

**BERKELEY COUNTY, SOUTH CAROLINA
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2018**



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
Kevin Cox, 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 Schurlnknight, 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
Duane Lewis, Sheriff
Scarlett Wilson, Solicitor
Carolyn Umphlett, Treasurer

Independent Auditor's Report

To the Berkeley County Council
Berkeley County, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berkeley County, South Carolina (the "County"), as of and for the year ended June 30, 2018, 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, 2018, 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.

Change in Accounting Principle

As discussed in notes IV.E. and IV.N. to the financial statements, the County adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

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 the schedule of expenditures 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 is 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 December 21, 2018, 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.

Scott and Company LLC

Columbia, South Carolina
December 21, 2018

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

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, 2018. 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, 2018 by approximately \$469.2 million as compared to approximately \$423.3 million (restated) at the prior fiscal year end. Berkeley County's unrestricted net position at June 30, 2018 amounted to a deficit balance of approximately \$33.1 million which was an increase of approximately \$5.2 million from the previous fiscal year restated balance of \$38.3 million.
- The County's total net position this fiscal year increased approximately \$45.9 million over the previous year. The increase consists of approximately a \$11.8 million increase from governmental activities and an increase of approximately \$34.1 million from business-type activities.
- At June 30, 2018, the County's governmental funds reported combined ending fund balances of approximately \$115 million, a decrease of approximately \$5.9 million over the previous fiscal year. Total fund balances include approximately \$18.7 million for the General Fund, \$78.4 million for the Capital Projects Fund, \$1.2 million for the Economic Development Special Revenue Fund, and \$16.8 million for all other governmental funds.
- The General Fund reported an unassigned fund balance of approximately \$17.0 million, which is an increase of approximately \$1.9 million over the prior year's unassigned fund balance of \$15.1 million.
- The County's total capital assets were approximately \$593.7 million at June 30, 2018, an increase of approximately \$37 million from the prior year total capital assets of \$556.7 million.
- The County's total long-term indebtedness (bonds, loans, leases, and notes payable) was approximately \$225.9 million at June 30, 2018, a decrease of approximately \$11.8 million from the previous year.
- 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 269%, which exceeded the 120% required by the bond covenants.
- The County implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB #75") in the year ended June 30, 2018. This statement requires the County to recognize the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the Statement of Net Position) and present more extensive note disclosures. Net Position has been restated in the amount of \$1.5 million in accordance with these provisions.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

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, 2018. 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, 2018

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 and OPEB related schedules. Additionally, supplementary information that is not required but uncludes, the combining statements, which include nonmajor governmental funds, are presented. As required by law, the County also presents a Schedule of Fines, Assessments, and Surcharges Collected.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative data for net position as of June 30, 2018 and 2017 are shown below:

Berkeley County						
Net Position (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and Other Assets	\$ 195,765	\$ 192,694	\$ 96,999	\$ 84,738	\$ 292,764	\$ 277,432
Capital Assets, Net	201,199	178,225	392,466	378,525	593,665	556,750
TOTAL ASSETS	396,964	370,919	489,465	463,263	886,429	834,182
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charges	1,326	1,451	5,207	7,878	6,533	9,329
Deferred Pension Charges	20,699	14,706	3,595	3,322	24,294	18,028
TOTAL DEFERRED OUTFLOWS OF RESOURCES	22,025	16,157	8,802	11,200	30,827	27,357
LIABILITIES						
Current Liabilities	28,300	31,439	21,319	21,181	49,619	52,620
Non-current Liabilities	155,740	144,542	182,225	192,247	337,965	336,789
TOTAL LIABILITIES	184,040	175,981	203,544	213,428	387,584	389,409
DEFERRED INFLOWS OF RESOURCES						
Deferred Revenue	58,613	46,494	-	-	58,613	46,494
Deferred Pension/OPEB Credits	1,732	1,821	134	551	1,866	2,372
TOTAL DEFERRED INFLOWS OF RESOURCES	60,345	48,315	134	551	60,479	48,866
NET POSITION						
Net Investment in Capital Assets	168,354	142,809	244,511	223,978	412,865	366,787
Restricted	89,000	94,334	404	498	89,404	94,832
Unrestricted	(82,750)	(74,363)	49,674	36,008	(33,076)	(38,355)
TOTAL NET POSITION, RESTATED	\$ 174,604	\$ 162,780	\$ 294,589	\$ 260,484	\$ 469,193	\$ 423,264

BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

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, 2018 and 2017.

Berkeley County						
Net Position (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 22,810	\$ 21,900	\$ 72,412	\$ 74,611	\$ 95,222	\$ 96,511
Operating Grants and Contributions	12,197	64,735	1,871	5,194	14,068	69,929
Capital Grants and Contributions	30,755	18,981	17,996	15,334	48,751	34,315
General Revenues:						
Property Taxes	31,343	30,299	-	-	31,343	30,299
Fee in Lieu of Taxes	19,796	18,707	-	-	19,796	18,707
Local Option Sales Tax	18,090	16,162	-	-	18,090	16,162
Transportation Sales Tax	30,216	27,451	-	-	30,216	27,451
Other Taxes	1,400	1,313	-	-	1,400	1,313
Unrestricted Grants	7,511	7,031	-	-	7,511	7,031
Interest Income	472	323	383	64	855	387
Gain on Sale of Assets	385	-	617	802	1,002	802
Insurance Proceeds	148	384	-	-	148	384
Miscellaneous	1,636	1,573	-	-	1,636	1,573
Total Revenues	176,759	208,859	93,279	96,005	270,038	304,864
Expenses:						
General Government	35,958	35,679	-	-	35,958	35,679
Public Safety	40,938	38,272	-	-	40,938	38,272
Airport, Highways and Streets	55,826	53,764	-	-	55,826	53,764
Culture and Recreation	4,328	5,552	-	-	4,328	5,552
Health and Welfare	3,727	2,543	-	-	3,727	2,543
Natural Disaster - Flood	1,356	2,914	-	-	1,356	2,914
Community Development	21,293	62,480	-	-	21,293	62,480
Interest and Fiscal Charges	1,010	1,902	-	-	1,010	1,902
Water and Sewer	-	-	47,347	43,866	47,347	43,866
Solid Waste	-	-	12,327	16,304	12,327	16,304
Total Expenses	164,436	203,106	59,674	60,170	224,110	263,276
Increase in Net Position before Transfers	12,323	5,753	33,605	35,835	45,928	41,588
Transfers	(500)	(1,070)	500	1,070	-	-
Change in Net Position	11,823	4,683	34,105	36,905	45,928	41,588
Net Position, Beginning of Year	163,973	159,290	260,777	223,872	424,750	383,162
Change in Accounting Principle	(1,192)	-	(293)	-	(1,485)	-
Net Position, Beginning of Year-restated	162,781	159,290	260,484	223,872	423,265	383,162
Net Position, End of Year	\$ 174,604	\$ 163,973	\$ 294,589	\$ 260,777	\$ 469,193	\$ 424,750

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The County reported positive balances in all categories of net position in both governmental and business-type activities for 2018 except for governmental activities unrestricted net position. The County's total unrestricted net position increased approximately \$5.28 million. Total restricted net position decreased approximately \$5.43 million and net investment in capital assets increased \$46.08 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 (88%) 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 decrease in governmental activities revenues of approximately \$32.1 million (15.37%) in 2018 as compared to 2017 primarily due to a \$52.5 million decrease in operating grants and contributions, and increase of \$11.4 million in capital grants and contributions.

Expenses decreased approximately \$38.6 million (19.04%) in 2018 compared to 2017 primarily due to a \$41.2 million decrease in community development expenditures, and an \$2.7 million increase in public safety expenditures.

Business-type Activities. Revenues for business-type activities decreased \$2.7 million (2.84%) mainly due to a \$2.2 million decrease in charges for services, a \$2.6 million increase in capital grants and contributions and \$3.3 million decrease in operating grants and contributions.

Expenses for business-type activities decreased approximately \$496 thousand (.82%) due to a \$3.4 million increase in water and sewer expenses and \$3.9 million decrease in solid waste expenditures. Water and sewer expenses decreased \$1.9 million as a result of shared personnel expenses and increased maintenance and repairs. Solid waste expenses decreased \$3.6 million as a result decrease in maintenance and repairs. Landfill closure and postclosure costs increased primarily due to the changes in estimates in the current year.

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.

BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

Governmental Funds. The following schedule presents a summary of all governmental fund revenues and other financing sources for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year amounts (in thousands):

	Amount	Percent of Total	Increase (Decrease) from 2017	Percent Increase (Decrease)
Revenues				
Property and Accommodations Taxes	\$ 32,189	18.6%	\$ 1,351	4.38%
Fee in Lieu of Taxes	19,796	11.5%	1,089	5.82%
Local Taxes (transportation and local option sales tax)	48,306	27.9%	4,693	10.76%
Licenses, Fees and Permits	4,398	2.5%	481	12.28%
Fines, Forfeitures and Fees	18,588	10.8%	149	0.81%
Interest Income	472	0.3%	149	46.13%
Local Revenue	789	0.5%	203	34.64%
Intergovernmental - Federal	2,531	1.5%	(4,022)	-61.38%
Intergovernmental - State and Local	33,289	19.3%	(45,031)	-57.50%
Insurance Proceeds	148	0.1%	(232)	-61.05%
Miscellaneous	1,914	1.1%	73	3.97%
Other Financing Sources				
Proceeds from Issuance of Debt	717	0.4%	(3,613)	-83.44%
Proceeds from Disposal of Assets	224	0.1%	15	7.18%
Transfers In	9,486	5.4%	(6,455)	-40.49%
Total	<u>\$ 172,847</u>	<u>100.0%</u>	<u>\$ (51,150)</u>	<u>-22.84%</u>

Local Taxes and Fee in lieu of taxes overall were consistent with previous year's revenue. Licenses, fees and Permits were up slightly due to economic growth. Intergovernmental – State and Local revenues decreased \$45 million due to a significant decrease in the amount of state and local funding for the activities associated with the Economic Development Project Special Revenue Fund.

The following schedule presents a summary of all governmental funds expenditures and other financing uses for the fiscal year ended June 30, 2018, 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, 2018

FINANCIAL ANALYSIS OF BERKELEY COUNTY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

	Amount	Percent of Total	Increase (Decrease) from 2017	Percent Increase (Decrease)
Expenditures:				
General Government	\$ 27,498	15.4%	\$ (5,003)	-15.4%
Public Safety	43,671	24.4%	6,759	18.3%
Airport, Highways and Streets	12,185	6.8%	4,056	49.9%
Culture and Recreation	4,350	2.4%	(1,238)	-22.2%
Health and Welfare	3,363	1.9%	1,000	42.3%
Community Development	6,445	3.6%	111	1.8%
Flood of 2015	1,356	0.8%	(1,558)	-53.5%
Capital Outlay	64,569	36.1%	(42,077)	-39.5%
Debt Service:				
Principal Retirement	3,384	1.9%	(2,201)	-39.4%
Interest and Fiscal Charges	1,909	1.1%	(270)	-12.4%
Other Financing Uses:				
Transfers Out	9,986	5.6%	(7,025)	-41.3%
Total	<u>\$ 178,716</u>	<u>100.0%</u>	<u>\$ (47,446)</u>	<u>-20.98%</u>

Total expenditures decreased \$47.4 million, including a \$42.0 million decrease in capital outlay primarily for capital projects and economic development and, a \$5.0 million decrease in general government expenditures. The \$42.0 million decrease in capital outlay expenditures is due to expenditures on the Capital Projects Funds and Economic Development Project Special Revenue Fund projects funded by sales taxes and intergovernmental revenues.

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 \$18.7 million of which \$17 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 \$17 million represents 21% of total General Fund expenditures and transfers to other funds of approximately \$80.9 million, while total fund balance of \$18.7 million represents 23.1% of that same amount.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF BERKELEY COUNTY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

The Capital Projects fund has a total fund balance of approximately \$78.4 million, all of which is either non-spendable 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 \$2.7 million primarily due to decreases in both revenues and related capital outlay expenditures.

The Economic Development Project Special Revenue fund, a major fund created for economic development relating to the Volvo plant, has a total fund balance of approximately \$1.2 million, all of which is restricted for future economic development. The net decrease in fund balance during the current year was approximately \$2 million due to intergovernmental revenues over related capital outlay and community development expenditures as well as debt service payments on the intergovernmental loan.

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, 2018, total net position amounted to approximately \$294.6 million for enterprise funds as compared to approximately \$260.4 million at June 30, 2017. 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)	
	2018	2017
Water and Sewer	\$ 20,086	\$ 24,540
Solid Waste	780	(3,495)
Total	<u>\$ 20,866</u>	<u>\$ 21,045</u>

The Water and Sewer Fund experienced a \$4.5 million decrease in operating income primarily due to decreases of \$2.3 million in charges for sales and services and impact fees along with a \$1.9 million increase in operating expenses. The Solid Waste Fund experienced a \$4.3 million increase in operating income primarily due to decreases of \$3.6 million in repairs and maintenance.

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, 2018

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, 2018 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 \$1.3 million.

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, 2018, revenues were more than budgetary estimates by approximately \$350.7 thousand as property tax revenues, FILOT, and fines, forfeitures and fees were slightly under budget, and 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, 2018, expenditures were less than budgetary estimates by approximately \$2.3 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of 2018, the County had approximately \$593.7 million invested in capital assets, net of depreciation. This was an increase of approximately \$36.9 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, 2018 and 2017, net of accumulated depreciation (in thousands).

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,272	\$ 5,718	\$ 3,563	\$ 3,563	\$ 9,835	\$ 9,281
Construction in Progress	36,385	21,962	34,714	44,093	71,099	66,055
Buildings and Improvements	34,739	36,584	-	-	34,739	36,584
Furniture and Equipment	6,443	4,515	7,148	6,008	13,591	10,523
Utility Systems, Plants and Buildings	-	-	347,041	324,861	347,041	324,861
Infrastructure	106,180	100,455	-	-	106,180	100,455
Other	11,180	8,991	-	-	11,180	8,991
Total	<u>\$ 201,199</u>	<u>\$ 178,225</u>	<u>\$ 392,466</u>	<u>\$ 378,525</u>	<u>\$ 593,665</u>	<u>\$ 556,750</u>

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, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt. At June 30, 2018, the County had approximately \$209.8 million in bonds, loans and notes payable outstanding versus approximately \$217.3 million at June 30, 2017, or a decrease of approximately \$7.5 million. The table below reflects the outstanding balances (in thousands) as of June 30, 2018 and 2017.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 56,024	\$ 58,885	\$ -	\$ -	\$ 56,024	\$ 58,885
Intergovernmental Loan	3,600	4,000	-	-	3,600	4,000
Revenue Bonds	-	-	113,625	152,895	113,625	152,895
State Revolving Loan Fund	-	-	705	767	705	767
Notes, Loans and Capital Leases Payable	3,201	260	32,623	517	35,824	777
Total	<u>\$ 62,825</u>	<u>\$ 63,145</u>	<u>\$ 146,953</u>	<u>\$ 154,179</u>	<u>\$ 209,778</u>	<u>\$ 217,324</u>

The County entered into a promissory note agreement in the amount of \$31,289,000 with a financial institution in May 2018, to provide resources to purchase US Government Treasury Notes that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$31,135,000 of Water and Sewer System, Revenue Bonds, Series 2008A and issuance fee of \$154,000. As a result, the refunded revenue bond is considered defeased and the liability has been removed from the proprietary funds statement of net position. This refunding was undertaken to substantially reduce interest cost to the County and to level future debt service requirements to minimize the impact on the sale and service charges related to this activity. The revised debt service was decreased by \$3,458,457 over the next eleven years and resulted in an economic gain of \$3,011,291. At June 30, 2018, \$31,135,000 of the bonds are considered defeased.

