



Berkeley County

Independent Auditor's Presentation - Year Ended June 30, 2017



2017 FINANCIAL AUDIT - BERKELEY COUNTY

OPINION

- **The County's responsibility:**
 - **Effective internal controls**
 - **Financial statements**
 - **Prepare and manage the budget**



2017 FINANCIAL AUDIT - BERKELEY COUNTY

OPINION (continued)

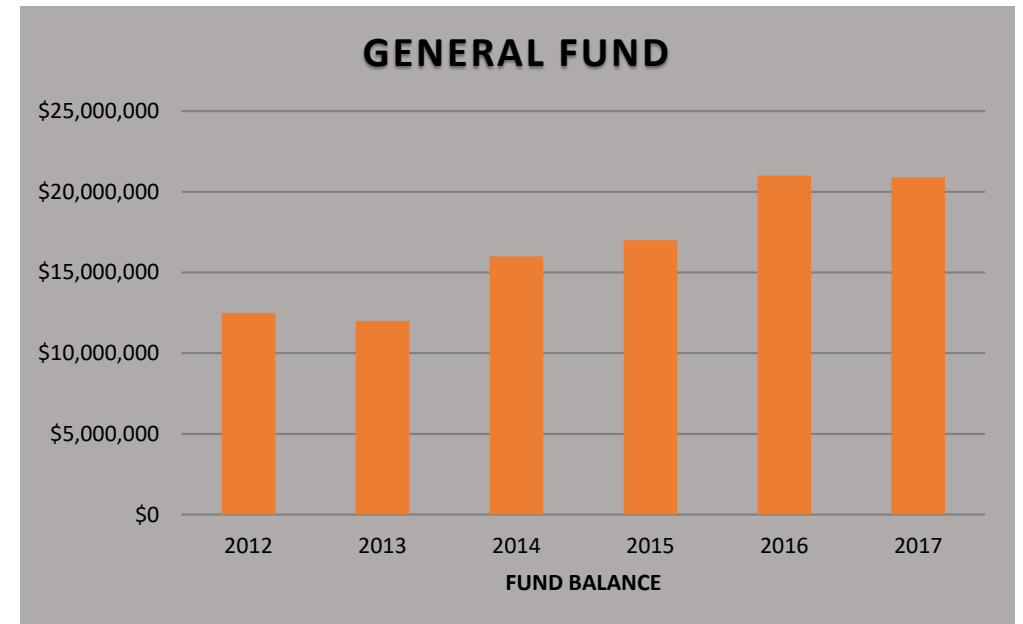
- **Scott and Company responsibility:**
 - **Opinion – reasonable assurance that financial statements are materially correct**
 - **Opinion does not address the financial condition of the County**
- **The County received an unmodified opinions, best report you can get from us**



2017 FINANCIAL AUDIT - BERKELEY COUNTY

General Fund

- **General fund balance is \$20.9 million for 2017**
- **Unassigned fund balance is \$15.1 million which is 21% of 2017 actual expenditures – prior year \$20.1 million, decrease of 25%**
- **This decrease in General fund unassigned fund balance is due to more assigned fund balance in 2017**

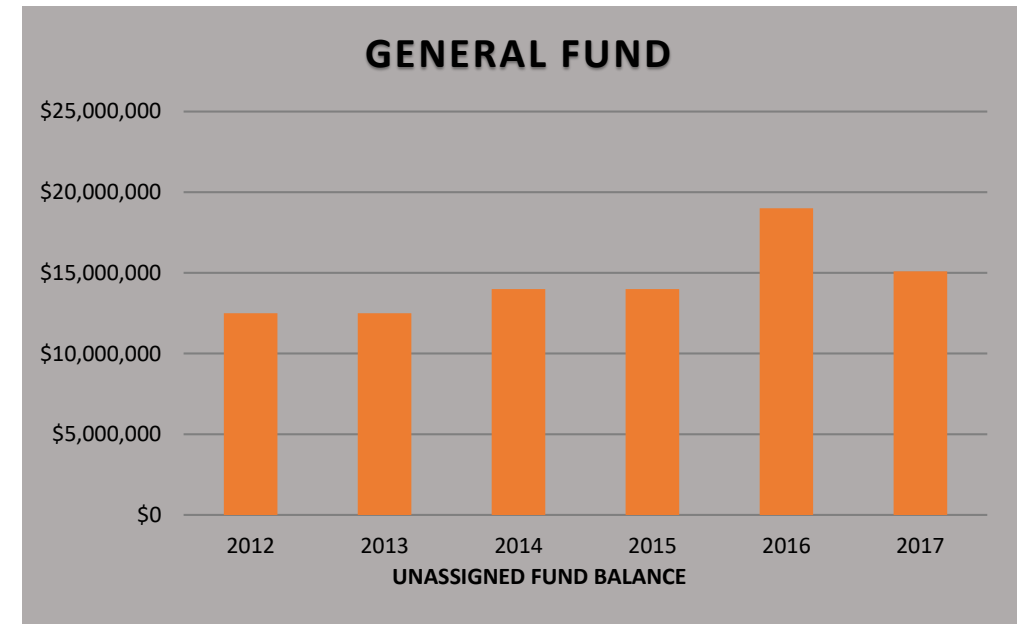




2017 FINANCIAL AUDIT - BERKELEY COUNTY

General Fund (continued)

