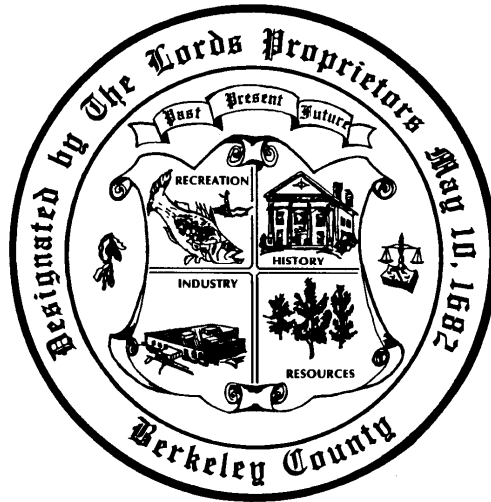


BERKELEY COUNTY, SOUTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014



BERKELEY COUNTY, SOUTH CAROLINA

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YEAR ENDED JUNE 30, 2014

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BERKELEY COUNTY, SOUTH CAROLINA

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BERKELEY COUNTY, SOUTH CAROLINA

Established in 1942

LISTING OF ELECTED OFFICIALS

County Council

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

Other Elected Officials

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



Greene Finney & Horton
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Members of County Council
Berkeley County, South Carolina
Moncks Corner, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Berkeley County, South Carolina (the "County"), as of and for the year ended June 30, 2014, 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 from 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 entity'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 entity'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.

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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 Berkeley County, South Carolina, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Pending Implementation of Governmental Accounting Standards Board Statement on Pensions

As discussed in Note IV.E, the Governmental Accounting Standards Board (“GASB”) recently issued Statement No. 68, “*Accounting and Financial Reporting for Pensions*” (“*Statement*”). This Statement, which will be adopted by the County for the fiscal year ended June 30, 2015, will require the County to report a net pension liability on its applicable financial statements for its participation in the South Carolina Retirement System and the Police Officers’ Retirement System (“Plans”). Based on recent information provided by the South Carolina Public Employee Benefit Authority, it is anticipated that the County’s share of the net pension liability associated with these Plans will decrease the County’s beginning net position by approximately \$62,168,000 and \$20,506,000 for the governmental activities and business-type activities, respectively, and approximately \$13,189,000, \$5,887,000, and \$1,430,000 for the Water and Sewer Fund, Solid Waste Fund, and Non-Major Enterprise Funds, respectively. 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 – General Fund, and the other post-employment benefit plan – defined health care plan – schedules of employer contributions and funding status, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 supplementary information and the schedule of expenditures of federal awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014 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.

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

Greene, Finney & Horton, LLP
Mauldin, South Carolina
December 30, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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, 2014. This information should be read in conjunction with the financial statements and the accompanying notes.

FINANCIAL HIGHLIGHTS

- Berkeley County's assets exceeded its liabilities (net position) at June 30, 2014 by approximately \$441.8 million as compared to approximately \$413.3 million at the prior fiscal year end (adjusted for the implementation of GASB #65 discussed below). Unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors; Berkeley County's unrestricted net position at June 30, 2014 amounted to approximately \$48.3 million which was an increase of approximately \$6.3 million from the previous fiscal year.
- The County's total net position this fiscal year increased approximately \$26.7 million over the previous year (adjusted for the implementation of GASB #65 discussed below): approximately \$2.7 million of the increase is from business-type activities, approximately \$24.0 million from governmental activities.
- At June 30, 2014 the County's governmental funds reported combined ending fund balances of approximately \$123.8 million, a decrease of approximately \$979 thousand over the previous fiscal year as expenditures and other financing uses of approximately \$108.6 million exceeded revenues and other financing sources totaling approximately \$107.6 million. Total fund balances include \$17.0 million for the General Fund, \$92.4 million for the Capital Projects Fund, and \$14.5 million for all other governmental funds.
- The General Fund reported an unassigned fund balance of approximately \$14.8 million, which is an increase of \$1.9 million from the prior year's unassigned fund balance of \$12.9 million.
- The County's total capital assets were approximately \$495.8 million at June 30, 2014, an increase of approximately \$18.4 million during fiscal 2014.
- The County's total long-term indebtedness (bonds, loans and notes payable) was approximately \$240.8 million at June 30, 2014, a decrease of approximately \$9.5 million from the previous year primarily due to principal payments during the year as well as the refunding discussed below.
- The County issued \$3.5 million in Series 2013 General Obligation Refunding Bonds in November 2013 in order to refund \$3.4 million in outstanding debt. The refunding resulted in net cash flow savings of \$363 thousand and a net economic gain of \$386 thousand.
- 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 176%, which exceeded the 120% required by the bond covenants. However, excluding nonrecurring fees (impact and connection fees of \$7.0 million) the debt coverage ratio would be 130% for 2014. A rate and fee study was conducted in 2008, as required by the bond documents, which resulted in County Council passing a resolution to increase water and sewer rates and fees approximately 30% effective July 1, 2008. The County is also currently undergoing a rate study.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

FINANCIAL HIGHLIGHTS (CONTINUED)

- The County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB #65") in the year ended June 30, 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In particular, GASB #65 requires that bond issuance costs (as defined) should be recognized as an expense in the period incurred. GASB #65 supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the County in the year ended June 30, 2013. The County's former financial statement items that were affected by the implementation of GASB #65 were its bond issuance costs, deferred revenue liability (for unavailable – property taxes and deferred revenue – property taxes), and deferred charges in its statements of financial position. Under this Statement, (a) bond issuance costs are written off as an adjustment to beginning net position, (b) deferred revenue that is not available or deferred revenue that is received by a government but is applicable to a future year should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources, and (c) deferred charges related to long-term debt were reclassified and shown as a component of deferred outflows of resources as opposed to being netted against long-term liabilities in prior years. As a result of the implementation of GASB #65, the County wrote off approximately \$1,813,000 in unamortized bond issuance costs in its business-type activities. In addition, the County wrote off approximately \$1,784,000 and \$28,000 in unamortized bond issuance costs in the Water and Sewer Fund and Solid Waste Fund, respectively.

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, 2014. 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, solid waste, parks and recreation, and emergency telephone.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 and the General Fund budgetary comparison. Additionally, the combining statements, which include nonmajor governmental funds, are presented. As required by law, the County also presents a Schedule of Fines, Assessments, and Surcharges Collected.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative data for net position as of June 30, 2014 and 2013 are shown below.

| Berkeley County Net Position (In Thousands) | | | | | | |
|--|-------------------------|------------|--------------------------|---------|---------|------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2014 | 2013* | 2014 | 2013* | 2014 | 2013* |
| Assets: | | | | | | |
| Current and Other Assets | \$ 175,778 | \$ 169,378 | 80,016 | 81,300 | 255,794 | \$ 250,678 |
| Capital Assets, Net | 164,192 | 150,638 | 331,613 | 326,742 | 495,805 | 477,380 |
| Total Assets | 339,970 | 320,016 | 411,629 | 408,042 | 751,599 | 728,058 |
| Deferred Outflows of Resources: | | | | | | |
| Deferred Charges | 722 | 774 | 9,794 | 10,433 | 10,516 | 11,207 |
| Total Deferred Outflows of Resources | 722 | 774 | 9,794 | 10,433 | 10,516 | 11,207 |
| Liabilities: | | | | | | |
| Current Liabilities | 24,318 | 19,881 | 14,822 | 14,043 | 39,140 | 33,924 |
| Non-Current Liabilities | 58,832 | 69,844 | 180,552 | 182,827 | 239,384 | 252,671 |
| Total Liabilities | 83,150 | 89,725 | 195,374 | 196,870 | 278,524 | 286,595 |
| Deferred Inflows of Resources: | | | | | | |
| Deferred Revenue | 41,169 | 38,718 | 610 | 673 | 41,779 | 39,391 |
| Total Deferred Inflows of Resources | 41,169 | 38,718 | 610 | 673 | 41,779 | 39,391 |
| Net Position: | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | 107,917 | 88,882 | 187,254 | 186,763 | 295,171 | 275,645 |
| Restricted | 97,251 | 94,161 | 1,042 | 1,438 | 98,293 | 95,599 |
| Unrestricted | 11,205 | 9,304 | 37,143 | 32,731 | 48,348 | 42,035 |
| Total Net Position | \$ 216,373 | \$ 192,347 | 225,439 | 220,932 | 441,812 | \$ 413,279 |

*2013 amounts have been adjusted to reflect the implementation of GASB #65. See Note I.C for more information.

The County reported positive balances in all categories of net position in both governmental and business-type activities for 2014. The County's total unrestricted net position increased approximately \$6.3 million as of June 30, 2014 with total restricted net position increasing approximately \$2.7 million and net investment in capital assets increasing \$19.5 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 (67%) 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.

BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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, 2014 and 2013.

| Berkeley County Statement of Activities (In Thousands) | | | | | | |
|---|-------------------------|-------------------|--------------------------|----------------|----------------|-------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2014 | 2013* | 2014 | 2013* | 2014 | 2013* |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 18,680 | \$ 16,697 | 53,562 | 50,220 | 72,242 | \$ 66,917 |
| Operating Grants and Contributions | 2,144 | 2,603 | 4,878 | 671 | 7,022 | 3,274 |
| Capital Grants and Contributions | 13,980 | 22,259 | 6,543 | 4,250 | 20,523 | 26,509 |
| General Revenues: | | | | | | |
| Property Taxes | 26,921 | 26,618 | 544 | 679 | 27,465 | 27,297 |
| Fee in Lieu of Taxes | 7,883 | 7,403 | 22 | 26 | 7,905 | 7,429 |
| Local Option Sales Tax | 11,877 | 11,108 | - | - | 11,877 | 11,108 |
| Transportation Sales Tax | 22,389 | 19,440 | - | - | 22,389 | 19,440 |
| Other Taxes | 1,036 | 900 | - | - | 1,036 | 900 |
| Unrestricted Grants | 7,171 | 7,130 | - | - | 7,171 | 7,130 |
| Interest Income | 83 | 135 | 36 | 96 | 119 | 231 |
| Gain on Sale of Assets | 28 | - | 849 | 882 | 877 | 882 |
| Miscellaneous | 803 | 809 | 337 | 618 | 1,140 | 1,427 |
| Total Revenues | <u>112,995</u> | <u>115,102</u> | <u>66,771</u> | <u>57,442</u> | <u>179,766</u> | <u>172,544</u> |
| Expenses: | | | | | | |
| General Government | 22,941 | 22,585 | - | - | 22,941 | 22,585 |
| Public Safety | 30,182 | 29,831 | - | - | 30,182 | 29,831 |
| Airport, Highways and Streets | 24,022 | 28,342 | - | - | 24,022 | 28,342 |
| Culture and Recreation | 3,010 | 2,832 | - | - | 3,010 | 2,832 |
| Health and Welfare | 2,138 | 2,118 | - | - | 2,138 | 2,118 |
| Community Development | 3,260 | 3,819 | - | - | 3,260 | 3,819 |
| 2014 Winter Ice Storm | 268 | - | - | - | 268 | - |
| Interest and Fiscal Charges | 2,597 | 2,772 | - | - | 2,597 | 2,772 |
| Water and Sewer | - | - | 38,617 | 37,482 | 38,617 | 37,482 |
| Solid Waste | - | - | 22,415 | 9,508 | 22,415 | 9,508 |
| Parks and Recreation | - | - | 1,257 | 1,190 | 1,257 | 1,190 |
| Emergency Telephone | - | - | 526 | 572 | 526 | 572 |
| Total Expenses | <u>88,418</u> | <u>92,299</u> | <u>62,815</u> | <u>48,752</u> | <u>151,233</u> | <u>141,051</u> |
| Increase in Net Position before Transfers | 24,577 | 22,803 | 3,956 | 8,690 | 28,533 | 31,493 |
| Transfers | (551) | (500) | 551 | 500 | - | - |
| Change in Net Position | <u>24,026</u> | <u>22,303</u> | <u>4,507</u> | <u>9,190</u> | <u>28,533</u> | <u>31,493</u> |
| Net Position, Beginning of Year | <u>192,347</u> | <u>170,044</u> | <u>220,932</u> | <u>211,742</u> | <u>413,279</u> | <u>381,786</u> |
| Net Position, End of Year | <u>\$ 216,373</u> | <u>\$ 192,347</u> | <u>225,439</u> | <u>220,932</u> | <u>441,812</u> | <u>\$ 413,279</u> |

*2013 amounts have been adjusted to reflect the implementation of GASB #65. See Note I.C for more information.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities. The County recognized an overall decrease in governmental activities revenues of approximately \$2.1 million (2%) in 2014 as compared to 2013 due to an \$8.3 million decrease in capital grants and contributions as a result of an \$8.0 million grant received in 2013 from the State Ports Authority for future capital improvements partially offset by a \$2.0 million increase in charges for services primarily due to increases in building permits and a \$2.9 million increase in transportation sales taxes due to increased local sales.