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 2019 BUDGET

Factors considered in preparing Berkeley County's budget for the year ended June 30, 2019 included:

- Since January 2015, the County's economic development efforts secured announcements from industries totaling over \$3.6 billion in new investment and over 9,700 new jobs.
- Census data estimates the County's population to now be approximately 218,000.

OTHER POTENTIALLY SIGNIFICANT MATTERS

Waste Water Treatment

The County operates the Lower Berkeley Wastewater Treatment Plant which has a treatment capacity of 18 million gallons per day (MGD). Request for Proposals for the necessary engineering report to apply for a Permit to Construct the plant to 22.5 MGD was awarded to Hazen and the report is almost ready to be presented to the South Carolina Department of Environmental Control in hopes of starting construction during the 2019 fiscal year. Notice to proceed with Construction should happen in March 2019, with a completion expected in October 2020. Berkeley County Water and Sanitation also has the Central Waste Water Treatment Plant that is currently rated for 3 MGD. AECOM Technical Services has prepared a preliminary engineering report (PER) to expand the plant to 6 MGD, which should also be approved by the end of 2018. This plant should be under construction by the end of 2019. 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 and has been approved for State Revolving Funds for both projects for 20 year loans at 2.1% interest.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

OTHER POTENTIALLY SIGNIFICANT MATTERS (CONTINUED)

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 now committed to purchase up to 3.04 million gallons a day, or 35.7% 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.

Future plans called for the Lake Marion WA to extend lines to the County to provide water for the new Volvo Plant that is now manufacturing cars. The plans are in place to construct a line from the Lake Marion system from Holly Hill to Berkeley County to help provide water for the rest of the Camp hall tract (3000 acres) where Volvo is located. An additional line from Ridgeville to Volvo should be completed by the middle of 2021 which will bring 1 MGD of Lake Marion water to Volvo which has now doubled its investment in Berkeley County.

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 13.04 MGD. The construction of the project will be in two phases starting the first quarter of 2014 and ending the first quarter of 2019. 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 and new contracts have been signed.

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.

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BASIC FINANCIAL STATEMENTS

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION

YEAR ENDED JUNE 30, 2018

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 23,849,885	\$ 78,205,945	\$ 102,055,830
Receivables, Net of Allowances:			
Property Taxes	60,152,318	-	60,152,318
Transportation Sales Tax	7,794,037	-	7,794,037
Accounts Receivable	2,220,347	4,636,491	6,856,838
Federal, State and Local Governments	16,178,563	1,538,790	17,717,353
Internal Balances	2,506,038	(2,506,038)	-
Inventories, at Cost	88,880	-	88,880
Prepaid Items	27,380,821	-	27,380,821
Restricted Cash and Cash Equivalents	26,683,333	5,811,602	32,494,935
Restricted Investments	28,911,007	-	28,911,007
TOTAL CURRENT ASSETS	195,765,229	87,686,790	283,452,019
NON-CURRENT ASSETS			
CAPITAL ASSETS			
Non-Depreciable	42,657,199	38,277,206	80,934,405
Depreciable, Net of Accumulated Depreciation	158,541,854	354,188,343	512,730,197
TOTAL CAPITAL ASSETS	201,199,053	392,465,549	593,664,602
OTHER NON-CURRENT ASSETS			
Accounts Receivable, Due in More Than One Year	-	9,312,284	9,312,284
TOTAL OTHER NON-CURRENT ASSETS	-	9,312,284	9,312,284
TOTAL NON-CURRENT ASSETS	201,199,053	401,777,833	602,976,886
TOTAL ASSETS	396,964,282	489,464,623	886,428,905
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges	1,326,054	5,206,706	6,532,760
Deferred Pension Charges	20,698,907	3,595,327	24,294,234
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 22,024,961	\$ 8,802,033	\$ 30,826,994

(Continued)

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

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION

YEAR ENDED JUNE 30, 2018

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 20,234,765	\$ 3,135,887	\$ 23,370,652
Accrued Interest Payable	592,731	502,897	1,095,628
Accrued Compensated Absences	3,429,355	296,574	3,725,929
Landfill Closure and Postclosure Cost Liability	-	7,134,219	7,134,219
Unearned Revenue	635,953	1,425,878	2,061,831
Bonds, Loans, Leases, and Notes Payable	3,407,538	8,823,511	12,231,049
TOTAL CURRENT LIABILITIES	28,300,342	21,318,966	49,619,308
NON-CURRENT LIABILITIES			
Accrued Compensated Absences, net of current portion	4,345,057	889,725	5,234,782
Net OPEB Liability	3,819,653	738,870	4,558,523
Landfill Closure and Postclosure Cost Liability, net of current portion	-	7,297,504	7,297,504
Bonds, Loans, Leases, and Notes Payable, net of current portion	60,300,916	153,362,238	213,663,154
Net Pension Liability	87,273,822	19,936,393	107,210,215
TOTAL NON-CURRENT LIABILITIES	155,739,448	182,224,730	337,964,178
TOTAL LIABILITIES	184,039,790	203,543,696	387,583,486
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue	58,613,439	-	58,613,439
Deferred Pension/OPEB Inflows	1,732,021	134,278	1,866,299
TOTAL DEFERRED INFLOWS OF RESOURCES	60,345,460	134,278	60,479,738
NET POSITION			
Net Investment in Capital Assets	168,353,726	244,510,859	412,864,585
Restricted For:			
Capital Projects	78,413,134	-	78,413,134
Debt Service	1,583,168	404,054	1,987,222
Economic Development	2,746,112	-	2,746,112
Emergency Telephone	1,214,799	-	1,214,799
Stormwater Management	3,836,905	-	3,836,905
Other	1,205,716	-	1,205,716
Unrestricted	(82,749,567)	49,673,769	(33,075,798)
TOTAL NET POSITION	\$ 174,603,993	\$ 294,588,682	\$ 469,192,675

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

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

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	\$ 35,957,550	\$ 9,080,702	\$ 830,574	\$ 196,335	\$ (25,849,939)	\$ -	\$ (25,849,939)
Public Safety	40,937,640	10,256,087	1,964,634	1,197,539	(27,519,380)	-	(27,519,380)
Airport, Highways and Streets	55,826,652	3,156,188	349,937	22,872,910	(29,447,617)	-	(29,447,617)
Culture and Recreation	4,327,759	75,824	403,642	-	(3,848,293)	-	(3,848,293)
Health and Welfare	3,726,653	55,175	124,207	16,142	(3,531,129)	-	(3,531,129)
Community Development	21,291,932	185,780	8,523,647	6,472,095	(6,110,410)	-	(6,110,410)
Natural Disaster - Flood	1,355,811	-	-	-	(1,355,811)	-	(1,355,811)
Interest and Fiscal Charges	1,009,625	-	-	-	(1,009,625)	-	(1,009,625)
Total Governmental Activities	164,433,622	22,809,756	12,196,641	30,755,021	(98,672,204)	-	(98,672,204)
Business-Type Activities:							
Water and Sewer	47,348,065	59,476,470	1,652,951	17,995,985	-	31,777,341	31,777,341
Solid Waste	12,326,821	12,935,522	218,236	-	-	826,937	826,937
Total Business-Type Activities	59,674,886	72,411,992	1,871,187	17,995,985	-	32,604,278	32,604,278
Total Primary Government	\$ 224,108,508	\$ 95,221,748	\$ 14,067,828	\$ 48,751,006	(98,672,204)	32,604,278	(66,067,926)
General Revenues:							
Taxes:							
Property Taxes					31,342,829	-	31,342,829
Fee in Lieu of Taxes					19,795,974	-	19,795,974
Local Option Sales Tax					18,090,019	-	18,090,019
Transportation Sales Tax					30,215,615	-	30,215,615
County Accommodations					844,070	-	844,070
Franchise Taxes					556,196	-	556,196
Grants and Contributions not Restricted to Specific Programs					7,510,887	-	7,510,887
Interest Income					472,287	383,103	855,390
Gain on Sale of Assets					384,594	617,179	1,001,773
Insurance Proceeds					147,645	-	147,645
Miscellaneous					1,635,865	-	1,635,865
Transfers					(500,000)	500,000	-
Total General Revenues and Transfers					110,495,981	1,500,282	111,996,263
CHANGE IN NET POSITION					11,823,777	34,104,560	45,928,337
NET POSITION - Beginning of Year					163,973,023	260,776,977	424,750,000
Restatement due to Change in Accounting Principle - See Note IV.N					(1,192,807)	(292,855)	(1,485,662)
NET POSITION - Beginning of Year, restated					162,780,216	260,484,122	423,264,338
NET POSITION - End of Year					\$ 174,603,993	\$ 294,588,682	\$ 469,192,675

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

BERKELEY COUNTY, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	GENERAL FUND	CAPITAL PROJECTS FUND	ECONOMIC DEVELOPMENT PROJECT - SPECIAL REVENUE FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 21,640,127	\$ -	\$ -	\$ 2,209,758	\$ 23,849,885
Receivables, Net of Allowances:					
Property Taxes	39,914,566	198,616	-	20,039,136	60,152,318
Transportation Sales Tax	-	7,794,037	-	-	7,794,037
Accounts Receivable	1,917,487	-	-	302,860	2,220,347
Federal, State and Local Governments	2,231,731	1,578,528	8,160,613	4,207,691	16,178,563
Due from Other Funds	3,343,934	-	-	3,743,812	7,087,746
Inventories, at Cost	88,880	-	-	-	88,880
Prepaid Items	114,362	27,266,459	-	-	27,380,821
Restricted Cash and Cash Equivalents	-	13,840,151	1,825,291	11,017,891	26,683,333
Restricted Investments	-	28,911,007	-	-	28,911,007
TOTAL ASSETS	\$ 69,251,087	\$ 79,588,798	\$ 9,985,904	\$ 41,521,148	\$ 200,346,937
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 9,822,292	\$ 977,048	\$ 8,339,903	\$ 1,095,522	\$ 20,234,765
Due to Other Funds	439,766	-	400,000	3,741,942	4,581,708
Unearned Revenue	634,008	-	-	1,945	635,953
TOTAL LIABILITIES	10,896,066	977,048	8,739,903	4,839,409	25,452,426
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	752,758	-	-	402,722	1,155,480
Deferred Revenue	38,902,771	198,616	-	19,512,052	58,613,439
TOTAL DEFERRED INFLOWS OF RESOURCES	39,655,529	198,616	-	19,914,774	59,768,919
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	50,551,595	1,175,664	8,739,903	24,754,183	85,221,345
FUND BALANCES					
Nonspendable:					
Inventory	88,880	-	-	-	88,880
Prepaid Items	114,362	27,266,459	-	-	27,380,821
Restricted for:					
Debt Service	-	-	-	1,583,168	1,583,168
Assessment District Projects	-	136,953	-	-	136,953
Transportation Projects	-	51,009,722	-	-	51,009,722
Economic Development	-	-	1,246,001	1,500,111	2,746,112
Clerk of Court	-	-	-	412,672	412,672
Grants	-	-	-	42,079	42,079
Emergency Telephone	-	-	-	1,214,799	1,214,799
Stormwater Management	-	-	-	3,836,905	3,836,905
Accommodations	-	-	-	1,065,099	1,065,099
Other	-	-	-	1,205,716	1,205,716
Committed for:					
Special Tax Districts	-	-	-	624,474	624,474
Economic Development	-	-	-	4,126,892	4,126,892
Geographic Information Systems	-	-	-	110,949	110,949
Emergency Preparedness	-	-	-	15,276	15,276
Airport Projects	-	-	-	8,500	8,500
Parks and Recreation	-	-	-	1,020,325	1,020,325
Assigned for:					
OPEB Contribution	1,477,566	-	-	-	1,477,566
Unassigned	17,018,684	-	-	-	17,018,684
TOTAL FUND BALANCES	18,699,492	78,413,134	1,246,001	16,766,965	115,125,592
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 69,251,087	\$ 79,588,798	\$ 9,985,904	\$ 41,521,148	\$ 200,346,937

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

YEAR ENDED JUNE 30, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	115,125,592
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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 \$344,606,551 and the accumulated depreciation was \$178,407,494.		201,199,053
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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		735,115
EMS Revenues		420,365

Bond deferred losses are amortized over the lives of the bonds in the statement of net position; however, in the governmental funds, 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 \$508,504.		1,326,054
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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.		(68,222,407)
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The County's other post employment benefits liability (OPEB) and deferred inflows of resources related to its participation in the OPEB plan are not recorded in the governmental funds but are recorded in the Statement of Net Position.		(3,904,182)
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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	(56,024,000)	
Bond Premium	(3,427,822)	
Intergovernmental Loan	(3,600,000)	
Capital Lease Payable	(656,632)	
Accrued Compensated Absences	(7,774,412)	
Accrued Interest	(592,731)	(72,075,597)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	174,603,993
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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, 2018

	GENERAL FUND	CAPITAL PROJECTS FUND	ECONOMIC DEVELOPMENT PROJECT - SPECIAL REVENUE FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Property Taxes	\$ 25,366,328	\$ -	\$ -	\$ 5,978,761	\$ 31,345,089
Accommodations Taxes	-	-	-	844,070	844,070
Fee in Lieu of Taxes	14,338,936	2,000,000	-	3,457,038	19,795,974
Local Option Sales Tax	14,455,392	3,634,627	-	-	18,090,019
Transportation Sales Tax	-	30,215,615	-	-	30,215,615
Licenses, Fees and Permits	4,397,760	-	-	-	4,397,760
Fines, Forfeitures and Fees	9,628,732	107,735	-	8,851,781	18,588,248
Interest Income	11,835	184,638	-	275,814	472,287
Local Revenue	71,387	-	-	717,976	789,363
Intergovernmental - Federal	481,540	-	-	2,049,647	2,531,187
Intergovernmental - State and Local	7,924,768	7,680,846	13,998,464	3,684,729	33,288,807
Insurance Proceeds	-	120,781	-	26,864	147,645
Miscellaneous	1,065,934	-	-	848,047	1,913,981
TOTAL REVENUES	77,742,612	43,944,242	13,998,464	26,734,727	162,420,045
EXPENDITURES					
Current:					
General Government	26,004,294	708,230	-	785,896	27,498,420
Public Safety	34,785,031	290,818	-	8,595,648	43,671,497
Airport, Highways and Streets	6,707,062	2,861,370	-	2,616,968	12,185,400
Culture and Recreation	3,642,429	-	-	707,432	4,349,861
Health and Welfare	2,816,009	546,856	-	-	3,362,865
Community Development	865,174	278,040	2,107,192	3,194,626	6,445,032
Natural Disaster - Flood	1,355,811	-	-	-	1,355,811
Capital Outlay	787,210	45,517,335	14,715,150	3,549,703	64,569,398
Debt Service:					
Principal Retirement	-	123,072	400,000	2,861,000	3,384,072
Interest and Fiscal Charges	-	25,784	-	1,883,529	1,909,313
TOTAL EXPENDITURES	76,963,020	50,351,505	17,222,342	24,194,802	168,731,669
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	779,592	(6,407,263)	(3,223,878)	2,539,925	(6,311,624)
OTHER FINANCING SOURCES (USES)					
Issuance of Capital Lease	-	716,654	-	-	716,654
Proceeds from Disposal of Assets	12,678	211,255	-	-	223,933
Transfers In	1,002,384	5,488,950	1,132,536	1,862,609	9,486,479
Transfers Out	(4,073,568)	(2,738,831)	-	(3,174,080)	(9,986,479)
TOTAL OTHER FINANCING SOURCES (USES)	(3,058,506)	3,678,028	1,132,536	(1,311,471)	440,587
NET CHANGE IN FUND BALANCES	(2,278,914)	(2,729,235)	(2,091,342)	1,228,454	(5,871,037)
FUND BALANCE - Beginning of Year	20,978,406	81,142,369	3,337,343	15,538,511	120,996,629
FUND BALANCE - End of Year	\$ 18,699,492	\$ 78,413,134	\$ 1,246,001	\$ 16,766,965	\$ 115,125,592

