adjusted for the correction of an error as discussed above). Net position changes are a result of operations, other non-operating revenues and expenses, capital contributions and donated assets, grants and transfers from other funds.

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)	
	2016	2015
Water and Sewer	\$ 11,411	\$ 9,333
Solid Waste	(943)	(1,204)
Total	<u>\$ 10,468</u>	<u>\$ 8,129</u>

The Water and Sewer Fund experienced an \$2.1 million increase in operating income primarily due to increases of \$4.0 million in charges for sales and services being offset by a \$1.9 million increase in operating expenses. The increase in charges for sales and services is primarily due to increased service area (increased customers) as well as changes in rates. Operating expenses increased \$1.9 million due to increases in personnel services, utilities, and depreciation expenses. Operating loss for the Solid Waste Fund decreased \$261 thousand primarily due to a \$549 thousand increase in operating revenues, a \$731 thousand decrease in the landfill closure and postclosure cost estimates offset an increase in depreciation expense of \$1.5 million.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF BERKELEY COUNTY'S FUNDS (CONTINUED)

General Fund Budgetary Highlights (Continued)

Budget columns are provided for both the original budget adopted for the year ended June 30, 2016 as well as the final budget. The difference between the original budget and the final budget is primarily related to the supplemental appropriations approved by Council throughout the year. The net change between the original budget and the final budget was approximately \$953 thousand.

A column for actual revenues and a column for differences between final budget and actual revenues follow the budgeted amounts columns. During the year ended June 30, 2016, revenues were more than budgetary estimates by approximately \$3.5 million as property tax revenues, FILOT, intergovernmental, and miscellaneous revenues were all over budget.

A column for actual expenditures and a column for differences between final budget and actual expenditures follow the budgeted amounts columns. During the year ended June 30, 2016, expenditures were less than budgetary estimates by approximately \$3.5 million. Most of this savings is attributable to approximately \$2.1 million realized in capital outlay and \$1.1 million in public safety.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of 2016, the County had approximately \$521.4 million invested in capital assets, net of depreciation. This was an increase of approximately \$5.8 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, software, computer equipment, and vehicles. The table below reflects the capital asset balances as of June 30, 2016 and 2015, net of accumulated depreciation (in thousands).

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015*	2016	2015*
Land	\$ 5,718	\$ 5,718	\$ 3,563	\$ 3,563	\$ 9,281	\$ 9,281
Construction in Progress	12,294	18,270	23,266	25,372	35,560	43,642
Buildings and Improvements	38,823	35,672	-	-	38,823	35,672
Furniture and Equipment	2,925	2,909	6,899	6,634	9,824	9,543
Utility Systems, Plants and Buildings	-	-	317,281	306,336	317,281	306,336
Infrastructure	102,967	98,322	-	-	102,967	98,322
Other	7,700	5,738	-	7,088	7,700	12,826
Total	<u>\$ 170,427</u>	<u>\$ 166,629</u>	<u>\$ 351,009</u>	<u>\$ 348,993</u>	<u>\$ 521,436</u>	<u>\$ 515,622</u>

*The 2015 Business-Type Activities amounts shown above have been adjusted for correction of an error as discussed in Note IV.N.

More detailed information about the County's capital assets is included in Note III. D of the Notes to the Financial Statements.

BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt. At June 30, 2016, the County had approximately \$227.4 million in bonds, loans and notes payable outstanding versus approximately \$221.5 million at June 30, 2015, or an increase of approximately \$5.9 million. The table below reflects the outstanding balances (in thousands) as of June 30, 2016 and 2015.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 64,400	\$ 45,619	\$ -	\$ -	\$ 64,400	\$ 45,619
SCTIB Loan	-	5,332	-	-	-	5,332
Revenue Bonds	-	-	161,535	169,565	161,535	169,565
State Revolving Loan Fund	-	-	828	889	828	889
Notes and Capital Leases Payable	-	-	588	50	588	50
Total	<u>\$ 64,400</u>	<u>\$ 50,951</u>	<u>\$ 162,951</u>	<u>\$ 170,504</u>	<u>\$ 227,351</u>	<u>\$ 221,455</u>

In January 2016, the County issued \$30,000,000 in Series 2016 General Obligation Bonds, receiving a premium of \$3,102,494, and incurring bond issuance costs of \$204,581. The bonds will bear interest at rates ranging from 3.0% to 5.0% and mature in March 2031. The proceeds of the bonds will be used to construct, renovate, and expand County facilities, construct the Sheep Island Interchange, and install enhanced security infrastructure.

In May 2016, the County issued \$10,070,000 in Series 2016 General Obligation Advance Refunding Bonds, receiving a premium of \$170,720, and incurring bond issuance costs of \$188,437. The County placed the net proceeds of \$10,052,280 into an irrevocable trust, which will be used to redeem \$9,095,000 of the outstanding balance on the Series 2009A General Obligation Bonds maturing March 1, 2029. The proceeds in the trust will be used to make future debt service payments related to these bonds and redeem the bonds on March 1, 2019, the date the bonds are first callable, at a redemption price of par. The reacquisition price exceeded the net carrying amount of the old debt by \$957,281. This amount will be amortized over the remaining term of the bonds. This refunding was undertaken to reduce total debt service payments over the next 13 years by an estimated \$1,079,288 and resulted in an economic gain of \$1,041,467. The refunded bonds are considered to be defeased until redemption in March 2019, and the liability has been removed from the governmental activities column of the Statement of Net Position.

On August 23, 2010, County Council enacted Ordinance Nos. 10-08-28 and 10-08-29 (together, the "Combining Ordinances"). Ordinance No. 10-08-29 amended General Bond Ordinance No. 91-4-10 and General Bond Ordinance No. 03-03-12, each of which authorized and provided for the issuance of Water and Sewer System Revenue Bonds of the County (collectively, the "Water and Sewer Bond Ordinances"), and Ordinance No. 10-08-28 amended General Bond Ordinance No. 96-7-33, which authorized and provided for the issuance of Solid Waste System Revenue Bonds of the County (the "Solid Waste Bond Ordinance" and, together with the Water and Sewer Bond Ordinances, the "Bond Ordinances"). The amendments effected by the Combining Ordinances became effective as of November 12, 2010 (the "Effective Date").

Pursuant to each of the Combining Ordinances, the County (1) combined its existing water and sewer system and its existing solid waste system for purposes of the Bond Ordinances and (2) expanded the definitions of "System" (as defined in each of the Bond Ordinances) thereunder to include the County's water, sewer and solid waste system. The pledge of and lien upon "Net Revenues" (as defined in each of the Bond Ordinances) of the System, which secures indebtedness issued by the County under the Bond Ordinances, is unaffected by the effectiveness of the Combining Ordinances; however, by consent of the holders of the bonds issued pursuant to the Solid Waste Bond Ordinance which remains outstanding as of the Effective Date (the "Solid Waste Bonds"), such pledge and lien is and shall be junior and subordinate to the pledge and lien on Net Revenues securing "Bonds" (as such term is defined in the Water and Sewer Bond Ordinances) issued pursuant to the Water and Sewer Bond Ordinances. The County has further covenanted in the Bond Ordinances that it would no longer issue debt under the authority of the Solid Waste Bond Ordinance and that the Solid Waste Bonds shall constitute "Junior Bonds" (as defined in the Water and Sewer Bond Ordinances) for all purposes of the Water and Sewer Bond Ordinances.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

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

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

ECONOMIC FACTORS AND THE 2017 BUDGET

Factors considered in preparing Berkeley County's budget for the year ended June 30, 2017 included:

- The County was selected in May 2015 as the location for Volvo Cars' first North American manufacturing facility, with a minimum investment of \$600 million and 2,000 jobs.
- Since January 2015, the County's economic development efforts secured announcements from industries totaling over \$1.4 billion in new investment and nearly 4,500 new jobs. This includes over \$700 million in investments in 2016 alone.
- Census data estimates the County's population to now be over 205,000 – making the County the 8th most populated county in the state.
- Census data shows the County is the second fastest-growing county in the state and the 41st fastest-growing county in the entire country from 2010 to 2015.
- Having also secured in 2015 the distinction of having the lowest county government taxes in the state, the County expects and is planning for significant growth of both residences and businesses.

OTHER POTENTIALLY SIGNIFICANT MATTERS

Waste Water Treatment

The County operates the Lower Berkeley Wastewater Treatment Plant which had a treatment capacity of 18 million gallons per day (MGD). The County expanded the plant in 2011 to 22.5 MGD. The current DHEC permit is currently 18 MGD. Increasing the capacity to 22.5 MGD will require the addition of two blowers and additional diffusers. This improvement is programmed in the Resilient Asset Management Program (RAMP) to be initiated when flow and loading increase at the facility to require additional capacity. Request for Proposals for the necessary engineering report to apply for a Permit to Construct the plant to 22.5 MGD is ready to be advertised in hopes of starting construction this fiscal year. The County also has the Central Wastewater Treatment Plant that is currently rated for 3 MGD. The County approved a proposal to expand the plant to 6 MGD. Both of these plants are being renovated due to the rapid growth associated with Berkeley County, specifically due to the construction of the Volvo plant within the County.

Expansion of Water Systems

The Lake Marion Regional Water Agency ("Lake Marion WA") was formed in the mid 1990's in order to provide safe reliable drinking water to the residents of central South Carolina and to help bring economic growth to the Interstate 95 corridor. Members include Calhoun, Clarendon, Dorchester, Orangeburg, and Berkeley Counties and the Town of Santee. In November 2007, the County entered into a contract with Lake Marion WA. 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

OTHER POTENTIALLY SIGNIFICANT MATTERS (CONTINUED)

Expansion of Water Systems (continued)

More recently, some members of the Lake Marion WA have withdrawn their membership; thus, the obligations of each of the existing members has increased on a pro rata basis. Berkeley County has a current commitment to purchase up to approximately 3.1 million gallons per day.

In 2015, Berkeley County secured assurances from Lake Marion WA that two water lines into Berkeley County shall have priority over all other Lake Marion WA projects that have not already started. Completion of these two lines will provide Berkeley County with the entire volume of water they have committed to purchase.

Future plans called for the Lake Marion WA to extend lines to the County to provide water for the new Volvo Plant that is under construction now and hope to be manufacturing cars by January 2018. This turned out not to be a viable option due to the abbreviated schedule to supply the water. Plans are now in place to construct a line from the Lake Marion system to help provide water for the rest of the Camp hall tract (3000 acres) where Volvo is located.

The Lake Moultrie Water Agency is in the process of expanding the Lake Moultrie Water Treatment Facility to 40MGD. The expansion will increase County capacity to 13.04MGD. The construction of the project will be in two phases starting the first quarter of 2014 and ending the third quarter of 2017. The budgeted cost for the project is \$33,455,000. The BCWS portion of the cost is estimated to be \$17 million to \$19 million. The County issued revenue bonds in the amount of \$20,500,000 to fund its portion of the plant expansion and any additional capacity purchased from other members. Phase 1 was completed in November 2015 which increased County allocation by 3 MGD.

Beneficial Use Of Waste

McGill Environmental Systems of North Carolina is a commercial compost production facility that will use wood waste together with fats, oil, grease ("FOG") and sludge.

The County is working with a company to test the success of growing algae for livestock feed or convert into a petroleum additive. The growing of algae uses a number of waste products: CO2 and heat from generator exhaust, leachate from the landfill, and treated and untreated waste water. The initial results of the possibilities to farm algae at the County landfill are promising.

The County is negotiating contracts with Repower South, a recovery and renewable energy company whose goal is to help transform communities toward a sustainable waste and energy future. It recovers up to 90 percent of recyclable materials from the waste stream and further extracts non-recyclable fibers and polymers to manufacture an advanced, biofuel that can be co-fired with coal to produce renewable energy while reducing harmful emissions. The company holds an exclusive license for the development, manufacture and sale of advanced biofuel in its nine state license region for which the EPA has issued a non-hazardous secondary material determination letter. The company is able to divert more than 70 percent of a community's waste stream from the landfill, dramatically transforming the landfill (i.e. cost, life, etc.), improving overall air quality and bringing a community to a near-zero waste performance. Preliminary design is underway.

All of the beneficial use of waste projects are expected to be revenue neutral, or slightly positive, with low risk to the County.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2016

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.

BASIC FINANCIAL STATEMENTS

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2016

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 26,527,934	\$ 65,986,640	\$ 92,514,574
Receivables, Net of Allowances:			
Property Taxes	47,197,940	-	47,197,940
Transportation Sales Tax	7,806,679	-	7,806,679
Accounts Receivable	1,984,783	4,716,035	6,700,818
Federal, State and Local Governments	14,327,446	296,631	14,624,077
Internal Balances	3,164,622	(3,164,622)	-
Inventories, at Cost	38,597	-	38,597
Prepaid Items	19,886,958	4,650	19,891,608
Restricted Cash and Cash Equivalents	28,099,739	12,256,484	40,356,223
Restricted Investments	54,810,713	-	54,810,713
TOTAL CURRENT ASSETS	203,845,411	80,095,818	283,941,229
NON-CURRENT ASSETS			
CAPITAL ASSETS			
Non-Depreciable	18,011,383	26,828,974	44,840,357
Depreciable, Net of Accumulated Depreciation	152,415,287	324,180,786	476,596,073
TOTAL CAPITAL ASSETS	170,426,670	351,009,760	521,436,430
OTHER NON-CURRENT ASSETS			
Accounts Receivable, Due in More Than One Year	-	78,361	78,361
TOTAL OTHER NON-CURRENT ASSETS	-	78,361	78,361
TOTAL NON-CURRENT ASSETS	170,426,670	351,088,121	521,514,791
TOTAL ASSETS	374,272,081	431,183,939	805,456,020
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges	1,576,536	8,516,383	10,092,919
Deferred Pension Charges	6,555,607	1,513,689	8,069,296
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 8,132,143	\$ 10,030,072	\$ 18,162,215

The notes to the financial statements are an integral part of this statement.

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2016

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 33,451,412	2,534,431	\$ 35,985,843
Accrued Interest Payable	724,286	762,248	1,486,534
Accrued Compensated Absences	3,318,398	303,519	3,621,917
Landfill Closure and Postclosure Cost Liability	-	1,034,078	1,034,078
Unearned Revenue	2,925,514	86,625	3,012,139
Bonds, Loans, Leases, and Notes Payable	5,515,000	8,792,419	14,307,419
TOTAL CURRENT LIABILITIES	45,934,610	13,513,320	59,447,930
NON-CURRENT LIABILITIES			
Accrued Compensated Absences	3,966,927	910,558	4,877,485
Unfunded OPEB Liability	2,514,293	408,486	2,922,779
Landfill Closure and Postclosure Cost Liability	-	10,934,519	10,934,519
Bonds, Loans, Leases, and Notes Payable	62,862,658	172,175,099	235,037,757
Net Pension Liability	63,613,537	19,117,775	82,731,312
TOTAL NON-CURRENT LIABILITIES	132,957,415	203,546,437	336,503,852
TOTAL LIABILITIES	178,892,025	217,059,757	395,951,782
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	43,244,899	-	43,244,899
Deferred Pension Credits	977,755	282,374	1,260,129
TOTAL DEFERRED INFLOWS OF RESOURCES	44,222,654	282,374	44,505,028
NET POSITION			
Net Investment in Capital Assets	133,605,686	198,286,705	331,892,391
Restricted For:			
Capital Projects	55,200,646	-	55,200,646
Debt Service	4,232,939	1,073,285	5,306,224
Impact Fees	250,000	-	250,000
Economic Development	2,044,966	-	2,044,966
Emergency Telephone	1,361,679	-	1,361,679
Stormwater Management	2,178,708	-	2,178,708
Other	1,535,439	-	1,535,439
Unrestricted	(41,120,518)	24,511,890	(16,608,628)
TOTAL NET POSITION	\$ 159,289,545	223,871,880	\$ 383,161,425