Expenses decreased approximately \$3.9 million (4%) in 2014 compared to 2013 primarily due to decreased expenses on major road projects that will be owned and maintained by the South Carolina Department of Transportation; thus, these items are recorded as expenditures versus being capitalized.

Business-type Activities. Revenues for business-type activities increased \$9.3 million (16%) mainly due to a \$3.3 million increase in charges for services, a \$4.2 million increase in operating grants and contributions, and a \$2.3 million increase in capital grants and contributions. Charges for services increased \$3.3 million mainly due to a \$3.9 million increase in water and sewer charges primarily due to increased service area as well as changes in rates for several contract customers partially offset by a \$676 thousand decrease in solid waste charges. The \$4.2 million increase in operating grants and contributions is primarily due to \$4.1 million in federal revenues recorded during the fiscal year related to reimbursements expected to be received from FEMA related to the February 2014 ice storm clean up costs. The \$2.3 million increase in capital grants and contributions is primarily due to a \$2.3 million increase in water and sewer systems contributed by developers during the year.

Expenses for business-type activities increased approximately \$14.1 million (29%) due to a \$12.9 million increase in solid waste expenses. Solid waste expenses increased \$12.9 million as a result of a \$7.9 million increase in landfill closure and postclosure costs and a \$5.1 million increase in ice storm cleanup costs. Landfill closure and postclosure costs increased due to changes in estimates and the additional requirements related to the closure of the C&D landfill. Ice storm cleanup costs increased due to the significant efforts by the County related to cleaning up debris related to the February 2014 ice storms. These costs are being partially reimbursed by FEMA.

FINANCIAL ANALYSIS OF BERKELEY COUNTY'S FUNDS

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

Governmental Funds. The following schedule presents a summary of all governmental fund revenues and other financing sources for the fiscal year ended June 30, 2014, and the amount and 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, 2014

FINANCIAL ANALYSIS OF BERKELEY COUNTY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

| | Amount | Percent of Total | Increase (Decrease) from 2013 | Percent Increase (Decrease) |
|--|-------------------|---------------------|-------------------------------------|-----------------------------------|
| Revenues | | | | |
| Property and Accommodations Taxes | \$ 27,505 | 25.6% | \$ 782 | 2.9% |
| Fee in Lieu of Taxes | 7,874 | 7.3% | 498 | 6.8% |
| Local Taxes (transportation and local option sales tax) | 34,266 | 31.8% | 3,276 | 10.6% |
| Licenses, Fees and Permits | 2,491 | 2.3% | 843 | 51.2% |
| Fines, Forfeitures and Fees | 15,351 | 14.3% | 980 | 6.8% |
| Interest Income | 83 | 0.1% | (52) | -38.5% |
| Local Revenue | 597 | 0.6% | 85 | 16.6% |
| Intergovernmental - Federal | 2,367 | 2.2% | 627 | 36.0% |
| Intergovernmental - State and Local | 8,390 | 7.8% | (11,338) | -57.5% |
| Miscellaneous | 1,421 | 1.3% | 113 | 8.6% |
| Other Financing Sources | | | | |
| Proceeds from Issuance of Refunding Debt | 3,500 | 3.3% | 3,500 | 100.0% |
| Proceeds from Disposal of Assets | 59 | 0.1% | (4) | -6.3% |
| Transfers In | 3,741 | 3.5% | 774 | 26.1% |
| Total | <u>\$ 107,645</u> | <u>100%</u> | <u>\$ 84</u> | <u>0.1%</u> |

Local Taxes increased \$3.3 million mainly due to increased transportation sales tax collections. Proceeds from the issuance of refunding debt increased \$3.5 million due to the issuance of the Series 2013 General Obligation Refunding Bonds. Fines, forfeitures and fees increased \$1.0 million due to slight increase in register of deeds filing fees, EMS fees, and fire fees. Intergovernmental – State and Local revenues decreased \$11.3 million due to a non-recurring \$8.0 million grant received from the State Ports Authority in the prior year, as well as a \$3.0 million decrease in C-Funds revenues due to an increase in the number of C-Fund projects related to non-County owned infrastructure.

The following schedule presents a summary of all governmental funds expenditures and other financing uses for the fiscal year ended June 30, 2014, 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, 2014

FINANCIAL ANALYSIS OF BERKELEY COUNTY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

| | Amount | Percent of Total | Increase (Decrease) from 2013 | Percent Increase (Decrease) |
|---|-------------------|---------------------|-------------------------------------|-----------------------------------|
| Expenditures: | | | | |
| General Government | \$ 21,994 | 20.2% | \$ (197) | -0.9% |
| Public Safety | 28,723 | 26.4% | 481 | 1.7% |
| Airport, Highways and Streets | 9,033 | 8.3% | 2,684 | 42.3% |
| Culture and Recreation | 3,085 | 2.8% | 155 | 5.3% |
| Health and Welfare | 1,912 | 1.8% | (18) | -0.9% |
| Community Development | 2,869 | 2.6% | (871) | -23.3% |
| Ice Storm Expenditures | 236 | 0.2% | 236 | 100.0% |
| Capital Outlay | 18,612 | 17.1% | (371) | -2.0% |
| Debt Service: | | | | |
| Principal Retirement | 11,279 | 10.4% | 9,886 | 709.7% |
| Interest and Fiscal Charges | 3,092 | 2.8% | (83) | -2.6% |
| Payment to Escrow Agent for Current Refunding | 3,464 | 3.2% | 3,464 | 100.0% |
| Debt Issuance Costs | 36 | 0.0% | 36 | 100.0% |
| Other Financing Uses: | | | | |
| Transfers Out | 4,292 | 4.0% | 825 | 23.8% |
| Total | \$ 108,627 | 100.0% | \$ 16,227 | 17.6% |

Total expenditures increased \$16.2 million, including a \$9.9 million increase in principal retirement, a \$3.5 million increase in payment to escrow agent for current refunding and a \$2.7 million increase in airport, highways and streets expenditures. The increase in principal retirement is due to a scheduled increased in principal payments, including the first principal payment of \$8.8 million made on the 2010 General Obligation bonds. The \$3.5 million increase in payment to escrow agent for current refunding is due to the County issuing \$3.5 million in Series 2013 General Obligation Refunding Bonds, which was used to refund \$3.4 million of the outstanding Series 2003 General Obligation Refunding and Improvement Bonds. The \$2.7 million increase in airport, highways and streets expenditures is primarily due to the County spending \$2.8 million in C-Funds that were prepaid to the SCDOT in the prior year.

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 \$17.0 million of which \$14.8 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 \$14.8 million represents 26.3% of total General Fund expenditures and transfers to other funds of approximately \$56.3 million, while total fund balance of \$17.0 million represents 30.2% of that same amount.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF BERKELEY COUNTY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

The Capital Projects fund has a total fund balance of approximately \$92.4 million, all of which is nonspendable due to prepaid items, restricted for future transportation projects, restricted for the assessment district capital projects, or restricted for other capital projects. The net decrease in fund balance during the current year was approximately \$1.1 million primarily due to expenditures of \$26.8 million exceeding revenues and other financing sources of \$25.7 million.

Proprietary Funds

Proprietary fund statements provide the same information as in the business-type activities column of the government-wide statements, but in greater detail, and on a fund basis for enterprise funds. The four enterprise funds are Water and Sewer, Solid Waste, Parks and Recreation, and Emergency Telephone.

At June 30, 2014, total net position amounted to approximately \$225.4 million for enterprise funds as compared to approximately \$220.9 million at June 30, 2013 (adjusted for the implementation of GASB #65 as discussed above and in Note I.C). 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) | |
| | 2014 | 2013 |
| Water and Sewer | \$ 10,205 | \$ 8,144 |
| Solid Waste | (6,629) | 1,848 |
| Parks and Recreation | (710) | (623) |
| Emergency Telephone | (2) | (110) |
| Total | <u>\$ 2,864</u> | <u>\$ 9,259</u> |

The Water and Sewer Fund experienced a \$2.1 million increase in operating income primarily due to increases of \$1.0 million in charges for sales and services and \$2.8 million in impact and capacity reservation fees partially offset by a \$1.9 million increase in operating expenses. The increase in charges for sales and services is primarily due to increased service area (increased customers) as well as changes in rates for several contract customers. The increase in impact and capacity reservation fees is primarily due to the increased building activity in the County during fiscal year 2014 with several large developments beginning. Operating expenses increased \$1.9 million due to slight increases in personnel services, depreciation expense and repairs and maintenance expenses. Operating income (loss) for the Solid Waste Fund decreased \$8.5 million primarily due to a \$7.8 million increase in operating expenses as a result of a \$7.9 million increase in the landfill closure and postclosure cost estimates.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF BERKELEY COUNTY'S FUNDS (CONTINUED)

Proprietary Funds (Continued)

Parks and Recreation (Cypress Gardens) continues to incur significant operating losses, including approximately \$710 thousand for fiscal 2014. However, this loss was partially offset by approximately \$566 thousand in revenues from the 0.75 mill property tax that was assessed for fiscal 2014 (down from the 1.0 mill assessed in 2013). This fund owes the General Fund a total of approximately \$708 thousand at June 30, 2014. The County has approved a transfer of \$801 thousand from the General Fund to the Parks and Recreation Fund in the fiscal year 2015 budget to alleviate this interfund balance. The Emergency Telephone fund operating loss decreased from a loss of \$110 thousand in 2013 to a loss of only \$2 thousand in 2014 primarily due to a \$63 thousand increase in operating revenues.

General Fund Budgetary Highlights: The County's General Fund budget is the fiscal plan to provide services to the taxpayers and the resources required to provide those services. Budget to actual statements reporting these services and resources are provided in the financial statements for the General Fund.

Budget columns are provided for both the original budget adopted for fiscal year 2014 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 in June 2014. The net change between the original budget and the final budget was approximately \$833 thousand.

A column for actual revenues and a column for differences between final budget and actual revenues follow the budgeted amounts columns. During fiscal year 2014, revenues were greater than budgetary estimates by approximately \$1.8 million as local option sales taxes were \$1.4 million over budget and licenses, fees and permits were \$725 thousand over budget.

A column for actual expenditures and a column for differences between final budget and actual expenditures follow the budgeted amounts columns. During fiscal year 2014, expenditures were less than budgetary estimates by approximately \$2.1 million. Most of this savings is attributable to approximately \$431 thousand in public safety, \$984 thousand realized in general government and \$556 thousand in airport, highways and streets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of 2014, the County had approximately \$495.8 million invested in capital assets, net of depreciation. This was an increase of approximately \$18.4 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, 2014 and 2013, net of accumulated depreciation (in thousands).