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, 2018

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (5,871,037)**

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.	66,387
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.	3,384,072
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.	(716,654)
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.	154,455
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.	274,918
Deferred 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 deferred refunding charges for the year.	(125,241)
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.	(359,230)
Changes in the County's deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(36,566)
Changes in the County's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(7,891,239)
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.	13,890,892
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 \$13,809,533, net gain on disposals of \$384,594 and net loss on disposals of \$468,700 exceeded capital asset additions of \$22,946,659 excluding donated capital additions of \$13,890,892.	9,053,020

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 11,823,777**

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

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	SOLID WASTE	TOTALS
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 64,623,270	\$ 13,582,675	\$ 78,205,945
Accounts Receivable, Net of Allowance	4,298,866	337,625	4,636,491
Due from Federal, State and Local Governments, Net of Allowance	231,708	1,307,082	1,538,790
Due from Other Funds	-	68,519	68,519
Cash and Cash Equivalents-Restricted	5,811,602	-	5,811,602
TOTAL CURRENT ASSETS	74,965,446	15,295,901	90,261,347
NON-CURRENT ASSETS:			
CAPITAL ASSETS:			
Non-Depreciable	36,008,340	2,268,866	38,277,206
Depreciable, Net of Accumulated Depreciation	333,427,271	20,761,072	354,188,343
TOTAL CAPITAL ASSETS	369,435,611	23,029,938	392,465,549
OTHER NON-CURRENT ASSETS:			
Accounts Receivable, Due in More Than One Year	9,312,284	-	9,312,284
TOTAL OTHER NON-CURRENT ASSETS	9,312,284	-	9,312,284
TOTAL NON-CURRENT ASSETS	378,747,895	23,029,938	401,777,833
TOTAL ASSETS	453,713,341	38,325,839	492,039,180
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges	5,050,506	156,200	5,206,706
Deferred Pension Charges	2,523,403	1,071,924	3,595,327
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,573,909	1,228,124	8,802,033
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 461,287,250	\$ 39,553,963	\$ 500,841,213

(Continued)

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

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	SOLID WASTE	TOTALS
LIABILITIES			
CURRENT LIABILITIES:			
Accounts Payable and Accrued Liabilities	\$ 3,048,387	\$ 87,500	\$ 3,135,887
Landfill Closure and Postclosure Cost Liability	-	7,134,219	7,134,219
Accrued Interest Payable	491,109	11,788	502,897
Accrued Compensated Absences	197,716	98,858	296,574
Due to Other Funds	2,574,557	-	2,574,557
Unearned Revenue	1,417,940	7,938	1,425,878
Bonds, Leases, and Notes Payable	8,302,031	521,480	8,823,511
TOTAL CURRENT LIABILITIES	16,031,740	7,861,783	23,893,523
NON-CURRENT LIABILITIES:			
Net OPEB Liability	531,967	206,903	738,870
Accrued Compensated Absences, net current portion	593,150	296,575	889,725
Landfill Closure and Postclosure Cost Liability, net current portion	-	7,297,504	7,297,504
Bonds, Leases, and Notes Payable, net current portion	146,389,108	6,973,130	153,362,238
Net Pension Liability	13,803,594	6,132,799	19,936,393
TOTAL NON-CURRENT LIABILITIES	161,317,819	20,906,911	182,224,730
TOTAL LIABILITIES	177,349,559	28,768,694	206,118,253
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension and OPEB Credits	94,767	39,511	134,278
TOTAL DEFERRED INFLOWS OF RESOURCES	94,767	39,511	134,278
NET POSITION			
Net Investment in Capital Assets	228,454,051	16,056,808	244,510,859
Restricted for Debt Service	404,054	-	404,054
Unrestricted	54,984,819	(5,311,050)	49,673,769
TOTAL NET POSITION	283,842,924	10,745,758	294,588,682
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 461,287,250	\$ 39,553,963	\$ 500,841,213

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, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	SOLID WASTE	TOTALS
OPERATING REVENUES			
Sales and Services	\$ 41,509,901	\$ 12,763,993	\$ 54,273,894
Impact and Connection Fees	16,385,228	-	16,385,228
Other Operating Revenue	1,581,341	171,529	1,752,870
TOTAL OPERATING REVENUES	59,476,470	12,935,522	72,411,992
OPERATING EXPENSES			
Personnel Services	8,697,442	3,313,294	12,010,736
Utilities	3,978,405	155,278	4,133,683
Office Expenses	663,962	61,289	725,251
Maintenance and Repairs	6,120,979	2,451,766	8,572,745
Contractual Services	1,292,586	564,991	1,857,577
Other Services and Charges	3,989,485	1,130,223	5,119,708
Depreciation	14,647,669	2,894,615	17,542,284
Landfill Closure and Postclosure Costs	-	1,584,557	1,584,557
TOTAL OPERATING EXPENSES	39,390,528	12,156,013	51,546,541
OPERATING INCOME	20,085,942	779,509	20,865,451
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	382,891	212	383,103
Grant Revenue	1,652,951	218,236	1,871,187
Gain on Disposition of Assets	136,223	480,956	617,179
Interest Expense	(7,957,537)	(170,808)	(8,128,345)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(5,785,472)	528,596	(5,256,876)
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	14,300,470	1,308,105	15,608,575
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	17,995,985	-	17,995,985
Transfers In	500,000	-	500,000
TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS	18,495,985	-	18,495,985
CHANGE IN NET POSITION	32,796,455	1,308,105	34,104,560
NET POSITION, Beginning of Year	251,257,325	9,519,652	260,776,977
Restatement due to Change in Accounting Principle - See Note IV.N	(210,856)	(81,999)	(292,855)
NET POSITION, Beginning of Year, restated	251,046,469	9,437,653	260,484,122
NET POSITION, End of Year	\$ 283,842,924	\$ 10,745,758	\$ 294,588,682

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, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	SOLID WASTE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Users	\$ 60,367,035	\$ 13,022,409	\$ 73,389,444
Cash Paid to Suppliers and Employees	(27,959,407)	(8,374,132)	(36,333,539)
NET CASH PROVIDED BY OPERATING ACTIVITIES	32,407,628	4,648,277	37,055,905
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Non-Capital Grant Contributions (Repayments)	2,717,903	1,227,217	3,945,120
Transfers and Advances Between Funds	500,000	-	500,000
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	3,217,903	1,227,217	4,445,120
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Sale of Assets	136,223	480,956	617,179
Acquisition and Construction of Capital Assets	(11,459,192)	(2,028,063)	(13,487,255)
Principal Paid - Bonds and Notes Payable	(6,427,154)	(799,084)	(7,226,238)
Interest Paid - Bonds and Notes Payable	(6,856,975)	(195,280)	(7,052,255)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(24,607,098)	(2,541,471)	(27,148,569)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income on Investments	382,891	212	383,103
NET CASH PROVIDED BY INVESTING ACTIVITIES	382,891	212	383,103
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,401,324	3,334,235	14,735,559
CASH AND CASH EQUIVALENTS, Beginning of Year	59,033,548	10,248,440	69,281,988
CASH AND CASH EQUIVALENTS, End of Year	\$ 70,434,872	\$ 13,582,675	\$ 84,017,547
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and Cash Equivalents - Current Assets	\$ 64,623,270	\$ 13,582,675	\$ 78,205,945
Restricted Cash and Cash Equivalents - Current Assets	5,811,602	-	5,811,602
	\$ 70,434,872	\$ 13,582,675	\$ 84,017,547

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, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER AND SEWER	SOLID WASTE	TOTALS
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:			
Operating Income	\$ 20,085,942	\$ 779,509	\$ 20,865,451
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:			
Depreciation and Amortization	14,647,669	2,894,615	17,542,284
Non-Cash Pension Expense	(1,602,907)	(686,960)	(2,289,867)
(Increase) Decrease in Assets and Deferred Outflows of Resources:			
Accounts Receivable	(115,425)	86,887	(28,538)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:			
Accounts Payable and Accrued Liabilities	(2,056,707)	(15,000)	(2,071,707)
Landfill Closure and Postclosure Cost Liability	-	1,584,557	1,584,557
Compensated Absences Payable	(2,247)	(1,123)	(3,370)
Due to Other Funds	429,226	(464)	428,762
Unearned Revenue	1,005,990	-	1,005,990
Unfunded OPEB Liability	16,087	6,256	22,343
Total Adjustments	12,321,686	3,868,768	16,190,454
Net Cash Provided by Operating Activities	\$ 32,407,628	\$ 4,648,277	\$ 37,055,905
Schedule of Noncash Investing, Capital and Financing Activities:			
Acquisition of Capital Assets Through Developer Contributions	\$ 17,995,985	\$ -	\$ 17,995,985
Amortization of Bond Premium and Deferred Refunding Costs	\$ 1,185,249	\$ (22,947)	\$ 1,162,302

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, 2018

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and Cash Equivalents	\$ 39,574,338
Investments	26,175
Accounts Receivable	284,389
TOTAL ASSETS	<u>\$ 39,884,902</u>
LIABILITIES	
Due to School District	\$ 20,451,569
Due to Other Designated Recipients	19,433,333
TOTAL LIABILITIES	<u>\$ 39,884,902</u>

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, 2018

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 core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The financial reporting entity includes the County (a primary entity).

A primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

An organization can provide a financial benefit to, or impose a financial burden on, a primary government in a variety of ways. The benefit or burden may result from legal entitlements or obligations, or it may be less formalized and exist because of decisions made by the primary government or agreements between the primary government and a component unit. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists:

- 1) The primary government is legally entitled to or can otherwise access the organization's resources.
- 2) The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- 3) The primary government is obligated in some manner for the debt of the organization.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Blended Component Unit

Based on the previously discussed criteria, the County has one blended component unit. The Berkeley County Economic Development Corporation is a non-profit corporate entity, established on January 26, 2016; the purpose of which is to exclusively support Berkeley County government in relieving and reducing unemployment in Berkeley County (the "County"); promoting and providing for additional and maximum employment and bettering and maintaining job opportunities; attracting new industry and business to, and encouraging the development and retention of industry and business in, the County; promoting, alone, or in concert with federal, state, and local officials and interested national, state, and local groups, the economic growth and business prosperity of the County; promoting and improving the County's freight roadway, rail and aviation assets; creating and coordinating financial incentives available in the County and increasing private investment in the County; preserving and augmenting the tax base of the County; and undertaking fundraising and projects to retain and increase economic development and improve quality of life in the County, including contracts with the County. This activity is reported in special revenue fund - miscellaneous special revenue.

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. In 2008, the County executed an agreement with the Lake Marion Regional Water Agency ("Lake Marion WA"). 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. Both Lake Marion WA and Lake Moultrie are not owned by nor is it fiscally dependent upon the County. See Joint Municipal Water System Note III.D for further details.

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.

1. 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are presented by fund type and are excluded from the government-wide financial statements.

2. 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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. *Major and Non-major Funds (Continued):*

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 Project 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.

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, Geographic Information System, Storm Water Management, Highway "C" Funds, EMS Equipment, Clerk of Court, State Accommodations Tax, Sheriff's Grants, Miscellaneous Special Revenue, Victims' Assistance, Solicitor's Grants, County Accommodations Tax, PARD Grant, Local Economic Development, 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, 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.

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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, special assessments and emergency medical service charges 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, special assessment and emergency medical service charges receivables are recorded but 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.

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.

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.

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Interfund Activity

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.

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.
- (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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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)

- (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.

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."

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Receivables (continued)

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, 2018. 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, including capital projects to be performed by the South Carolina Department of Transportation for which funding as previously been provided and reported in the Capital Project Fund as prepaids.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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 and employees may not accrue more than 135 days.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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 refunding, 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 (delinquent 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 (current property taxes). (3) The County also reports *deferred pension and OPEB 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 and Other Post-Employment Benefits. 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, 2018

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, the remaining balance is reported as unrestricted.

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 can report a positive unassigned fund balance amount.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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)

Flow Assumptions - 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. For unrestricted amounts of fund balance it is the County's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

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 \$14,551,682 as of June 30, 2018 which represents 17% of the original budgeted expenditures for the General Fund of approximately \$85,598,131, for the year ending June 30, 2019.

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. The County accounts for these contributions under GASB 33 Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

In government-wide financial statements and proprietary fund statements, other postemployment benefits (“OPEB”) are required to be recognized and disclosed using the accrual basis of accounting (see the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amounts recognized as OPEB expenditures on the modified accrual basis of accounting. The County recognizes net OPEB liabilities for each plan for which it participates, which represents the excess of the total OPEB liability over the fiduciary net position of the qualified plan. Changes in the OPEB liabilities during the period are recorded as OPEB expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in OPEB liabilities 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 of the remaining service life of all participants in the respective qualified plan and recorded as a component of OPEB expense beginning with the period in which they are incurred. Any projected earnings as qualified OPEB plan investments are recognized as a component of OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of OPEB expense on the closed basis over a five-year period beginning with the period in which the difference occurred.

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. Significant New Accounting Standards Adopted/Pending

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The County will implement the new guidance with the 2019 financial statements.

GASB Statement No. 84, *Fiduciary Activities*, addresses the criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The County will implement the new guidance with the 2020 financial statements.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The County implemented the new guidance with the 2018 financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Significant New Accounting Standards Adopted/Pending (continued)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, addresses consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The County implemented the new guidance with the 2018 financial statements and it had no effect on the County's financial statements.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The County will implement the new guidance with the 2021 financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt, defining debt as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The statement requires that additional essential information related to the debt be disclosed, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The County will implement the new guidance with the 2019 financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The County will implement the new guidance with the 2021 financial statements.

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61* is intended to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the government's holding meets the definition of an investment. It provides guidance as to whether the investment should be reported using the equity method or be reported at fair value.

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with GAAP for the General Fund and for all of the Special Revenue Funds except the following: Special Revenue - Clerk of Court, Sheriff's Grants, Highway "C" Funds, Economic Development, National Forest Fund, and Miscellaneous 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, 2018, net amendments totaling approximately \$1,337,000 were made to increase the General Fund budget.

Annual appropriations lapse at the end of the fiscal year.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the County's deposits might not be recovered. The County does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2018, none of the County's bank balances, including money market accounts of \$176,172,715 (which had a carrying value of \$174,125,103) were exposed to custodial credit risk.

Investments

As of June 30, 2018, 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	\$ 28,911,007	AA+	Aaa	AAA	< 1 Year
Certificate of Deposits	26,175	N/A	N/A	N/A	< 1 Year
Total Investments	<u>\$28,937,182</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:

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2018****III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)****A. Deposits and Investments (Continued)**

Level 1: Quoted prices for identical investments in active markets

Level 2: Observable inputs other than quoted market prices; and,

Level 3: Unobservable inputs.