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

PRIMARY GOVERNMENT:	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
General Government	\$ 33,654,795	\$ 8,979,489	\$ 650,384	\$ -	\$ (24,024,922)	\$ -	\$ (24,024,922)
Public Safety	35,512,412	8,312,329	1,443,122	-	(25,756,961)	-	(25,756,961)
Airport, Highways and Streets	148,901,950	2,857,150	341,962	8,029,291	(137,673,547)	-	(137,673,547)
Culture and Recreation	5,087,434	222,620	376,248	-	(4,488,566)	-	(4,488,566)
Health and Welfare	2,198,204	-	199,506	-	(1,998,698)	-	(1,998,698)
Community Development	23,604,927	149,872	94,585,805	-	71,130,750	-	71,130,750
Interest and Fiscal Charges	1,833,481	-	-	-	(1,833,481)	-	(1,833,481)
Total Governmental Activities	\$ 250,793,203	\$ 20,521,460	\$ 97,597,027	\$ 8,029,291	\$ (124,645,425)	\$ -	\$ (124,645,425)
Business-Type Activities:							
Water and Sewer	\$ 42,276,128	\$ 46,815,639	\$ 7,587	\$ 7,506,330	\$ -	\$ 12,053,428	\$ 12,053,428
Solid Waste	12,039,036	10,956,576	-	-	-	(1,082,460)	(1,082,460)
Total Business-Type Activities	54,315,164	57,772,215	7,587	7,506,330	-	10,970,968	10,970,968
Total Primary Government	\$ 305,108,367	\$ 78,293,675	\$ 97,604,614	\$ 15,535,621	(124,645,425)	\$ 10,970,968	\$ (113,674,457)
General Revenues:							
Taxes:							
Property Taxes					28,105,501	-	28,105,501
Fee in Lieu of Taxes					21,276,234	-	21,276,234
Local Option Sales Tax					15,734,141	-	15,734,141
Transportation Sales Tax					25,088,302	-	25,088,302
County Accommodations					661,316	-	661,316
Franchise Taxes					562,364	-	562,364
Grants and Contributions not Restricted to Specific Programs					7,272,042	-	7,272,042
Interest Income					897,423	34,657	932,080
Gain on Sale of Assets					27,783	174,736	202,519
Insurance Proceeds					1,050,512	-	1,050,512
Miscellaneous					1,356,343	-	1,356,343
Transfers					4,500,000	(4,500,000)	-
Total General Revenues and Transfers					106,531,961	(4,290,607)	102,241,354
CHANGE IN NET POSITION					(18,113,464)	6,680,361	(11,433,103)
NET POSITION - Beginning of Year					177,403,009	216,516,007	393,919,016
Restatement due to Accounting Error - See Note IV.N					-	675,512	675,512
NET POSITION - Beginning of Year, as Restated					177,403,009	217,191,519	394,594,528
NET POSITION - End of Year					\$ 159,289,545	\$ 223,871,880	\$ 383,161,425

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	GENERAL FUND	CAPITAL PROJECTS FUND	ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 21,550,177	\$ -	\$ -	\$ 4,977,757	\$ 26,527,934
Receivables, Net of Allowances:					
Property Taxes	33,850,346	47,472	-	13,300,122	47,197,940
Transportation Sales Tax	-	7,806,679	-	-	7,806,679
Accounts Receivable	1,681,173	-	-	303,610	1,984,783
Federal, State and Local Governments	2,296,284	1,796,494	9,694,377	540,291	14,327,446
Due from Other Funds	3,989,035	10,993,542	-	21,965	15,004,542
Inventories, at Cost	38,597	-	-	-	38,597
Prepaid Items	568,194	19,318,306	-	458	19,886,958
Restricted Cash and Cash Equivalents	-	9,552,504	524,063	18,023,172	28,099,739
Restricted Investments	-	54,810,713	-	-	54,810,713
TOTAL ASSETS	\$ 63,973,806	\$ 104,325,710	\$ 10,218,440	\$ 37,167,375	\$ 215,685,331
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 8,066,777	\$ 8,109,044	\$ 9,665,835	\$ 7,609,756	\$ 33,451,412
Due to Other Funds	474,140	10,988,410	-	377,370	11,839,920
Unearned Revenue	494,747	-	-	2,430,767	2,925,514
TOTAL LIABILITIES	9,035,664	19,097,454	9,665,835	10,417,893	48,216,846
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	736,911	-	-	323,529	1,060,440
Deferred Revenue	32,776,311	47,472	-	10,421,116	43,244,899
TOTAL DEFERRED INFLOWS OF RESOURCES	33,513,222	47,472	-	10,744,645	44,305,339
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	42,548,886	19,144,926	9,665,835	21,162,538	92,522,185
FUND BALANCES					
Nonspendable:					
Inventory	38,597	-	-	-	38,597
Prepaid Items	568,194	19,318,306	-	458	19,886,958
Restricted for:					
Debt Service	-	-	-	4,930,580	4,930,580
Impact Fees	-	-	-	250,000	250,000
Assessment District Projects	-	2,985,577	-	-	2,985,577
Transportation Projects	-	29,935,149	-	-	29,935,149
Economic Development	-	-	552,605	1,492,361	2,044,966
Clerk of Court	-	-	-	376,650	376,650
Grants	-	-	-	77,554	77,554
Emergency Telephone	-	-	-	1,361,679	1,361,679
Stormwater Management	-	-	-	2,131,719	2,131,719
Capital and Infrastructure Projects	-	29,980,138	-	-	29,980,138
Other	-	2,961,614	-	1,081,235	4,042,849
Committed for:					
Special Tax Districts	-	-	-	398,686	398,686
Economic Development	-	-	-	3,274,395	3,274,395
Geographic Information Systems	-	-	-	142,645	142,645
Parks and Recreation	-	-	-	453,940	453,940
Assigned for:					
Public Safety	-	-	-	32,935	32,935
OPEB Contribution	737,566	-	-	-	737,566
Unassigned	20,080,563	-	-	-	20,080,563
TOTAL FUND BALANCES	21,424,920	85,180,784	552,605	16,004,837	123,163,146
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 63,973,806	\$ 104,325,710	\$ 10,218,440	\$ 37,167,375	\$ 215,685,331

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, SOUTH CAROLINA

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	123,163,146
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets was \$325,890,847 and the accumulated depreciation was \$155,464,177.		170,426,670
Other assets are not available to pay for current period expenditures and therefore are not reported or are considered unavailable in the funds:		
Property Taxes		510,717
EMS Revenues		549,723
Bond deferred losses are amortized over the lives of the bonds; however, in governmental accounting, bond deferred losses are expenditures the year they are incurred. The bond deferred losses of \$1,834,558 have been shown net of accumulated amortization of \$258,022.		1,576,536
The County's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.		(58,035,685)
OPEB costs reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as a liability in the governmental funds		(2,514,293)
Long-term liabilities, including bonds and notes 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	(64,400,000)	
Bond Premium	(3,977,658)	
Accrued Compensated Absences	(7,285,325)	
Accrued Interest	(724,286)	(76,387,269)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	159,289,545

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	GENERAL FUND	CAPITAL PROJECTS FUND	ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property Taxes	\$ 22,920,655	\$ -	\$ -	\$ 5,374,541	\$ 28,295,196
Accommodations Taxes	-	-	-	661,316	661,316
Fee in Lieu of Taxes	10,466,035	8,000,000	-	2,810,199	21,276,234
Local Option Sales Tax	12,280,543	3,453,598	-	-	15,734,141
Transportation Sales Tax	-	25,088,302	-	-	25,088,302
Licenses, Fees and Permits	3,393,321	-	-	-	3,393,321
Fines, Forfeitures and Fees	10,039,985	34,999	-	8,304,809	18,379,793
Interest Income	5,146	869,523	-	22,754	897,423
Local Revenue	44,714	-	-	542,313	587,027
Intergovernmental - Federal	874,955	-	-	1,351,715	2,226,670
Intergovernmental - State and Local	7,480,553	10,873,941	84,197,217	1,544,160	104,095,871
Insurance Proceeds	922,591	112,921	-	15,000	1,050,512
Miscellaneous	504,129	-	410	930,067	1,434,606
TOTAL REVENUES	68,932,627	48,433,284	84,197,627	21,556,874	223,120,412
EXPENDITURES					
Current:					
General Government	21,867,983	3,224,067	-	7,594,430	32,686,480
Public Safety	27,310,561	-	-	6,727,028	34,037,589
Airport, Highways and Streets	6,476,889	-	-	585,824	7,062,713
Culture and Recreation	3,540,863	-	-	899,003	4,439,866
Health and Welfare	1,945,525	-	-	-	1,945,525
Community Development	811,821	-	20,384,727	2,358,334	23,554,882
Natural Disaster - Flood	755,112	-	-	-	755,112
Capital Outlay	150,216	72,203,492	68,260,295	1,769,600	142,383,603
Debt Service:					
Principal Retirement	-	15,032,190	-	2,494,000	17,526,190
Interest and Fiscal Charges	-	633,703	-	1,163,474	1,797,177
Debt Issuance Costs	-	-	-	391,465	391,465
TOTAL EXPENDITURES	62,858,970	91,093,452	88,645,022	23,983,158	266,580,602
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	6,073,657	(42,660,168)	(4,447,395)	(2,426,284)	(43,460,190)
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of General Obligation Bonds	-	30,000,000	-	-	30,000,000
Premium on Issuance of Debt	-	-	-	3,273,213	3,273,213
Proceeds from Issuance of Refunding Debt	-	-	-	10,070,000	10,070,000
Deposits to Debt Refunding Agent	-	-	-	(10,052,280)	(10,052,280)
Proceeds from Disposal of Assets	7,831	166,924	-	-	174,755
Transfers In	850,176	15,668,828	5,000,000	1,142,157	22,661,161
Transfers Out	(3,665,589)	(10,997,409)	-	(3,498,163)	(18,161,161)
TOTAL OTHER FINANCING SOURCES (USES)	(2,807,582)	34,838,343	5,000,000	934,927	37,965,688
NET CHANGE IN FUND BALANCES	3,266,075	(7,821,825)	552,605	(1,491,357)	(5,494,502)
FUND BALANCE, Beginning of Year	18,158,845	93,002,609	-	17,496,194	128,657,648
FUND BALANCE - End of Year	\$ 21,424,920	\$ 85,180,784	\$ 552,605	\$ 16,004,837	\$ 123,163,146

The notes to the financial statements are an integral part of this statement.

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, 2016**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (5,494,502)**

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 unavailable revenues for the year. (68,104)

Repayment of bond and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 17,526,190

Payment to refunding debt escrow agent is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. 10,052,280

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 Position. This amount represents the proceeds received in the current year. (43,343,213)

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 change in accrued interest for the year and the interest expensed as a result of the refunding. (128,119)

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. 534,886

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 change in premium balance for the year. (51,606)

Some expenses 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. (183,207)

The County's Unfunded OPEB Liability resulting from the unfunded annual required contribution to the OPEB plan is not reported as a liability in the governmental funds. This amount represents the net change in this liability for the year. (122,273)

Changes in the County's proportionate shares of the net pension liability, deferred outflows of resources, and and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (632,695)

In the Statement of Activities, 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. 5,971,993

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 \$12,101,311 and net disposals of \$146,972 exceeded capital asset additions of \$10,073,189, excluding donated capital additions of \$5,971,993. (2,175,094)

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (18,113,464)**

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	SOLID WASTE	TOTALS
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 55,382,541	\$ 10,604,099	\$ 65,986,640
Cash and Cash Equivalents-Restricted	11,274,035	982,449	12,256,484
Accounts Receivable, Net of Allowance	4,212,592	503,443	4,716,035
Due from Federal, State and Local Governments, Net of Allowance	262,675	33,956	296,631
Prepaid Items	4,650	-	4,650
Due from Other Funds	383,605	90,535	474,140
TOTAL CURRENT ASSETS	71,520,098	12,214,482	83,734,580
NON-CURRENT ASSETS:			
CAPITAL ASSETS:			
Non-Depreciable	22,726,351	4,102,623	26,828,974
Depreciable, Net of Accumulated Depreciation	302,347,360	21,833,426	324,180,786
TOTAL CAPITAL ASSETS	325,073,711	25,936,049	351,009,760
OTHER NON-CURRENT ASSETS:			
Accounts Receivable, Due in More Than One Year	78,361	-	78,361
TOTAL OTHER NON-CURRENT ASSETS	78,361	-	78,361
TOTAL NON-CURRENT ASSETS	325,152,072	25,936,049	351,088,121
TOTAL ASSETS	396,672,170	38,150,531	434,822,701
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges	8,334,149	182,234	8,516,383
Deferred Pension Charges	1,056,496	457,193	1,513,689
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,390,645	639,427	10,030,072
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 406,062,815	\$ 38,789,958	\$ 444,852,773

(Continued)

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	SOLID WASTE	TOTALS
LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 2,439,431	\$ 95,000	\$ 2,534,431
Landfill Closure and Postclosure Cost Liability	-	1,034,078	1,034,078
Accrued Interest Payable	757,772	4,476	762,248
Accrued Compensated Absences	202,347	101,172	303,519
Due to Other Funds	3,638,762	-	3,638,762
Unearned Revenue	86,625	-	86,625
Current Portion of Bonds, Leases, and Notes Payable	7,221,095	1,571,324	8,792,419
TOTAL CURRENT LIABILITIES	14,346,032	2,806,050	17,152,082
NON-CURRENT LIABILITIES:			
Unfunded OPEB Liability	294,090	114,396	408,486
Accrued Compensated Absences	607,040	303,518	910,558
Landfill Closure and Postclosure Cost Liability	-	10,934,519	10,934,519
Bonds, Leases, and Notes Payable	164,019,277	8,155,822	172,175,099
Net Pension Liability	13,230,561	5,887,214	19,117,775
TOTAL NON-CURRENT LIABILITIES	178,150,968	25,395,469	203,546,437
TOTAL LIABILITIES	192,497,000	28,201,519	220,698,519
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	195,041	87,333	282,374
TOTAL DEFERRED INFLOWS OF RESOURCES	195,041	87,333	282,374
NET POSITION			
Net Investment in Capital Assets	181,638,824	16,647,881	198,286,705
Restricted for Debt Service	347,580	725,705	1,073,285
Unrestricted	31,384,370	(6,872,480)	24,511,890
TOTAL NET POSITION	213,370,774	10,501,106	223,871,880
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 406,062,815	\$ 38,789,958	\$ 444,852,773

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	SOLID WASTE	TOTALS
OPERATING REVENUES			
Sales and Services	\$ 36,814,228	\$ 10,821,094	\$ 47,635,322
Impact and Connection Fees	8,984,813	-	8,984,813
Other Operating Revenue	1,016,598	135,482	1,152,080
TOTAL OPERATING REVENUES	46,815,639	10,956,576	57,772,215
OPERATING EXPENSES			
Personnel Services	10,062,211	3,901,175	13,963,386
Utilities	3,983,700	172,589	4,156,289
Office Expenses	755,387	71,006	826,393
Maintenance and Repairs	3,645,631	1,483,426	5,129,057
Contractual Services	893,041	736,558	1,629,599
Other Services and Charges	2,843,074	387,724	3,230,798
Depreciation	13,221,544	4,441,324	17,662,868
Landfill Closure and Postclosure Costs	-	705,817	705,817
TOTAL OPERATING EXPENSES	35,404,588	11,899,619	47,304,207
OPERATING INCOME (LOSS)	11,411,051	(943,043)	10,468,008
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	34,549	108	34,657
Grant Revenue (Expense)	7,587	(11,079)	(3,492)
Gain on Disposition of Assets	150,090	24,646	174,736
Interest Expense	(6,871,540)	(128,338)	(6,999,878)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(6,679,314)	(114,663)	(6,793,977)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	4,731,737	(1,057,706)	3,674,031
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	7,506,330	-	7,506,330
Transfers In	500,000	-	500,000
Transfers Out	(5,000,000)	-	(5,000,000)
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	3,006,330	-	3,006,330
CHANGE IN NET POSITION	7,738,067	(1,057,706)	6,680,361
NET POSITION, Beginning of Year	205,632,707	10,883,300	216,516,007
Restatement due to Accounting Error - See Note IV.N	-	675,512	675,512
NET POSITION, Beginning of Year, As Restated	205,632,707	11,558,812	217,191,519
NET POSITION, End of Year	\$ 213,370,774	\$ 10,501,106	\$ 223,871,880

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

	WATER AND SEWER	SOLID WASTE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Users	\$ 46,369,173	\$ 11,388,382	\$ 57,757,555
Cash Paid to Suppliers	(13,118,799)	(2,997,945)	(16,116,744)
Cash Paid to Employees	(7,212,348)	(3,856,200)	(11,068,548)
NET CASH PROVIDED BY OPERATING ACTIVITIES	26,038,026	4,534,237	30,572,263
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Non-Capital Grant Contributions (Repayments)	7,587	(17,190)	(9,603)
Transfers and Advances Between Funds	(4,500,000)	-	(4,500,000)
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	(4,492,413)	(17,190)	(4,509,603)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Issuance of Capital Leases	-	587,648	587,648
Proceeds from the Sale of Assets	150,090	24,646	174,736
Acquisition and Construction of Capital Assets	(9,511,927)	(2,713,506)	(12,225,433)
Principal Paid - Bonds and Notes Payable	(6,884,710)	(1,255,981)	(8,140,691)
Interest Paid - Bonds and Notes Payable	(7,485,587)	(160,991)	(7,646,578)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(23,732,134)	(3,518,184)	(27,250,318)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income on Investments	34,549	108	34,657
NET CASH PROVIDED BY INVESTING ACTIVITIES	34,549	108	34,657
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,151,972)	998,971	(1,153,001)
CASH AND CASH EQUIVALENTS, Beginning of Year	68,808,548	10,587,577	79,396,125
CASH AND CASH EQUIVALENTS, End of Year	\$ 66,656,576	\$ 11,586,548	\$ 78,243,124
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and Cash Equivalents - Current Assets	\$ 55,382,541	\$ 10,604,099	\$ 65,986,640
Restricted Cash and Cash Equivalents - Current Assets	11,274,035	982,449	12,256,484
	\$ 66,656,576	\$ 11,586,548	\$ 78,243,124

The notes to the financial statements are an integral part of this statement.