BERKELEY COUNTY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|----------------------------|------------|-----------------------------|---------|---------|------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 5,631 | \$ 5,631 | 3,650 | 3,650 | 9,281 | \$ 9,281 |
| Construction in Progress | 14,802 | 5,533 | 15,037 | 34,234 | 29,839 | 39,767 |
| Buildings and Improvements | 33,222 | 34,707 | - | - | 33,222 | 34,707 |
| Furniture and Equipment | 3,577 | 4,370 | 6,164 | 6,376 | 9,741 | 10,746 |
| Utility Systems, Plants and Buildings | - | - | 301,683 | 277,019 | 301,683 | 277,019 |
| Infrastructure | 101,678 | 95,196 | - | - | 101,678 | 95,196 |
| Other | 5,282 | 5,202 | 5,079 | 5,463 | 10,361 | 10,665 |
| Total | \$ 164,192 | \$ 150,639 | 331,613 | 326,742 | 495,805 | \$ 477,381 |

At June 30, 2014, the Capital Projects Fund and Airport Improvements Fund had commitments under contracts for construction of various projects not completed of approximately \$5,715,000 and \$1,542,000, respectively. In addition, the County awarded an additional \$459,000 in construction contracts subsequent to June 30, 2014 to be paid out of the Airport Improvements Fund. Also at June 30, 2014, the Water and Sewer Fund and Solid Waste Fund had commitments under contracts for construction of various projects not completed of approximately \$20,514,000 and \$92,000, respectively. More detailed information about the County's capital assets is included in Note III. D. of the Notes to the Financial Statements.

Long-Term Debt. At June 30, 2014, the County had approximately \$219.8 million in bonds, loans and notes payable outstanding versus approximately \$250.4 million at June 30, 2013, or a decrease of approximately \$30.6 million. The table below reflects the outstanding balances (in thousands) as of June 30, 2014 and 2013.

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------|----------------------------|-----------|-----------------------------|---------|---------|------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| General Obligation Bonds | \$ 55,707 | \$ 67,950 | - | - | 55,707 | \$ 67,950 |
| SC TIB Loan | 5,572 | 5,797 | - | - | 5,572 | 5,797 |
| Revenue Bonds | - | - | 157,355 | 175,283 | 157,355 | 175,283 |
| State Revolving Fund Loan | - | - | 949 | 1,008 | 949 | 1,008 |
| Notes Payable | - | - | 192 | 324 | 192 | 324 |
| Total | \$ 61,279 | \$ 73,747 | 158,496 | 176,615 | 219,775 | \$ 250,362 |

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").

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)

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.

In November 2013, the County issued \$3,500,000 in Series 2013 General Obligation Refunding Bonds. The County placed \$3,463,734 in an irrevocable trust, which was used to redeem \$3,425,000 of the outstanding Series 2003 General Obligation Refunding and Improvement Bonds on November 26, 2013. This current refunding was undertaken to reduce total debt service payments over the next 15 years by \$362,927, resulting in an economic gain of \$385,561.

More detailed information about the County's debt and other long-term liabilities is presented in Note III. I. 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 strength of Berkeley County and its management staff.

ECONOMIC FACTORS AND THE 2015 BUDGET

Factors considered in preparing Berkeley County's budget for the 2015 fiscal year included:

- The County's unemployment rate was ranked 35th in the state.
- The population of the County was approximately 178,000 in 2010, and is expected to reach 194,000 by 2020.

During the current fiscal year, unassigned fund balance in the general fund increased \$1,955,000 to approximately \$14,822,000.

OTHER POTENTIALLY SIGNIFICANT MATTERS

Waste Water Treatment

The County operates the Lower Berkeley Wastewater Treatment Plant which had a treatment capacity of 18 million gallons per day (MGD). The County expanded the plant in 2011 to 22.5 MGD. The County also operates the new Central Berkeley Wastewater Treatment Plant which has a treatment capacity of 3.0 MGD and replaced the former Central Berkeley Wastewater Treatment Plant which had a capacity of 0.35 MGD. The new plant was placed in operation in September of 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

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 committed to purchase up to 2.5 million gallons a day, or 29.4% of the total capacity of the plant. The initial term of the agreement is for twenty years, which shall be extended for subsequent twenty-year terms unless the County notifies Lake Marion WA in writing of its intent to terminate not less than thirty months prior to the expiration of the initial term or the expiration date of any renewal. Provisions of the agreement require the County to pay its share of the funds required to operate and maintain Lake Marion WA and to defray its capital costs, in addition to monthly demand (fixed) and volumetric (variable) charges based upon the amount of water purchased.

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 nonviable. 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. This litigation is ongoing as of June 30, 2014.

The Lake Moultrie Water Agency is in the process of expanding the Lake Moultrie Water Treatment Facility to 40 MGD. The expansion will increase BCWS capacity to 13.04MGD. The construction of the project will be in two phases starting the first quarter of 2014 and ending the third quarter of 2016. The budgeted cost for the project is \$33,455,000. The BCWS portion of the cost is estimated to be \$17MM-\$19MM. BCWS 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.

Beneficial Use Of Waste

GenEarth has constructed an anaerobic digester on our landfill property to create methane gas to fuel the generation of electricity.

McGill Environmental Systems of NC is a commercial compost production facility that will use wood waste together with FOG and sludge.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

OTHER POTENTIALLY SIGNIFICANT MATTERS (CONTINUED)

Beneficial Use Of Waste (Continued)

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

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

SUBSEQUENT EVENTS

In August 2014, the County issued \$20,340,000 in Series 2014 Combined Utility System Revenue Bonds and received a premium of \$1,059,133. The proceeds from the bonds are expected to be used to fund the County's portion of the Lake Moultrie Water Agency's system expansion.

During the July 28, 2014 County Council meeting, County Council approved the fiscal year 2015 budget, which included transferring \$801,339 in fund balance from the General Fund to the Parks and Recreation Enterprise Fund to eliminate the interfund balance owed.

During the July 28, 2014 County Council meeting, County Council approved the Storm Water Utility and rate schedule. The rate schedule established a Storm Water Utility fee of \$36 for the first year, \$42 for the second year and \$48 for the third year of operation. The fees will be billed on the tax bills annually beginning in tax year 2014. The County estimates that the fee for tax year 2014 will bring in approximately \$1,700,000 in gross revenues.

During the November 2014 elections, the voters of Berkeley County approved an extension to the one-cent 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 sales tax program.

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
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2014

SUBSEQUENT EVENTS (CONTINUED)

On December 8, 2014, County Council adopted Ordinance No. 14.21 terminating the transportation impact fee ordinance for unincorporated Berkeley County, which terminated the collection of impact fees effective December 9, 2014. Transportation impact fees already collected shall be used in the manner for which they were collected and shall be refunded if not expended within three years of the time they are scheduled to be expended.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general financial overview of Berkeley County Government's finances for all those with an interest in our government. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed by mail to the Berkeley County Finance Department at Post Office Box 6122, Moncks Corner, SC, 29461-6120.

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2014

| | PRIMARY GOVERNMENT | | |
|--|----------------------------|-----------------------------|----------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | \$ 22,817,427 | 51,600,621 | \$ 74,418,048 |
| Receivables, Net of Allowances: | | | |
| Property Taxes | 42,410,377 | 631,661 | 43,042,038 |
| Transportation Sales Tax | 5,992,917 | - | 5,992,917 |
| Accounts Receivable | 929,914 | 4,446,483 | 5,376,397 |
| Federal, State and Local Governments | 3,793,705 | 5,123,757 | 8,917,462 |
| Internal Balances | 709,649 | (709,649) | - |
| Inventories, at Cost | 157,980 | 26,896 | 184,876 |
| Prepaid Items | 20,546,086 | - | 20,546,086 |
| Restricted Cash and Cash Equivalents | 30,836,707 | 18,684,742 | 49,521,449 |
| Restricted Investments | 47,582,364 | - | 47,582,364 |
| TOTAL CURRENT ASSETS | 175,777,126 | 79,804,511 | 255,581,637 |
| NON-CURRENT ASSETS | | | |
| CAPITAL ASSETS | | | |
| Non-Depreciable | 20,432,799 | 18,686,870 | 39,119,669 |
| Depreciable, Net of Accumulated Depreciation | 143,759,603 | 312,926,029 | 456,685,632 |
| TOTAL CAPITAL ASSETS | 164,192,402 | 331,612,899 | 495,805,301 |
| OTHER NON-CURRENT ASSETS | | | |
| Accounts Receivable, Due in More Than One Year | - | 211,254 | 211,254 |
| TOTAL OTHER NON-CURRENT ASSETS | - | 211,254 | 211,254 |
| TOTAL NON-CURRENT ASSETS | 164,192,402 | 331,824,153 | 496,016,555 |
| TOTAL ASSETS | 339,969,528 | 411,628,664 | 751,598,192 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Charges | 722,463 | 9,793,996 | 10,516,459 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ 722,463 | 9,793,996 | \$ 10,516,459 |

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2014

| | PRIMARY GOVERNMENT | | |
|---|----------------------------|-----------------------------|-----------------------|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable and Accrued Liabilities | \$ 8,616,082 | 4,846,526 | \$ 13,462,608 |
| Accrued Interest Payable | 833,192 | 828,102 | 1,661,294 |
| Accrued Compensated Absences | 2,793,069 | 395,483 | 3,188,552 |
| Landfill Closure and Postclosure Cost Liability | - | 392,623 | 392,623 |
| Unearned Revenue | 1,353,070 | 27,565 | 1,380,635 |
| Bonds, Loans and Notes Payable | 10,722,368 | 8,332,260 | 19,054,628 |
| TOTAL CURRENT LIABILITIES | 24,317,781 | 14,822,559 | 39,140,340 |
| NON-CURRENT LIABILITIES | | | |
| Accrued Compensated Absences | 4,486,609 | 1,083,109 | 5,569,718 |
| Unfunded OPEB Liability | 2,269,971 | 363,498 | 2,633,469 |
| Landfill Closure and Postclosure Cost Liability | - | 9,432,962 | 9,432,962 |
| Bonds, Loans and Notes Payable | 52,075,356 | 169,672,013 | 221,747,369 |
| TOTAL NON-CURRENT LIABILITIES | 58,831,936 | 180,551,582 | 239,383,518 |
| TOTAL LIABILITIES | 83,149,717 | 195,374,141 | 278,523,858 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Revenue | 41,169,458 | 609,655 | 41,779,113 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 41,169,458 | 609,655 | 41,779,113 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 107,916,605 | 187,253,702 | 295,170,307 |
| Restricted For: | | | |
| Capital Projects | 85,214,054 | - | 85,214,054 |
| Debt Service | 558,420 | 1,041,674 | 1,600,094 |
| Impact Fees | 8,929,317 | - | 8,929,317 |
| Economic Development | 1,225,927 | - | 1,225,927 |
| Other | 1,323,852 | - | 1,323,852 |
| Unrestricted | 11,204,641 | 37,143,488 | 48,348,129 |
| TOTAL NET POSITION | \$ 216,372,816 | 225,438,864 | \$ 441,811,680 |