At June 30, 2018, 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	\$ 28,911,007	\$ -	\$ 28,911,007	\$ -
Certificate of Deposit	26,175	26,175	-	-
Total Investments	<u>\$28,937,182</u>	<u>\$ 26,175</u>	<u>\$ 28,911,007</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, 2018, 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.

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	\$ 174,125,103
Fair Value of Investments	28,937,182
Total	<u>\$ 203,062,285</u>
Statement of Net Position:	
Cash and Cash Equivalents	\$ 102,055,830
Restricted Cash and Cash Equivalents	32,494,935
Restricted Investments	28,911,007
Statement of Fiduciary Net Position:	
Cash and Cash Equivalents	39,574,338
Investments	26,175
Total	<u>\$ 203,062,285</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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:

	General	Capital Projects Fund	Economic Development Project - Special Revenue Fund	Nonmajor Funds	Water and Sewer	Solid Waste	Totals
Receivables:							
Property Taxes	\$ 42,333,008	\$ 206,892	\$ -	\$ 21,412,941	\$ -	\$ -	\$ 63,952,841
Transportation Sales Tax	-	7,794,037	-	-	-	-	7,794,037
Accounts	1,917,487	-	-	302,860	4,853,907	337,625	7,411,879
Federal, State and Local Governments	2,231,731	1,578,528	8,160,613	4,207,691	231,708	1,307,082	17,717,353
Total	46,482,226	9,579,457	8,160,613	25,923,492	5,085,615	1,644,707	96,876,110
Less Allowance for Uncollectibles:							
Taxes	(2,418,442)	(8,276)	-	(1,373,805)	-	-	(3,800,523)
Accounts	-	-	-	-	(555,041)	-	(555,041)
Total	(2,418,442)	(8,276)	-	(1,373,805)	(555,041)	-	(4,355,564)
Net Receivables	\$ 44,063,784	\$ 9,571,181	\$ 8,160,613	\$ 24,549,687	\$ 4,530,574	\$ 1,644,707	\$ 92,520,546

The Water and Sewer Fund includes a non-current receivable in the amount of \$9,312,284 which is related to impact and connection fees associated with services provided in relation to industrial economic growth into the County.

C. Interfund Receivables and Payables

The composition of interfund balances at June 30, 2018 is as follows:

	Receivable Fund	Payable Fund
General Fund	\$ 3,343,934	\$ 439,766
Special Revenue Funds:		
Emergency Preparedness	-	48,078
Economic Development Project	-	400,000
Miscellaneous Special Revenue	-	34,324
Sheriff's Grants	-	284,953
Solicitor's Grants	-	45,465
State Accommodations Tax	-	4,123
Local Economic Development	3,743,812	-
PARD Grant	-	9,981
Regional Disaster Planning Grant	-	5,529
Airport Improvements	-	3,309,489
Enterprise Funds:		
Water and Sewer	-	2,574,557
Solid Waste	68,519	-
Total	\$ 7,156,265	\$ 7,156,265

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

D. Capital Assets

Governmental capital asset activity for the year ended June 30, 2018, is as follows:

	Balance 6/30/2017	Increases	Decreases	Balance 6/30/2018
Capital Assets, Not Being Depreciated:				
Land	\$ 5,717,625	\$ 554,289	\$ -	\$ 6,271,914
Construction in Progress	21,962,526	15,945,867	(1,523,108)	36,385,285
Total Capital Assets, Not Being Depreciated	27,680,151	16,500,156	(1,523,108)	42,657,199
Capital Assets, Being Depreciated:				
Buildings	45,529,323	77,433	-	45,606,756
Furniture	1,570,511	14,817	-	1,585,328
Equipment	17,573,209	3,456,134	(765,230)	20,264,113
Software	2,384,213	36,280	-	2,420,493
Vehicles	16,304,391	4,147,631	(1,388,538)	19,063,484
Improvements	20,803,645	280,841	-	21,084,486
Library Materials	2,568,943	333,977	(172,318)	2,730,602
Infrastructure	210,346,725	13,847,362	-	224,194,087
Total Capital Assets, Being Depreciated	317,080,960	22,194,475	(2,326,086)	336,949,349
Less: Accumulated Depreciation For:				
Buildings	17,527,847	1,105,383	-	18,633,230
Furniture	1,468,904	22,026	-	1,490,930
Equipment	13,159,805	1,230,362	(474,773)	13,915,394
Software	1,917,738	133,045	-	2,050,783
Vehicles	9,152,554	1,775,541	(1,290,911)	9,637,184
Improvements	12,221,174	1,097,673	-	13,318,847
Library Materials	1,196,717	322,224	(172,320)	1,346,621
Infrastructure	109,891,227	8,123,279	-	118,014,506
Total Accumulated Depreciation	166,535,966	13,809,533	(1,938,004)	178,407,495
Total Capital Assets, Being Depreciated, Net	150,544,994	8,384,942	(388,082)	158,541,854
Governmental Activities Capital Assets, Net	\$ 178,225,145	\$ 24,885,098	\$ (1,911,190)	\$ 201,199,053

During the year ended June 30, 2018, the County recorded approximately \$13,890,892 in infrastructure contributed from developers and donated equipment and vehicles for its governmental activities. The County also participates in capital projects that results in capital assets that will be turned over to federal, state or other local governments. These expenditures have been reported as capital outlay in the governmental fund activity but not additions to the County's capital assets.

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2018****III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)****D. Capital Assets (Continued)**

Business-Type capital asset activity for the year ended June 30, 2018, is as follows:

	Balance 6/30/2017	Increases	Decreases	Balance 6/30/2018
Capital Assets, Not Being Depreciated:				
Land	\$ 3,563,403	\$ -	\$ -	\$ 3,563,403
Construction in Progress	44,092,639	12,849,459	(22,228,294)	34,713,804
Total Capital Assets, Not Being Depreciated	47,656,042	12,849,459	(22,228,294)	38,277,207
Capital Assets, Being Depreciated:				
Utility Systems, Treatment Plants and Buildings	502,433,422	37,138,940	-	539,572,362
Equipment, Vehicles and Furniture	25,461,788	3,799,724	(1,441,712)	27,819,800
Lake Moultrie Water Agency	11,086,345	-	-	11,086,345
Total Capital Assets, Being Depreciated	538,981,555	40,938,664	(1,441,712)	578,478,507
Less: Accumulated Depreciation For:				
Utility Systems, Treatment Plants and Buildings	181,501,960	14,575,592	-	196,077,552
Equipment, Vehicles and Furniture	19,453,801	2,583,365	(1,365,122)	20,672,044
Lake Moultrie Water Agency	7,157,242	383,327	-	7,540,569
Total Accumulated Depreciation	208,113,003	17,542,284	(1,365,122)	224,290,165
Total Capital Assets, Being Depreciated, Net	330,868,552	23,396,380	(76,590)	354,188,342
Business-Type Activities Capital Assets, Net	\$ 378,524,594	\$ 36,245,839	\$ (22,304,884)	\$392,465,549

During the year ended June 30, 2018, the County recorded approximately \$17,996,000 in utility systems contributed by developers and others. No interest was capitalized for the business-type activities during the year ended June 30, 2018.

Depreciation expense for the year ended June 30, 2018 was charged to County functions as follows:

Governmental Activities:	
General Government	\$ 1,164,866
Public Safety	2,211,495
Airport, Highways and Streets	9,561,828
Culture and Recreation	592,816
Health and Welfare	242,664
Community Development	35,864
Total Governmental Activities Depreciation	<u>\$ 13,809,533</u>
Business-Type Activities:	
Water and Sewer	\$ 14,647,669
Solid Waste	2,894,615
Total Business-Type Activities Depreciation	<u>\$ 17,542,284</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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, 2018, 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 \$10,253,000, \$37,000, and \$1,481,583, respectively. A significant portion of these commitments will be funded through state grants.

Joint Municipal Water Systems

The County previously, 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, 2018 was \$7,540,569 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 fourth quarter of 2017. 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 had no additional contribution during the year ended June 30, 2018, but maintains a total of \$18,635,357 in construction in progress as the project was not completed as of June 30, 2018.

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

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 947,554
2020	975,668
2021	1,022,986
2022	1,071,978
2023	2,201,209
	<u>\$ 6,219,395</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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 3.04 million gallons a day, or 38% 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.

The County is currently in discussions with Lake Marion WA for additional capacity. Right-of-way is now being purchased for this extension and the design is approximately 35% complete.

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2018****III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)****E. Interfund Transfers**

Interfund transfers for the year ended June 30, 2018, consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 1,002,384	\$ 4,073,568
Capital Projects Fund	5,488,950	2,738,831
Non-major Special Revenue Funds:		
Economic Development	-	409,536
National Forest Fund	-	349,937
Emergency Preparedness Fund	397,445	-
GIS Fund	342,121	-
Storm Water Management	24,732	-
EMS Equipment Fund	2,150	-
State Accommodations Tax Fund	-	31,324
Sheriffs Grants Fund	627,721	-
Miscellaneous Special Revenue Fund	54,425	500,000
Victims' Assistance	174,350	-
County Accommodations Tax Fund	-	178,814
Local Economic Development Fund	68,134	1,636,335
Airport Improvements Fund	171,531	68,134
Economic Development Project Special Revenue Fund	1,132,536	-
Enterprise Funds:		
Water and Sewer	500,000	-
Total	<u>\$ 9,986,479</u>	<u>\$ 9,986,479</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 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, 2018, the County had transferred the total of \$4,800,000 to the Water and Sewer Fund.

In July 2015, The County Council passed a resolution regarding revenues received from the Volvo fee in lieu of taxes agreement "FILOT". The resolution states that an annual amount of \$500,000 in these fees collected are to be transferred to the Water and Sewer Fund until a total of \$5,000,000 has been transferred. During the year ended June 30, 2018, no fee was received from Volvo but a transfer in the amount of \$472,690 was made from the Miscellaneous Special Revenue Fund to the Water and Sewer Fund and considered the first transfer of this resolution. As of June 30, 2018, the County had transferred a total of \$472,690 to the Water and Sewer Fund in relation to this resolution.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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 \$636,000 represents resources received in the current and prior periods, but unearned as of June 30, 2018. 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 \$58,613,000 at June 30, 2018 represents property tax and stormwater fee receivables that are applicable to and will be received in future periods but have already been levied. 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 \$1,155,000 at June 30, 2018 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, 2018:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
Series 2009A Bond	\$ 505,000	\$ -	\$ 225,000	\$ 280,000	\$ 280,000
Series 2012 Refunding Bond	11,935,000	-	680,000	11,255,000	1,345,000
Series 2013 General Obligation Refunding Bonds	3,045,000	-	576,000	2,469,000	65,000
Series 2015 General Obligation Refunding Bonds	6,905,000	-	330,000	6,575,000	240,000
Series 2016 General Obligation Bonds	26,425,000	-	1,050,000	25,375,000	975,000
Series 2016 Refunding Bonds	10,070,000	-	-	10,070,000	-
Subtotal	58,885,000	-	2,861,000	56,024,000	2,905,000
Premium - Series 2012 Bond	439,455	-	39,950	399,505	-
Premium - Series 2015 Bond	210,036	-	15,003	195,033	-
Premium - Series 2016 General Obligation Bonds	2,895,661	-	206,833	2,688,828	-
Premium - Series 2016 Refunding Bonds	157,588	-	13,132	144,456	-
Total - General Obligation Bonds	62,587,740	-	3,135,918	59,451,822	2,905,000
Intergovernmental Loan	4,000,000	-	400,000	3,600,000	400,000
Capital Lease	260,074	716,654	320,096	656,632	102,538
Compensated Absences	7,415,182	2,997,046	2,637,816	7,774,412	3,429,355
Total Governmental Activities	\$ 74,262,996	\$ 3,713,700	\$ 6,493,830	\$ 71,482,866	\$ 6,836,893

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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	\$ 33,860,000	\$ -	\$ 33,860,000	\$ -	\$ -
Series 2002 Revenue Bond - Solid Waste	200,000	-	200,000	-	-
Series 2013 Refunding Bond - Combined Utilities	98,795,000	-	4,895,000	93,900,000	5,190,000
Series 2014 Revenue Bond - Combined Utilities	20,040,000	-	315,000	19,725,000	325,000
Subtotal	152,895,000	-	39,270,000	113,625,000	5,515,000
Premium - Series 2008A Revenue Bond - Water & Sewer	256,801	-	256,801	-	-
Premium - Series 2013 Refunding Bond - Combined Utilities	15,584,561	-	1,198,812	14,385,749	-
Premium - Series 2014 Refunding Bond - Combined Utilities	900,263	-	52,955	847,308	-
Total Revenue Bonds	169,636,625	-	40,778,568	128,858,057	5,515,000
State Revolving Fund Loan - AD Hare Rehab. - Water & Sewer	766,760	-	61,810	704,950	62,431
Promissory Note					
(Designated as a combined Utility System Revenue Bond, Series 2018A)	-	31,289,000	-	31,289,000	3,036,000
Capital Leases Payable	517,170	959,356	142,784	1,333,742	210,080
Landfill Closure and Postclosure Care Cost	12,847,166	1,584,557	-	14,431,723	7,134,219
Compensated Absences	1,189,669	-	3,370	1,186,299	296,574
Total Business-Type Activities	\$ 184,957,390	\$ 33,832,913	\$ 40,986,532	\$ 177,803,771	\$ 16,254,304

For the governmental activities obligations, General Fund resources typically have been used in prior years to liquidate compensated absences payable and notes payable; 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.

General obligation bonds payable at June 30, 2018 are comprised of the following issues:

Title of Issues	Principal Amount Outstanding
Series 2009A General Obligation Bonds, with interest ranging from 3.55% to 4.75%, matures 2029.	\$ 280,000
Series 2012 General Obligation Refunding Bonds, with interest ranging from 2.0% to 4.0%, matures 2026.	11,255,000
Series 2013 General Obligation Refunding Bonds, with interest at 3.02%, matures 2027.	2,469,000
Series 2015 General Obligation Refunding Bonds, with interest at 3.0%, matures 2031.	6,575,000
Series 2016 General Obligation Bonds, with interest ranging from 3.0% to 5.0%, matures 2031.	25,375,000
Series 2016 General Obligation Advance Refunding Bonds, with interest ranging from 2.0% to 2.25%, matures 2029.	10,070,000
Total	<u>\$ 56,024,000</u>

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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.

Intergovernmental Note Payable

On June 15, 2017, the County entered into a ten-year intergovernmental loan agreement with the South Carolina Public Service Authority (the "Public Service Authority") whereby the Public Service Authority advanced \$4,000,000 to be used in funding the construction of a manufacturing training facility within the County. The County has the ability to receive up to an additional \$2,500,000 of funding, if necessary. The loan will be paid using Fee in Lieu of Tax payments reported in Economic Development Special Revenue Fund. The Loan will accrue no interest for the first three years and then interest accrues on the loan at a rate equal to the rate borne by 10-year U.S. Treasury Bonds, with such rate adjusted annually on January 15. The rate at June 30, 2017 was approximately 4.8%. The loan matures on June 16, 2027. The County may prepay the outstanding principal balance of this Note in whole or in part at any time without penalty or premium.

Leases Payable

The County entered into capital lease agreements for the use of three commercial pieces of equipment related to the Solid Waste Fund during the fiscal year ended June 30, 2016. The net book value of these three pieces of equipment leased is approximately \$388,000. 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.