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	SOLID WASTE	TOTALS
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:			
Operating Income (Loss)	\$ 11,411,051	\$ (943,043)	\$ 10,468,008
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:			
Depreciation and Amortization	13,221,544	4,441,324	17,662,868
Non-Cash Pension Expense	156,655	85,260	241,915
(Increase) Decrease in Assets and Deferred Outflows of Resources:			
Accounts Receivable	14,020	403,051	417,071
Prepaid Items and Deposits	(4,650)	-	(4,650)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:			
Accounts Payable and Accrued Liabilities	(1,748,687)	(146,643)	(1,895,330)
Landfill Closure and Postclosure Cost Liability	-	705,817	705,817
Compensated Absences Payable	(34,649)	(17,325)	(51,974)
Due to Other Funds	3,060,798	-	3,060,798
Unearned Revenue	(52,961)	-	(52,961)
Unfunded OPEB Liability	14,905	5,796	20,701
Total Adjustments	14,626,975	5,477,280	20,104,255
Net Cash Provided by Operating Activities	\$ 26,038,026	\$ 4,534,237	\$ 30,572,263
Schedule of Noncash Investing, Capital and Financing Activities:			
Acquisition of Capital Assets Through Developer Contributions	\$ 7,506,330	\$ -	\$ 7,506,330
Amortization of Bond Premium and Deferred Refunding Costs	\$ (666,494)	\$ (22,947)	\$ (689,441)

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, SOUTH CAROLINA

**STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUNDS**

JUNE 30, 2016

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	\$ 33,136,183
Investments	1,999,265
Accounts Receivable	239,601
TOTAL ASSETS	\$ 35,375,049
LIABILITIES	
Due to School District	\$ 12,331,983
Due to Other Designated Recipients	23,043,066
TOTAL LIABILITIES	\$ 35,375,049

The notes to the financial statements are an integral part of this statement.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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 (EMS, sheriff, and fire), airport, highways and streets, sanitation, health and social services, cultural and recreational programs, public improvements, economic development, planning and zoning, courts, community development, and general administrative services.

The 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 County has no blended or discretely presented 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.

Related Organizations

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. 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. Lake Moultrie WA is not owned by nor is it fiscally dependent upon the County.

B. Government-wide and Fund Financial Statements

The 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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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 Position 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 is 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 proprietary (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. Nonmajor 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 and Non-major Funds:*

The County reports the following major and non-major governmental funds:

The ***General Fund, a major fund***, is the general operating fund of the County and accounts for all revenues and expenditures of the County except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The ***Capital Projects Fund, a major fund***, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to equipment, site acquisitions, construction, renovation of capital facilities, and other capital assets for the County that are not being financed by proprietary or nonexpendable trust funds.

The ***Economic Development Special Revenue Fund, a major fund***, is a special revenue fund and unbudgeted fund used to account for and report the accumulated financial resources received and distributed related to the promotion of the economic development of the County.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Major and Non-major Funds (Continued):

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The County reports the following non-major special revenue funds:

Non-major special revenue funds: Economic Development, National Forest, Emergency Preparedness, GIS, Storm Water Management, Highway "C" Funds, EMS Equipment, Clerk of Court, State Accommodations Tax, Impact Fees, Sheriff's Grants, Miscellaneous Special Revenue, Victims' Assistance, Solicitor's Grants, County Accommodations Tax, Local Economic Development, PARD Grant, Airport Improvements, Regional Disaster Planning Grant, Sangaree Special Tax District, Nexton Development, Pimlico Special Tax District, Tall Pines Special Tax District, Devon Forest Special Tax District, Special County Tax District, Lake Moultrie Park, Legal Forfeiture Proceeds, Parks and Recreation Fund, and Emergency Telephone.

The *Debt Service Fund, a non-major fund*, is used to account for and report the accumulation of financial resources that are restricted, committed, or assigned for the payment of all long-term debt principal, interest, and related costs of the County that are not being financed by proprietary or nonexpendable trust funds.

The County reports the following major proprietary funds:

The *Water and Sewer Fund, a major 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, a major fund*, accounts for the operation and maintenance of the County landfill and collection sites.

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.

4. Significant New Accounting Standards Adopted

The County implemented GASB Statement No. 72 *Fair Value Measurement and Application* ("GASB No. 72") in the year ended June 30, 2016. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The County previously reported its investments at fair value on a recurring basis, so the primary effect of the implementation of this Statement was additional disclosure, which can be found in Note III.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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): 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 incurred.

Property taxes and special assessments not received within sixty days of year end, 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 not recognized 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 received.

Expenditure Recognition

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

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Expenditure Recognition (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating 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. 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 non-operating revenues and expenses.

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance

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 Position, Balance Sheet or Statement of Cash Flows. Deposits include only cash on hand, demand deposits, pooled money market funds, and/or 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:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance (Continued)

2. Investments (Continued)

- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit 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.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) 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 (a), (b), (c), and (f) 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 ("SCLGIP"). 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 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. Financial statements for SCLGIP can be obtained from www.osa.sc.gov.

The County's cash investment objectives are preservation of capital, liquidity, and yield. Investments are reported at fair value, which is normally determined on quoted market prices. 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-end mutual funds which are primarily invested in money market funds which invest in short term obligations of the United States and related agencies
- Securities as described in (b) above.

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. Restricted assets also include restrictions imposed by the revenue source.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance (Continued)

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, 2016. All net property taxes receivable at year-end, except those collected within 60 days, are recorded as unavailable and thus not recognized as revenue until collected in the governmental funds.

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

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

5. Inventories and Prepaid Items

Inventories are valued at cost for the General Fund and non-major Special Revenue 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. Inventory in the non-major Special Revenue Funds consist of items for resale. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance (Continued)

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.

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:

Capital Asset Category	Useful Lives
Buildings and Other Improvements	15-40 years
Equipment and Furniture	2-15 years
Software	5-15 years
Vehicles	5-10 years
Infrastructure	12-50 years
Utility Systems, Treatment Plants and Buildings	15-50 years
Library Materials	5-10 years
Water Agreements	35 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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance (Continued)

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 Position. Bond premiums and discounts are deferred, if material, and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

Gains or losses on debt refundings, if material, are deferred and amortized over the shorter life of the refunded debt or the new debt. Amortization of premiums, discounts, and deferred advance refunding costs is included in interest expense. Bonds payable are reported net of the applicable bond premiums or discounts.

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 issuances of long-term debt 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. It is the policy of the County to receive premiums from governmental activities bonds in the debt service fund for the purpose of repaying the bonds. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County currently has two types of deferred outflows of resources: (1) The County reports *deferred charges* in its government-wide Statement of Net Position. *Deferred charges*, which are the differences between the reacquisition prices and the net carrying amount of the defeased debt, are deferred and amortized over the life of the refunding bonds, which has the same maturity as the bonds that were refunded. Amortization of *deferred charges* is included in interest expense in the Statement of Activities. (2) The County also reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County currently has three types of deferred inflows of resources: (1) The County reports *unavailable revenue* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax or EMS revenues) in the period the amounts become available. (2) The County also reports *deferred revenue* in its governmental fund Balance Sheet and the Statements of Net Position; it is deferred and recognized as an inflow of resources (revenue) in the period for which it was intended to finance. (3) The County also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance (Continued)

10. Net Position and Fund Balances

Government-Wide and Proprietary Fund Statements

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

During 2008, the County adopted a net position policy stating that the Water and Sewer Fund will maintain a minimum unrestricted net position equal to 50-75% of the operating and maintenance expenses for that fiscal year.

Governmental Fund Statements

The County classifies governmental fund balances as follows in accordance with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e., prepaids, inventories, etc.) or because of legal or contractual requirements (i.e., principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the County Council, which is the highest level of decision making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. County Council is the only party that has the right to make assignments of fund balance for the County at this time.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance (Continued)

10. Net Position and Fund Balances (Continued)

The County generally uses restricted amounts first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available to be expended unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the County generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The County has adopted a fund balance policy for the General Fund, with the goal of not less than 17% of the next year's budget be available as unassigned fund balance. The minimum fund balance amount that is available under the policy is approximately \$12,287,000 as of June 30, 2016 which represents 17% of the original budgeted expenditures for the General Fund of approximately \$72,278,344, for the year ended June 30, 2017.

11. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.D and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The County recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the County's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the County's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

12. 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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance (Continued)

13. Other Postemployment Benefits

Other Postemployment Benefits (“OPEB”) cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note IV.E and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GAAP.

14. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions. The most significant estimates are related to the County’s retirement plans and other post-employment benefit plans which are further discussed in Notes IV D. and E., respectively.

E. Pending Implementation of GASB Statements

GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The County will implement the new guidance with the 2017 financial statements.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The County will implement the new guidance with the 2018 financial statements.

GASB Statement No. 77, Tax Abatement Disclosures, requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The County will implement the new guidance with the 2017 financial statements.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Pending Implementation of GASB Statements

GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73, requires the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The County will implement the new guidance with the 2017 financial statements.

Management has not yet determined the impact implementation of these standards will have on the County's financial statements, if any.

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 Revenue - Clerk of Court, Special Revenue – Sheriff's Grants, Highway "C" Funds, Impact Fees, Economic Development, National Forest Fund, Legal Forfeiture Proceeds, and various other special revenue funds. 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 in June 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, 2016, net amendments totaling approximately \$953,000 were made to the General Fund budget.

Annual appropriations lapse at the end of the fiscal year.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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, 2016, none of the County's bank balances of \$166,769,420 (which had a recorded value of \$166,066,980) were exposed to custodial credit risk.

Investments

As of June 30, 2016, the County had the following investments:

Investment Type	Fair Value	Credit Ratings			Weighted Average Maturity
		S & P	Moody's	Fitch	
Federal Home Loan Bank Discount Notes	\$ 46,814,778	AAAm	Aaa-mf	AAAmmf	< 1 year
Federal Farm Credit Discount Note	9,995,200	AAAm	Aaa-mf	Unrated	< 1 year
Total Investments	<u>\$ 56,809,978</u>				

Fair Value of Investments

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

A. Deposits and Investments (Continued)

Investments (Continued)

At June 30, 2016, the County had the following recurring fair value measurements:

Investment Type	Fair Value	Fair Value Measurements		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Federal Home Loan Bank Discount Notes	\$ 46,814,778	\$ -	\$ 46,814,778	\$ -
Federal Farm Credit Discount Note	9,995,200	-	9,995,200	-
Total Investments	<u>\$ 56,809,978</u>	<u>\$ -</u>	<u>\$ 56,809,978</u>	<u>\$ -</u>

Securities classified in Level 2 are valued using observable inputs other than quoted market prices. Level 2 inputs are based primarily on prices from several third-party vendors.

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.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County does not have an investment policy for credit risk, but follows the investment policy statutes of the State of South Carolina.

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, 2016, none of the County's investments were exposed to custodial credit risk for investments.

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

A. Deposits and Investments (Continued)

Investments (Continued)

Reconciliation to the Financial Statements

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

Description:	Amount
Carrying Amount of Deposits	\$ 166,006,980
Fair Value of Investments	56,809,978
Total	<u>\$ 222,816,958</u>
Statement of Net Position:	
Cash and Cash Equivalents	\$ 92,514,574
Restricted Cash and Cash Equivalents	40,356,223
Restricted Investments	54,810,713
Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	33,136,183
Investments	1,999,265
Total	<u>\$ 222,816,958</u>

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

B. Receivables

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows, which includes \$78,361 in non-current receivables for the Water and Sewer Fund:

Receivables:	General	Capital Projects Fund	Economic Development Special Revenue Fund	Nonmajor Funds	Water and Sewer	Solid Waste	Totals
Property Taxes	\$ 36,095,688	\$ 49,450	\$ -	\$ 14,337,768	\$ -	\$ -	\$ 50,482,906
Transportation Sales Tax	-	7,806,679	-	-	-	-	7,806,679
Accounts	4,127,057	-	-	303,610	4,605,351	503,443	9,539,461
Federal, State and Local Governments	2,296,284	1,796,494	9,694,377	540,291	341,036	33,956	14,702,438
Total	42,519,029	9,652,623	9,694,377	15,181,669	4,946,387	537,399	82,531,484
Less Allowance for Uncollectibles:							
Taxes	(2,245,342)	(1,978)	-	(1,037,646)	-	-	(3,284,966)
Accounts	(2,445,884)	-	-	-	(392,759)	-	(2,838,643)
Total	(4,691,226)	(1,978)	-	(1,037,646)	(392,759)	-	(6,123,609)
Net Receivables	\$ 37,827,803	\$ 9,650,645	\$ 9,694,377	\$ 14,144,023	\$ 4,553,628	\$ 537,399	\$ 76,407,875

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2016**

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

The composition of interfund balances at June 30, 2016 is as follows:

	Receivable Fund	Payable Fund
General Fund	\$ 3,989,035	\$ 474,140
Special Revenue Funds:		
Emergency Preparedness	-	20,798
State Accommodations Tax	-	1,314
Miscellaneous Special Revenue	-	21,965
Sheriff's Grants	-	132,410
Solicitor's Grants	-	9,619
County Accommodations Tax	-	39,249
Local Economic Development	21,965	-
PARD Grant	-	4,835
Airport Improvements	-	147,180
Capital Projects Fund	10,993,542	10,988,410
Enterprise Funds:		
Water and Sewer	383,605	3,638,762
Solid Waste	90,535	-
Total	<u>\$ 15,478,682</u>	<u>\$ 15,478,682</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 the balances are expected to be paid or received within one year.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

D. Capital Assets

Governmental capital asset activity for the year ended June 30, 2016, is as follows:

	Balance 6/30/2015	Additions	Disposals	Transfers	Balance 6/30/2016
Capital Assets, Not Being Depreciated:					
Land	\$ 5,717,625	\$ -	\$ -	\$ -	\$ 5,717,625
Construction in Progress	18,270,261	5,565,001	-	(11,541,504)	12,293,758
Total Capital Assets, Not Being Depreciated	23,987,886	5,565,001	-	(11,541,504)	18,011,383
Capital Assets, Being Depreciated:					
Buildings	43,557,235	-	-	1,972,088	45,529,323
Furniture	1,544,317	26,194	-	-	1,570,511
Equipment	14,820,609	1,023,807	(470,615)	-	15,373,801
Software	2,295,600	19,974	-	-	2,315,574
Vehicles	12,808,755	3,231,745	(1,324,061)	-	14,716,439
Improvements	17,487,857	-	-	3,302,430	20,790,287
Library Materials	2,409,811	306,246	(203,807)	-	2,512,250
Infrastructure	192,932,078	5,872,215	-	6,266,986	205,071,279
Total Capital Assets, Being Depreciated	287,856,262	10,480,181	(1,998,483)	11,541,504	307,879,464
Less: Accumulated Depreciation For:					
Buildings	15,343,602	1,079,829	-	-	16,423,431
Furniture	1,339,368	93,958	-	-	1,433,326
Equipment	12,116,144	848,671	(379,091)	-	12,585,724
Software	1,641,430	139,608	-	-	1,781,038
Vehicles	9,111,116	1,099,303	(1,268,613)	-	8,941,806
Improvements	10,029,102	1,044,169	-	-	11,073,271
Library Materials	1,023,864	301,483	(203,807)	-	1,121,540
Infrastructure	94,609,751	7,494,290	-	-	102,104,041
Total Accumulated Depreciation	145,214,377	12,101,311	(1,851,511)	-	155,464,177
Total Capital Assets, Being Depreciated, Net	142,641,885	(1,621,130)	(146,972)	11,541,504	152,415,287
Governmental Activities Capital Assets, Net	\$ 166,629,771	\$ 3,943,871	\$ (146,972)	\$ -	\$ 170,426,670

During the year ended June 30, 2016, the County recorded approximately \$5,972,000 in infrastructure contributed from developers and donated equipment and vehicles for its governmental activities.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

D. Capital Assets (Continued)

Business-Type capital asset activity for the year ended June 30, 2016, is as follows:

	Balance 6/30/2015, as restated	Additions	Disposals	Transfers	Balance 6/30/2016
Capital Assets, Not Being Depreciated:					
Land	\$ 3,563,403	\$ -	\$ -	\$ -	\$ 3,563,403
Construction in Progress	25,372,194	4,425,394	-	(6,532,017)	23,265,571
Total Capital Assets, Not Being Depreciated	28,935,597	4,425,394	-	(6,532,017)	26,828,974
Capital Assets, Being Depreciated:					
Utility Systems, Treatment Plants and Buildings	460,981,387	13,744,141	-	6,532,017	481,257,545
Equipment, Vehicles and Furniture	22,942,873	1,510,415	(302,030)	-	24,151,258
Lake Moultrie Water Agency	11,086,345	-	-	-	11,086,345
Total Capital Assets, Being Depreciated	495,010,605	15,254,556	(302,030)	6,532,017	516,495,148
Less: Accumulated Depreciation For:					
Utility Systems, Treatment Plants and Buildings	154,827,833	13,460,783	-	-	168,288,616
Equipment, Vehicles and Furniture	13,735,103	3,818,758	(302,030)	-	17,251,831
Lake Moultrie Water Agency	6,390,588	383,327	-	-	6,773,915
Total Accumulated Depreciation	174,953,524	17,662,868	(302,030)	-	192,314,362
Total Capital Assets, Being Depreciated, Net	320,057,081	(2,408,312)	-	6,532,017	324,180,786
Business-Type Activities Capital Assets, Net	<u>\$ 348,992,678</u>	<u>\$ 2,017,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,009,760</u>

During the year ended June 30, 2016, the County recorded approximately \$7,506,000 in utility systems contributed by developers and others. No interest was capitalized for the business-type activities during the year ended June 30, 2016.