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

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

| 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 | \$ 22,940,704 | 8,403,174 | 525,075 | - | (14,012,455) | - | \$ (14,012,455) |
| Public Safety | 30,182,426 | 6,790,140 | 715,076 | 75,125 | (22,602,085) | - | (22,602,085) |
| Airport, Highways and Streets | 24,021,972 | 3,186,978 | 250,000 | 13,879,043 | (6,705,951) | - | (6,705,951) |
| Culture and Recreation | 3,010,488 | 86,862 | 283,164 | 14,853 | (2,625,609) | - | (2,625,609) |
| Health and Welfare | 2,138,346 | - | 213,305 | 11,133 | (1,913,908) | - | (1,913,908) |
| Community Development | 3,259,999 | 212,490 | - | - | (3,047,509) | - | (3,047,509) |
| 2014 Winter Ice Storm | 267,954 | - | 157,422 | - | (110,532) | - | (110,532) |
| Interest and Fiscal Charges | 2,596,577 | - | - | - | (2,596,577) | - | (2,596,577) |
| Total Governmental Activities | 88,418,466 | 18,679,644 | 2,144,042 | 13,980,154 | (53,614,626) | - | (53,614,626) |
| Business-Type Activities: | | | | | | | |
| Water and Sewer | 38,616,597 | 42,006,950 | 159,383 | 6,542,826 | - | 10,092,562 | 10,092,562 |
| Solid Waste | 22,414,857 | 10,483,403 | 4,193,224 | - | - | (7,738,230) | (7,738,230) |
| Parks and Recreation | 1,257,431 | 547,349 | - | - | - | (710,082) | (710,082) |
| Emergency Telephone | 526,260 | 524,623 | 525,113 | - | - | 523,476 | 523,476 |
| Total Business-Type Activities | 62,815,145 | 53,562,325 | 4,877,720 | 6,542,826 | - | 2,167,726 | 2,167,726 |
| Total Primary Government | \$ 151,233,611 | 72,241,969 | 7,021,762 | 20,522,980 | (53,614,626) | 2,167,726 | (51,446,900) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property Taxes | | | | | 26,921,110 | 544,306 | 27,465,416 |
| Fee in Lieu of Taxes | | | | | 7,883,055 | 21,963 | 7,905,018 |
| Local Option Sales Tax | | | | | 11,876,699 | - | 11,876,699 |
| Transportation Sales Tax | | | | | 22,388,703 | - | 22,388,703 |
| County Accommodations | | | | | 513,117 | - | 513,117 |
| Franchise Taxes | | | | | 522,776 | - | 522,776 |
| Grants and Contributions not Restricted to Specific Programs | | | | | 7,170,804 | - | 7,170,804 |
| Interest Income | | | | | 83,479 | 36,193 | 119,672 |
| Gain on Sale of Assets | | | | | 28,070 | 849,203 | 877,273 |
| Miscellaneous | | | | | 803,269 | 336,591 | 1,139,860 |
| Transfers | | | | | (550,937) | 550,937 | - |
| Total General Revenues and Transfers | | | | | 77,640,145 | 2,339,193 | 79,979,338 |
| CHANGE IN NET POSITION | | | | | 24,025,519 | 4,506,919 | 28,532,438 |
| NET POSITION - Beginning of Year | | | | | 192,347,297 | 222,744,483 | 415,091,780 |
| Adjustment for Implementation of GASB 65 | | | | | - | (1,812,538) | (1,812,538) |
| NET POSITION - Beginning of Year, Adjusted | | | | | 192,347,297 | 220,931,945 | 413,279,242 |
| NET POSITION - End of Year | | | | | 216,372,816 | 225,438,864 | \$ 441,811,680 |

BERKELEY COUNTY, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

| | GENERAL FUND | CAPITAL PROJECTS FUND | NONMAJOR FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|----------------------|-----------------------------|-------------------|--------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 17,153,796 | - | 5,663,631 | \$ 22,817,427 |
| Receivables, Net of Allowances: | | | | |
| Property Taxes | 31,834,099 | 850,781 | 9,725,497 | 42,410,377 |
| Transportation Sales Tax | - | 5,992,917 | - | 5,992,917 |
| Accounts Receivable | 862,441 | - | 67,473 | 929,914 |
| Federal, State and Local Governments | 2,550,381 | 412,738 | 830,586 | 3,793,705 |
| Due from Other Funds | 1,707,139 | 18,008 | - | 1,725,147 |
| Inventories, at Cost | 157,980 | - | - | 157,980 |
| Prepaid Items | 88,095 | 20,457,991 | - | 20,546,086 |
| Restricted Cash and Cash Equivalents | - | 20,052,251 | 10,784,456 | 30,836,707 |
| Restricted Investments | - | 47,582,364 | - | 47,582,364 |
| TOTAL ASSETS | \$ 54,353,931 | 95,367,050 | 27,071,643 | \$ 176,792,624 |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable and Accrued Liabilities | \$ 4,455,818 | 2,162,238 | 1,998,026 | \$ 8,616,082 |
| Due to Other Funds | 73,900 | - | 941,598 | 1,015,498 |
| Unearned Revenue | 1,313,974 | 2,267 | 36,829 | 1,353,070 |
| TOTAL LIABILITIES | 5,843,692 | 2,164,505 | 2,976,453 | 10,984,650 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue | 481,887 | - | 350,060 | 831,947 |
| Deferred Revenue | 31,037,705 | 850,781 | 9,280,972 | 41,169,458 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 31,519,592 | 850,781 | 9,631,032 | 42,001,405 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 37,363,284 | 3,015,286 | 12,607,485 | 52,986,055 |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Inventory | 157,980 | - | - | 157,980 |
| Prepaid Items | 88,095 | 20,457,991 | - | 20,546,086 |
| Restricted for: | | | | |
| Debt Service | - | - | 558,420 | 558,420 |
| Impact Fees | - | - | 8,929,317 | 8,929,317 |
| Assessment District Projects | - | 8,129,749 | - | 8,129,749 |
| Transportation Projects | - | 61,533,720 | - | 61,533,720 |
| Economic Development | - | - | 1,225,927 | 1,225,927 |
| Clerk of Court | - | - | 498,902 | 498,902 |
| Grants | - | - | 84,354 | 84,354 |
| Other | - | 2,230,304 | 740,596 | 2,970,900 |
| Committed for: | | | | |
| Special Tax Districts | - | - | 458,803 | 458,803 |
| Economic Development | - | - | 2,693,568 | 2,693,568 |
| Geographic Information Systems | - | - | 70,711 | 70,711 |
| Assigned for: | | | | |
| Public Safety | 435,000 | - | 26,716 | 461,716 |
| Elected Officials' Carryover | 240,421 | - | - | 240,421 |
| County Council | 47,186 | - | - | 47,186 |
| OPEB Contribution | 115,000 | - | - | 115,000 |
| Satellite Office | 150,000 | - | - | 150,000 |
| EMS Capital Outlay | 134,000 | - | - | 134,000 |
| Parks and Recreation | 801,339 | - | - | 801,339 |
| Unassigned | 14,821,626 | - | (823,156) | 13,998,470 |
| TOTAL FUND BALANCES | 16,990,647 | 92,351,764 | 14,464,158 | 123,806,569 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 54,353,931 | 95,367,050 | 27,071,643 | \$ 176,792,624 |

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

BERKELEY COUNTY, SOUTH CAROLINA

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

JUNE 30, 2014

| | | |
|---|-----------|--------------------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS | \$ | 123,806,569 |
|---|-----------|--------------------|

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 \$295,659,169 and the accumulated depreciation was \$131,466,767. | 164,192,402 |
|---|-------------|

| | |
|--|---------|
| 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/FILOT | 755,803 |
| EMS Revenues | 76,144 |

| | |
|--|---------|
| Bond deferred losses are amortized over the lives of the bonds; however, in governmental accounting, bond deferred losses are expenditures the year they are incurred. The bond deferred losses of \$877,275 have been shown net of accumulated amortization of \$154,812. | 722,463 |
|--|---------|

| | |
|--|-------------|
| OPEB costs reported in the statement of activities do not require the use of current financial resources and therefore are not reported as a liability in the governmental funds | (2,269,971) |
|--|-------------|

| | |
|--|---------------------|
| 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 | (55,707,000) |
| Bond Premium | (1,519,167) |
| SC Transportation Infrastructure Bank Loan | (5,571,557) |
| Accrued Compensated Absences | (7,279,678) |
| Accrued Interest | (833,192) |
| | <u>(70,910,594)</u> |

| | | |
|---|-----------|---------------------------|
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | \$ | <u>216,372,816</u> |
|---|-----------|---------------------------|

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

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

| | GENERAL FUND | CAPITAL PROJECTS FUND | NONMAJOR FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-------------------------|--------------------------------------|---------------------------|---|
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 23,670,300 | - | 3,321,514 | \$ 26,991,814 |
| Accommodations | - | - | 513,117 | 513,117 |
| Fee in Lieu of Taxes | 5,589,730 | - | 2,284,584 | 7,874,314 |
| Local Option Sales Tax | 10,524,306 | 1,352,393 | - | 11,876,699 |
| Transportation Sales Tax | - | 22,388,703 | - | 22,388,703 |
| Licenses, Fees and Permits | 2,491,446 | - | - | 2,491,446 |
| Fines, Forfeitures and Fees | 8,027,596 | 886,230 | 6,437,154 | 15,350,980 |
| Interest Income | 11,896 | 69,184 | 2,399 | 83,479 |
| Local Revenue | - | - | 597,293 | 597,293 |
| Intergovernmental - Federal | 415,764 | 324,761 | 1,627,840 | 2,368,365 |
| Intergovernmental - State and Local | 7,324,741 | 294,510 | 771,127 | 8,390,378 |
| Miscellaneous | 855,646 | 41,134 | 524,812 | 1,421,592 |
| TOTAL REVENUES | 58,911,425 | 25,356,915 | 16,079,840 | 100,348,180 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 20,300,989 | 536,218 | 1,156,841 | 21,994,048 |
| Public Safety | 23,293,809 | - | 5,429,217 | 28,723,026 |
| Airport, Highways and Streets | 5,835,872 | - | 3,196,922 | 9,032,794 |
| Culture and Recreation | 3,002,035 | - | 82,949 | 3,084,984 |
| Health and Welfare | 1,912,076 | - | - | 1,912,076 |
| Community Development | 431,482 | - | 2,437,622 | 2,869,104 |
| Winter Storm Costs | 236,149 | - | - | 236,149 |
| Capital Outlay | 490,476 | 15,581,189 | 2,540,397 | 18,612,062 |
| Debt Service: | | | | |
| Principal Retirement | - | 9,005,820 | 2,273,000 | 11,278,820 |
| Interest and Fiscal Charges | - | 1,705,700 | 1,385,868 | 3,091,568 |
| Payment to Escrow Agent for Current Refunding | - | - | 3,463,734 | 3,463,734 |
| Debt Issuance Costs | - | - | 36,266 | 36,266 |
| TOTAL EXPENDITURES | 55,502,888 | 26,828,927 | 22,002,816 | 104,334,631 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 3,408,537 | (1,472,012) | (5,922,976) | (3,986,451) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from Issuance of Refunding Debt | - | - | 3,500,000 | 3,500,000 |
| Proceeds from Disposal of Assets | 16,985 | 41,871 | - | 58,856 |
| Transfers In | 839,043 | 327,600 | 2,574,144 | 3,740,787 |
| Transfers Out | (849,209) | - | (3,442,515) | (4,291,724) |
| TOTAL OTHER FINANCING SOURCES (USES) | 6,819 | 369,471 | 2,631,629 | 3,007,919 |
| NET CHANGE IN FUND BALANCES | 3,415,356 | (1,102,541) | (3,291,347) | (978,532) |
| FUND BALANCE - Beginning of Year | 13,575,291 | 93,454,305 | 17,755,505 | 124,785,101 |
| FUND BALANCE - End of Year | \$ 16,990,647 | 92,351,764 | 14,464,158 | \$ 123,806,569 |