- **GFOA recommends a minimum of 16.7% (two months)**
- **The County's policy is to maintain a minimum unassigned fund balance of at least 17% of the next year's budget, which would be \$14.2 million**





2017 FINANCIAL AUDIT - BERKELEY COUNTY

Major Reasons to Maintain An Adequate Fund Balance:

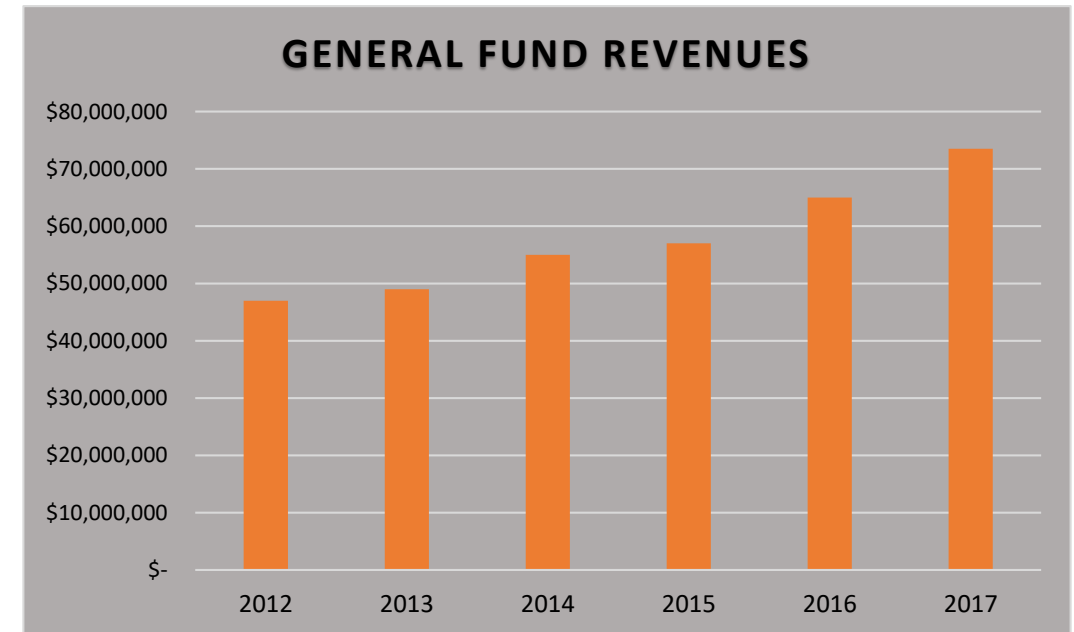
- **Cash flow through second half of calendar year**
- **Significant emergencies and unanticipated expenditures**
- **Potential for better interest rates on debt issues**
- **Unique requirements for a coastal community due to higher potential for storms and hurricanes**
- **Downturn in economy**



2017 FINANCIAL AUDIT - BERKELEY COUNTY

General Fund Revenues

- **\$73.5 million in revenues for 2017, a 6.7% increase**
- **Overall \$0.4 million decrease in fund balance for general fund**
- **Revenues were \$0.7 million over budgeted revenues**