Depreciation expense for the year ended June 30, 2016 was charged to County functions as follows:

Governmental Activities:	
General Government	\$ 1,231,488
Public Safety	1,329,303
Airport, Highways and Streets	8,678,806
Culture and Recreation	584,298
Health and Welfare	240,025
Community Development	37,391
Total Governmental Activities Depreciation	<u>\$ 12,101,311</u>
Business-Type Activities:	
Water and Sewer	\$ 13,221,544
Solid Waste	4,441,324
Total Business-Type Activities Depreciation	<u>\$ 17,662,868</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

D. Capital Assets (Continued)

Construction Commitments

On July 31, 2015, Berkeley County entered into an agreement with Volvo for the construction of a new manufacturing facility in the county. The estimated total budget for the project is approximately \$200,947,000. The majority of this amount will be funded by state grants, and Berkeley County has agreed to fund approximately \$18,000,000 of the total project costs that include various infrastructure upgrades. The County agreed to purchase land for the project in the amount of \$5,000,000, which was funded by the Water and Sewer Fund. The Water and Sewer Fund will ultimately be reimbursed through amounts collected through the FILOT paid by Volvo beginning three years after the completion of the project.

At June 30, 2016, the Capital Projects Fund, Airport Improvements Fund, and Water and Sewer Fund had commitments under contracts for construction of various projects not completed of approximately \$117,540,000, \$50,000, and \$18,217,000, respectively. A significant portion of these commitments will be funded through state grants.

Joint Municipal Water Systems

In prior years, the County entered into a contract with the 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. Accumulated amortization at June 30, 2016 was \$6,390,588 and amortization recognized during the year was \$383,327, which is included in depreciation expense for the Water and Sewer Fund. During 2015, the Lake Moultrie WA began expansion of the water plant from 24 MGD to 40 MGD, which will increase BCWS capacity to 13.04 MGD. The construction of the project will be in two phases, the first of which started in the first quarter of 2014 with the second phase ending the third quarter of 2016. The County's portion of the estimated total cost of the project is expected to be approximately \$19,137,000. The County issued revenue bonds in the amount of \$20,340,000 to fund its portion of the plant expansion and any additional capacity purchased from other members. The County contributed approximately \$4,988,000 during the year ended June 30, 2016, with a total of \$15,770,000 being reflected in construction in progress as of June 30, 2016 as the project was not completed.

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

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 817,486
2018	867,530
2019	898,365
2020	931,111
2021	968,726
	<u>\$ 4,483,218</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

D. Capital Assets (Continued)

Joint Municipal Water Systems (Continued)

The Lake Marion WA was formed in the mid 1990's in order to provide safe reliable drinking water to the residents of central South Carolina and to help bring economic growth to the Interstate 95 corridor. Members include Calhoun, Clarendon, Dorchester, Orangeburg, and Berkeley Counties and the Town of Santee. In November 2007, the County entered into a contract with Lake Marion WA. 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. An 8 MGD water treatment plant came on line in May of 2008.

Clarendon County opted out of their membership in the fall of 2013 requiring the remaining members to accept a proportionate amount of water capacity left by Clarendon County and therefore pay additional costs.

In 2012 the Lake Marion WA lost special appropriations in the Federal Budget, thus halting further system expansion beyond that already obligated. The agency has investigated borrowing the additional monies however that option was deemed non-viable. In January 2012 the Lake Marion WA voted to use the remaining funds available for system expansion to lay pipe toward Dorchester County as opposed to Berkeley County. Based on that decision, the lack of a funding source and monthly payments of over \$15,000, the County chose to resign its membership from the Lake Marion WA. Berkeley County Council passed a resolution to withdraw on March 25, 2013. A letter forwarding the resolution to the Lake Marion WA was dated May 3, 2013. The Lake Marion WA subsequently accepted the resignation of membership but claimed the County was still required to pay obligations outlined in the Water Purchase agreement signed in 2007 as a part of membership. In response, the County filed suit in Berkeley County on October 9, 2013. Lake Marion WA filed a motion to change venue, which was denied, then appealed and denied again. In June 2015, the County Council approved a settlement resolving all legal claims with the Lake Marion WA and authorizing reinstatement of the water sales agreement. Future plans call for the Lake Marion WA to extend lines to the County to provide water for the new Volvo Plant that is currently under construction.

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2016**

E. Interfund Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 850,176	\$ 3,665,589
Capital Projects Fund	15,668,828	10,997,409
National Forest Fund	-	337,639
Emergency Preparedness Fund	252,690	-
GIS Fund	302,547	-
EMS Equipment Fund	588	-
State Accommodations Tax Fund	-	29,400
Impact Fees Fund	-	1,933,870
Sheriff's Grants Fund	285,566	-
Miscellaneous Special Revenue Fund	41,170	500,000
Victims' Assistance	104,362	-
County Accommodations Tax Fund	-	167,263
PARD Grant	4,060	-
Local Economic Development Fund	-	529,991
Airport Improvements Fund	126,174	-
Economic Development Special Revenue Fund	5,000,000	-
Parks and Recreation	25,000	-
Enterprise Funds:		
Water and Sewer	500,000	5,000,000
Total	<u>\$ 23,161,161</u>	<u>\$ 23,161,161</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 July 2009, County Council passed a resolution regarding tax revenues received from the Mt. Holly Commerce Park (reported in Miscellaneous Special Revenue Funds), stating that the General Fund will annually transfer \$500,000 in revenues collected to the Water and Sewer Fund until a total of approximately \$4,800,000 has been transferred out. As of June 30, 2016, the County had transferred a total of \$4,295,486 to the Water and Sewer Fund.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

F. Unearned Revenues, Deferred Revenues, and Unavailable Revenues

The government-wide financial statements and the governmental funds recognize unearned revenues in connection with resources that have been received, but not yet earned. The balance in unearned revenue of approximately \$2,925,000 represents resources received in the current and prior periods, but unearned as of June 30, 2016. Government-wide financial statements and governmental funds also recognize deferred revenues in connection with resources applicable to a future period. The balance in deferred revenue (component of deferred inflows of resources) of approximately \$43,200,000 at June 30, 2016 represents property tax and stormwater fee receivables that are applicable to and will be received in future periods. In addition, governmental funds report unavailable revenue in the fund financial statements in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The balance in unavailable revenue (component of deferred inflows of resources) of approximately \$1,060,000 at June 30, 2016 represents property tax and EMS receivables applicable to the current period, but not received within sixty days of year end.

G. Long-term Obligations

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2016:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
Series 2006 Bond	\$ 625,000	\$ -	\$ 295,000	\$ 330,000	\$ 330,000
Series 2009A Bond	9,865,000	-	9,195,000	670,000	165,000
Series 2010 Bond	9,700,000	-	9,700,000	-	-
Series 2012 Refunding Bond	14,515,000	-	1,280,000	13,235,000	1,300,000
Series 2013 General Obligation Refunding Bonds	3,164,000	-	59,000	3,105,000	60,000
Series 2015 General Obligation Refunding Bonds	7,750,000	-	760,000	6,990,000	85,000
Series 2016 General Obligation Bonds	-	30,000,000	-	30,000,000	3,575,000
Series 2016 Refunding Bonds	-	10,070,000	-	10,070,000	-
Subtotal	45,619,000	40,070,000	21,289,000	64,400,000	5,515,000
Premium - Series 2010 Bond	479,930	-	479,930	-	-
Premium - Series 2012 Bond	519,355	-	39,950	479,405	-
Premium - Series 2015 Bond	240,042	-	15,003	225,039	-
Premium - Series 2016 General Obligation Bonds	-	3,102,494	-	3,102,494	-
Premium - Series 2016 Refunding Bonds	-	170,720	-	170,720	-
Total - General Obligation Bonds	46,858,327	43,343,214	21,823,883	68,377,658	5,515,000
SC Transportation Infrastructure Bank Loan	5,332,188	-	5,332,188	-	-
Compensated Absences	7,102,118	3,346,292	3,163,085	7,285,325	3,318,398
Total Governmental Activities	\$ 59,292,633	\$ 46,689,506	\$ 30,319,156	\$ 75,662,983	\$ 8,833,398

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

G. Long-term Obligations (Continued)

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds:					
Series 2008A Refunding Bond - Water & Sewer	\$ 34,700,000	\$ -	\$ 615,000	\$ 34,085,000	\$ 225,000
Series 2002 Revenue Bond - Solid Waste	600,000	-	200,000	400,000	200,000
Series 2003 Refunding Bond - Solid Waste	1,730,000	-	850,000	880,000	880,000
Series 2013 Refunding Bond - Combined Utilities	112,195,000	-	6,365,000	105,830,000	7,035,000
Series 2014 Revenue Bond - Combined Utilities	20,340,000	-	-	20,340,000	300,000
Subtotal	169,565,000	-	8,030,000	161,535,000	8,640,000
Premium - Series 2008A Revenue Bond - Water & Sewer	303,848	-	23,526	280,322	-
Premium - Series 2013 Refunding Bond - Combined Utilities	17,982,183	-	1,198,812	16,783,371	-
Premium - Series 2014 Refunding Bond - Combined Utilities	1,059,133	-	105,913	953,220	-
Total Revenue Bonds	188,910,164	-	9,358,251	179,551,913	8,640,000
State Revolving Fund Loan - AD Hare Rehab. - Water & Sewer	888,545	-	60,588	827,957	61,196
Notes and Leases Payable	50,103	587,648	50,103	587,648	91,223
Landfill Closure and Postclosure Care Cost	11,262,780	705,817	-	11,968,597	1,034,078
Compensated Absences	1,266,056	289,008	340,987	1,214,077	303,519
Total Business-Type Activities	\$ 202,377,648	\$ 1,582,473	\$ 9,809,929	\$ 194,150,192	\$ 10,130,016

For the governmental activities obligations, General Fund resources typically have been used in prior years to liquidate compensated absences payable and notes payable; the Capital Projects Fund has been used to liquidate the Series 2010 General Obligation Fund; the Debt Service Fund has been used to liquidate all other long-term obligations.

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; the Series 2010 General Obligation Bond is repaid using transportation sales tax revenues.

General obligation bonds payable at June 30, 2016 are comprised of the following issues:

Title of Issues	Principal Amount Outstanding
Series 2006 General Obligation Bonds, with interest ranging from 4.00% to 6.00%, matures 2031.	\$ 330,000
Series 2009A General Obligation Bonds, with interest ranging from 3.55% to 4.75%, matures 2029.	670,000
Series 2012 General Obligation Refunding Bonds, with interest ranging from 2.0% to 4.0%, matures 2026.	13,235,000
Series 2013 General Obligation Refunding Bonds, with interest at 3.02%; matures 2027.	3,105,000
Series 2015 General Obligation Refunding Bonds, with interest at 3.0%; matures 2031.	6,990,000
Series 2016 General Obligation Bonds, with interest ranging from 3.0% to 5.0%, matures 2031.	30,000,000
Series 2016A General Obligation Advance Refunding Bonds, with interest ranging from 2.0% to 2.25%; matures 2029.	10,070,000
Total	<u>\$ 64,400,000</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

G. Long-term Obligations (Continued)

In January 2016, the County issued \$30,000,000 in Series 2016 General Obligation Bonds, receiving a premium of \$3,102,494, and incurring bond issuance costs of \$204,581. The bonds will bear interest at rates ranging from 3.0% to 5.0% and mature in March 2031. The proceeds of the bonds will be used to construct, renovate, and expand County facilities, construct the Sheep Island Interchange, and install enhanced security infrastructure.

In May 2016, the County issued \$10,070,000 in Series 2016 General Obligation Advance Refunding Bonds, receiving a premium of \$170,720, and incurring bond issuance costs of \$188,437. The County placed the net proceeds of \$10,052,280 into an irrevocable trust, which will be used to redeem \$9,095,000 of the outstanding balance on the Series 2009A General Obligation Bonds maturing March 1, 2029. The proceeds in the trust will be used to make future debt service payments related to these bonds and redeem the bonds on March 1, 2019, the date the bonds are first callable, at a redemption price of par. The reacquisition price exceeded the net carrying amount of the old debt by \$957,281. This amount will be amortized over the remaining term of the bonds. This refunding was undertaken to reduce total debt service payments over the next 13 years by an estimated \$1,079,288 and resulted in an economic gain of \$1,041,467. The refunded bonds are considered to be defeased until redemption in March 2019, and the liability has been removed from the governmental activities column of the Statement of Net Position.

Notes and Leases Payable

Notes Payable

The County entered into a note agreement to finance the acquisition of computer software. The interest rate on this note is 7.53% and matured in October 2015. The total remaining principal at July 1, 2015 of \$50,103 was paid during the year ended June 30, 2016 by the County's business-type activities.

Leases Payable

The County entered into capital lease agreements for the use of commercial equipment related to the Solid Waste Fund during the fiscal year ended June 30, 2016. The amount of equipment leased is approximately \$588,000. The leases are for a sixty month term with an interest rate of approximately 2.95% and will terminate in April 2021 when the County will have the option of purchasing the equipment at fair market value.

South Carolina State Drinking Water Revolving Fund Loan

The County entered into an agreement with the South Carolina State Budget and Control Board for a State Drinking Water Revolving Fund Loan in 2009 for a revised amount of \$1,253,812. The proceeds of this loan are being used to partially fund the costs to rehabilitate the AD Hare Water System. As of June 30, 2016, the outstanding balance of the loan was \$827,957 and is being repaid through quarterly payments of \$17,312 through June 2029, including interest at 1%.

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

G. Long-term Obligations (Continued)

Revenue Bonds (Continued)

In May 2013, the County issued \$123,615,000 in Series 2013 Combined Utility System Refunding Revenue Bonds, receiving a premium of \$20,379,805, incurring bond issuance costs of \$944,944, and contributing \$8,936,362 in released Debt Service Reserve Funds in order to current refund \$2,839,120 of the Series 2000 Water and Sewer Revenue Bonds, current refund \$32,575,000 of the Series 2003 Water and Sewer Revenue Bonds and advance refund \$104,000,000 of the Series 2005A Combined Utility Revenue Bonds. The County remitted \$2,897,849 to the City of Hanahan to discharge the Series 2000 Water and Sewer Revenue Bonds, placed \$33,373,094 in an irrevocable trust related to the Series 2003 Water and Sewer Revenue Bonds, and placed \$115,715,280 in an irrevocable trust related to the Series 2005A Combined Utility Revenue Bonds. The amount placed in escrow related to the Series 2003 Water and Sewer Revenue Bonds was used to call \$32,575,000 of the outstanding balance on June 1, 2013. The amount placed in escrow related to the Series 2005A Combined Utility Revenue Bonds will be used to redeem \$104,000,000 of the outstanding balance on the Series 2005A Combined Utility Revenue Bonds maturing on June 1, 2016 through June 1, 2030. The proceeds in the trust will be used to make future debt service payments related to these bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$7,376,165. This amount is being amortized over the life of the new debt, which has the same life as the old debt. The portion of the bonds that has been refunded is considered to be defeased until redemption beginning on June 1, 2016 and has been removed from the Statement of Net Position.