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

BERKELEY COUNTY, SOUTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2014

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (978,532)**

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. | 32,876 |
| 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. | 11,278,820 |
| Payment to refunding debt escrow agent is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. | 3,463,734 |
| 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. | (3,500,000) |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount represents the difference in treatment for the year and the interest expensed as a result of the refunding. | 149,105 |
| 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. | 519,881 |
| Deferred refunding charges are not recognized by the governmental funds but are amortized over the life of the refunded debt in the Statement of Activities. This amount represents the amortization for the year. | (51,604) |
| Some compensated absences and other 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. | (339,430) |
| The County's Unfunded OPEB Liability resulting from the unfunded annual required contribution to the OPEB plan is not reported as a liability in the governmental funds. This amount represents the net change in this liability for the year. | (103,120) |
| 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. | 12,613,141 |
| Governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$12,207,809, excluding donated capital additions of \$12,613,141, exceeded depreciation expense of \$11,184,929 and net disposals of \$82,232. | 940,648 |

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 24,025,519**

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

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2014

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | |
|---|---|-------------------|-------------------|-----------------------|
| | WATER AND SEWER | SOLID WASTE | NONMAJOR FUNDS | TOTALS |
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash and Cash Equivalents | \$ 42,777,047 | 8,473,439 | 350,135 | \$ 51,600,621 |
| Cash and Cash Equivalents-Restricted | 17,231,552 | 1,453,190 | - | 18,684,742 |
| Property Taxes Receivable, Net of Allowance | - | - | 631,661 | 631,661 |
| Accounts Receivable, Net of Allowance | 3,520,174 | 780,883 | 145,426 | 4,446,483 |
| Due from Federal, State and Local Governments, Net of Allowance | 405,420 | 4,193,224 | 525,113 | 5,123,757 |
| Inventories, at Cost | - | - | 26,896 | 26,896 |
| Due from Other Funds | - | 73,900 | - | 73,900 |
| TOTAL CURRENT ASSETS | 63,934,193 | 14,974,636 | 1,679,231 | 80,588,060 |
| NON-CURRENT ASSETS: | | | | |
| CAPITAL ASSETS: | | | | |
| Non-Depreciable | 14,120,657 | 4,479,513 | 86,700 | 18,686,870 |
| Depreciable, Net of Accumulated Depreciation | 290,308,985 | 21,079,981 | 1,537,063 | 312,926,029 |
| TOTAL CAPITAL ASSETS | 304,429,642 | 25,559,494 | 1,623,763 | 331,612,899 |
| OTHER NON-CURRENT ASSETS: | | | | |
| Accounts Receivable, Due in More Than One Year | 211,254 | - | - | 211,254 |
| TOTAL OTHER NON-CURRENT ASSETS | 211,254 | - | - | 211,254 |
| TOTAL NON-CURRENT ASSETS | 304,640,896 | 25,559,494 | 1,623,763 | 331,824,153 |
| TOTAL ASSETS | 368,575,089 | 40,534,130 | 3,302,994 | 412,412,213 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Charges | 9,585,728 | 208,268 | - | 9,793,996 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 9,585,728 | 208,268 | - | 9,793,996 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 378,160,817 | 40,742,398 | 3,302,994 | \$ 422,206,209 |

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

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2014

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | |
|--|---|-------------------|-------------------|-----------------------|
| | WATER AND SEWER | SOLID WASTE | NONMAJOR FUNDS | TOTALS |
| LIABILITIES | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts Payable and Accrued Liabilities | \$ 4,532,697 | 241,763 | 72,066 | \$ 4,846,526 |
| Landfill Closure and Postclosure Cost Liability | - | 392,623 | - | 392,623 |
| Accrued Interest Payable | 815,854 | 12,248 | - | 828,102 |
| Accrued Compensated Absences | 217,063 | 108,531 | 69,889 | 395,483 |
| Due to Other Funds | 75,514 | - | 708,035 | 783,549 |
| Unearned Revenue | 15,000 | - | 12,565 | 27,565 |
| Current Portion of Bonds and Notes Payable | 6,899,978 | 1,432,282 | - | 8,332,260 |
| TOTAL CURRENT LIABILITIES | 12,556,106 | 2,187,447 | 862,555 | 15,606,108 |
| NON-CURRENT LIABILITIES: | | | | |
| Unfunded OPEB Liability | 261,698 | 101,800 | - | 363,498 |
| Accrued Compensated Absences | 651,188 | 325,594 | 106,327 | 1,083,109 |
| Landfill Closure and Postclosure Cost Liability | - | 9,432,962 | - | 9,432,962 |
| Bonds and Notes Payable | 159,431,152 | 10,240,861 | - | 169,672,013 |
| TOTAL NON-CURRENT LIABILITIES | 160,344,038 | 20,101,217 | 106,327 | 180,551,582 |
| TOTAL LIABILITIES | 172,900,144 | 22,288,664 | 968,882 | 196,157,690 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Revenue | - | - | 609,655 | 609,655 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | - | 609,655 | 609,655 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 171,174,790 | 14,455,149 | 1,623,763 | 187,253,702 |
| Restricted for Debt Service | 305,258 | 736,416 | - | 1,041,674 |
| Unrestricted | 33,780,625 | 3,262,169 | 100,694 | 37,143,488 |
| TOTAL NET POSITION | 205,260,673 | 18,453,734 | 1,724,457 | 225,438,864 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 378,160,817 | 40,742,398 | 3,302,994 | \$ 422,206,209 |

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

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | |
|---|---|--------------------|-------------------|-----------------------|
| | WATER AND SEWER | SOLID WASTE | NONMAJOR FUNDS | TOTALS |
| OPERATING REVENUES | | | | |
| Sales and Services | \$ 33,580,242 | 10,167,948 | 1,044,389 | \$ 44,792,579 |
| Impact and Connection Fees | 7,044,154 | - | - | 7,044,154 |
| Other Operating Revenue | 1,382,554 | 315,455 | 27,583 | 1,725,592 |
| TOTAL OPERATING REVENUES | 42,006,950 | 10,483,403 | 1,071,972 | 53,562,325 |
| OPERATING EXPENSES | | | | |
| Personnel Services | 9,083,925 | 3,798,643 | 1,003,744 | 13,886,312 |
| Advertising | - | - | 39,353 | 39,353 |
| Utilities | 3,323,112 | 189,021 | 314,042 | 3,826,175 |
| Office Expenses | 696,572 | 58,343 | 32,336 | 787,251 |
| Maintenance and Repairs | 3,932,008 | 1,421,621 | 41,913 | 5,395,542 |
| Contractual Services | 930,888 | 537,049 | 64,174 | 1,532,111 |
| Other Services and Charges | 1,817,820 | 463,211 | 151,349 | 2,432,380 |
| Depreciation | 12,017,656 | 2,729,324 | 136,780 | 14,883,760 |
| Landfill Closure and Postclosure Costs | - | 7,915,130 | - | 7,915,130 |
| TOTAL OPERATING EXPENSES | 31,801,981 | 17,112,342 | 1,783,691 | 50,698,014 |
| OPERATING INCOME (LOSS) | 10,204,969 | (6,628,939) | (711,719) | 2,864,311 |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Property Taxes | - | - | 544,306 | 544,306 |
| Fee in Lieu of Taxes | - | - | 21,963 | 21,963 |
| Interest Income | 33,452 | 2,741 | - | 36,193 |
| Grant Revenue | 159,383 | 4,193,224 | 525,113 | 4,877,720 |
| Proceeds fom Legal Settlement | 336,591 | - | - | 336,591 |
| Ice Storm Clean Up Costs | - | (5,058,123) | - | (5,058,123) |
| Gain on Disposition of Assets | 545,422 | 303,781 | - | 849,203 |
| Interest Expense | (6,814,616) | (244,392) | - | (7,059,008) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (5,739,768) | (802,769) | 1,091,382 | (5,451,155) |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | 4,465,201 | (7,431,708) | 379,663 | (2,586,844) |
| CAPITAL CONTRIBUTIONS AND TRANSFERS | | | | |
| Capital Contributions | 6,542,826 | - | - | 6,542,826 |
| Transfers In | 500,000 | - | 50,937 | 550,937 |
| TOTAL CAPITAL CONTRIBUTIONS AND TRANSFERS | 7,042,826 | - | 50,937 | 7,093,763 |
| CHANGE IN NET POSITION | 11,508,027 | (7,431,708) | 430,600 | 4,506,919 |
| NET POSITION, Beginning of Year | 195,536,836 | 25,913,790 | 1,293,857 | 222,744,483 |
| Adjustment for Implementation of GASB 65 | (1,784,190) | (28,348) | - | (1,812,538) |
| NET POSITION, Beginning of Year, Adjusted | 193,752,646 | 25,885,442 | 1,293,857 | 220,931,945 |
| NET POSITION, End of Year | \$ 205,260,673 | 18,453,734 | 1,724,457 | \$ 225,438,864 |

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

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | |
|---|--|------------------------|---------------------------|----------------------|
| | WATER AND SEWER | SOLID WASTE | NONMAJOR FUNDS | TOTALS |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers and Users | \$ 41,811,055 | 10,557,693 | 1,024,914 | \$ 53,393,662 |
| Cash Paid to Suppliers | (10,514,518) | (5,081,992) | (635,295) | (16,231,805) |
| Cash Paid to Employees | (8,813,160) | (3,766,739) | (961,906) | (13,541,805) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 22,483,377 | 1,708,962 | (572,287) | 23,620,052 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Non-Capital Grant Contributions | 210,514 | 13,980 | - | 224,494 |
| Ice Storm Clean Up Costs | - | (5,058,123) | - | (5,058,123) |
| Property Taxes and Fee in Lieu of Taxes | - | - | 552,299 | 552,299 |
| Proceeds from Legal Settlement | 336,591 | - | - | 336,591 |
| Transfers and Advances Between Funds | (3,333,596) | 3,845,560 | 50,937 | 562,901 |
| NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES | (2,786,491) | (1,198,583) | 603,236 | (3,381,838) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from the Sale of Assets | 850,663 | 303,782 | - | 1,154,445 |
| Acquisition and Construction of Capital Assets | (7,913,277) | (4,014,519) | - | (11,927,796) |
| Principal Paid - Bonds and Notes Payable | (6,441,777) | (1,379,595) | - | (7,821,372) |
| Interest Paid - Bonds and Notes Payable | (7,475,796) | (271,447) | - | (7,747,243) |
| NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES | (20,980,187) | (5,361,779) | - | (26,341,966) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest Income on Investments | 33,452 | 2,741 | - | 36,193 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 33,452 | 2,741 | - | 36,193 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,249,849) | (4,848,659) | 30,949 | (6,067,559) |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 61,258,448 | 14,775,288 | 319,186 | 76,352,922 |
| CASH AND CASH EQUIVALENTS, End of Year | \$ 60,008,599 | 9,926,629 | 350,135 | \$ 70,285,363 |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position | | | | |
| Cash and Cash Equivalents - Current Assets | \$ 42,777,047 | 8,473,439 | 350,135 | \$ 51,600,621 |
| Restricted Cash and Cash Equivalents - Current Assets | 17,231,552 | 1,453,190 | - | 18,684,742 |
| | \$ 60,008,599 | 9,926,629 | 350,135 | \$ 70,285,363 |