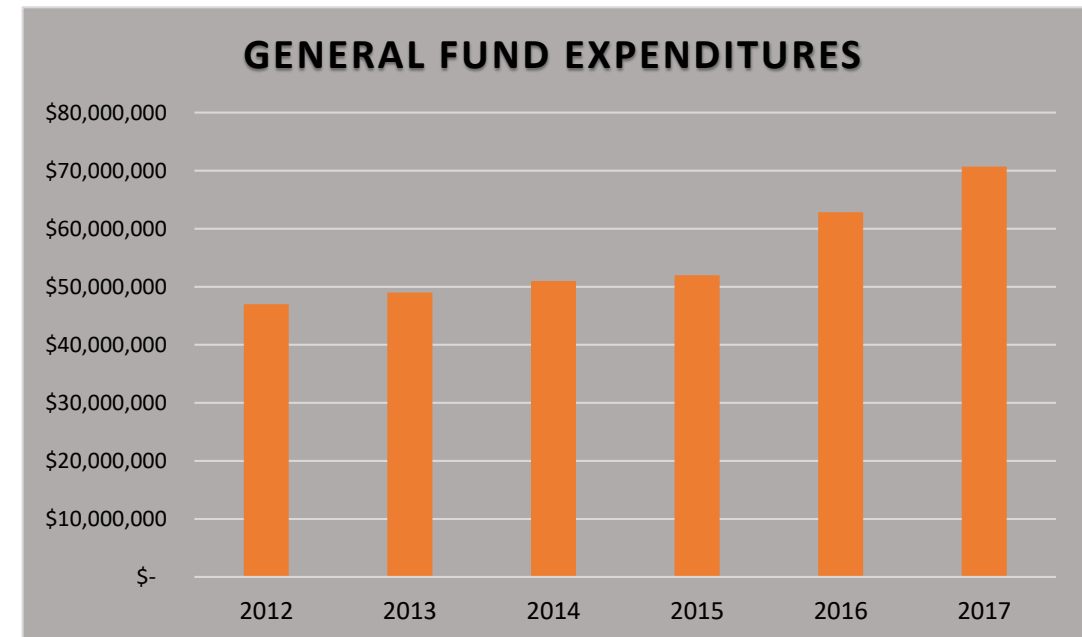




2017 FINANCIAL AUDIT - BERKELEY COUNTY

General Fund Expenditures

- \$70.7 million in expenditures for 2017, an 12.4% increase
- Expenditures were \$39 thousand under budgeted expenditures, but approximately \$3.9 million was transferred to other funds for capital projects





2017 INDEPENDENT AUDIT - BERKELEY COUNTY

Enterprise Funds

- **Water & Sewer had a \$37.9 million increase in net position and a \$13.1 million increase in operating income due to increases of \$15.1 million in sales and services, less an increase in expenses of \$2.0 million**
- **Water & Sewer has an unrestricted fund balance of \$43.6 million at June 30, 2017, but a lot of this will be used for projects that have already been planned by the County**



2017 INDEPENDENT AUDIT - BERKELEY COUNTY

Enterprise Funds (continued)

- **Solid Waste** had a \$1.0 million decrease in net position and a \$2.6 million increase in operating loss primarily due to a \$1.7 million increase in operating revenues offset by an increase in maintenance and repair expense of \$4.6 million
- **Solid Waste** had a \$7.3 million accumulated unrestricted deficit at June 30, 2017, change in net position improved from a \$1.1 million deficit to a \$1.0 million deficit, a decrease of 9%
- The County just received another \$1 million in FEMA funds for BCWS and is awaiting another \$600 thousand from the state.



2017 FINANCIAL AUDIT - BERKELEY COUNTY

AUDITING/ACCOUNTING UPDATE

Significant Changes in Accounting Principles

- **Governmental Accounting Standards Board (“GASB”) No. 77 Tax Abatement Disclosures** required additional disclosure regarding abated taxes beginning in FY 2017. This standard requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements, and (2) those that are entered into by other governments that reduce the reporting government’s revenues. This disclosure is at IV. M. in the notes to your 2017 financial statements



2017 FINANCIAL AUDIT - BERKELEY COUNTY

AUDITING/ACCOUNTING UPDATE (continued)

Future Significant Changes in Accounting Principles

- **GASB No. 74 and GASB No. 75 – Other Postemployment Benefits (retiree medical) – GASB issued new statements in June 2015 that will make OPEB accounting very similar to Pension accounting. The County will be required to implement these changes beginning in FY 2018**
- **The entire OPEB liability will be required to be included in the County's financial statements. This will be a significant accounting change for the County**



2017 FINANCIAL AUDIT - BERKELEY COUNTY

Other Items of Note

- Total capital assets were \$556.7 million at June 30, 2017, an increase of approximately \$35.3 million from last year
- The County's total long-term debt (bonds, loans, leases, and notes payable) was approximately \$226.2 million at June 30, 2017, a decrease of \$8.8 million



2017 FINANCIAL AUDIT - BERKELEY COUNTY

Internal Controls and Compliance

- There were no material weaknesses reported in 2017
- There was one significant deficiency reported in 2017 relating to BCWS capital assets
- Single Audit was required for 2017, which means that we audited compliance with federal statutes, rules and regulations of your major federal expenditures. No compliance findings reported



2017 FINANCIAL AUDIT - BERKELEY COUNTY

Summary

- **Unmodified opinions on the Financial Statements and federal reports from Scott and Company – best possible report from us**
- **This does not mean that every single transaction is correct. We use sampling**
- **County is in good financial condition as of June 30, 2017**



2017 FINANCIAL AUDIT - BERKELEY COUNTY

Summary (continued)

- **Thank you to all the people in the finance departments of the County and Water and Sewer for their help in getting this audit done this year. Audit went much better this year because it is the second time through for everyone. Specifically thank you to Tim Callanan, Marietta Hicks, Jennifer Hinson, Wendy Weaver, Johnette Connelley, Jenny Davis and Samantha Salisbury, who all brought valuable experience to the County**



2017 FINANCIAL AUDIT - BERKELEY COUNTY

Summary (continued)

- Thank you also to our senior accountant on the audit, Jay Ashworth, who also worked hard in making the audit come together
- One thing that was really good this year is that County prepared its own financial statements and made the state deadline for the first time in 6 years
- Thank you and we are very glad to have Berkeley County as a client