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, 2018. The net book value of equipment leased is approximately \$881,000. The leases are for a sixty month term with an annual interest rate of approximately 7.79% and will terminate in May 2023 when the County will have the option of purchasing the equipment at an optional purchase price of approximately \$247,000.

The County entered into capital lease agreement for emergency equipment in the amount of approximately \$717,000 during the fiscal year ended June 30, 2018, of which the County received capital equipment of approximately \$665,000 and the City of Hanahan received capital equipment of approximately \$52,000. The lease is for a six-year term with an interest rate of approximately 2.6% and will terminate in August 2020. This has been reported in the governmental funds statements in the capital projects fund as capital lease proceeds, capital outlay and local governments receivable. A balance of \$25,721 is due from the City of Hanahan as of June 30, 2018.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

G. Long-term Obligations (Continued)

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, 2018, the outstanding balance of the loan was \$704,950 and is being repaid through quarterly payments of \$17,312 through June 2029, including interest at 1%.

Promissory Note – Designated as a Combined Utility System Revenue Bond, Series 2018A

The County entered into a promissory note agreement in the amount of \$31,289,000 with a financial institution in May 2018, to provide resources to purchase US Government Treasury Notes that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$31,135,000 of Water and Sewer System, Revenue Bonds, Series 2008 A and issuance fees of \$154,000. The reacquisition price exceeded the net carrying amount of the old debt by approximately \$1.9 million which has been expensed upon acquisition of this promissory note. As a result, the refunded revenue bond is considered defeased and the liability has been removed from the Proprietary Funds Statement of Net Position. This refunding was undertaken to substantially reduce interest cost to the County and to level future debt service requirements to minimize the impact on the sale and service charges. The revised debt service net cash flow was decreased by \$3,458,457 over the next eleven years and resulted in an economic gain of \$3,011,291. At June 30, 2018, \$31,135,000 of the bonds are considered defeased.

Revenue Bonds

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

In 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 currently refund \$2,839,120 of the Series 2000 Water and Sewer Revenue Bonds, currently 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. This refunding was undertaken to increase gross cash flow savings by \$24,111,020 and resulted in a gross economic gain of \$21,355,284. With the \$8,936,362 contributed from prior Debt Service Reserve Funds taken into consideration, the net cash flow savings were \$15,174,658 and the net economic gain was \$12,418,922. The portion of the bonds that has been refunded is considered to be defeased until redemption beginning on June 1, 2016 has been removed from the Statement of Net Position.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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

G. Long-term Obligations (Continued)

Revenue Bonds (Continued)

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, 2018, the County has allocated \$5,729,294 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.

Revenue bonds payable at June 30, 2018 are comprised of the following issues:	Outstanding Principal
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%	\$ 93,900,000
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%	19,725,000
Total Revenue Bonds	\$ 113,625,000

There are numerous limitations, restrictions, and covenants contained in the various revenue bond indentures and ordinances, for which The County is in compliance for the year ended June 30, 2018. 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. County Council approved a 15% water rate increase effective July 1, 2017 as part of the approved fiscal year end June 30, 2018 budget and an additional 10% water increase being approved for fiscal year end June 30, 2019.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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		Intergovernmental Loan		Capital Leases Payable		
Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest	Total
<u>Governmental Activities</u>							
2019	\$ 2,905,000	\$ 1,778,195	\$ 400,000	\$ -	\$ 102,538	\$ 1,772	\$ 5,187,505
2020	2,958,000	1,682,182	400,000	-	105,204	14,406	5,159,792
2021	3,121,000	1,588,578	400,000	-	107,939	11,671	5,229,188
2022	3,671,000	1,514,860	400,000	64,680	110,746	8,865	5,770,151
2023	3,841,000	1,423,916	400,000	55,440	113,625	5,985	5,839,966
2024-2028	22,838,000	4,752,691	1,600,000	138,600	116,580	3,031	29,448,902
2029-2031	16,690,000	992,956	-	-	-	-	17,682,956
Total Governmental Activities	\$ 56,024,000	\$ 13,733,378	\$ 3,600,000	\$ 258,720	\$ 656,632	\$ 45,730	\$ 74,318,460

Business-Type Activities	Bonded Indebtedness		Intergovernmental Loan		Promissory Note		Capital Lease Payable		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 5,515,000	\$ 5,206,806	\$ 62,431	\$ 6,816	\$ 3,036,000	\$ 819,772	\$ 217,824	\$ 95,200	\$ 14,959,849
2020	5,775,000	4,940,806	63,057	6,189	3,120,000	740,228	214,076	80,504	14,939,860
2021	6,085,000	4,652,056	63,690	5,556	3,184,000	658,484	310,790	66,679	15,026,255
2022	6,400,000	4,351,306	64,330	4,917	3,253,000	575,064	180,408	49,130	14,878,155
2023	6,805,000	4,038,506	64,975	4,272	3,246,000	489,836	410,644	32,429	15,091,662
2024-2027	41,455,000	12,495,174	266,489	10,497	12,279,000	1,141,770	-	-	67,647,930
2028-2032	37,655,000	4,214,506	119,978	1,202	3,171,000	83,080	-	-	45,244,766
2033-2035	3,935,000	-	-	-	-	-	-	-	3,935,000
Total Business-Type Activities	<u>\$ 113,625,000</u>	<u>\$ 39,899,160</u>	<u>\$ 704,950</u>	<u>\$ 39,449</u>	<u>\$ 31,289,000</u>	<u>\$ 4,508,234</u>	<u>\$ 1,333,742</u>	<u>\$ 323,942</u>	<u>\$ 191,723,477</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 \$14,431,723 reported as an accrual for landfill closure and postclosure care at June 30, 2018, includes the estimated remaining liability of \$843,500 for postclosure care of the previously closed landfill site for another fifteen 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, 2018****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)	0.10	99.0%	\$ 2,622,077	\$ 1,659,408	\$ 4,281,485	\$ 42,815
Subtitle D Cells 5-8 (# 081001-1102)	0.10	98.5%	2,937,332	1,858,921	4,796,253	47,963
Subtitle D Cell 9 (# 081001-1102)	0.25	98.5%	839,671	531,394	1,371,065	13,711
Subtitle D Cell 13 (# 081001-1102)	2.00	0.0%	985,173	623,477	1,608,650	402,163
Subtotal - Subtitle D			7,384,253	4,673,200	12,057,453	506,652
DPW-105 (# 081001-1101)	0.00	100.0%	-	843,500	843,500	-
C&D (# 081001-1201)	0.00	80.0%	1,486,396	551,026	2,037,422	-
C&D - expansion (# 081001-1201)	3.00	0.0%	169,874	62,974	232,848	232,848
			<u>\$ 9,040,523</u>	<u>\$ 6,130,700</u>	<u>\$ 15,171,223</u>	<u>\$ 739,500</u>

These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2018. 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 Association of 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, 2018

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, 2018

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans

State Retirement Plans

The South Carolina Public Employee Benefit Authority (“PEBA”), which was created July 1, 2012, 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 (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (“Systems”) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (“GAAP”). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through 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, 202 Arbor Lake Drive, Columbia, SC 29223. 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.

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Membership (continued)

- **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.

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.

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2018****IV. OTHER INFORMATION (CONTINUED)****D. Retirement Plans (Continued)***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.

The Retirement System Funding and Administration Act of 2017 increased employer contribution rates to 13.56 percent for SCRS and 16.24 percent for the PORS, effective July 1, 2017. It also removed the 2.9 percent and the 5 percent differential and increased and established a ceiling on employee contribution rates at 9 percent and 9.75 percent for the SCRS and the PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next ten years to a twenty year amortization schedule. The recent pension reform legislation also changes the long term funded ratio requirement from ninety to eight-five.

As noted above, both employees and the County are required to contribute to the Plans at rates established and as amended by the PEBA. The County's contributions are actuarially determined, but are communicated to and paid by the County as a percentage of the employees' annual eligible compensation as follows for the past three years:

	SCRS Rates			PORS Rates		
	2016	2017	2018	2016	2017	2018
Employer Contribution Rate: ^						
Retirement	10.91%	11.41%	13.41%	13.34%	13.84%	15.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	<u>11.06%</u>	<u>11.56%</u>	<u>13.56%</u>	<u>13.74%</u>	<u>14.24%</u>	<u>16.24%</u>
Employee Contribution Rate	<u>8.16%</u>	<u>8.66%</u>	<u>9.00%</u>	<u>8.74%</u>	<u>9.24%</u>	<u>9.75%</u>

^ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2018**

IV. OTHER INFORMATION (CONTINUED)**D. Retirement Plans (Continued)***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, 2015. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2015 actuarial valuations, using membership data as of July 1, 2015, projected forward to June 30, 2017, and financial information of the pension trust funds as of June 30, 2016, 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, 2017, NPL amounts and the change in NPL amounts for SCRS and PORS are as follows:

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	\$ 102,781,087	\$ 79,745,570	\$ 65,768,426
County's proportionate share of the net pension liability of the PORS	\$ 37,082,496	\$ 27,464,645	\$ 19,888,792

At June 30, 2018, the County reported liabilities of \$79,745,570 and \$27,464,645 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, 2017, 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, 2016, 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, 2017, and 2016, the County's SCRS proportion was 0.354242%, and 0.343817%, respectively. At the measurement dates of June 30, 2017, and 2016, the County's PORS proportion was 1.00252%, and 0.89888%, respectively.

For the year ended June 30, 2018, the County recognized pension expense of approximately \$9,264,000 and \$3,955,000 for the SCRS and PORS, respectively. At June 30, 2018, 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, 2018

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	\$ 57,423	\$ (44,200)
Change in Assumptions	4,668,247	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,524,154	-
Changes in Proportion and Differences Between the County's Contributions and Proportionate Share of Contributions	3,186,583	(1,719,638)
The County's Contributions Subsequent to the Measurement Date	4,874,417	-
Total SCRS	15,310,824	(1,763,838)
PORS		
Differences Between Expected and Actual Experience	542,988	-
Change in Assumptions	2,606,648	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	680,646	-
Changes in Proportion and Differences Between the County's Contributions and Proportionate Share of Contributions	2,864,542	-
The County's Contributions Subsequent to the Measurement Date	2,288,586	-
Total PORS	8,983,410	-
Total SCRS and PORS	\$ 24,294,234	\$ (1,763,838)

Approximately \$4,874,000 and \$2,289,000 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, 2018. 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
2018	\$ 2,495,286	\$ 2,082,355	\$ 4,577,641
2019	3,990,434	2,483,521	6,473,955
2020	2,786,754	1,752,085	4,538,839
2021	(599,905)	376,863	(223,042)
Total	\$ 8,672,569	\$ 6,694,824	\$ 15,367,393

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2018****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 periodic 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. An experience report on the System study was most recently issued as of July 1, 2017.

The following table provides a summary of the actuarial cost method and assumptions used in the July 1, 2017, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.25%	7.25%
Salary Increases	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Includes Inflation at	2.25%	2.25%
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. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the determination of the June 30, 2017, TPL are as follows.

Former Job Class	Males	Females
Educators and Judges	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 98%
Public Safety and Firefighters	2016 PRSC Males multiplied by 126%	2016 PRSC Females multiplied by 111%

The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rate of returns represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued) - The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	45%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.30%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total Expected Real Return	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

Discount Rate - The discount rate used to measure the TPL was 7.25 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 Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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 TPL.

Payable to Plans - The County reported payables of approximately \$701,000 and \$302,000 to the PEBA as of June 30, 2018, representing required employer and employee contributions for the month of June 2018 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 2018. The County contributed \$4,874,612 to SCRS and \$2,288,586 for PORS for the year ended June 30, 2018.

Sensitivity of the total pension liability to changes in the discount rate - The following presents the total pension liability, calculated using the discount rate of 7.5%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rates:

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2018****IV. OTHER INFORMATION (CONTINUED)****D. Retirement Plans (Continued)**

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	\$ 102,781,087	\$ 79,745,570	\$ 65,768,426
County's proportionate share of the net pension liability of the PORS	\$ 37,082,496	\$ 27,464,645	\$ 19,888,792

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, 2017, the measurement date, there were 612 covered participants, including 544 active participants and 68 retired participants receiving benefits.

Funding Policy -The County contributes a fixed dollar amount each year. In fiscal year 2017, 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 contributed the contractually required contribution amount of \$298,342 for the year ended June 30, 2018. This represented 1.29% of the covered payroll in the amount of \$23,130,892.

Total OPEB Liability - In previous years, the County reported a net OPEB obligation (liability) consisting of the difference between the annual required contribution into the plan and the actual contributions made by the County. New reporting standards (GASB Statement No. 75) require employers to determine the total OPEB liability using the entry age normal actuarial funding method and to report a net OPEB liability consisting of the difference between the total OPEB liability and the plan's fiduciary net position, if any.

Implementation of New Accounting Standard - As a result of the implementation of GASB Statement No. 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions) during the year ended June 30, 2018, beginning net position for the County's governmental activities decreased by \$1,192,807 and Business-Type Activities decrease by \$292,855. This decrease represents a restatement for the total OPEB liability that was not recognized under previous accounting standards. See Note IV.N for further details.

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

E. Other Post-Employment Benefits (Continued)

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.

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

Actuarial Valuation Date:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar Method
Amortization Period:	30 Years
Actuarial Assumptions:	
Investment Rate of Return:	Discount rate of 3.5% annual return, net of both administrative and investment related expenses
Health Cost Trend:	7.00% 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:	2016 Public Retirees of South Carolina Mortality Table for Males and Females
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.

Plan Assets – There are no plan assets accumulated in a trust by the County that meets the criteria in paragraph of GASB Statement No. 75.

Discount Rate – Projected benefits payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) the long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) the tax-exempt municipal bond rate based on an index of 20 year general obligation bonds with an average AA/Aa credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met) For the purpose of this valuation, the municipal rate is 3.87% .

Sensitivity Analysis - Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability, calculated using the discount rate of 3.87%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rates:

System	Current		
	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 4,971,978	\$ 4,558,523	\$ 4,174,569

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

E. Other Post-Employment Benefits (Continued)

Sensitivity of the total OPEB liability to changes in healthcare cost trends rates – The following presents the total OPEB liability as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current healthcare cost trend rates:

System	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 4,148,583	\$ 4,558,523	\$ 5,046,222

The following schedule presents the changes in the County's total OPEB liability from the valuation date to the measurement date.

Total OPEB Liability	2018
Service cost	\$ 139,207
Interest	159,133
Changes in assumptions	(116,913)
Benefit payments	(86,120)
Implicit rate subsidy fulfillment	(48,762)
Net Change in total OPEB liability	46,545
Total OPEB liability - beginning	4,511,978
Total OPEB liability - ending	\$ 4,558,523
Berkeley County's Covered Payroll	\$ 23,130,892
Total OPEB liability as a percentage of covered payroll	19.71%

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions or other inputs	\$ -	\$ (102,461)
Total OPEB	\$ -	\$ (102,461)

Collective amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
2019	\$ -	\$ (14,459)	\$ (14,459)
2020	-	(14,459)	(14,459)
2021	-	(14,459)	(14,459)
2022	-	(14,459)	(14,459)
2023	-	(14,459)	(14,459)
Thereafter	-	(30,166)	(30,166)
Total	\$ -	\$ (102,461)	\$ (102,461)

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

E. Other Post-Employment Benefits (Continued)

The calculation of OPEB expense for the fiscal year ended June 30, 2018 is presented in the following table:

	2018
Service cost	\$ 139,217
Interest	159,135
Changes in assumptions	(14,459)
OPEB Expense	\$ 283,893

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.