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

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

| | BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS | | | |
|---|--|------------------------|---------------------------|----------------------|
| | WATER AND SEWER | SOLID WASTE | NONMAJOR FUNDS | TOTALS |
| Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities: | | | | |
| Operating Income (Loss) | \$ 10,204,969 | (6,628,939) | (711,719) | \$ 2,864,311 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities: | | | | |
| Depreciation and Amortization | 12,017,656 | 2,729,324 | 136,780 | 14,883,760 |
| (Increase) Decrease in Assets and Deferred Outflows of Resources: | | | | |
| Accounts Receivable | (149,195) | 74,290 | (58,448) | (133,353) |
| Inventories | - | - | (6,580) | (6,580) |
| Prepaid Items and Deposits | - | - | 12,296 | 12,296 |
| Increase (Decrease) in Liabilities and Deferred Inflows of Resources: | | | | |
| Accounts Payable and Accrued Liabilities | 380,432 | (346,570) | 2,156 | 36,018 |
| Landfill Closure and Postclosure Cost Liability | - | 5,845,127 | - | 5,845,127 |
| Compensated Absences Payable | 54,823 | 27,410 | 41,838 | 124,071 |
| Unearned Revenue | (46,700) | - | (6,216) | (52,916) |
| Deferred Revenues - Property Taxes | - | - | 17,606 | 17,606 |
| Unfunded OPEB Liability | 21,392 | 8,320 | - | 29,712 |
| Total Adjustments | 12,278,408 | 8,337,901 | 139,432 | 20,755,741 |
| Net Cash Provided by Operating Activities | \$ 22,483,377 | 1,708,962 | (572,287) | \$ 23,620,052 |
| Schedule of Noncash Investing, Capital and Financing Activities: | | | | |
| Acquisition of Capital Assets Through Developer Contributions | \$ 6,542,826 | - | - | \$ 6,542,826 |
| Change in Capital Acquisition Included in Accounts Payable | (1,246,440) | (342,744) | - | (1,589,184) |
| Amortization of Bond Premium and Deferred Refunding Costs | \$ (560,581) | (22,947) | - | \$ (583,528) |

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

BERKELEY COUNTY, SOUTH CAROLINA

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

JUNE 30, 2014

| | AGENCY FUNDS |
|------------------------------------|----------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 39,899,146 |
| Investments | 1,997,820 |
| Accounts Receivable | 1,322,718 |
| TOTAL ASSETS | \$ 43,219,684 |
| LIABILITIES | |
| Accounts Payable | \$ 10,937 |
| Due to School District | 15,728,168 |
| Due to Other Designated Recipients | 27,480,579 |
| TOTAL LIABILITIES | \$ 43,219,684 |

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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, planning and zoning, courts, and general administrative services.

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

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

Related Organizations

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

During 2008 the County executed an agreement with the Lake Marion Regional Water Agency (“Lake Marion WA”), a joint municipal water system. The County has a 29% voting representation on this system’s board, representing its proportionate commitment to purchase water to the system’s total capacity. Lake Marion WA is not owned by nor is it fiscally dependent upon the County. In March 2013, County Council authorized the Water and Sanitation Department to withdraw from the Lake Marion Regional Water Agency. See notes III. D. below for additional information regarding the potential impact of the withdrawal.

B. Government-wide and Fund Financial Statements

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. *Government-Wide Statements:*

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

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

2. *Fund Financial Statements:*

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

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

3. *Major and Non-major Funds:*

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

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

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

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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 and nonmajor 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 *Parks and Recreation Fund, a non-major fund*, accounts for the operation and maintenance of the County's parks, including Cypress Gardens.

The *Emergency Telephone Fund, a non-major fund*, accounts for the operation of the County's 911 services.

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

C. Measurement Focus and Basis of Accounting

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

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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.

The County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB #65") in the year ended June 30, 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In particular, GASB #65 requires that bond issuance costs (as defined) should be recognized as an expense in the period incurred. GASB #65 supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the County in the year ended June 30, 2013. The County's former financial statement items that were affected by the implementation of GASB #65 were its bond issuance costs, deferred revenue liability (for unavailable revenue and deferred revenue), and deferred charges in its statements of financial position. Under GASB #65, (a) bond issuance costs are expensed in the period incurred and any such unamortized bond issuance costs that were incurred and capitalized in previous years would be written off as an adjustment to beginning net position, (b) deferred revenue that is not available or deferred revenue that is received by a government but is applicable to a future year should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources, and (c) deferred charges related to long-term debt will be reclassified and shown as a component of deferred outflows of resources as opposed to being netted against long-term liabilities. As a result of the implementation of GASB #65, the County wrote off approximately \$1,813,000 in unamortized bond issuance costs in its business-type activities. In addition, the County wrote off approximately \$1,784,000 and \$28,000 in unamortized bond issuance costs in the Water and Sewer Fund and Solid Waste Fund, respectively.

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

Revenue Recognition

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

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

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Expenditure Recognition

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

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

Proprietary funds distinguish operating revenues and expenses from 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, recreation, and emergency telephone. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

1. Cash and Cash Equivalents and Deposits

The "deposits" classification is used only in the notes, not on the face of the statement of net 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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Investments (Continued)

- (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.
- (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.

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Investments (Continued)

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."

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, 2014. All net property taxes receivable at year-end, except those collected within 60 days, are recorded as unavailable revenue 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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Receivables (Continued)

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

5. Inventories and Prepaid Assets

Inventories are valued at cost for the General Fund and for the Proprietary Funds, using the first-in, first-out method. Inventory in the General Fund consists of expendable supplies held for consumption. General Fund inventories have been charged as expenditures when consumed. Inventory in the Proprietary Funds consists of items for resale. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets.

6. Capital Assets

Capital assets, which include property, plant, equipment, software, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life of two years or more. The County has various minimum capitalization thresholds for infrastructure assets based on the type of infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during construction of capital assets for governmental activities is not capitalized. However, interest incurred during the construction phase of business-type activity capital assets is included in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Interest capitalized on assets not acquired with tax exempt debt is the product of the average accumulated expenditures during the year for such assets and the weighted average interest rate on debt. Interest is not capitalized on assets acquired or constructed with gifts and grants. Interest costs are not capitalized when immaterial in amount, or for small projects under \$200,000, or those for which the construction period is less than six months.

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:

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

| | |
|---|-------------|
| 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.

8. Long-term Obligations

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

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. 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

As defined by GASB Concept Statement No. 4, "*Elements of Financial Statements*", deferred outflows of resources and deferred inflows of resources are the consumption of net assets by the government that are applicable to a future reporting period and an acquisition of net assets by the government that are applicable to a future reporting period, respectively.

In addition to assets, the County's statement of financial position 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's deferred outflows of resources consists of deferred losses on current and advance refundings of debt ("deferred charges").

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the County's statement of financial position 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 government has two types of deferred inflows of resources. One of these items arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. This item is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available. The other item arises under both the modified and full accrual basis of accounting. Accordingly, the item, *deferred revenue*, is reported not only in the governmental funds balance sheet but also in the government-wide Statement of Net Position. This item is deferred and recognized as an inflow of resources (revenue) in the period for which it was intended to finance.

10. Net Position and Fund Balances

Government-Wide and Proprietary Fund Statements

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

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

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 implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" ("GASB 54") in fiscal year 2011. The objective of GASB 54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds.

The County classifies governmental fund balances as follows:

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.).

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Net Position and Fund Balances (Continued)

Governmental Fund Statements (Continued)

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

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

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

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

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

The County has adopted a fund balance policy for the General Fund, with the goal of 15% of the next year's budget be available as unassigned fund balance. The minimum fund balance amount that is available under the policy is \$9,380,399 as of June 30, 2014 which represents 15% of the original budget of \$62,533,995 for the General Fund for fiscal year 2015.

As of June 30, 2014, the Storm Water Management Fund, a non-major Special Revenue Fund, has a deficit fund balance of \$823,156 and the Parks and Recreation Fund, a non-major Enterprise Fund, has deficit unrestricted net position of \$641,425. The County established a storm water utility fee effective in fiscal year 2015, as discussed in Note IV.N, in order to alleviate the deficit fund balance. The County allocated 0.75 mills of property taxes for fiscal year 2014 for the Parks and Recreation Fund and increased the property tax allocation to 1.0 mill as well as a transfer from the fund balance of the General Fund in fiscal year 2015 to reduce this deficit fund balance as discussed in Note IV.N.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. 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.

12. Accounting Estimates

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund and for all of the Special Revenue Funds except the following: Special Revenue - Clerk of Court, Special Revenue – Sheriff's Grants, Highway "C" Funds, PARD Grant, Impact Fees, Economic Development, National Forest Fund, Legal Forfeiture Proceeds, and various 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, 2014, net amendments totaling approximately \$833,000 were made to the General Fund budget.

Encumbrances lapse at the end of the fiscal year.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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, 2014, none of the County's bank balances of \$147,166,761 (which had a recorded value of \$145,387,466) were exposed to custodial credit risk.

Investments

As of June 30, 2014, the County had the following investments:

| Investment Type | Fair Value | S & P | Credit Ratings Moody's | Fitch | Weighted Average Maturity |
|--|----------------------|-------|---------------------------|---------|---------------------------------|
| First American Treasury Obligations Fund - Class Y | \$ 744,423 | AAAm | Aaa-mf | AAAmmf | < 1 year |
| First American Treasury Obligations Fund - Class D | 235,755 | AAAm | Aaa-mf | AAAmmf | < 1 year |
| Regions Trust Money Market Deposit Fund | 17,470,999 | AAAm | Aaa-mf | Unrated | < 1 year |
| Freddie Mac Discount Notes | 20,673,221 | A-1+ | P-1 | F1+ | < 1 year |
| Federal Home Loan Discount Notes | 28,906,963 | A-1+ | P-1 | F1+ | < 1 year |
| Total Investments | <u>\$ 68,031,361</u> | | | | |

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, 2014, none of the County's investments were exposed to custodial credit risk for investments.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

A. Deposits and Investments (Continued)

Investments (Continued)

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 | \$ 145,387,466 |
| Fair Value of Investments | 68,031,361 |
| Total | <u>\$ 213,418,827</u> |
| Statement of Net Position: | |
| Cash and Cash Equivalents | \$ 74,418,048 |
| Restricted Cash and Cash Equivalents | 49,521,449 |
| Restricted Investments | 47,582,364 |
| Statement of Fiduciary Net Position: | |
| Cash and Cash Equivalents | 39,899,146 |
| Investments | 1,997,820 |
| Total | <u>\$ 213,418,827</u> |

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

B. Receivables

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows, which includes \$211,524 in non-current receivables for the Water and Sewer Fund:

| Receivables: | General | Debt Service | Capital Projects Fund | Special Revenue Funds | Water and Sewer | Solid Waste | Parks & Recreation | Emergency Telephone | Totals |
|---|----------------------|------------------|--------------------------|--------------------------|--------------------|------------------|-----------------------|------------------------|----------------------|
| Property Taxes | \$ 33,919,447 | 2,365,294 | 886,230 | 7,994,721 | - | - | 670,951 | - | \$ 45,836,643 |
| Transportation Sales Tax | - | - | 5,992,917 | - | - | - | - | - | 5,992,917 |
| Accounts | 2,332,002 | - | - | 67,473 | 3,862,936 | 780,883 | - | 145,426 | 7,188,720 |
| Federal, State and Local Governments | 2,550,381 | - | 412,738 | 830,586 | 405,420 | 4,193,224 | - | 525,113 | 8,917,462 |
| Total | <u>38,801,830</u> | <u>2,365,294</u> | <u>7,291,885</u> | <u>8,892,780</u> | <u>4,268,356</u> | <u>4,974,107</u> | <u>670,951</u> | <u>670,539</u> | <u>67,935,742</u> |
| Less Allowance for Uncollectibles: | | | | | | | | | |
| Taxes | (2,085,348) | (160,203) | (35,449) | (474,315) | - | - | (39,290) | - | (2,794,605) |
| Accounts | (1,469,561) | - | - | - | (131,508) | - | - | - | (1,601,069) |
| Total | <u>(3,554,909)</u> | <u>(160,203)</u> | <u>(35,449)</u> | <u>(474,315)</u> | <u>(131,508)</u> | <u>-</u> | <u>(39,290)</u> | <u>-</u> | <u>(4,395,674)</u> |
| Net Receivables | <u>\$ 35,246,921</u> | <u>2,205,091</u> | <u>7,256,436</u> | <u>8,418,465</u> | <u>4,136,848</u> | <u>4,974,107</u> | <u>631,661</u> | <u>670,539</u> | <u>\$ 63,540,068</u> |