On August 23, 2010, County Council enacted Ordinance Nos. 10-08-28 and 10-08-29 (together, the "Combining Ordinances"). Ordinance No. 10-08-29 amended General Bond Ordinance No. 91-4-10 and General Bond Ordinance No. 03-03-12, each of which authorized and provided for the issuance of Water and Sewer System Revenue Bonds of the County (collectively, the "Water and Sewer Bond Ordinances"), and Ordinance No. 10-08-28 amended General Bond Ordinance No. 96-7-33, which authorized and provided for the issuance of Solid Waste System Revenue Bonds of the County (the "Solid Waste Bond Ordinance" and, together with the Water and Sewer Bond Ordinances, the "Bond Ordinances"). The amendments effected by the Combining Ordinances became effective as of November 12, 2010 (the "Effective Date"). As of June 30, 2016, the County has allocated \$7,356,000 in outstanding principal to the Solid Waste Fund.

Pursuant to each of the Combining Ordinances, the County (1) combined its existing water and sewer system and its existing solid waste system for purposes of the Bond Ordinances and (2) expanded the definitions of "System" (as defined in each of the Bond Ordinances) thereunder to include the County's water, sewer and solid waste system. The pledge of and lien upon "Net Revenues" (as defined in each of the Bond Ordinances) of the System, which secures indebtedness issued by the County under the Bond Ordinances, is unaffected by the effectiveness of the Combining Ordinances; however, by consent of the holders of the bonds issued pursuant to the Solid Waste Bond Ordinance which remains outstanding as of the Effective Date (the "Solid Waste Bonds"), such pledge and lien is and shall be junior and subordinate to the pledge and lien on Net Revenues securing "Bonds" (as such term is defined in the Water and Sewer Bond Ordinances) issued pursuant to the Water and Sewer Bond Ordinances. The County has further covenanted in the Bond Ordinances that it would no longer issue debt under the authority of the Solid Waste Bond Ordinance and that the Solid Waste Bonds shall constitute "Junior Bonds" (as defined in the Water and Sewer Bond Ordinances) for all purposes of the Water and Sewer Bond Ordinances.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

G. Long-term Obligations (Continued)

Revenue Bonds (Continued)

Revenue bonds payable at June 30, 2016, are comprised of the following issues:	<u>Outstanding Principal</u>
Water and Sewer System Refunding Bonds, Series 2008A, due June 2028, with annual principal payments ranging from \$480,000 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.	\$ 34,085,000
Solid Waste System, Series 2002, due December 2017, with annual principal payments of \$200,000 and interest at 4.66%.	400,000
Solid Waste System, Refunding Revenue Bonds, Series 2003, due December 2016, with annual principal payments ranging from \$300,000 to 345,000 and an interest rate of 3.95%.	880,000
Combined Utilities System Revenue Bonds, Series 2013, due June 2030, with annual principal payments ranging from \$4,895,000 to \$13,170,000 and interest ranging from 2.0% - 5.0%.	105,830,000
Combined Utilities System Revenue Bonds, Series 2014, due June 2034, with annual principal payments ranging from \$300,000 to \$3,935,000 and interest ranging from 2.0% - 5.0%.	<u>20,340,000</u>
Total Revenue Bonds	<u>\$ 161,535,000</u>

There are numerous limitations, restrictions, and covenants contained in the various revenue bond indentures and ordinances. In 2008, County Council passed a resolution to increase the rates and fees approximately 30% for water and sewer customers, effective July 1, 2008. In addition, per the rate study that the County had conducted in the spring of 2008, additional 4% increases will be needed for each of the next three years in order for the County to continue to meet its debt coverage ratios in future years. However, County Council has not increased its rates since July 2008. The County is currently in the process of conducting an updated rate study.

During fiscal 2010, the County obtained a loan from the South Carolina Transportation Infrastructure Bank ("SCTIB") in the amount of \$6,401,000 with interest at 5.60%. The loan was obtained in order to finance Phase I infrastructure improvements of the Jedburg Road Improvement District ("Improvement District"). Principal and interest on the loan is due in quarterly installments beginning in July 2010 through April 2029. The principal and interest on the loan was repaid with assessments from the properties located in the Improvement District, which is abolished during fiscal year 2016, as described in further detail in Note IV.J below.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

G. Long-term Obligations (Continued)

Debt Service Requirements to Maturity

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

	Bonded Indebtedness		Loans and Notes Payable		Capital Leases Payable		
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest	Total
<u>Governmental Activities</u>							
2017	\$ 5,515,000	\$ 2,172,860	\$ -	\$ -	\$ -	\$ -	\$ 7,687,860
2018	2,861,000	1,880,590	-	-	-	-	4,741,590
2019	2,905,000	1,778,195	-	-	-	-	4,683,195
2020	2,958,000	1,682,182	-	-	-	-	4,640,182
2021	3,121,000	1,588,578	-	-	-	-	4,709,578
2022-2026	20,461,000	6,283,386	-	-	-	-	26,744,386
2027-2031	26,579,000	2,401,038	-	-	-	-	28,980,038
Total Governmental Activities	<u>\$ 64,400,000</u>	<u>\$ 17,786,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,186,829</u>
<u>Business-Type Activities</u>							
2017	\$ 8,640,000	\$ 2,355,618	\$ 61,196	\$ 8,051	\$ 91,223	\$ 16,328	\$ 11,172,416
2018	8,135,000	2,307,789	61,810	7,436	93,943	13,608	10,619,586
2019	8,300,000	2,181,451	62,431	6,816	96,745	10,807	10,658,250
2020	8,675,000	2,063,551	63,057	6,189	99,630	7,922	10,915,349
2021	9,085,000	1,930,031	63,690	5,556	206,107	4,951	11,295,335
2022-2026	52,530,000	7,228,544	328,170	18,063	-	-	60,104,777
2027-2031	54,810,000	3,594,657	187,603	2,826	-	-	58,595,086
2032-2034	11,360,000	920,600	-	-	-	-	12,280,600
Total Business-Type Activities	<u>\$ 161,535,000</u>	<u>\$ 22,582,241</u>	<u>\$ 827,957</u>	<u>\$ 54,937</u>	<u>\$ 587,648</u>	<u>\$ 53,616</u>	<u>\$ 185,641,399</u>

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 \$11,968,597 reported as an accrual for landfill closure and postclosure care at June 30, 2016, includes the estimated remaining liability of \$881,000 for postclosure care of the previously closed landfill site for another seventeen and a half years plus the estimated total liability less amounts paid to date for the open sites of both a subtitle D landfill as well as a C&D landfill, based on the following information:

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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

G. Long-term Obligations (Continued)

Landfill Closure and Postclosure Care Costs (Continued)

Landfill	Estimated Remaining Landfill Life	Percentage Balance of Capacity Used	Estimated Total Costs			Remaining To Be Recognized
			Closure	Postclosure	Total	
Subtitle D Cells 1-4 (# 081001-1102)	1.0	97.5%	\$ 136,125	\$ 1,008,737	\$ 1,144,862	\$ 28,622
Subtitle D Cells 5-8 (# 081001-1102)	1.0	97.8%	3,486,476	2,393,312	5,879,788	132,295
Subtitle D Cell 9 (# 081001-1102)	1.0	95.0%	849,679	545,351	1,395,030	69,752
Subtotal - Subtitle D			4,472,280	3,947,400	8,419,680	230,669
DPW-105 (# 081001-1101)	None	100%	-	881,280	881,280	-
C&D (#081001-1201)	6.0	75%	3,497,208	367,200	3,864,408	966,102
			<u>\$ 7,969,488</u>	<u>\$ 5,195,880</u>	<u>\$ 13,165,368</u>	<u>\$ 1,196,771</u>

These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2016. Actual costs may be higher due to inflation, changes in technology or changes in regulations. 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.

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 trust 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 State accumulates assets to cover risks that its members incur in their normal operations. Specifically, the State assumes substantially all of the risk of the above.

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 a plan provided by Blue Cross. 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 Workers' Compensation Trust, a self-insured trust operating for the benefit of local governments. The County pays an annual premium to the Workers' 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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

B. Contingent Liabilities

Litigation

The County, its officers, and its employees are defendants in various claims and lawsuits. 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.

Sewer Pollutants

The County received notification from 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 is measured by the total dissolved oxygen concentrations from effluent discharge, or ultimate oxygen demand ("UOD"). SC DHEC's Phase I TMDL for UOD is currently in effect, and the County's treatment facilities are meeting the current UOD limit. The point dischargers on the Cooper and Ashley River are undergoing evaluation for a revised TMDL for UOD. The new model indicates modest reductions in allocated capacity. The Environmental Protection Agency has approved the TMDL and new wastewater permits for all dischargers into the Cooper River have been received.

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.

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans

State Retirement Plans The County participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"), which was created on July 1, 2012 and administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority, which consists of five elected officials, also reviews certain PEBA Board ("Board") decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the Comprehensive Annual Financial Report of the State.

Plan Description

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System ("PORS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty. The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Plan Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for the SCRS and 5 percent for the PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one half of one percent per year.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Plan Contributions (Continued)

As noted above, both employees and the County are required to contribute to the Plans at rates established and as amended by the PEBA.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The most recent annual actuarial valuation reports adopted by the PEBA Board and State Fiscal Accountability Authority are as of July 1, 2014. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2014, projected forward to June 30, 2015, and financial information of the pension trust funds as of June 30, 2015, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary, Gabriel, Roeder, Smith and Company.

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. For the year ended June 30, 2014, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 44,097,310,230	\$ 25,131,828,101	\$ 18,965,482,129	56.99%
PORS	6,151,321,222	3,971,824,838	2,179,496,384	64.57%

At June 30, 2016, the County reported liabilities of \$64,449,260 and \$18,282,052 for its proportionate share of the net pension liabilities for the SCRS and PORS ("Plans"), respectively. The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities for the Plans used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2014, that was projected forward to the measurement date. The County's proportion of the net pension liabilities were based on a projection of the County's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the measurement dates of June 30, 2015 and 2014, the County's SCRS proportion was 0.33982% and 0.34814%, respectively. At the measurement dates of June 30, 2015 and 2014, the County's PORS proportion was 0.83882% and 0.79599%, respectively.

For the year ended June 30, 2016, the County recognized pension expense of approximately \$4,201,000 and \$1,333,000 for the SCRS and PORS, respectively. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 1,145,044	\$ 115,256
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	431,391	-
Changes in Proportion and Differences Between the County's Contributions and Proportionate Share of Contributions	-	1,144,873
The County's Contributions Subsequent to the Measurement Date	3,679,804	-
Total SCRS	5,256,239	1,260,129
PORS		
Differences Between Expected and Actual Experience	362,352	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	200,037	-
Changes in Proportion and Differences Between the County's Contributions and Proportionate Share of Contributions	696,441	-
The County's Contributions Subsequent to the Measurement Date	1,554,227	-
Total PORS	2,813,057	-
Total SCRS and PORS	\$ 8,069,296	\$ 1,260,129

Approximately \$3,680,000 and \$1,554,000 that were reported as deferred outflows of resources related to the County's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS will be recognized in pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2016	\$ 85,922	\$ (240,321)	\$ (154,399)
2017	85,922	(240,321)	(154,399)
2018	479,227	(224,318)	254,909
2019	(967,377)	(553,870)	(1,521,247)
Total	\$ (316,306)	\$ (1,258,830)	\$ (1,575,136)

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2016****IV. OTHER INFORMATION (CONTINUED)****D. Retirement Plans (Continued)***Actuarial Assumptions and Methods*

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015, and the next experience study is scheduled to be conducted after the June 30, 2016 annual valuation is complete.

The following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2014, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Salary Increases	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Includes Inflation at	2.75%	2.75%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook in 2016. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission ("RSIC") using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5%		
Cash	2%	1.90%	0.04%
Short Duration	3%	2.00%	0.06%
Domestic Fixed Income	13%		
Core Fixed Income	7%	2.70%	0.19%
High Yield	6%	3.80%	0.23%
Global Fixed Income	9%		
Global Fixed Income	3%	2.80%	0.08%
Emerging Markets Debt	6%	5.10%	0.31%
Global Public Equity	31%	7.10%	2.20%
Global Tactical Asset Allocation	10%	4.90%	0.49%
Alternatives	32%		
Hedge Funds (Low Beta)	8%	4.30%	0.34%
Private Debt	7%	9.90%	0.69%
Private Equity	9%	9.90%	0.89%
Real Estate (Broad Market)	5%	6.00%	0.30%
Commodities	3%	5.90%	0.18%
Total Expected Real Return	<u>100%</u>		<u>6.00%</u>
Inflation for Actuarial Purposes			<u>2.75%</u>
Total Expected Nominal Return			<u>8.75%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2016**

IV. OTHER INFORMATION (CONTINUED)**D. Retirement Plans (Continued)***Discount Rate (Continued)*

The following table presents the sensitivity of the County's proportionate share of the net pension liability of the Plans to changes in the discount rate, calculated using the discount rate of 7.5 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.5 percent) or 1% point higher (8.5 percent) than the current rate:

System	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the net pension liability of the SCRS	\$ 81,252,101	\$ 64,449,260	\$ 50,366,343
County's proportionate share of the net pension liability of the PORS	\$ 24,904,422	\$ 18,282,052	\$ 12,362,011

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Payable to Plans

The County reported payables of approximately \$504,000 and \$211,000 to the PEBA as of June 30, 2016, representing required employer and employee contributions for the month of June 2016 for the SCRS and PORS, respectively. These amounts are included in Accounts Payable and Accrued Liabilities on the financial statements and were paid in July 2016.

E. Other Post-employment Benefits*Plan Description*

The County sponsors a single-employer defined benefit healthcare plan (the "Plan") that provides medical and dental insurance for retirees for the duration of their lives with the exception of Water & Sanitation, which provides medical and dental insurance for retirees under the Medicare eligible age of 65. Employees who: (1) were hired prior to October 1, 2011, (2) retire having worked full-time with Berkeley County or Berkeley County Water & Sanitation for 10 consecutive years, (3) are SCRS or PORS retirement eligible with at least 20 years of service in that program are eligible for post-employment benefits. Information regarding SCRS and PORS eligibility may be found in Note IV. D. The amount the County contributes to the retirees' health insurance is approved in the annual budget. These contributions are neither guaranteed nor mandatory. The County has retained the right to unilaterally modify its payments toward retiree health care benefits at any time. The Plan does not issue a stand-alone financial report.

As of July 1, 2015, the measurement date, there were 745 covered participants, including 149 covered participants from the Water and Sanitation department, and 72 retired participants receiving benefits.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

E. Other Post-employment Benefits (Continued)

Funding Policy

The County contributes a fixed dollar amount each year. In fiscal year 2016, the County contributed, on a monthly basis, up to \$175 per month for retiree only and retiree family healthcare coverage. For the Plan, the retiree contributes the balance between the actuarially calculated costs less the fixed dollar amount. The retiree pays 100% of the actuarially calculated dental costs.

The County's annual other post-employment benefits ("OPEB") cost (expense) is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive Plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

E. Other Post-employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

The following table summarizes the key actuarial assumptions and cost method:

Actuarial Valuation Date:	July 1, 2015
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Dollar Method
Amortization Period:	30 Years
Actuarial Assumptions:	
Investment Rate of Return:	Discount rate of 4.0% annual return, net of both administrative and investment related expenses
Health Cost Trend:	7.25% to 4.50% in 0.25% annual steps
Coverage Elections:	80% of eligible retirees and 30% of spouses will elect to receive coverage upon retirement
Active Participant Marriage Assumption:	80% of all active employees are assumed to be married with female spouses assumed to be 3 years younger.
Mortality Table:	RP 2000 Employee Mortality Table
Implicit Rate Subsidy:	Total cost of coverage for pre-65 retirees is 50% higher than the average premium rate to account for the implicitly subsidized costs.
Changes in Actuarial Assumptions/Cost Method:	Change in healthcare plan provider.