G. Conduit Debt

From time to time, the County issues industrial development, pollution control, special source and other bonds as a conduit issuer and in its own name to assist private-sector entities in the financing of 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, 2018, there were twenty series of Special Source Revenue Bonds with an outstanding aggregate principal amount of approximately \$1.069 billion.

H. Reciprocal Interfund Transactions

During the year ended June 30, 2018, the County's General Fund charged the Water and Sewer and the Solid Waste Funds approximately \$2,000,000 for administrative services.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

IV. OTHER INFORMATION (CONTINUED)

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, 2018 was set by County Council in June 2017 for fiscal 2018 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, 2018 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 2017 tax levy year was approximately \$825.6 million, exclusive of vehicles valued at approximately \$94.4 million, according to the records of the County Auditor and Assessor.

J. 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, 2018. The remaining twenty (20%) of funds were allocated by County Council for capital expenditures and for general county operational expenditures.

K. 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, 2018 totaled approximately \$30,216,000.

L. 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, 2018

IV. OTHER INFORMATION (CONTINUED)

M. Tax Abatement

Pursuant to Governmental Accounting Standard's Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, the County is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement No. 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered that contributes to economic development or otherwise benefits the County or the citizens of the County. The County has entered into such agreements.

The Multi-County Park Program is an economic development tool administered by the county that provides real and personal property tax exemptions and abatements as well as revenue credits to businesses making investments in Berkeley County. Typically, these businesses bring jobs and additional economic benefits to the Berkeley County.

The Authority for which the abatement agreements have been established are SC Code Title 12-Chapter 44, Title 4-Chapter 29 or Title 4-Chapter 12 as well as SC Code Section 4-29-68, Section 4-1-270 and Section 12-44-70 for any eligible revenue credits. There are criteria established in order for an entity to receive an abatement which includes, a minimum investment requirement of generally \$2.5M of investment within a five-year period.

The Multi-County Park geographical area is identified by the county and is authorized under the statutes listed above. The entity must file annual state property tax forms to the state to receive the exemption and the entity must certify to the County eligibility requirements have been met to receive revenue credits. The County may terminate or modify the exemptions and credits from taxation granted under the agreement if the terms of the agreement are not met. Recipient's taxes are reduced through a reduction of the properties assessed value and/or a special source revenue credit against the taxes owed and each agreement is individually negotiated and abatements may be based on a specific dollar amount or percentage of taxes owed. The abated taxes cannot be recaptured and there are no other types of commitments made by the County other than to reduce taxes.

The gross dollar amount, on accrual basis, by which the County's tax revenues were reduced as a result of abatement agreements is as follows; Fiscal Year 2018 (Tax Year 2017) Total abatement for County Operations/Debt - \$4,990,649, Special Source Revenue Credits of \$1,461,704 and Multi-County Park/Fee in Lieu agreements of \$3,388,113. There are individual accounts with abatements greater than ten percent of the total abatement but The County is not legally authorized to release the details on the account(s) meeting the threshold due to non-disclosure agreements.

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2018**

IV. OTHER INFORMATION (CONTINUED)**N. Change in Accounting Principal – Prior Period Adjustment**

The County implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* in the year ended June 30, 2018. Net Position as of June 30, 2017 has been restated in accordance with these provisions. This statement requires the County to recognize the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB on financial statements prepared on the economic resources measurement focus and accrual basis of accounting.

<u>Business-Type Activities - Enterprise Funds</u>	
Water and Sewer Fund - June 30, 2017 as previously reported	\$ 251,257,325
Adjustment to record deferred inflows of resources - OPEB	(14,422)
Adjustment to record Net OPEB liability	(196,434)
Water and Sewer Fund - June 30, 2017, as restated	<u>\$ 251,046,469</u>
Solid Waste Fund - June 30, 2017 as previously reported	\$ 9,519,652
Adjustment to record deferred inflows of resources - OPEB	(5,609)
Adjustment to record Net OPEB liability	(76,390)
Solid Waste Fund - June 30, 2017, as restated	<u>\$ 9,437,653</u>
<u>Governmental Activities</u>	
June 30, 2017 as previously reported	\$ 163,973,023
Adjustment to record deferred inflows of resources - OPEB	(96,882)
Adjustment to record Net OPEB liability	(1,095,925)
June 30, 2017, as restated	<u>\$ 162,780,216</u>

O. Subsequent Events

In preparing these financial statements, the County's management has evaluated events and transactions for potential recognition or disclosure through December 21, 2018, the date the financial statements were available for issuance. Management found no subsequent events to disclose.

BERKELEY COUNTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS			ACTUAL	VARIANCE
	ORIGINAL	FINAL		AMOUNTS	WITH FINAL
REVENUES					BUDGET
Property Taxes	\$ 25,858,016	\$ 25,858,016	\$	25,366,328	\$ (491,688)
Fee in Lieu of Taxes	14,426,039	14,426,039		14,338,936	(87,103)
Local Options Sales Tax	14,735,588	14,735,588		14,455,392	(280,196)
Licenses, Fees and Permits	4,027,500	4,027,500		4,397,760	370,260
Fines, Forfeitures and Fees	10,608,076	10,608,076		9,628,732	(979,344)
Interest Income	5,000	5,000		11,835	6,835
Local Revenue	75,000	75,000		71,387	(3,613)
Intergovernmental - Federal	221,924	221,924		481,540	259,616
Intergovernmental - State and Local	7,579,415	7,579,415		7,924,768	345,353
Insurance Proceeds	-	-		-	-
Miscellaneous	556,770	556,770		1,065,934	509,164
TOTAL REVENUES	78,093,328	78,093,328		77,742,612	(350,716)
EXPENDITURES					
Current:					
General Government					
Legislative	354,873	354,873		228,833	126,040
Judicial	7,709,239	7,819,793		7,486,378	333,415
Executive	476,290	476,290		468,684	7,606
Finance and Administration	19,401,135	19,634,395		17,294,727	2,339,668
Elections	478,322	478,322		525,672	(47,350)
Total General Government	28,419,859	28,763,673		26,004,294	2,759,379
Public Safety					
Sheriff	14,880,329	14,880,329		15,541,204	(660,875)
Crime Stoppers	2,850	2,850		2,850	-
Corrections	8,959,866	9,466,602		9,548,712	(82,110)
Communications	1,714,376	1,718,794		1,392,399	326,395
Emergency Medical Services	8,812,988	8,812,988		7,814,156	998,832
Coroner	523,770	523,770		485,710	38,060
Total Public Safety	34,894,179	35,405,333		34,785,031	620,302
Airport, Highways and Streets					
Airport	390,189	390,495		338,751	51,744
Highways and Streets	5,500,890	5,500,890		5,074,648	426,242
Fleet Management	555,554	555,554		649,429	(93,875)
Engineering	579,113	579,113		644,234	(65,121)
Total Airport, Highways and Streets	7,025,746	7,026,052		6,707,062	318,990
Culture and Recreation					
Berkeley Museum	47,500	47,500		47,500	-
Library	3,811,882	3,811,882		3,594,929	216,953
Total Culture and Recreation	3,859,382	3,859,382		3,642,429.00	216,953

(Continued)

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
EXPENDITURES (CONTINUED)				
Current (Continued):				
Health and Welfare				
Health State	\$ 112,670	\$ 112,670	\$ 138,084	\$ (25,414)
Mosquito Abatement	1,290,448	1,293,799	892,446	401,353
Veterans Services	249,004	249,004	244,464	4,540
Animal Shelter	699,170	699,170	634,834	64,336
Other Programs Assistance	980,400	980,400	906,181	74,219
Total Health and Welfare	3,331,692	3,335,043	2,816,009	519,034
Community Development				
Santee Cooper Country	10,000	10,000	10,000	-
Regional Development Alliance	257,870	257,870	257,870	-
BCD Council of Governments	222,304	222,304	222,304	-
Trident Tech Nursing Program	375,000	375,000	375,000	-
Total Community Development	865,174	865,174	865,174	-
Natural Disaster - Flood	-	-	1,355,811	(1,355,811)
Capital Outlay	-	-	787,210	(787,210)
TOTAL EXPENDITURES	78,396,032	79,254,657	76,963,020	2,291,637
EXCESS (DEFICIENCY) OF REVENUES (UNDER) OVER EXPENDITURES	(302,704)	(1,161,329)	779,592	1,940,921
OTHER FINANCING SOURCES (USES)				
Proceeds from Disposal of Assets	7,500	7,500	12,678	5,178
Transfers In	659,796	659,796	1,002,384	342,588
Transfers Out	(3,764,592)	(4,242,592)	(4,073,568)	169,024
Total Other Financing Sources (Uses)	(3,097,296)	(3,575,296)	(3,058,506)	516,790
NET CHANGE IN FUND BALANCES	(3,400,000)	(4,736,625)	(2,278,914)	2,457,711
FUND BALANCE - Beginning of Year	20,978,406	20,978,406	20,978,406	-
FUND BALANCE - End of Year	\$ 17,578,406	\$ 16,241,781	\$ 18,699,492	\$ 2,457,711

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 CHANGES IN THE COUNTY'S TOTAL OPEB AND RELATED RATIOS**

YEAR ENDED JUNE 30, 2018

<u>Total OPEB Liability</u>	<u>2018</u>
Service cost	\$ 139,207
Interest	159,133
Changes in assumptions	(116,913)
Benefit payments	(86,120)
Implicit rate subsidy fulfillment	(48,762)
Net Change in total OPEB liability	<u>46,545</u>
Total OPEB liability - beginning	<u>4,511,978</u>
Total OPEB liability - ending	<u><u>\$ 4,558,523</u></u>
Berkeley County's Covered Payroll	\$ 23,130,892
Total OPEB liability as a percentage of covered payroll	19.71%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the current year.
Only one year of data was available; thus, only one year was presented.

BERKELEY COUNTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**OTHER POST-EMPLOYMENT BENEFIT PLAN - DEFINED BENEFIT HEALTHCARE PLAN -
SCHEDULES OF CONTRIBUTIONS OF THE COUNTY'S TOTAL OPEB AND RELATED RATIOS**

YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Contractually required contribution	\$ 298,342
Contributions in relation to the contractually required contribution	(298,342)
Contribution deficiency (excess)	<u><u>\$ -</u></u>
 Berkeley County's Covered Payroll	 \$ 23,130,892
 Contributions as a percentage of the covered payroll	 1.29%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the current year.
Only one year of data was available; thus, only one year was presented.

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

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Berkeley County's Proportion of the Net Pension Liability	0.35424%	0.34382%	0.33982%	0.34814%	0.34814%
Berkeley County's Proportionate Share of the Net Pension Liability	\$ 79,745,570	\$ 73,438,802	\$ 64,449,260	\$ 59,938,166	\$ 62,443,897
Berkeley County's Covered Payroll	\$ 36,391,744	\$ 33,271,284	\$ 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 Payroll	219.13%	220.73%	201.88%	189.65%	202.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.300%	52.900%	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 five years of data were available; thus, only five 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 FIVE FISCAL YEARS**

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 4,874,612	\$ 4,152,298	\$ 3,679,804	\$ 3,479,786	\$ 3,350,297
Contributions in Relation to the Contractually Required Contribution	4,874,612	4,152,298	3,679,804	3,479,786	3,350,297
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Berkeley County's Covered Payroll	\$ 35,948,466	\$ 36,391,744	\$ 33,271,284	\$ 31,924,641	\$ 31,604,098
Contributions as a Percentage of Covered Payroll	13.56%	11.41%	11.06%	10.90%	10.60%

Notes to Schedule:

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

BERKELEY COUNTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF BERKELEY COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM**

LAST FIVE FISCAL YEARS

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Berkeley County's Proportion of the Net Pension Liability	1.00252%	0.89888%	0.83882%	0.79599%	0.79599%
Berkeley County's Proportionate Share of the Net Pension Liability	\$ 27,464,645	\$ 22,800,222	\$ 18,282,052	\$ 18,282,052	\$ 16,500,633
Berkeley County's Covered Payroll	\$ 14,032,457	\$ 11,353,009	\$ 10,314,427	\$ 9,557,627	\$ 9,007,265
Berkeley County's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	195.72%	200.83%	177.25%	191.28%	183.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.90%	60.40%	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 five years of data were available; thus, only four 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 FIVE FISCAL YEARS**

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 2,288,586	\$ 1,942,092	\$ 1,554,227	\$ 1,383,165	\$ 1,229,265
Contributions in Relation to the Contractually Required Contribution	2,288,586	1,942,092	1,554,227	1,383,165	1,229,265
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Berkeley County's Covered-Employee Payroll	\$ 14,092,278	\$ 14,032,457	\$ 11,353,009	\$ 10,314,427	\$ 9,557,629
Contributions as a Percentage of Covered-Employee Payroll	16.24%	13.84%	13.69%	13.41%	12.86%

Notes to Schedule:

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

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 2,209,758	\$ 2,209,758
Receivables, Net of Allowances:			
Property Taxes	3,919,494	16,119,642	20,039,136
Accounts Receivable	-	302,860	302,860
Federal, State and Local Governments	-	4,207,691	4,207,691
Due from Other Funds	-	3,743,812	3,743,812
Restricted Cash and Cash Equivalents	1,560,025	9,457,866	11,017,891
TOTAL ASSETS	\$ 5,479,519	\$ 36,041,629	\$ 41,521,148
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ -	\$ 1,095,522	\$ 1,095,522
Due to Other Funds	-	3,741,942	3,741,942
Unearned Revenue	-	1,945	1,945
TOTAL LIABILITIES	-	4,839,409	4,839,409
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	7,931	394,791	402,722
Deferred Revenue	3,888,420	15,623,632	19,512,052
TOTAL DEFERRED INFLOWS OF RESOURCES	3,896,351	16,018,423	19,914,774
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,896,351	20,857,832	24,754,183
FUND BALANCES			
Restricted for:			
Debt Service	1,583,168	-	1,583,168
Economic Development	-	1,500,111	1,500,111
Clerk of Court	-	412,672	412,672
Grants	-	42,079	42,079
Emergency Telephone	-	1,214,799	1,214,799
Stormwater Management	-	3,836,905	3,836,905
Accommodations	-	1,065,099	1,065,099
Other	-	1,205,716	1,205,716
Committed For:			
Special Tax Districts	-	624,474	624,474
Economic Development	-	4,126,892	4,126,892
Geographic Information Systems	-	110,949	110,949
Emergency Preparedness	-	15,276	15,276
Airport Projects	-	8,500	8,500
Parks and Recreation	-	1,020,325	1,020,325
TOTAL FUND BALANCES	1,583,168	15,183,797	16,766,965
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,479,519	\$ 36,041,629	\$ 41,521,148

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, 2018

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 3,861,545	\$ 2,117,216	\$ 5,978,761
Accommodations Taxes	-	844,070	844,070
Fee in Lieu of Taxes	601,360	2,855,678	3,457,038
Fines, Forfeitures and Fees	-	8,851,781	8,851,781
Interest Income	275,581	233	275,814
Local Revenue	-	717,976	717,976
Intergovernmental - Federal	-	2,049,647	2,049,647
Intergovernmental - State and Local	-	3,684,729	3,684,729
Insurance Proceeds	-	26,864	26,864
Miscellaneous	-	848,047	848,047
TOTAL REVENUES	4,738,486	21,996,241	26,734,727
EXPENDITURES			
Current:			
General Government	-	785,896	785,896
Public Safety	-	8,595,648	8,595,648
Airport, Highways and Streets	-	2,616,968	2,616,968
Culture and Recreation	-	707,432	707,432
Community Development	-	3,194,626	3,194,626
Capital Outlay	-	3,549,703	3,549,703
Debt Service:			
Principal Retirement	2,861,000	-	2,861,000
Interest and Fiscal Charges	1,883,529	-	1,883,529
TOTAL EXPENDITURES	4,744,529	19,450,273	24,194,802
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,043)	2,545,968	2,539,925
OTHER FINANCING SOURCES (USES)			
Transfers In	-	1,862,609	1,862,609
Transfers Out	-	(3,174,080)	(3,174,080)
TOTAL OTHER FINANCING SOURCES (USES)	-	(1,311,471)	(1,311,471)
NET CHANGE IN FUND BALANCES	(6,043)	1,234,497	1,228,454
FUND BALANCE - Beginning of Year	1,589,211	13,949,300	15,538,511
FUND BALANCE - End of Year	\$ 1,583,168	\$ 15,183,797	\$ 16,766,965

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	ECONOMIC DEVELOPMENT	NATIONAL FOREST	EMERGENCY PREPAREDNESS
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Receivables, Net of Allowances:			
Property Taxes	-	-	-
Accounts Receivable	-	-	-
Federal, State and Local Governments	-	-	93,089
Due from Other Funds	-	-	-
Restricted Cash and Cash Equivalents	1,500,111	-	-
TOTAL ASSETS	\$ 1,500,111	\$ -	\$ 93,089
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 29,735
Due to Other Funds	-	-	48,078
Unearned Revenue	-	-	-
TOTAL LIABILITIES	-	-	77,813
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	-	-
Deferred Revenue	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	-	-	77,813
FUND BALANCES			
Restricted For:			
Economic Development	1,500,111	-	-
Clerk of Court	-	-	-
Grants	-	-	-
Emergency Telephone	-	-	-
Stormwater Management	-	-	-
Accommodations	-	-	-
Other	-	-	-
Committed For:			
Special Tax Districts	-	-	-
Economic Development	-	-	-
Geographic Information Systems	-	-	-
Emergency Preparedness	-	-	15,276
Airport Improvement	-	-	-
Parks and Recreation	-	-	-
TOTAL FUND BALANCES	1,500,111	-	15,276
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,500,111	\$ -	\$ 93,089

(Continued)

See accompanying independent auditor's report.