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014**

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

The composition of interfund balances at June 30, 2014 is as follows:

| | Receivable Fund | Payable Fund |
|----------------------------------|---------------------|---------------------|
| General Fund | \$ 1,707,139 | \$ 73,900 |
| Special Revenue Funds: | | |
| Emergency Preparedness | - | 13,764 |
| Storm Water Management | - | 769,918 |
| State Accommodations Tax | - | 3,494 |
| Solicitor's Grants | - | 86,895 |
| County Accommodations Tax | - | 31,177 |
| PARD Grant | - | 22,027 |
| Regional Disaster Planning Grant | - | 14,323 |
| Capital Projects Fund | 18,008 | - |
| Enterprise Funds: | | |
| Water and Sewer | - | 75,514 |
| Solid Waste | 73,900 | - |
| Parks and Recreation | - | 708,035 |
| Total | <u>\$ 1,799,047</u> | <u>\$ 1,799,047</u> |

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of the balances are expected to be paid or received within one year.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Capital Assets

Governmental capital asset activity for the year ended June 30, 2014, is as follows:

| | Balance 6/30/2013 | Additions | Disposals | Transfers | Balance 6/30/2014 |
|--|----------------------|------------|-----------|-------------|----------------------|
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | \$ 5,630,925 | - | - | - | \$ 5,630,925 |
| Construction in Progress | 5,532,510 | 10,323,675 | - | (1,054,311) | 14,801,874 |
| Total Capital Assets, Not Being Depreciated | 11,163,435 | 10,323,675 | - | (1,054,311) | 20,432,799 |
| Capital Assets, Being Depreciated: | | | | | |
| Buildings | 37,933,076 | 369,369 | - | - | 38,302,445 |
| Furniture | 1,538,944 | 5,373 | - | - | 1,544,317 |
| Equipment | 12,943,253 | 253,146 | (91,233) | - | 13,105,166 |
| Software | 2,164,805 | 44,145 | - | 80,000 | 2,288,950 |
| Vehicles | 11,116,226 | 1,003,032 | (642,330) | 151,284 | 11,628,212 |
| Improvements | 16,865,484 | - | - | 35,533 | 16,901,017 |
| Library Materials | 2,260,889 | 262,306 | (181,076) | - | 2,342,119 |
| Infrastructure | 175,766,746 | 12,559,904 | - | 787,494 | 189,114,144 |
| Total Capital Assets, Being Depreciated | 260,589,423 | 14,497,275 | (914,639) | 1,054,311 | 275,226,370 |
| Less: Accumulated Depreciation For: | | | | | |
| Buildings | 12,333,198 | 920,076 | - | - | 13,253,274 |
| Furniture | 1,056,775 | 142,529 | - | - | 1,199,304 |
| Equipment | 9,055,236 | 902,520 | (84,744) | - | 9,873,012 |
| Software | 1,351,020 | 151,672 | - | - | 1,502,692 |
| Vehicles | 8,093,307 | 982,470 | (566,587) | - | 8,509,190 |
| Improvements | 7,757,889 | 969,991 | - | - | 8,727,880 |
| Library Materials | 895,507 | 250,959 | (181,076) | - | 965,390 |
| Infrastructure | 80,571,313 | 6,864,712 | - | - | 87,436,025 |
| Total Accumulated Depreciation | 121,114,245 | 11,184,929 | (832,407) | - | 131,466,767 |
| Total Capital Assets, Being Depreciated, Net | 139,475,178 | 3,312,346 | (82,232) | 1,054,311 | 143,759,603 |
| Governmental Activities Capital Assets, Net | \$ 150,638,613 | 13,636,021 | (82,232) | - | \$ 164,192,402 |

During the year ended June 30, 2014, the County recorded approximately \$12,613,000 in infrastructure contributed from developers and donated equipment, software and vehicles for its governmental activities.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Capital Assets (Continued)

Business-Type capital asset activity for the year ended June 30, 2014, is as follows:

| | Balance 6/30/2013 | Additions | Disposals | Transfers | Balance 6/30/2014 |
|---|----------------------|-------------|-------------|--------------|----------------------|
| Capital Assets, Not Being Depreciated: | | | | | |
| Land | \$ 3,650,103 | - | - | - | \$ 3,650,103 |
| Construction in Progress | 34,234,448 | 11,081,084 | - | (30,278,765) | 15,036,767 |
| Total Capital Assets, Not Being Depreciated | 37,884,551 | 11,081,084 | - | (30,278,765) | 18,686,870 |
| Capital Assets, Being Depreciated: | | | | | |
| Utility Systems, Treatment Plants and Buildings | 408,412,578 | 6,677,090 | (305,241) | 30,278,765 | 445,063,192 |
| Equipment, Vehicles and Furniture | 19,582,698 | 2,301,632 | (928,565) | - | 20,955,765 |
| Lake Moultrie Water Agency | 11,086,345 | - | - | - | 11,086,345 |
| Total Capital Assets, Being Depreciated | 439,081,621 | 8,978,722 | (1,233,806) | 30,278,765 | 477,105,302 |
| Less: Accumulated Depreciation For: | | | | | |
| Utility Systems, Treatment Plants and Buildings | 131,393,675 | 11,986,357 | - | - | 143,380,032 |
| Equipment, Vehicles and Furniture | 13,206,467 | 2,514,076 | (928,563) | - | 14,791,980 |
| Lake Moultrie Water Agency | 5,623,934 | 383,327 | - | - | 6,007,261 |
| Total Accumulated Depreciation | 150,224,076 | 14,883,760 | (928,563) | - | 164,179,273 |
| Total Capital Assets, Being Depreciated, Net | 288,857,545 | (5,905,038) | (305,243) | 30,278,765 | 312,926,029 |
| Business-Type Activities Capital Assets, Net | \$ 326,742,096 | 5,176,046 | (305,243) | - | \$ 331,612,899 |

During the year ended June 30, 2014, the County recorded approximately \$6,543,000 in utility systems contributed by developers and others. No interest was capitalized for the business-type activities during the year ended June 30, 2014.

Depreciation expense for the year ended June 30, 2014 was charged to County functions as follows:

| | |
|---|----------------------|
| Governmental Activities: | |
| General Government | \$ 1,229,205 |
| Public Safety | 1,296,434 |
| Airport, Highways and Streets | 8,017,688 |
| Culture and Recreation | 397,695 |
| Health and Welfare | 201,646 |
| Community Development | 42,261 |
| Total Governmental Activity Depreciation | <u>\$ 11,184,929</u> |
| Business-Type Activities: | |
| Water and Sewer | \$ 12,017,656 |
| Solid Waste | 2,729,324 |
| Parks and Recreation | 92,876 |
| Emergency Telephone | 43,904 |
| Total Business-Type Activity Depreciation | <u>\$ 14,883,760</u> |

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

D. Capital Assets (Continued)

Construction Commitments

At June 30, 2014, the Capital Projects Fund and Airport Improvements Fund had commitments under contracts for construction of various projects not completed of approximately \$5,715,000 and \$1,542,000, respectively. In addition, the County awarded an additional \$459,000 in construction contracts subsequent to June 30, 2014 to be paid out of the Airport Improvements Fund. Also at June 30, 2014, the Water and Sewer Fund and Solid Waste Fund had commitments under contracts for construction of various projects not completed of approximately \$20,514,000 and \$92,000, respectively.

Joint Municipal Water Systems

In prior years, the County entered into a contract with the Lake Moultrie WA to purchase 24% of the finished water produced by Lake Moultrie WA. The contract expires on October 2, 2027. Provisions of the contract require a deposit to reserve the capacity and to pay monthly demand (fixed) and volumetric (variable) charges. The original deposit was recognized as a deferred charge and is being amortized over the life of the contract; the remaining unamortized amount is included in other non-current assets. The County paid \$8,921,929 to Lake Moultrie WA to reserve the desired capacity. In June 2007, Segment 7 was sold to the City of Goose Creek for \$44,451, reducing the residual purchase price to \$8,877,478. During 2008, the construction to upgrade the transmission portion of the plant was completed; the County's portion of these charges totaled \$2,208,867, which increased the purchase price to \$11,086,345. Accumulated amortization at June 30, 2014 was \$6,007,261 and amortization recognized during the year was \$383,327, which is included in depreciation expense for the Water and Sewer Fund.

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

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|---------------|
| 2015 | \$ 795,263 |
| 2016 | 886,889 |
| 2017 | 924,182 |
| 2018 | 1,382,546 |
| 2019 | \$ 1,415,713 |

The Lake Moultrie Water Agency is in the process of designing an expansion of the Lake Moultrie Water Treatment Facility from 24 MGD to 40 MGD. The expansion will increase BCWS capacity to 13.04 MGD. The construction of the project will be in two phases starting the first quarter of 2014 and ending the third quarter of 2016. The budgeted cost for the project is \$33,455,000. The County's portion of the cost is estimated to be approximately \$17,000,000 to \$19,000,000. 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.

The Lake Marion WA was formed in the mid 1990's in order to provide safe reliable drinking water to the residents of central South Carolina and to help bring economic growth to the Interstate 95 corridor. Members include Calhoun, Clarendon, Dorchester, Orangeburg, and Berkeley Counties and the Town of Santee. In November 2007, the County entered into a contract with Lake Marion WA. The County has committed to purchase up to 2.5 million gallons a day, or 29.4% of the total capacity of the plant. The initial term of the agreement is for twenty years, which shall be extended for subsequent twenty-year terms unless the County notifies Lake Marion WA in writing of its intent to terminate not less than thirty months prior to the expiration of the initial term or the expiration date of any renewal. Provisions of the agreement require the County to pay its share of the funds required to operate and maintain Lake Marion WA and to defray its capital costs, in addition to monthly demand (fixed) and volumetric (variable) charges based upon the amount of water purchased. An 8 MGD water treatment plant came on line in May of 2008.

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)****D. Capital Assets (Continued)***Joint Municipal Water Systems (Continued)*

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. This litigation is ongoing as of June 30, 2014; however, it is unreasonable to estimate the potential outcome at this time.

E. Interfund Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following:

| | Transfer In | Transfer Out |
|------------------------------------|--------------|--------------|
| General Fund | \$ 839,043 | \$ 849,209 |
| Capital Projects Fund | 327,600 | - |
| Non-major Special Revenue Funds: | | |
| Economic Development Fund | - | 983,524 |
| National Forest Fund | - | 339,967 |
| Emergency Preparedness Fund | 284,443 | - |
| GIS Fund | 291,637 | - |
| EMS Equipment Fund | 335 | - |
| State Accommodations Tax Fund | - | 29,803 |
| Impact Fees Fund | - | 283,859 |
| Sheriff's Grants Fund | 140,224 | - |
| Miscellaneous Special Revenue Fund | - | 500,000 |
| Victims' Assistance | 52,399 | - |
| Solicitor's Grants | 19,540 | - |
| County Accommodations Tax Fund | - | 153,559 |
| PARD Grant | 16,891 | - |
| Local Economic Development Fund | - | 1,151,803 |
| Airport Improvements Fund | 1,768,675 | - |
| Enterprise Funds: | | |
| Water and Sewer | 500,000 | - |
| Parks and Recreation | 50,937 | - |
| Total | \$ 4,291,724 | \$ 4,291,724 |

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

E. Interfund Transfers (Continued)

In July 2009, County Council passed a resolution regarding tax revenues received from the Mt. Holly Commerce Park, 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, 2014, the County had transferred a total of \$3,295,486 to the Water and Sewer Fund.

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 \$1,353,070 represents resources received in the current and prior periods, but unearned as of June 30, 2014. 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 \$41,169,458 at June 30, 2014 represents property tax and stormwater fee receivables that are applicable to and will be received in future periods. In addition, governmental funds report unavailable revenue in the fund financial statements in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The balance in unavailable revenue (component of deferred inflows of resources) of \$831,947 at June 30, 2014 represents property tax and EMS receivables applicable to the current period, but not received within sixty days of year end.