Annual OPEB Costs and Rollforward of Net OPEB Obligation

The County implemented GASB Statement No. 45 in fiscal 2009. For 2016, the annual OPEB cost (expense) and the progression of the net OPEB obligation in the Plan for the most recent plan year (fiscal year 2016) was as follows:

Net OPEB Obligation, Beginning of the Plan Year	<u>\$ 2,779,805</u>
One Year's Interest on the Net OPEB Obligation	111,192
ARC (Normal Cost Plus Any Amortization Payments)	275,118
Adjustment to Annual Required Contribution	(154,574)
Annual OPEB Cost	<u>231,736</u>
Contributions Made for the Plan Year	<u>(88,762)</u>
Increase (Decrease) in Net OPEB Obligation	142,974
Net OPEB Obligation, End of the Plan Year	<u><u>\$ 2,922,779</u></u>

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2016****IV. OTHER INFORMATION (CONTINUED)****E. Other Post-employment Benefits (Continued)***Schedule of Employer Contributions*

The County did not make contributions to the Plan in 2016 to pre-fund benefits; therefore, contributions only include \$88,762 made by the County through payment of covered participants' subsidized.

Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the Net OPEB Obligation for the past three years were as follows:

Schedule of Employer Contributions				
Applicable to Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2016	\$ 231,736	88,762	38.30%	\$ 2,922,779
June 30, 2015	292,673	146,337	50.00%	2,779,805
June 30, 2014	294,747	161,915	54.93%	2,633,469

Funding Progress

Funding progress for the OPEB Plan as of June 30, 2016 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
July 1, 2015	\$ -	2,961,758	\$ 2,961,758	0.00%

The schedule of funding progress following the Notes to the Financial Statements presents multiyear trend information regarding the actuarial value of plan assets relative to the actuarial accrued liability for benefits. As part of the approval process for the budget for the year ended June 30, 2016, the County Council approved the funding of the ARC plus the use of \$115,000 in fund balance to contribute to the OPEB Plan in addition to funding the ARC; however, no contributions were made to an irrevocable trust in the year ended June 30, 2016. The approved by County Council to be contributed to an irrevocable trust, but remain uncontributed as of June 30, 2016 have been accumulated as assigned fund balance in the General Fund.

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 FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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, 2016, there were twenty series of Special Source Revenue Bonds with an outstanding aggregate principal amount of approximately \$1.1 billion.

H. Reciprocal Interfund Transactions

During the year ended June 30, 2016, the County's General Fund charged the Water and Sewer and the Solid Waste Funds approximately \$873,000 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, 2016 was set by County Council in June 2015 for fiscal 2016 at 45.0 mills (\$4.50 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were applied in the year ended June 30, 2016 as follows: 50.0 mills for the Sangaree Special Tax District, 4.5 mills for debt retirement, and 1.0 mill for Cypress Gardens. The assessed valuation of properties within the County's boundaries for the 2015 tax levy year was approximately \$786.5 million, exclusive of vehicles valued at approximately \$97.1 million, according to the records of the County Auditor and Assessor.

J. Jedburg Road Improvement District

On February 9, 2009, County Council adopted Ordinance No. 09-02-05 authorizing the creation of the Jedburg Road Improvement District ("JRID"), approving and authorizing the implementation of the Jedburg Road Improvement Plan (the "Plan"). The improvements as outlined in the Plan were financed through the proceeds loans obtained from the South Carolina Transportation Infrastructure Bank ("SCTIB). The County drew down \$2,906,000 in loan proceeds during the year ended June 30, 2010 and drew down the remaining \$3,495,000 during the year ended June 30, 2011. In December 2015, County Council abolished the JRID as the outstanding debt for which the assessments had been imposed on the property within the District for the payment of the debt had been fully repaid.

The County will transfer the infrastructure improvements into the State highway system, to be owned and maintained by the State. The existing I-26/Jedburg Road area is owned and maintained by the State. Improvements by the County to infrastructure owned and maintained by the state are not capitalized but are expensed as incurred.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

K. Local Option Sales Tax

The County has a one percent local option sales tax ("LOST") that was approved via voter referendum in November of 1996. The South Carolina Department of Revenue ("SC DOR") collects the tax and disburses it to the County, who holds it in an agency fund. County Council allocated eighty (80%) percent of these funds to be used to offset taxpayers' County property tax liabilities for the year ended June 30, 2016. The remaining twenty (20%) of funds were allocated by County Council for capital expenditures and for general county operational expenditures.

L. Transportation Sales Tax

The County has a special one percent transportation sales tax that was approved via voter referendum in November of 2008. The tax is to be imposed for not more than seven years to fund the construction and maintenance of highways, roads, streets, bridges, and road amenities such as sidewalks, curbs, gutter repairs, and repairs to drainage facilities relating to highways, roads, streets and bridges and other transportation-related projects in the County. During the November 2014 elections, the voters of Berkeley County approved an extension to the one-cent transportation sales tax program through April 2023 or until \$230 million is collected, whichever comes first. In addition, the voters approved the issuance of up to \$150,000,000 in general obligation bonds to be payable from the one-cent transportation sales tax program. The South Carolina Department of Revenue collects the tax and disburses it to the County. Transportation Sales Tax revenues for the year ended June 30, 2016 totaled approximately \$25,088,000.

M. Nexton Improvement District

On September 22, 2014, County Council adopted Ordinance No. 14-28 authorizing the creation of the Nexton Improvement District ("NID"), approving and authorizing the implementation of the Improvement Plan – Nexton Improvement District (the "Plan"), providing for the financing of improvements within the NID by assessment, approving the rate and method of apportionment of assessments, approving the assessment report, and ordering the preparation of an assessment roll with a notice of the assessment sent to the property owners in the NID. The NID is located in the vicinity of the I-26 and US Highway 176 and consists of approximately 3,834 acres of mixed-use planned development, primarily consisting of residential land use. The Plan outlines various infrastructure improvements within the NID. The improvements as outlined in the Plan are expected to cost approximately \$75,140,000. The current expectation is that assessments will not be used to fund all of the potential improvements, but that assessments will be set aside to fund approximately \$58,725,000 of the uninflated cost of the improvements. The County is expected to issue one or more revenue bonds (or similar borrowings), each secured and serviced by assessments. The County may also utilize any other permitted funding source to finance the cost of some or all of the improvements. The funds for the improvements may also be obtained privately.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

IV. OTHER INFORMATION (CONTINUED)

N. Correction of Error – Solid Waste Fund

During the year ended June 30, 2016, the County discovered that it had improperly removed a building from its capital asset records in the Solid Waste Fund. The building had not actually been disposed of and should have remained an asset of the Solid Waste Fund. As a result, net position as of June 30, 2015 was understated by \$675,512. The following schedule reconciles net position as of June 30, 2015 as previously reported with beginning net position reported in these financial statements:

	7/1/2015 Net Position as Previously Reported		Adjustments	7/1/2015 Net Position as Restated
Business-Type Activities - Enterprise Funds				
Water and Sewer Fund	\$	205,632,707	\$ -	\$ 205,632,707
Solid Waste Fund		10,883,300	675,512	11,558,812
Total Business-Type Activities - Enterprise Funds	\$	216,516,007	\$ 675,512	\$ 217,191,519

REQUIRED SUPPLEMENTARY INFORMATION

BERKELEY COUNTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2016

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
REVENUES				
Property Taxes	\$ 22,688,139	\$ 22,688,139	\$ 22,920,655	\$ 232,516
Fee in Lieu of Taxes	10,027,678	10,287,764	10,466,035	178,271
Local Options Sales Tax	12,155,965	12,155,965	12,280,543	124,578
Licenses, Fees and Permits	3,003,500	3,003,500	3,393,321	389,821
Fines, Forfeitures and Fees	9,219,202	9,219,202	10,039,985	820,783
Interest Income	-	-	5,146	5,146
Local Revenue	50,000	50,000	44,714	(5,286)
Intergovernmental - Federal	226,924	245,924	874,955	629,031
Intergovernmental - State and Local	7,280,544	7,307,779	7,480,553	172,774
Insurance Proceeds	-	-	922,591	922,591
Miscellaneous	375,300	478,710	504,129	25,419
TOTAL REVENUES	65,027,252	65,436,983	68,932,627	3,495,644
EXPENDITURES				
Current:				
General Government				
Legislative	408,625	465,769	417,508	48,261
Judicial	6,786,497	6,786,497	6,694,464	92,033
Executive	532,644	532,644	544,188	(11,544)
Finance and Administration	16,146,695	13,798,996	13,676,890	122,106
Elections	622,304	634,804	534,933	99,871
Total General Government	24,496,765	22,218,710	21,867,983	350,727
Public Safety				
Sheriff	12,520,259	12,745,659	12,627,845	117,814
Crime Stoppers	2,850	2,850	2,850	-
Corrections	7,203,184	7,308,884	7,067,460	241,424
Communications	1,483,391	1,483,391	1,295,945	187,446
Emergency Medical Services	6,335,410	6,438,107	5,851,282	586,825
Coroner	441,698	441,698	465,179	(23,481)
Total Public Safety	27,986,792	28,420,589	27,310,561	1,110,028
Airport, Highways and Streets				
Airport	359,427	359,427	296,027	63,400
Highways and Streets	6,053,357	6,142,872	5,399,648	743,224
Fleet Management	109,082	109,082	102,676	6,406
Engineering	525,038	525,038	678,538	(153,500)
Total Airport, Highways and Streets	7,046,904	7,136,419	6,476,889	659,530
Culture and Recreation				
Berkeley Museum	47,500	47,500	47,500	-
Library	3,280,023	3,407,893	3,493,363	(85,470)
Total Culture and Recreation	\$ 3,327,523	\$ 3,455,393	\$ 3,540,863	\$ (85,470)

(Continued)

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2016

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
EXPENDITURES (CONTINUED)				
Current (Continued):				
Health and Welfare				
Health State	\$ 112,670	\$ 112,670	\$ 101,231	\$ 11,439
Mosquito Abatement	843,766	843,766	828,327	15,439
Veterans Services	230,455	230,455	209,568	20,887
Other Programs Assistance	889,966	889,966	806,399	83,567
Total Health and Welfare	2,076,857	2,076,857	1,945,525	131,332
Community Development				
Santee Cooper Country	10,000	10,000	10,000	-
Regional Development Alliance	257,870	257,870	257,870	-
BCD Council of Governments	168,951	168,951	168,951	-
Trident Tech Nursing Program	375,000	375,000	375,000	-
Total Community Development	811,821	811,821	811,821	-
Natural Disaster - Flood	-	-	755,112	(755,112)
Capital Outlay	2,040,000	2,279,320	150,216	2,129,104
TOTAL EXPENDITURES	67,786,662	66,399,109	62,858,970	3,540,139
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,759,410)	(962,126)	6,073,657	7,035,783
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Assets	10,000	10,000	7,831	(2,169)
Transfers In	858,081	867,081	850,176	(16,905)
Transfers Out	(918,500)	(3,677,234)	(3,665,589)	11,645
Total Other Financing Sources (Uses)	(50,419)	(2,800,153)	(2,807,582)	(7,429)
NET CHANGE IN FUND BALANCES	(2,809,829)	(3,762,279)	3,266,075	7,028,354
FUND BALANCE - Beginning of Year	18,158,845	18,158,845	18,158,845	-
FUND BALANCE - End of Year	\$ 15,349,016	\$ 14,396,566	\$ 21,424,920	\$ 7,028,354

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.

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA**REQUIRED SUPPLEMENTARY INFORMATION****OTHER POST-EMPLOYMENT BENEFIT PLAN - DEFINED BENEFIT HEALTHCARE PLAN -
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING STATUS****YEAR ENDED JUNE 30, 2016**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Applicable to Fiscal Year Ending	Annual OPEB Cost	Contribution for Fiscal Year	Annual Percentage Contributed	Net OPEB Obligation
June 30, 2016	\$ 231,736	\$ 88,762	38.30%	\$ 2,922,779
June 30, 2015	292,673	146,337	50.00%	2,779,805
June 30, 2014	294,747	161,915	54.93%	2,633,469
June 30, 2013	474,114	228,581	48.21%	2,500,637
June 30, 2012	432,236	224,922	52.04%	2,255,104

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio
July 1, 2015	\$ -	\$ 2,961,758	\$ 2,961,758	0.00%
June 30, 2013	-	3,790,374	3,790,374	0.00%
June 30, 2012	-	5,157,766	5,157,766	0.00%

The Actuarial Accrued Liability decreased from June 30, 2012 to June 30, 2013 due primarily to the change in the County's healthcare provider.

BERKELEY COUNTY, SOUTH CAROLINA**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF BERKELEY COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM****LAST THREE FISCAL YEARS**

	Year Ended June 30,		
	2016	2015	2014
Berkeley County's Proportion of the Net Pension Liability	0.33982%	0.34814%	0.34814%
Berkeley County's Proportionate Share of the Net Pension Liability	\$ 64,449,260	\$ 59,938,166	\$ 62,443,897
Berkeley County's Covered-Employee Payroll	31,924,641	31,604,098	30,871,805
Berkeley County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	201.88%	189.65%	202.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.992%	59.919%	56.388%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only three years of data were available; thus, only three years were presented.

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF BERKELEY COUNTY'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST THREE FISCAL YEARS

	Year Ended June 30,		
	2016	2015	2014
Contractually Required Contribution	\$ 3,679,804	\$ 3,479,786	\$ 3,350,297
Contributions in Relation to the Contractually Required Contribution	\$ 3,679,804	3,479,786	3,350,297
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Berkeley County's Covered-Employee Payroll	\$ 33,271,284	\$ 31,924,641	\$ 31,604,098
Contributions as a Percentage of Covered-Employee Payroll	11.06%	10.90%	10.60%

Notes to Schedule:

Only three years of data were available; thus, only three years were presented.

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF BERKELEY COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM****LAST THREE FISCAL YEARS**

	Year Ended June 30,		
	2016	2015	2014
Berkeley County's Proportion of the Net Pension Liability	0.83882%	0.79599%	0.79599%
Berkeley County's Proportionate Share of the Net Pension Liability	\$ 18,282,052	\$ 15,238,632	\$ 16,500,633
Berkeley County's Covered-Employee Payroll	\$ 10,314,427	\$ 9,557,629	\$ 9,007,265
Berkeley County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	177.25%	159.44%	183.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.57%	67.55%	62.98%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. Only three years of data were available; thus, only three years were presented.