GEOGRAPHIC INFORMATION SYSTEM	STORM WATER MANAGEMENT	HIGHWAY "C" FUNDS	EMS EQUIPMENT
\$ 141,656	\$ -	\$ -	\$ -
-	4,855,407	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	4,105,230	38,631	-
\$ 141,656	\$ 8,960,637	\$ 38,631	\$ -
\$ 30,707	\$ 298,511	\$ 38,631	\$ -
-	-	-	-
-	-	-	-
30,707	298,511	38,631	-
-	74,880	-	-
-	4,750,341	-	-
-	4,825,221	-	-
30,707	5,123,732	38,631	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	3,836,905	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
110,949	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
110,949	3,836,905	-	-
\$ 141,656	\$ 8,960,637	\$ 38,631	\$ -

(Continued)

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	CLERK OF COURT	STATE ACCOMMODATIONS TAX	SHERIFF'S GRANTS
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Receivables, Net of Allowances:			
Property Taxes	-	-	-
Accounts Receivable	-	-	137,495
Federal, State and Local Governments	270,557	82,463	240,748
Due from Other Funds	-	-	-
Restricted Cash and Cash Equivalents	178,379	50,558	48,578
TOTAL ASSETS	\$ 448,936	\$ 133,021	\$ 426,821
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 36,264	\$ -	\$ 84,786
Due to Other Funds	-	4,123	284,953
Unearned Revenue	-	-	-
TOTAL LIABILITIES	36,264	4,123	369,739
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	-	-
Deferred Revenue	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	36,264	4,123	369,739
FUND BALANCES			
Restricted For:			
Economic Development	-	-	-
Clerk of Court	412,672	-	-
Grants	-	-	42,079
Emergency Telephone	-	-	-
Stormwater Management	-	-	-
Accommodations	-	128,898	-
Other	-	-	15,003
Committed For:			
Special Tax Districts	-	-	-
Economic Development	-	-	-
Geographic Information Systems	-	-	-
Emergency Preparedness	-	-	-
Airport Improvement	-	-	-
Parks and Recreation	-	-	-
TOTAL FUND BALANCES	412,672	128,898	57,082
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 448,936	\$ 133,021	\$ 426,821

(Continued)

See accompanying independent auditor's report.

MISCELLANEOUS SPECIAL REVENUE	VICTIMS' ASSISTANCE	SOLICITOR'S GRANTS
\$ 37,733	\$ 9,448	\$ -
-	-	-
40,579	8,308	-
-	-	58,131
-	-	-
893,569	-	-
<u>\$ 971,881</u>	<u>\$ 17,756</u>	<u>\$ 58,131</u>
\$ 1,905	\$ 17,756	\$ 12,666
34,324	-	45,465
-	-	-
<u>36,229</u>	<u>17,756</u>	<u>58,131</u>
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
36,229	17,756	58,131
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
935,652	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>935,652</u>	<u>-</u>	<u>-</u>
<u>\$ 971,881</u>	<u>\$ 17,756</u>	<u>\$ 58,131</u>

(Continued)

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	COUNTY ACCOMMODATIONS TAX	PARD GRANT	LOCAL ECONOMIC DEVELOPMENT
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Receivables, Net of Allowances:			
Property Taxes	-	-	1,423,133
Accounts Receivable	81,364	-	-
Federal, State and Local Governments	-	9,981	-
Due from Other Funds	-	-	3,743,812
Restricted Cash and Cash Equivalents	854,837	-	415,873
TOTAL ASSETS	\$ 936,201	\$ 9,981	\$ 5,582,818
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 33,639
Due to Other Funds	-	9,981	-
Unearned Revenue	-	-	-
TOTAL LIABILITIES	-	9,981	33,639
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	-	8,474
Deferred Revenue	-	-	1,413,813
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	1,422,287
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	-	9,981	1,455,926
FUND BALANCES			
Restricted For:			
Economic Development	-	-	-
Clerk of Court	-	-	-
Grants	-	-	-
Emergency Telephone	-	-	-
Stormwater Management	-	-	-
Accommodations	936,201	-	-
Other	-	-	-
Committed For:			
Special Tax Districts	-	-	-
Economic Development	-	-	4,126,892
Geographic Information Systems	-	-	-
Emergency Preparedness	-	-	-
Airport Improvement	-	-	-
Parks and Recreation	-	-	-
TOTAL FUND BALANCES	936,201	-	4,126,892
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 936,201	\$ 9,981	\$ 5,582,818

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
\$ -	\$ -	\$ 650,179	\$ -	\$ -	\$ -
-	-	975,182	300	28,606	75,665
-	-	-	-	-	-
3,338,332	5,529	11,700	-	-	-
-	-	-	-	-	-
-	-	-	180,028	-	-
\$ 3,338,332	\$ 5,529	\$ 1,637,061	\$ 180,328	\$ 28,606	\$ 75,665
\$ 20,343	\$ -	\$ 40,969	\$ -	\$ 75	\$ 100
3,309,489	5,529	-	-	-	-
-	-	-	-	-	-
3,329,832	5,529	40,969	-	75	100
-	-	7,580	200	87	350
-	-	964,038	-	28,444	75,215
-	-	971,618	200	28,531	75,565
3,329,832	5,529	1,012,587	200	28,606	75,665
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	180,128	-	-
-	-	624,474	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,500	-	-	-	-	-
-	-	-	-	-	-
8,500	-	624,474	180,128	-	-
\$ 3,338,332	\$ 5,529	\$ 1,637,061	\$ 180,328	\$ 28,606	\$ 75,665

(Continued)

(Continued)

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	DEVON FOREST SPECIAL TAX DISTRICT	SPECIAL COUNTY TAX DISTRICT	LEGAL FORFEITURE PROCEEDS
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 321,763	\$ -
Receivables, Net of Allowances:			
Property Taxes	59,049	7,822,438	-
Accounts Receivable	-	-	-
Federal, State and Local Governments	-	-	-
Due from Other Funds	-	-	-
Restricted Cash and Cash Equivalents	-	-	74,933
TOTAL ASSETS	\$ 59,049	\$ 8,144,201	\$ 74,933
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 200	\$ 382,780	\$ -
Due to Other Funds	-	-	-
Unearned Revenue	-	-	-
TOTAL LIABILITIES	200	382,780	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	292,373	-
Deferred Revenue	58,849	7,469,048	-
TOTAL DEFERRED INFLOWS OF RESOURCES	58,849	7,761,421	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	59,049	8,144,201	-
FUND BALANCES			
Restricted For:			
Economic Development	-	-	-
Clerk of Court	-	-	-
Grants	-	-	-
Emergency Telephone	-	-	-
Stormwater Management	-	-	-
Accommodations	-	-	-
Other	-	-	74,933
Committed For:			
Special Tax Districts	-	-	-
Economic Development	-	-	-
Geographic Information Systems	-	-	-
Emergency Preparedness	-	-	-
Airport Improvement	-	-	-
Parks and Recreation	-	-	-
TOTAL FUND BALANCES	-	-	74,933
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 59,049	\$ 8,144,201	\$ 74,933

(Continued)

See accompanying independent auditor's report.

PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTAL SPECIAL REVENUE FUNDS
\$ 1,048,979	\$ -	\$ 2,209,758
879,862	-	16,119,642
-	35,114	302,860
-	97,161	4,207,691
-	-	3,743,812
-	1,117,139	9,457,866
\$ 1,928,841	\$ 1,249,414	\$ 36,041,629

\$ 31,840	\$ 34,615	\$ 1,095,522
-	-	3,741,942
1,945	-	1,945
33,785	34,615	4,839,409

10,847	-	394,791
863,884	-	15,623,632
874,731	-	16,018,423

908,516	34,615	20,857,832
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-	-	1,500,111
-	-	412,672
-	-	42,079
-	1,214,799	1,214,799
-	-	3,836,905
-	-	1,065,099
-	-	1,205,716
-	-	624,474
-	-	4,126,892
-	-	110,949
-	-	15,276
-	-	8,500
1,020,325	-	1,020,325
1,020,325	1,214,799	15,183,797
\$ 1,928,841	\$ 1,249,414	\$ 36,041,629

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, 2018

	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	-	420,840	151,613
Intergovernmental - State and Local	750,000	-	841
Insurance Proceeds	-	-	15,276
Miscellaneous	487,536	-	-
TOTAL REVENUES	1,237,536	420,840	167,730
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	463,927
Airport, Highways and Streets	-	-	-
Culture and Recreation	-	70,903	-
Community Development	850,000	-	-
Capital Outlay	-	-	85,972
TOTAL EXPENDITURES	850,000	70,903	549,899
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	387,536	349,937	(382,169)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	397,445
Transfers Out	(409,536)	(349,937)	-
TOTAL OTHER FINANCING SOURCES (USES)	(409,536)	(349,937)	397,445
NET CHANGE IN FUND BALANCES	(22,000)	-	15,276
FUND BALANCE - Beginning of Year	1,522,111	-	-
FUND BALANCE - End of Year	\$ 1,500,111	\$ -	\$ 15,276

(Continued)

See accompanying independent auditor's report.

GIS	STORM WATER MANAGEMENT	HIGHWAY "C" FUNDS	EMS EQUIPMENT
\$ -	\$ 1,404	\$ -	\$ -
-	-	-	-
-	-	-	-
14,354	2,774,459	-	-
-	-	-	-
141,119	-	-	-
-	-	-	-
-	-	1,482,084	16,142
-	-	-	-
-	-	-	-
<u>155,473</u>	<u>2,775,863</u>	<u>1,482,084</u>	<u>16,142</u>
485,650	-	-	-
-	-	-	-
-	2,616,920	48	-
-	-	-	-
-	-	-	-
11,438	-	1,482,036	18,292
<u>497,088</u>	<u>2,616,920</u>	<u>1,482,084</u>	<u>18,292</u>
(341,615)	158,943	-	(2,150)
342,121	24,732	-	2,150
-	-	-	-
<u>342,121</u>	<u>24,732</u>	<u>-</u>	<u>2,150</u>
506	183,675	-	-
110,443	3,653,230	-	-
<u>\$ 110,949</u>	<u>\$ 3,836,905</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, 2018

	CLERK OF COURT	STATE ACCOMMODATIONS TAX	SHERIFF'S GRANTS
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Accommodations Taxes	-	-	-
Fee in Lieu of Taxes	-	-	-
Fines, Forfeitures and Fees	-	-	3,272
Interest Income	-	-	-
Local Revenue	-	-	576,857
Intergovernmental - Federal	862,251	-	376,400
Intergovernmental - State and Local	-	151,487	39,674
Insurance Proceeds	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUES	862,251	151,487	996,203
EXPENDITURES			
Current:			
General Government	91,015	-	-
Public Safety	521,844	-	1,036,479
Airport, Highways and Streets	-	-	-
Culture and Recreation	-	-	-
Community Development	-	30,000	-
Capital Outlay	-	-	589,454
TOTAL EXPENDITURES	612,859	30,000	1,625,933
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	249,392	121,487	(629,730)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	627,721
Transfers Out	-	(31,324)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(31,324)	627,721
NET CHANGE IN FUND BALANCES	249,392	90,163	(2,009)
FUND BALANCE - Beginning of Year	163,280	38,735	59,091
FUND BALANCE - End of Year	\$ 412,672	\$ 128,898	\$ 57,082

(Continued)

See accompanying independent auditor's report.

MISCELLANEOUS SPECIAL REVENUE	VICTIMS' ASSISTANCE	SOLICITOR'S GRANTS
\$ -	\$ -	\$ -
-	-	-
500,000	-	-
456,930	132,870	-
233	-	-
-	-	-
104,828	-	-
-	-	184,844
-	-	-
354,332	77	-
<u>1,416,323</u>	<u>132,947</u>	<u>184,844</u>
21,921	-	184,844
613,149	307,297	-
-	-	-
-	-	-
216,261	-	-
174,438	-	-
<u>1,025,769</u>	<u>307,297</u>	<u>184,844</u>
<u>390,554</u>	<u>(174,350)</u>	<u>-</u>
54,425	174,350	-
(500,000)	-	-
<u>(445,575)</u>	<u>174,350</u>	<u>-</u>
<u>(55,021)</u>	<u>-</u>	<u>-</u>
990,673	-	-
<u>\$ 935,652</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, 2018

	COUNTY ACCOMMODATIONS TAX	PARD GRANT	LOCAL ECONOMIC DEVELOPMENT
REVENUES			
Property Taxes	\$ -	\$ -	\$ 126,053
Accommodations Taxes	844,070	-	-
Fee in Lieu of Taxes	-	-	2,259,268
Fines, Forfeitures and Fees	-	-	-
Interest Income	-	-	-
Local Revenue	-	-	-
Intergovernmental - Federal	-	-	-
Intergovernmental - State and Local	-	9,981	-
Insurance Proceeds	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUES	844,070	9,981	2,385,321
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	-
Airport, Highways and Streets	-	-	-
Culture and Recreation	-	9,981	-
Community Development	-	-	859,285
Capital Outlay	-	-	-
TOTAL EXPENDITURES	-	9,981	859,285
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	844,070	-	1,526,036
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	68,134
Transfers Out	(178,814)	-	(1,636,335)
TOTAL OTHER FINANCING SOURCES (USES)	(178,814)	-	(1,568,201)
NET CHANGE IN FUND BALANCES	665,256	-	(42,165)
FUND BALANCE - Beginning of Year	270,945	-	4,169,057
FUND BALANCE - End of Year	\$ 936,201	\$ -	\$ 4,126,892

(Continued)

See accompanying independent auditor's report.

AIRPORT IMPROVEMENTS	REGIONAL DISASTER PLANNING GRANT	SANGAREE SPECIAL TAX DISTRICT	NEXTON DEVELOPMENT	PIMLICO SPECIAL TAX DISTRICT
\$ -	\$ -	\$ 1,127,427	\$ -	\$ -
-	-	-	-	-
-	-	7	-	-
-	-	-	121,111	28,600
-	-	-	-	-
-	-	-	-	-
96,938	36,777	-	-	-
5,363	-	11,700	-	-
8,500	-	3,088	-	-
-	-	894	-	-
110,801	36,777	1,143,116	121,111	28,600
-	-	-	-	-
-	36,777	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,072,980	-	28,600
205,698	-	11,164	-	-
205,698	36,777	1,084,144	-	28,600
(94,897)	-	58,972	121,111	-
171,531	-	-	-	-
(68,134)	-	-	-	-
103,397	-	-	-	-
8,500	-	58,972	121,111	-
-	-	565,502	59,017	-
\$ 8,500	\$ -	\$ 624,474	\$ 180,128	\$ -

(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, 2018

	TALL PINES SPECIAL TAX DISTRICT	DEVON FOREST SPECIAL TAX DISTRICT	SPECIAL COUNTY TAX DISTRICT
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Accommodations Taxes	-	-	-
Fee in Lieu of Taxes	-	-	-
Fines, Forfeitures and Fees	77,250	60,250	4,546,825
Interest Income	-	-	-
Local Revenue	-	-	-
Intergovernmental - Federal	-	-	-
Intergovernmental - State and Local	-	-	-
Insurance Proceeds	-	-	-
Miscellaneous	-	-	-
TOTAL REVENUES	77,250	60,250	4,546,825
EXPENDITURES			
Current:			
General Government	-	-	-
Public Safety	-	-	4,546,825
Airport, Highways and Streets	-	-	-
Culture and Recreation	-	-	-
Community Development	77,250	60,250	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	77,250	60,250	4,546,825
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	-	-	-
FUND BALANCE - End of Year	\$ -	\$ -	\$ -

(Continued)

See accompanying independent auditor's report.

LEGAL FORFEITURE PROCEEDS	PARKS AND RECREATION	EMERGENCY TELEPHONE	TOTAL SPECIAL REVENUE FUNDS
\$ -	\$ 862,332	\$ -	\$ 2,117,216
-	-	-	844,070
-	96,403	-	2,855,678
9,701	-	626,159	8,851,781
-	-	-	233
-	-	-	717,976
-	-	-	2,049,647
-	590	1,032,023	3,684,729
-	-	-	26,864
-	5,208	-	848,047
<u>9,701</u>	<u>964,533</u>	<u>1,658,182</u>	<u>21,996,241</u>
2,466	-	-	785,896
-	-	1,069,350	8,595,648
-	-	-	2,616,968
-	626,548	-	707,432
-	-	-	3,194,626
-	42,964	928,247	3,549,703
<u>2,466</u>	<u>669,512</u>	<u>1,997,597</u>	<u>19,450,273</u>
<u>7,235</u>	<u>295,021</u>	<u>(339,415)</u>	<u>2,545,968</u>
-	-	-	1,862,609
-	-	-	(3,174,080)
-	-	-	(1,311,471)
<u>7,235</u>	<u>295,021</u>	<u>(339,415)</u>	<u>1,234,497</u>
<u>67,698</u>	<u>725,304</u>	<u>1,554,214</u>	<u>13,949,300</u>
<u>\$ 74,933</u>	<u>\$ 1,020,325</u>	<u>\$ 1,214,799</u>	<u>\$ 15,183,797</u>

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

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

JUNE 30, 2018

	CLERK OF COURT	MASTER IN EQUITY	TAX COLLECTOR
ASSETS			
Cash and Cash Equivalents	\$ 2,889,631	\$ 338,585	\$ 3,542,883
Investments	26,175	-	-
Receivables:			
Accounts Receivable	-	-	-
TOTAL ASSETS	2,915,806	338,585	3,542,883
LIABILITIES			
Due to School District	-	-	-
Due to Other Designated Recipients	2,915,806	338,585	3,542,883
TOTAL LIABILITIES	\$ 2,915,806	\$ 338,585	\$ 3,542,883

(Continued)

See accompanying independent auditor's report.

SHERIFF	MAGISTRATES	TREASURER	"C" FUNDS ADMINISTRATION	TOTALS
\$ 515,923	\$ 150,314	\$ 27,001,396	\$ 5,135,606	\$ 39,574,338
-	-	-	-	26,175
-	-	25,283	259,106	284,389
515,923	150,314	27,026,679	5,394,712	39,884,902
-	-	20,451,569	-	20,451,569
515,923	150,314	6,575,110	5,394,712	19,433,333
\$ 515,923	\$ 150,314	\$ 27,026,679	\$ 5,394,712	\$ 39,884,902

See accompanying independent auditor's report.

BERKELEY COUNTY, SOUTH CAROLINA

SUPPLEMENTAL SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES COLLECTED

JUNE 30, 2018

	TOTAL COLLECTIONS	REMITTANCE TO STATE	RETAINED BY COUNTY	GENERAL FUND	VICTIMS' ASSISTANCE	TOTAL COUNTY REVENUES
MAGISTRATES						
Fines:						
Traffic/Criminal	\$ 440,614	\$ 1,785	\$ 438,829	\$ 438,829	\$ -	\$ 438,829
Wildlife/Littering	7,953	7,953	-	-	-	-
DUI/DUS	21,330	21,330	-	-	-	-
Fees	392,181	7,291	384,890	384,890	-	384,890
Assessments	564,891	518,467	46,424	-	46,424	46,424
Surcharges	252,299	226,697	25,602	-	25,602	25,602
Total Magistrates	1,679,268	783,523	895,745	823,719	72,026	895,745
CLERK OF COURT						
Fines:						
General Sessions	759,547	717,809	41,738	41,738	-	41,738
DUI/DUS	2,130	2,130	-	-	-	-
Fees	922,233	284,409	637,824	637,824	-	637,824
Assessments	63,464	50,757	12,707	-	12,707	12,707
Surcharges	62,882	14,745	48,137	-	48,137	48,137
Total Clerk of Court	1,810,256	1,069,850	740,406	679,562	60,844	740,406
TOTAL MAGISTRATES AND CLERK OF COURT	\$ 3,489,524	\$ 1,853,373	\$ 1,636,151	\$ 1,503,281	\$ 132,870	\$ 1,636,151

See accompanying independent auditor's report.

COMPLIANCE SECTION

Berkeley County, South Carolina
Schedule of Expenditures of Federal Awards
June 30, 2018

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through South Carolina Department of Social Services:			
USDA Food Nutrition Services			
State Administration Matching Grant Food Stamp Program & Food Stamp Fraud	10.561	55C400407	\$ 14,183
Total Pass-Through South Carolina Department of Social Services		Total CFDA 10.561 - SNAP Cluster	14,183
Passed Through South Carolina State Treasurer:			
National Forest Fund	10.665	N/A	349,937
National Forest Fund	10.665	11-RO-11081209-008	50,552
National Forest Fund	10.665	12-PA-11081209-009	20,352
	Total CFDA 10.665 - Forest Service Schools and Roads Cluster		420,841
National Resources Conservation Service	10.923	68-4639-17-205	95,790
		Total CFDA 10.923	95,790
Total Pass-Through South Carolina State Treasurer			530,814
Total U.S. Department of Agriculture			530,814
U.S. DEPARTMENT OF COMMERCE/ECONOMIC DEVELOPMENT ADMINISTRATION			
Direct Programs			
Federal Aviation Administration - Airport Improvement Program			
Investments for Public Works and Economic Development Facilities	11.300		370,219
Total U.S. Department of Commerce	Total CFDA 11.300 - Economic Development Cluster		370,219
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through South Carolina Office of the Governor:			
Division of Economic Development/			
Community Development Block Grant			
2016 Regional Planning Grant	14.228	4-RP-16-009	36,777
Regional Disaster Planning - COG:			
Horseshoe Drive/Bonneau Beach Water Project	14.228	4-CJ-14-001	333,870
Total Pass-Through South Carolina Office of the Governor			370,647
Total U.S. Department of Housing and Urban Development		Total CFDA 14.228	370,647
U.S. DEPARTMENT OF JUSTICE			
Direct Programs			
Edward Byrne Memorial Justice Assistance Grant	16.738		1,068
		Total CFDA 16.738	1,068
Body-Worn Camera Policy and Implementation Grant	16.835		150,000
		Total CFDA 16.835	150,000
Passed through South Carolina Public Safety:			
2017 COPS Hiring Program	16.710	2017-ULWX0003	69,229
Total Pass-Through South Carolina Public Safety		Total CFDA 16.710	69,229
Total U.S. Department of Justice			220,297
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Programs			
Federal Aviation Administration - Airport Improvement Program			
Federal Aviation Administration - Airport Improvement Program	20.106		23,268
Federal Aviation Administration - Airport Improvement Program	20.106		13,094
	20.106	Total CFDA 20.106	83,104
Passed Through South Carolina Public Safety:			
Highway Safety - DUI	20.601	M4CS-2018-HS-53-18	22,689
Highway Safety - DUI	20.601	M4HVE-2018-HS-47-18	75,117
Highway Safety - DUI	20.601	M4HVE-2017-HS-28-17	127
	Total CFDA 20.601 - Highway Safety Cluster		97,933
Traffic DUI Enforcement	20.616	M4HVE-2018-HS-28-18	54,425
		Total CFDA 20.616	54,425
Total Pass-Through South Carolina Public Safety			152,358
Total U.S. Department of Transportation			271,824

See accompanying notes to the schedule of expenditures of federal awards.
See accompanying independent auditor's report

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures
U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Passed through South Carolina State Library:			
LSTA Project IID: Summer Reading	45.310	IID-16-108	986
LSTA Project IIA: Continuing Education	45.310	IID-17-13	967
Total Pass-Through South Carolina State Library		Total CFDA 45.310	1,953
Total U.S. Institute of Museum and Library Services			1,953
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	G1701SC1401	743,559
Child Support Enforcement IV-D Incentive Payment	93.563	G1701SC1401	101,467
Child Support Enforcement IV-D Service of Process	93.563	G1701SC1401	17,226
Clerk of Court - Filing Fees	93.563	G1701SC1401	20,988
Sheriffs Department	93.563	G1701SC1401	3,745
Federal Financial Participation Passed Through South Carolina Department of Social Services -			
Administration for Children and Families			
Child Support Enforcement	93.563	G1701SC1401	37
Total CFDA 93.563			887,022
Federal Financial Participation Passed Through South Carolina Department of Social Services -			
Administration for Children and Families			
Family Preservation (CWS-Part II)	93.556	G1710SCFPSS	224
Total CFDA 93.556			224
Federal Financial Participation Passed Through South Carolina Department of Social Services -			
Administration for Children and Families			
Temporary Assistance for Needy Families - TANF Block Grant	93.558	G1702SC TANF	32,580
Total CFDA 93.558 - TANF Cluster			32,580
Federal Financial Participation Passed Through South Carolina Department of Social Services -			
Administration for Children and Families			
Child Care Development Fund	93.596	G1701SCCCDF	360
Total CFDA 93.596 - CCDF Cluster			360
Federal Financial Participation Passed Through South Carolina Department of Social Services -			
Administration for Children and Families			
Title IV-E Foster Care	93.658	G1701SC1401	10,061
Total CFDA 93.658			10,061
Federal Financial Participation Passed Through South Carolina Department of Social Services -			
Administration for Children and Families			
Social Services Block Grant	93.667	G1702SCSOSR	6,260
Total CFDA 93.667			6,260
Center for Medicare and Medicaid Services			
Medicaid Programs	93.778	N/A	12,744
Total CFDA 93.778 - Medicaid Cluster			12,744
Total Pass-Through South Carolina Department of Social Services			949,251
Passed Through S.C. Department of Environmental Control (DHEC):			
SC Local Mosquito Control Support Grant	93.323	EQ-8-132	9,038
Total Pass-Through South Carolina DHEC		Total CFDA 93.556	9,038
Total U.S. Department of Health and Human Services			958,289

See accompanying notes to the schedule of expenditures of federal awards.
See accompanying independent auditor's report

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through South Carolina Adjutant General's Office:			
Severe Storms and Flooding	97.036	FEMA-4241-PA-SC	1,466,111
Severe Storms and Flooding	97.036	FEMA-4286-PA-SC	82,702
Severe Storms and Flooding	97.036	FEMA-4346-PA-SC	23,028
		Total CFDA 97.036	<u>1,571,841</u>
 Hazard Mitigation Grant	 97.039	 FEMA-4166-HMPG-SC	 <u>90,005</u>
		Total CFDA 97.039	<u>90,005</u>
 Local Emergency Management Performance	 97.042	 17LEMPG01	 <u>61,608</u>
		Total CFDA 97.042	<u>61,608</u>
Total Pass-Through South Carolina Adjutant General's Office			<u>1,723,454</u>
 Total U.S. Department of Homeland Security			<u>1,723,454</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,447,497</u>

See accompanying notes to the schedule of expenditures of federal awards.
See accompanying independent auditor's report

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

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") and *OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations* (as amended). 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 \$36,777 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, 2017 through June 30, 2018. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-133, 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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and issued our report thereon dated December 21, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

Scott and Company LLC

Columbia, South Carolina
December 21, 2018

**Independent Auditor's Report on Compliance for Each Major Program and Report on
Internal Control over Compliance on Schedule of Expenditures of Federal Awards
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, 2018. 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, 2018.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison schedule of the general fund, of the County as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 21, 2018, which

contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements and other information discussed above. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Scott and Company LLC

Columbia, South Carolina

January 15, 2019

**BERKELEY COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I—Summary of Auditor's Results

Financial Statements:

We have issued unmodified opinions dated December 21, 2018 on the financial statements of Berkeley County, South Carolina.

Internal control over financial reporting:

- | | |
|---------------------------------------------------------|---------------|
| • Material weaknesses identified? | No |
| • 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 15, 2019 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

93.563
97.036

Name of Federal Program

Child Support Enforcement
Disaster Grants – Public Assistance
(Presidential 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, 2018**

Section II - Financial Statement Findings:

None Reported.

Section III - Federal Award Findings and Questioned Costs:

None Reported.

Summary Schedule of Prior Audit Findings:

Finding 2017-001 - Capital Assets – Water and Sewer and Solid Waste Funds

Condition: A standard year-end procedure performed by entities reporting capital assets under governmental reporting standards is a roll-forward schedule including prior year balances, additions, reductions, transfers and ending balances, which is then reconciled to the related capital asset general ledger accounts. This procedure is not performed by the Water and Sanitation Department. In addition, in the Solid Waste fund, certain transactions were recorded in the capital assets as construction in progress when they should have been recorded as expenses.

Current Status: The County implemented new year-end procedures to ensure that the roll-forward of capital assets for the Water and Sanitation Department was prepared and that proper classification of construction in process and expense accounts for the Solid Waste Fund were properly reported. Also, a finance director was hired during April 2018 to monitor these issues. There were no similar findings noted in the 2018 audit.