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF BERKELEY COUNTY'S CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM**

LAST THREE FISCAL YEARS

	Year Ended June 30,		
	2016	2015	2014
Contractually Required Contribution	\$ 1,554,227	\$ 1,383,165	\$ 1,229,265
Contributions in Relation to the Contractually Required Contribution	1,554,227	1,383,165	1,229,265
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Berkeley County's Covered-Employee Payroll	\$ 11,353,009	\$ 10,314,427	\$ 9,557,629
Contributions as a Percentage of Covered-Employee Payroll	13.69%	13.41%	12.86%

Notes to Schedule:

Only three years of data were available; thus, only three years were presented.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 4,977,757	\$ 4,977,757
Investments	-	-	-
Receivables, Net of Allowances:			
Property Taxes	3,344,408	9,955,714	13,300,122
Transportation Sales Tax	-	-	-
Accounts Receivable	-	303,610	303,610
Federal, State and Local Governments	-	540,291	540,291
Due from Other Funds	-	21,965	21,965
Inventories, at Cost	-	-	-
Prepaid Items	-	458	458
Restricted Cash and Cash Equivalents	4,895,967	13,127,205	18,023,172
TOTAL ASSETS	\$ 8,240,375	\$ 28,927,000	\$ 37,167,375
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 5,000	\$ 7,604,756	\$ 7,609,756
Due to Other Funds	-	377,370	377,370
Unearned Revenue	-	2,430,767	2,430,767
TOTAL LIABILITIES	5,000	10,412,893	10,417,893
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	26,645	296,884	323,529
Deferred Revenue	3,278,150	7,142,966	10,421,116
TOTAL DEFERRED INFLOWS OF RESOURCES	3,304,795	7,439,850	10,744,645
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,309,795	17,852,743	21,162,538
FUND BALANCES			
Nonspendable:			
Prepaid Items	-	458	458
Restricted for:			
Debt Service	4,930,580	-	4,930,580
Impact Fees	-	250,000	250,000
Economic Development	-	1,492,361	1,492,361
Clerk of Court	-	376,650	376,650
Grants	-	77,554	77,554
Emergency Telephone	-	1,361,679	1,361,679
Stormwater Management	-	2,131,719	2,131,719
Other	-	1,081,235	1,081,235
Committed For:			
Special Tax Districts	-	398,686	398,686
Economic Development	-	3,274,395	3,274,395
Geographic Information Systems	-	142,645	142,645
Parks and Recreation	-	453,940	453,940
Assigned for:			
Public Safety	-	32,935	32,935
TOTAL FUND BALANCES	4,930,580	11,074,257	16,004,837
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,240,375	\$ 28,927,000	\$ 37,167,375

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2016

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 3,399,370	\$ 1,975,171	\$ 5,374,541
Accommodations Taxes	-	661,316	661,316
Fee in Lieu of Taxes	612,053	2,198,146	2,810,199
Fines, Forfeitures and Fees	-	8,304,809	8,304,809
Interest Income	21,269	1,485	22,754
Local Revenue	-	542,313	542,313
Intergovernmental - Federal	-	1,351,715	1,351,715
Intergovernmental - State and Local	-	1,544,160	1,544,160
Insurance Proceeds	-	15,000	15,000
Miscellaneous	-	930,067	930,067
TOTAL REVENUES	4,032,692	17,524,182	21,556,874
EXPENDITURES			
Current:			
General Government	-	7,594,430	7,594,430
Public Safety	-	6,727,028	6,727,028
Airport, Highways and Streets	-	585,824	585,824
Culture and Recreation	-	899,003	899,003
Community Development	-	2,358,334	2,358,334
Capital Outlay	-	1,769,600	1,769,600
Debt Service:			
Principal Retirement	2,494,000	-	2,494,000
Interest and Fiscal Charges	1,163,474	-	1,163,474
Debt Issuance Costs	391,465	-	391,465
TOTAL EXPENDITURES	4,048,939	19,934,219	23,983,158
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,247)	(2,410,037)	(2,426,284)
OTHER FINANCING SOURCES (USES)			
Premium on Issuance of Debt	3,273,213	-	3,273,213
Proceeds from Issuance of Refunding Debt	10,070,000	-	10,070,000
Deposits to Debt Refunding Agent	(10,052,280)	-	(10,052,280)
Transfers In	-	1,142,157	1,142,157
Transfers Out	-	(3,498,163)	(3,498,163)
TOTAL OTHER FINANCING SOURCES (USES)	3,290,933	(2,356,006)	934,927
NET CHANGE IN FUND BALANCES	3,274,686	(4,766,043)	(1,491,357)
FUND BALANCE - Beginning of Year	1,655,894	15,840,300	17,496,194
FUND BALANCE - End of Year	\$ 4,930,580	\$ 11,074,257	\$ 16,004,837

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2016

	ECONOMIC DEVELOPMENT	NATIONAL FOREST	EMERGENCY PREPAREDNESS
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Receivables, Net of Allowances:			
Property Taxes	-	-	-
Accounts Receivable	-	-	-
Federal, State and Local Governments	-	-	32,329
Due from Other Funds	-	-	-
Prepaid Items	-	-	-
Restricted Cash and Cash Equivalents	1,492,361	-	-
TOTAL ASSETS	\$ 1,492,361	\$ -	\$ 32,329
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 11,531
Due to Other Funds	-	-	20,798
Unearned Revenue	-	-	-
TOTAL LIABILITIES	-	-	32,329
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	-	-
Deferred Revenue	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	-	-	32,329
FUND BALANCES			
Nonspendable:			
Prepaid Items	-	-	-
Restricted For:			
Impact Fees	-	-	-
Economic Development	1,492,361	-	-
Clerk of Court	-	-	-
Grants	-	-	-
Emergency Telephone	-	-	-
Stormwater Management	-	-	-
Other	-	-	-
Committed For:			
Special Tax Districts	-	-	-
Economic Development	-	-	-
Geographic Information Systems	-	-	-
Parks and Recreation	-	-	-
Assigned For:			
Public Safety	-	-	-
TOTAL FUND BALANCES	1,492,361	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,492,361	\$ -	\$ 32,329

(Continued)

See accompanying independent auditor's report.

GIS		STORM WATER MANAGEMENT		HIGHWAY "C" FUNDS		EMS EQUIPMENT	
\$	166,895	\$	-	\$	1,479	\$	-
	-		-		-		-
	-		2,473,275		-		-
	-		-		-		-
	310		-		-		-
	-		-		-		-
	-		-		-		-
	-		2,178,997		-		-
\$	167,205	\$	4,652,272	\$	1,479	\$	-
\$	24,560	\$	74,512	\$	1,479	\$	-
	-		-		-		-
	-		2,399,052		-		-
	24,560		2,473,564		1,479		-
	-		46,989		-		-
	-		-		-		-
	-		46,989		-		-
	24,560		2,520,553		1,479		-
	-		-		-		-
	-		-		-		-
	-		-		-		-
	-		-		-		-
	-		-		-		-
	-		2,131,719		-		-
	-		-		-		-
	-		-		-		-
	-		-		-		-
	142,645		-		-		-
	-		-		-		-
	-		-		-		-
	-		-		-		-
	142,645		2,131,719		-		-
\$	167,205	\$	4,652,272	\$	1,479	\$	-

(Continued)

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2016

	CLERK OF COURT	STATE ACCOMMODATIONS TAX	IMPACT FEES
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Receivables, Net of Allowances:			
Property Taxes	-	-	-
Accounts Receivable	997	-	-
Federal, State and Local Governments	109,891	26,274	-
Due from Other Funds	-	-	-
Prepaid Items	-	-	-
Restricted Cash and Cash Equivalents	295,866	-	6,683,596
TOTAL ASSETS	\$ 406,754	\$ 26,274	\$ 6,683,596
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 30,104	\$ 24,960	\$ 6,433,596
Due to Other Funds	-	1,314	-
Unearned Revenue	-	-	-
TOTAL LIABILITIES	30,104	26,274	6,433,596
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	-	-
Deferred Revenue	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	30,104	26,274	6,433,596
FUND BALANCES			
Nonspendable:			
Prepaid Items	-	-	-
Restricted For:			
Impact Fees	-	-	250,000
Economic Development	-	-	-
Clerk of Court	376,650	-	-
Grants	-	-	-
Emergency Telephone	-	-	-
Stormwater Management	-	-	-
Other	-	-	-
Committed For:			
Special Tax Districts	-	-	-
Economic Development	-	-	-
Geographic Information Systems	-	-	-
Parks and Recreation	-	-	-
Assigned For:			
Public Safety	-	-	-
TOTAL FUND BALANCES	376,650	-	250,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 406,754	\$ 26,274	\$ 6,683,596

(Continued)

See accompanying independent auditor's report.

SHERIFF'S GRANTS		MISCELLANEOUS SPECIAL REVENUE		VICTIMS' ASSISTANCE		SOLICITOR'S GRANTS	
\$	-	\$	-	\$	1,378	\$	-
	-		-		-		-
	-		-		-		-
	127,989		2,750		13,655		-
	91,444		-		-		9,619
	-		-		-		-
	458		-		-		-
	49,439		1,021,252		-		-
\$	269,330	\$	1,024,002	\$	15,033	\$	9,619
\$	55,105	\$	-	\$	15,033	\$	-
	132,410		21,965		-		9,619
	29,224		-		-		-
	216,739		21,965		15,033		9,619
	-		-		-		-
	-		-		-		-
	-		-		-		-
	216,739		21,965		15,033		9,619
	458		-		-		-
	-		-		-		-
	-		-		-		-
	-		-		-		-
	19,198		-		-		-
	-		-		-		-
	-		-		-		-
	-		1,002,037		-		-
	-		-		-		-
	-		-		-		-
	-		-		-		-
	-		-		-		-
	32,935		-		-		-
	52,591		1,002,037		-		-
\$	269,330	\$	1,024,002	\$	15,033	\$	9,619

(Continued)

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2016

	COUNTY ACCOMMODATIONS TAX	PARD GRANT	LOCAL ECONOMIC DEVELOPMENT
ASSETS			
Cash and Cash Equivalents	\$ 135,757	\$ -	\$ 3,258,302
Investments	-	-	-
Receivables, Net of Allowances:			
Property Taxes	-	-	1,185,899
Accounts Receivable	59,329	-	-
Federal, State and Local Governments	-	5,099	-
Due from Other Funds	-	-	21,965
Prepaid Items	-	-	-
Restricted Cash and Cash Equivalents	-	-	-
TOTAL ASSETS	\$ 195,086	\$ 5,099	\$ 4,466,166
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 155,837	\$ 264	\$ 14,639
Due to Other Funds	39,249	4,835	-
Unearned Revenue	-	-	-
TOTAL LIABILITIES	195,086	5,099	14,639
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	-	5,754
Deferred Revenue	-	-	1,171,378
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	1,177,132
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	195,086	5,099	1,191,771
FUND BALANCES			
Nonspendable:			
Prepaid Items	-	-	-
Restricted For:			
Impact Fees	-	-	-
Economic Development	-	-	-
Clerk of Court	-	-	-
Grants	-	-	-
Emergency Telephone	-	-	-
Stormwater Management	-	-	-
Other	-	-	-
Committed For:			
Special Tax Districts	-	-	-
Economic Development	-	-	3,274,395
Geographic Information Systems	-	-	-
Parks and Recreation	-	-	-
Assigned For:			
Public Safety	-	-	-
TOTAL FUND BALANCES	-	-	3,274,395
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 195,086	\$ 5,099	\$ 4,466,166

(Continued)

See accompanying independent auditor's report.

AIRPORT IMPROVEMENTS	REGIONAL DISASTER PLANNING GRANT	SANGAREE SPECIAL TAX DISTRICT	NEXTON DEVELOPMENT	PIMLICO SPECIAL TAX DISTRICT	TALL PINES SPECIAL TAX DISTRICT
\$ -	\$ -	\$ 419,410	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	998,809	-	27,932	75,319
-	-	279	-	-	-
265,325	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	27,087	-	-
\$ 265,325	\$ -	\$ 1,418,498	\$ 27,087	\$ 27,932	\$ 75,319
\$ 117,599	\$ -	\$ 31,040	\$ -	\$ 100	\$ 100
147,180	-	-	-	-	-
546	-	-	-	-	-
265,325	-	31,040	-	100	100
-	-	5,765	-	-	200
-	-	983,007	-	27,832	75,019
-	-	988,772	-	27,832	75,219
265,325	-	1,019,812	-	27,932	75,319
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	27,087	-	-
-	-	398,686	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	398,686	27,087	-	-
\$ 265,325	\$ -	\$ 1,418,498	\$ 27,087	\$ 27,932	\$ 75,319

(Continued)

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2016

	DEVON FOREST SPECIAL TAX DISTRICT	SPECIAL COUNTY TAX DISTRICT	LAKE MOULTRIE PARK	LEGAL FORFEITURE PROCEEDS
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 523,861	\$ -	\$ -
Investments	-	-	-	-
Receivables, Net of Allowances:				
Property Taxes	59,073	4,394,851	-	-
Accounts Receivable	-	-	-	151
Federal, State and Local Governments	-	-	-	-
Due from Other Funds	-	-	-	-
Prepaid Items	-	-	-	-
Restricted Cash and Cash Equivalents	-	-	58,356	51,960
TOTAL ASSETS	\$ 59,073	\$ 4,918,712	\$ 58,356	\$ 52,111
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 200	\$ 585,433	\$ -	\$ -
Due to Other Funds	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL LIABILITIES	200	585,433	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	232,252	-	-
Deferred Revenue	58,873	4,101,027	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	58,873	4,333,279	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	59,073	4,918,712	-	-
FUND BALANCES				
Nonspendable:				
Prepaid Items	-	-	-	-
Restricted For:				
Impact Fees	-	-	-	-
Economic Development	-	-	-	-
Clerk of Court	-	-	-	-
Grants	-	-	58,356	-
Emergency Telephone	-	-	-	-
Stormwater Management	-	-	-	-
Other	-	-	-	52,111
Committed For:				
Special Tax Districts	-	-	-	-
Economic Development	-	-	-	-
Geographic Information Systems	-	-	-	-
Parks and Recreation	-	-	-	-
Assigned For:				
Public Safety	-	-	-	-
TOTAL FUND BALANCES	-	-	58,356	52,111
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 59,073	\$ 4,918,712	\$ 58,356	\$ 52,111

(Continued)

See accompanying independent auditor's report.

				TOTAL SPECIAL REVENUE FUNDS
PARKS AND RECREATION	EMERGENCY TELEPHONE			
\$ 470,675	\$ -	\$	4,977,757	
-	-		-	
740,556	-		9,955,714	
300	98,160		303,610	
-	-		540,291	
-	-		21,965	
-	-		458	
-	1,268,291		13,127,205	
\$ 1,211,531	\$ 1,366,451	\$	28,927,000	
\$ 23,892	\$ 4,772	\$	7,604,756	
-	-		377,370	
1,945	-		2,430,767	
25,837	4,772		10,412,893	
5,924	-		296,884	
725,830	-		7,142,966	
731,754	-		7,439,850	
757,591	4,772		17,852,743	
-	-		458	
-	-		250,000	
-	-		1,492,361	
-	-		376,650	
-	-		77,554	
-	1,361,679		1,361,679	
-	-		2,131,719	
-	-		1,081,235	
-	-		398,686	
-	-		3,274,395	
-	-		142,645	
453,940	-		453,940	
-	-		32,935	
453,940	1,361,679		11,074,257	
\$ 1,211,531	\$ 1,366,451	\$	28,927,000	

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2016

	ECONOMIC DEVELOPMENT	NATIONAL FOREST	EMERGENCY PREPAREDNESS
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Accommodations Taxes	-	-	-
Fee in Lieu of Taxes	-	-	-
Fines, Forfeitures and Fees	-	-	-
Interest Income	-	-	-
Local Revenue	-	-	-
Intergovernmental - Federal	-	341,961	77,540
Intergovernmental - State and Local	50,000	-	1,002
Insurance Proceeds	-	-	-
Miscellaneous	737,714	-	-
TOTAL REVENUES	787,714	341,961	78,542
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	331,232
Airport, Highways and Streets	-	-	-
Culture and Recreation	-	4,322	-
Community Development	120,000	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	120,000	4,322	331,232
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	667,714	337,639	(252,690)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	252,690
Transfers Out	-	(337,639)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(337,639)	252,690
NET CHANGE IN FUND BALANCES	667,714	-	-
FUND BALANCE - Beginning of Year	824,647	-	-
FUND BALANCE - End of Year	\$ 1,492,361	\$ -	\$ -

(Continued)

See accompanying independent auditor's report.

GIS	STORM WATER MANAGEMENT	HIGHWAY "C" FUNDS	EMS EQUIPMENT
\$ -	\$ 1,512	\$ -	\$ -
-	-	-	-
-	-	-	-
16,887	2,579,442	-	-
-	-	-	-
-	-	-	-
-	-	-	-
138,335	-	1,094,902	16,142
-	-	-	-
-	-	-	-
155,222	2,580,954	1,094,902	16,142
434,206	-	-	-
-	-	-	3,616
-	567,200	18,624	-
-	-	-	-
-	-	-	-
9,283	108,709	1,076,278	13,114
443,489	675,909	1,094,902	16,730
(288,267)	1,905,045	-	(588)
302,547	-	-	588
-	-	-	-
302,547	-	-	588
14,280	1,905,045	-	-
128,365	226,674	-	-
\$ 142,645	\$ 2,131,719	\$ -	\$ -

(Continued)

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2016

	CLERK OF COURT	STATE ACCOMMODATIONS TAX	IMPACT FEES
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Accommodations Taxes	-	-	-
Fee in Lieu of Taxes	-	-	-
Fines, Forfeitures and Fees	-	-	-
Interest Income	-	-	1,178
Local Revenue	-	-	-
Intergovernmental - Federal	487,344	-	-
Intergovernmental - State and Local	-	113,001	-
Insurance Proceeds	-	-	15,000
Miscellaneous	-	-	-
TOTAL REVENUES	487,344	113,001	16,178
EXPENDITURES			
Current:			
General Government	574,551	-	6,541,680
Public Safety	-	-	-
Airport, Highways and Streets	-	-	-
Culture and Recreation	-	-	-
Community Development	-	83,601	-
Capital Outlay	8,640	-	-
TOTAL EXPENDITURES	583,191	83,601	6,541,680
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(95,847)	29,400	(6,525,502)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	(29,400)	(1,933,870)
TOTAL OTHER FINANCING SOURCES (USES)	-	(29,400)	(1,933,870)
NET CHANGE IN FUND BALANCES	(95,847)	-	(8,459,372)
FUND BALANCE - Beginning of Year	472,497	-	8,709,372
FUND BALANCE - End of Year	\$ 376,650	\$ -	\$ 250,000

(Continued)

See accompanying independent auditor's report.

SHERIFF'S GRANTS	MISCELLANEOUS SPECIAL REVENUE	VICTIMS' ASSISTANCE	SOLICITOR'S GRANTS
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	500,000	-	-
14,506	216,596	165,342	-
-	307	-	-
542,313	-	-	-
132,946	-	-	-
-	-	-	-
-	-	-	-
104	187,975	-	-
689,869	904,878	165,342	-
-	41,170	-	-
932,715	344,271	269,704	-
-	-	-	-
-	-	-	-
-	-	-	-
39,857	58,827	-	-
972,572	444,268	269,704	-
(282,703)	460,610	(104,362)	-
285,566	41,170	104,362	-
-	(500,000)	-	-
285,566	(458,830)	104,362	-
2,863	1,780	-	-
49,728	1,000,257	-	-
\$ 52,591	\$ 1,002,037	\$ -	\$ -

(Continued)

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2016

	COUNTY ACCOMMODATIONS TAX	PARD GRANT	LOCAL ECONOMIC DEVELOPMENT	AIRPORT IMPROVEMENTS
REVENUES				
Property Taxes	\$ -	\$ -	\$ 132,986	\$ -
Accommodations Taxes	661,316	-	-	-
Fee in Lieu of Taxes	-	-	1,629,519	-
Fines, Forfeitures and Fees	-	-	-	-
Interest Income	-	-	-	-
Local Revenue	-	-	-	-
Intergovernmental - Federal	-	-	-	274,847
Intergovernmental - State and Local	-	12,691	23,925	15,270
Insurance Proceeds	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	661,316	12,691	1,786,430	290,117
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Airport, Highways and Streets	-	-	-	-
Culture and Recreation	-	16,751	-	-
Community Development	494,053	-	462,225	-
Capital Outlay	-	-	38,601	416,291
TOTAL EXPENDITURES	494,053	16,751	500,826	416,291
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	167,263	(4,060)	1,285,604	(126,174)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	4,060	-	126,174
Transfers Out	(167,263)	-	(529,991)	-
TOTAL OTHER FINANCING SOURCES (USES)	(167,263)	4,060	(529,991)	126,174
NET CHANGE IN FUND BALANCES	-	-	755,613	-
FUND BALANCE - Beginning of Year	-	-	2,518,782	-
FUND BALANCE - End of Year	\$ -	\$ -	\$ 3,274,395	\$ -

(Continued)

See accompanying independent auditor's report.

REGIONAL DISASTER PLANNING GRANT	SANGAREE SPECIAL TAX DISTRICT	NEXTON DEVELOPMENT	PIMLICO SPECIAL TAX DISTRICT	TALL PINES SPECIAL TAX DISTRICT
\$ -	\$ 1,080,226	\$ -	\$ -	\$ -
-	-	-	-	-
-	14	-	-	-
-	-	25,837	28,325	77,350
-	-	-	-	-
-	-	-	-	-
37,077	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,456	-	-	-
<u>37,077</u>	<u>1,081,696</u>	<u>25,837</u>	<u>28,325</u>	<u>77,350</u>
-	-	-	-	-
37,077	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,032,600	-	28,325	77,350
-	-	-	-	-
<u>37,077</u>	<u>1,032,600</u>	<u>-</u>	<u>28,325</u>	<u>77,350</u>
<u>-</u>	<u>49,096</u>	<u>25,837</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	49,096	25,837	-	-
-	349,590	1,250	-	-
<u>\$ -</u>	<u>\$ 398,686</u>	<u>\$ 27,087</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2016

	DEVON FOREST SPECIAL TAX DISTRICT	SPECIAL COUNTY TAX DISTRICT	LAKE MOULTRIE PARK
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Accommodations Taxes	-	-	-
Fee in Lieu of Taxes	-	-	-
Fines, Forfeitures and Fees	60,180	4,355,171	-
Interest Income	-	-	-
Local Revenue	-	-	-
Intergovernmental - Federal	-	-	-
Intergovernmental - State and Local	-	-	-
Insurance Proceeds	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUES	60,180	4,355,171	-
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	4,355,171	-
Airport, Highways and Streets	-	-	-
Culture and Recreation	-	-	-
Community Development	60,180	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	60,180	4,355,171	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCE - Beginning of Year	-	-	58,356
FUND BALANCE - End of Year	\$ -	\$ -	\$ 58,356

(Continued)

See accompanying independent auditor's report.

LEGAL FORFEITURE PROCEEDS	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTAL SPECIAL REVENUE FUNDS
\$ -	\$ 760,447	\$ -	\$ 1,975,171
-	-	-	661,316
-	68,613	-	2,198,146
3,946	138,897	622,330	8,304,809
-	-	-	1,485
-	-	-	542,313
-	-	-	1,351,715
-	-	78,892	1,544,160
-	-	-	15,000
-	2,818	-	930,067
<u>3,946</u>	<u>970,775</u>	<u>701,222</u>	<u>17,524,182</u>
2,823	-	-	7,594,430
-	-	453,242	6,727,028
-	-	-	585,824
-	877,930	-	899,003
-	-	-	2,358,334
-	-	-	1,769,600
<u>2,823</u>	<u>877,930</u>	<u>453,242</u>	<u>19,934,219</u>
<u>1,123</u>	<u>92,845</u>	<u>247,980</u>	<u>(2,410,037)</u>
-	25,000	-	1,142,157
-	-	-	(3,498,163)
<u>-</u>	<u>25,000</u>	<u>-</u>	<u>(2,356,006)</u>
1,123	117,845	247,980	(4,766,043)
<u>50,988</u>	<u>336,095</u>	<u>1,113,699</u>	<u>15,840,300</u>
<u>\$ 52,111</u>	<u>\$ 453,940</u>	<u>\$ 1,361,679</u>	<u>\$ 11,074,257</u>

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

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

JUNE 30, 2016

	CLERK OF COURT	MASTER IN EQUITY	TAX COLLECTOR
ASSETS			
Cash and Cash Equivalents	\$ 4,744,162	287,734	4,131,424
Investments	-	-	-
Receivables:			
Accounts Receivable	-	-	-
TOTAL ASSETS	4,744,162	287,734	4,131,424
LIABILITIES			
Due to School District	-	-	-
Due to Other Designated Recipients	4,744,162	287,734	4,131,424
TOTAL LIABILITIES	\$ 4,744,162	287,734	4,131,424

(Continued)

See accompanying independent auditor's report.

SHERIFF	MAGISTRATES	TREASURER	"C" FUNDS ADMINISTRATION	TOTALS
411,209	253,467	12,868,719	10,439,468	\$ 33,136,183
-	-	1,999,265	-	1,999,265
-	-	-	239,601	239,601
411,209	253,467	14,867,984	10,679,069	35,375,049
-	-	12,331,983	-	12,331,983
411,209	253,467	2,536,001	10,679,069	23,043,066
411,209	253,467	14,867,984	10,679,069	\$ 35,375,049

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

SUPPLEMENTAL SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES COLLECTED

JUNE 30, 2016

	TOTAL COLLECTIONS	REMITTANCE TO STATE	RETAINED BY COUNTY	GENERAL FUND	VICTIMS' ASSISTANCE	TOTAL COUNTY REVENUES
MAGISTRATES						
Fines:						
Traffic/Criminal	\$ 646,917	3,022	643,895	643,895	-	\$ 643,895
Wildlife/Littering	16,609	16,609	-	-	-	-
DUI/DUS	37,262	37,262	-	-	-	-
Fees	419,058	51,231	367,827	367,827	-	367,827
Assessments	711,419	642,946	68,473	-	68,473	68,473
Surcharges	308,161	267,596	40,565	-	40,565	40,565
Total Magistrates	2,139,426	1,018,666	1,120,760	1,011,722	109,038	1,120,760
CLERK OF COURT						
Fines:						
General Sessions	42,872	12,696	30,176	30,176	-	30,176
DUI/DUS	3,016	3,016	-	-	-	-
Fees	1,566,384	931,037	635,347	635,347	-	635,347
Assessments	50,130	38,938	11,192	-	11,192	11,192
Surcharges	60,438	15,325	45,113	-	45,113	45,113
Total Clerk of Court	1,722,840	1,001,012	721,828	665,523	56,305	721,828
TOTAL MAGISTRATES AND CLERK OF COURT	\$ 3,862,266	2,019,678	1,842,588	1,677,245	165,343	\$ 1,842,588

See accompanying independent auditor's report.

COMPLIANCE SECTION

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures	Expenditures to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through South Carolina State Treasurer				
National Forest Fund	10.665	NA	\$ 341,961	\$ -
Total CFDA 10.665 - Forest Service Schools and Roads Cluster			<u>341,961</u>	<u>-</u>
Passed Through South Carolina Department of Social Services				
USDA Food Nutrition Services				
State Administration Matching Grant Food Stamp Program and Food Stamp Fraud	10.561	SSC400407	55,403	-
Total U.S. Department of Agriculture			<u>397,364</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through South Carolina Office of the Governor -				
Division of Economic Development/				
Community Development Block Grant				
Local Planning Assistance	14.228	4-RP-14-009	37,077	37,077
Regional Disaster Planning - COG:				
Horseshoe Drive/Bonneau Beach Water Project	14.228	4-CJ-14-00 I	43,640	-
Total U.S. Department of Housing and Urban Development		Total CFDA 14.228	<u>80,717</u>	<u>37,077</u>
U.S. DEPARTMENT OF JUSTICE				
Direct Programs				
Edward Byrne Memorial Justice Assistance Grant	16.738		30,236	-
Total U.S. Department of Justice			<u>30,236</u>	<u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Programs				
Federal Aviation Administration - Airport Improvement Program	20.106		3,288	-
Federal Aviation Administration - Airport Improvement Program	20.106		74,605	-
Federal Aviation Administration - Airport Improvement Program	20.106		17,598	-
Federal Aviation Administration - Airport Improvement Program	20.106		179,355	-
Total CFDA 20.106			<u>274,846</u>	<u>-</u>
Passed Through South Carolina Public Safety				
Highway Safety - DUI	20.601	K8-2015-HS-33-15	13,496	-
Highway Safety - DUI	20.601	M4HVE-2016-HS-28-16	84,479	-
Total CFDA 20.601 - Highway Safety Cluster			<u>97,975</u>	<u>-</u>
Total U.S. Department of Transportation			<u>372,821</u>	<u>-</u>
U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Passed through South Carolina State Library:				
LSTA Project IID: Summer Reading Program Resource	45.310	IID-14-131	536	-
LSTA Project IID: Young Learner's Toolbox	45.310	IID-15-02	13,697	-
Total U.S. Institute of Museum and Library Services		Total CFDA 45.310	<u>14,233</u>	<u>-</u>

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through South Carolina Department of Social Services:					
Child Support Enforcement IV-D Transaction Reimbursement	93.563	G160ISC1401	\$ 400,590	\$ -	
Child Support Enforcement IV-D Incentive Payment	93.563	G160ISC1401	65,897	-	
Child Support Enforcement IV-D Service of Process	93.563	G160ISC1401	20,856	-	
Clerk of Court - Filing Fees	93.563	G160ISC1401	21,384	-	
Sheriffs Department	93.563	G160ISC1401	4,735	-	
Federal Financial Participation, Passed Through South Carolina Department of Child Support Enforcement	93.563	G160ISC1401	80	-	
		Total CFDA 93.563	513,542	-	
Federal Financial Participation, Passed Through South Carolina Department of Administration for Children and Families					
Family Preservation (CWS-Part II)	93.556	G161OSCFPSS	439	-	
Federal Financial Participation, Passed Through South Carolina Department of Administration for Children and Families					
Temporary Assistance for Needy Families - TANF Block Grant	93.558	G1602SCTANF	49,837	-	
		Total CFDA 93.558 - TANF Cluster	49,837	-	
Federal Financial Participation, Passed Through South Carolina Department of Administration for Children and Families					
Child Care Development Fund	93.596	G1501SCCCDF	459	-	
		Total CFDA 93.596 - CCDF Cluster	459	-	
Federal Financial Participation, Passed Through South Carolina Department of Administration for Children and Families					
Title IV-E Foster Care	93.658	G1601SC1401	26,834	-	
Federal Financial Participation, Passed Through South Carolina Department of Social Services -					
Administration for Children and Families					
Social Services Block Grant	93.667	G1602SCSOSR	17,816	-	
Center for Medicare and Medicare Services					
Medicaid Programs	93.778	n/a	8,659	-	
		Total CFDA 93.778 - Medicaid Cluster	8,659	-	
Total U.S. Department of Health and Human Services			617,586	-	

U.S. DEPARTMENT OF HOMELAND SECURITY

Passed Through South Carolina Adjutant General's Office					
Severe Storms and Flooding	97.036	FEMA-4241-P A-SC	663,227	-	
Local Emergency Management Performance	97.042	14EMPGOJ	8,999	-	
Local Emergency Management Performance	97.042	15EMPGOJ	68,540	-	
		Total CFDA 97.042	77,539	-	
Total U.S. Department of Homeland Security			740,766	-	
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,253,723	\$ 37,077	

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

Basis of Presentation

- A. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Berkeley County, South Carolina (the "County") and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements. Expenditures for federal financial assistance awarded directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards. The non-federal share of certain program costs and loans are not included in the accompanying Schedule of Expenditures of Federal Awards. Of the federal expenditures presented in the accompanying schedule, the County provided federal awards of \$37,077 to sub-recipients from the CDBG Local Planning Assistance Grant.

Summary of Significant Accounting Policies

- A. The financial information shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by Berkeley County, South Carolina during its fiscal year July 1, 2015 through June 30, 2016. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
- B. The County has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.



**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Members of County Council
Berkeley County, South Carolina

We have audited, in accordance with the 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, 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and issued our report thereon dated January 17, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

Berkeley County's Response to Findings

Berkeley County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Berkeley County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Scott and Company LLC". The script is cursive and fluid.

Columbia, South Carolina
January 17, 2017



Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Members of County Council
Berkeley County, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Berkeley County, South Carolina's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. *Code of Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Scott and Company LLC

Columbia, South Carolina
January 17, 2017

**BERKELEY COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Section I—Summary of Auditor's Results

Financial Statements:

We have issued unmodified opinions dated January 17, 2017 on the financial statements of Berkeley County, South Carolina.

Internal control over financial reporting:

- | | |
|---|---------------|
| • Material weaknesses identified? | Yes |
| • Significant deficiencies identified? | None Reported |
| • Noncompliance material to financial statements noted? | No |

Federal Awards:

Internal control over major programs:

- | | |
|--|---------------|
| • Material weaknesses identified? | No |
| • Significant deficiencies identified? | None Reported |

We have issued an unmodified opinion dated January 17, 2017 on Berkeley County, South Carolina's compliance for its major programs.

- | | |
|--|----|
| • Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
|--|----|

Identification of major programs

CFDA Number

10.665

97.036

Name of Federal Program

Schools and Roads – Grants to States

Disaster Grants – Public Assistance (Presidentially
Declared Disasters)

Dollar threshold used to be distinguished between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? No

**BERKELEY COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Section II - Financial Statement Findings:

Condition Considered to be a Material Weakness

2016-001 – Berkeley County Water and Sanitation Authority Restatement due to an Accounting Error

Condition: The County improperly removed a landfill building from its records in fiscal year 2015. This building was still in use so the County was required to put the building back on its books. As a result, net position and capital assets were understated by \$675,512 and had to be restated for the year ended June 30, 2015. When a restatement occurs, the auditors are required to report a material weakness.

Criteria: Generally accepted accounting principles require that the County identify and record all of their capital assets. Internal controls should be in place that provide reasonable assurance that all capital assets are correctly recorded on year-end records.

Cause: The County removed another part of this building properly, but mistakenly took the newer part of the building off of its capital asset records.

Effect: The Solid Waste Fund net position and capital assets were understated by \$675,512 for the year ended June 30, 2015.

Recommendation: We recommend that the County perform a thorough review of all capital asset activities at year end, including additions, disposals and depreciation. This review should be performed by an employee other than the one who prepared the capital assets records.

Views of Responsible Officials and Planned Corrective Actions:

The error was discovered and corrected by the County during a thorough audit of our capital assets. Accounting for capital assets, including depreciation, is now processed on a monthly basis. An additional annual review of these transactions will be performed by a member of the Finance Department.

Section III - Federal Award Findings and Questioned Costs:

None

Summary Schedule of Prior Audit Findings:

None