G. Operating Leases

The County leases various properties under several operating lease agreements expiring through 2015. Total costs charged to operations were approximately \$169,000 for the year ended June 30, 2014, including approximately \$133,000 in the General Fund and approximately \$36,000 in the Special Revenue Funds. Future minimum payments for these leases are as follows:

| Year Ending June 30, | Amount |
|----------------------|-------------------------|
| 2015 | \$ 29,919 |
| Total | <u><u>\$ 29,919</u></u> |

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

H. Long-term Obligations

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2014:

| Long-Term Obligations | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|-----------------------|------------------|-------------------|--------------------|------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds: | | | | | |
| Series 2003 Refunding and Improvement Bond | \$ 4,200,000 | - | 4,200,000 | - | \$ - |
| Series 2006 Bond | 7,980,000 | - | - | 7,980,000 | - |
| Series 2009A Bond | 10,000,000 | - | 35,000 | 9,965,000 | 100,000 |
| Series 2009B Refunding and Improvement Bond | 975,000 | - | 475,000 | 500,000 | 500,000 |
| Series 2010 Bond | 27,710,000 | - | 8,780,000 | 18,930,000 | 9,230,000 |
| Series 2012 Refunding Bond | 15,820,000 | - | 780,000 | 15,040,000 | 525,000 |
| Series 2013 General Obligation Refunding Bonds | - | 3,500,000 | 208,000 | 3,292,000 | 128,000 |
| Subtotal | 66,685,000 | 3,500,000 | 14,478,000 | 55,707,000 | 10,483,000 |
| Premium - Series 2010 Bond | 1,439,792 | - | 479,931 | 959,861 | - |
| Premium - Series 2012 Bond | 599,256 | - | 39,950 | 559,306 | - |
| Total - General Obligation Bonds | 68,724,048 | 3,500,000 | 14,997,881 | 57,226,167 | 10,483,000 |
| SC Transportation Infrastructure Bank Loan | 5,797,377 | - | 225,820 | 5,571,557 | 239,368 |
| Other Post-employment Benefits | 2,166,851 | 253,783 | 150,663 | 2,269,971 | - |
| Compensated Absences | 6,940,248 | 2,876,599 | 2,537,169 | 7,279,678 | 2,793,069 |
| Total Governmental Activities | \$ 83,628,524 | 6,630,382 | 17,911,533 | 72,347,373 | \$ 13,515,437 |
| Business-Type Activities: | | | | | |
| Revenue Bonds: | | | | | |
| Series 2005A Revenue Bond - Combined Utilities | \$ 500,000 | - | 250,000 | 250,000 | \$ 250,000 |
| Series 2008A Refunding Bond - Water & Sewer | 35,840,000 | - | 555,000 | 35,285,000 | 585,000 |
| Series 2002 Revenue Bond - Solid Waste | 1,000,000 | - | 200,000 | 800,000 | 200,000 |
| Series 2003 Refunding Bond - Solid Waste | 3,330,000 | - | 785,000 | 2,545,000 | 815,000 |
| Series 2005 Refunding Bond - Solid Waste | 700,000 | - | 355,000 | 345,000 | 345,000 |
| Series 2013 Refunding Bond - Combined Utilities | 123,615,000 | - | 5,485,000 | 118,130,000 | 5,935,000 |
| Subtotal | 164,985,000 | - | 7,630,000 | 157,355,000 | 8,130,000 |
| Premium - Series 2008A Revenue Bond - Water & Sewer | 350,896 | - | 23,523 | 327,373 | - |
| Premium - Series 2013 Refunding Bond - Combined Utilities | 20,379,805 | - | 1,198,812 | 19,180,993 | - |
| Total Revenue Bonds | 185,715,701 | - | 8,852,335 | 176,863,366 | 8,130,000 |
| State Revolving Fund Loan - AD Hare Rehab. - Water & Sewer | 1,007,920 | - | 59,390 | 948,530 | 59,986 |
| Notes Payable | 324,359 | - | 131,982 | 192,377 | 142,274 |
| Landfill Closure and Postclosure Care Cost | 3,980,458 | 7,915,130 | 2,070,003 | 9,825,585 | 392,623 |
| Other Post-employment Benefits | 333,786 | 40,964 | 11,252 | 363,498 | - |
| Compensated Absences | 1,354,521 | 977,008 | 852,937 | 1,478,592 | 395,483 |
| Total Business-Type Activities | \$ 192,716,745 | 8,933,102 | 11,977,899 | 189,671,948 | \$ 9,120,366 |

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

H. Long-term Obligations (Continued)

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

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. The primary source of revenue for repayment of bonds reported in the governmental activities is property taxes; the Series 2010 General Obligation Bond is repaid using transportation sales tax revenues.

General obligation bonds payable at June 30, 2014 are comprised of the following issues:

| Title of Issues | Principal Amount Outstanding |
|--|------------------------------------|
| Series 2006 General Obligation Bonds, with interest ranging from 4.00% to 6.00%, matures 2031. | \$ 7,980,000 |
| Series 2009A General Obligation Bonds, with interest ranging from 3.55% to 4.75%, matures 2029. | 9,965,000 |
| Series 2009B General Obligation Refunding Bonds, with interest ranging from 2.20% to 3.00%, matures 2015. | 500,000 |
| Series 2010 General Obligation Bonds, with interest at 5.00%; matures 2016. | 18,930,000 |
| Series 2012 General Obligation Refunding Bonds, with interest ranging from 2.0% to 4.0%, matures 2026. | 15,040,000 |
| Series 2013 General Obligation Refunding Bonds, with interest at 30.2%; matures 2027. | 3,292,000 |
| Total | <u>\$ 55,707,000</u> |

In November 2013, the County issued \$3,500,000 in Series 2013 General Obligation Refunding Bonds. The County placed \$3,463,734 in an irrevocable trust, which was used to redeem \$3,425,000 of the outstanding Series 2003 General Obligation Refunding and Improvement Bonds on November 26, 2013. This current refunding was undertaken to reduce total debt service payments over the next 15 years by \$362,927, resulting in an economic gain of \$385,561.

Notes Payable

The County has entered into a note agreement to finance the acquisition of computer software. The interest rate on this note is 7.53% and matures in October 2015. The total outstanding principal at June 30, 2014 was \$192,377 for the County's business-type activities.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

H. 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, 2014, the outstanding balance of the loan was \$948,530 and is being repaid through quarterly payments of \$17,312 through June 2029, including interest at 1%.

Revenue Bonds

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

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

On August 23, 2010, County Council enacted Ordinance Nos. 10-08-28 and 10-08-29 (together, the "Combining Ordinances"). Ordinance No. 10-08-29 amended General Bond Ordinance No. 91-4-10 and General Bond Ordinance No. 03-03-12, each of which authorized and provided for the issuance of Water and Sewer System Revenue Bonds of the County (collectively, the "Water and Sewer Bond Ordinances"), and Ordinance No. 10-08-28 amended General Bond Ordinance No. 96-7-33, which authorized and provided for the issuance of Solid Waste System Revenue Bonds of the County (the "Solid Waste Bond Ordinance" and, together with the Water and Sewer Bond Ordinances, the "Bond Ordinances"). The amendments effected by the Combining Ordinances became effective as of November 12, 2010 (the "Effective Date"). As of June 30, 2014, the County has allocated \$7,350,000 in outstanding principal to the Solid Waste Fund.

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)****H. Long-term Obligations (Continued)*****Revenue Bonds (Continued)***

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, 2014, are comprised of the following issues: | Outstanding Principal |
|--|----------------------------------|
| Combined Utilities System Revenue Bond, Series 2005A, due June 2030, with annual principal payments ranging from \$250,000 to \$14,025,000 and interest ranging from 3.5% - 5.0%. | \$ 250,000 |
| Water and Sewer System Refunding Bond, Series 2008A, due June 2028, with annual principal payments ranging from \$480,000 to \$3,445,000 and interest ranging from 3.0% to 5.0%. These bonds were issued to currently redeem the outstanding Series 2006A Refunding Revenue Bonds. These bonds have an issuance premium of \$350,896 and deferred refunding costs of \$3,056,638, both of which are net of amortization. | 35,285,000 |
| Solid Waste System, Series 2002, due December 2017, with annual principal payments of \$200,000 and interest at 4.66%. | 800,000 |
| Solid Waste System, Refunding Revenue Bond, Series 2003, due December 2016, with annual principal payments ranging from \$300,000 to 345,000 and an interest rate of 3.95%. | 2,545,000 |
| Solid Waste System, Refunding Revenue Bond, Series 2005, due December 2014, with annual principal payments ranging from \$725,000 to \$880,000 and an interest rate of 3.56%. | 345,000 |
| Combined Utilities System Revenue Bond, 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%. These bonds have an issuance premium of \$20,379,805 and deferred refunding costs of \$7,376,165, which are net of amortization. | 118,130,000 |
| Total Revenue Bonds | \$ 157,355,000 |

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)****H. Long-term Obligations (Continued)*****Revenue Bonds (Continued)***

There are numerous limitations, restrictions, and covenants contained in the various revenue bond indentures and ordinances. As of June 30, 2014, the County is in compliance with all significant restrictions and covenants, including its debt service coverage ratios for its Revenue Bonds. In 2008, County Council passed a resolution to increase the rates and fees approximately 30% for water and sewer customers, effective July 1, 2008. In addition, per the rate study that the County had conducted in the spring of 2008, additional 4% increases will be needed for each of the next three years in order for the County to continue to meet its debt coverage ratios in future years. However, County Council has not increased its rates since July 2008. The County is currently in the process of conducting an updated rate study.

South Carolina Transportation Infrastructure Bank Loan

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

Debt Service Requirements to Maturity

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

| Year Ending June 30 | Bonded Indebtedness | | Loans and Notes Payable | | Total |
|--|-----------------------|-------------------|-------------------------|------------------|-----------------------|
| | Principal | Interest | Principal | Interest | |
| <u>Governmental Activities</u> | | | | | |
| 2015 | \$ 10,483,000 | 2,269,343 | 239,368 | 306,980 | \$ 13,298,691 |
| 2016 | 11,434,000 | 1,768,127 | 253,732 | 293,274 | 13,749,133 |
| 2017 | 1,855,000 | 1,232,995 | 268,956 | 278,745 | 3,635,696 |
| 2018 | 1,821,000 | 1,178,483 | 285,092 | 263,345 | 3,547,920 |
| 2019 | 2,045,000 | 1,121,188 | 302,200 | 247,021 | 3,715,409 |
| 2020-2024 | 11,780,000 | 4,641,146 | 1,805,736 | 953,823 | 19,180,705 |
| 2025-2029 | 14,349,000 | 2,216,814 | 2,416,473 | 370,971 | 19,353,258 |
| 2030-2032 | 1,940,000 | 131,208 | - | - | 2,071,208 |
| Total Governmental Activities | <u>\$ 55,707,000</u> | <u>14,559,304</u> | <u>5,571,557</u> | <u>2,714,159</u> | <u>\$ 78,552,020</u> |
| <u>Business-Type Activities</u> | | | | | |
| 2015 | \$ 8,130,000 | 7,188,779 | 202,260 | 18,887 | \$ 15,539,926 |
| 2016 | 8,030,000 | 6,928,281 | 110,691 | 9,444 | 15,078,416 |
| 2017 | 8,340,000 | 6,605,412 | 61,196 | 8,051 | 15,014,659 |
| 2018 | 7,820,000 | 6,217,833 | 61,810 | 7,436 | 14,107,079 |
| 2019 | 7,975,000 | 5,859,345 | 62,431 | 6,816 | 13,903,592 |
| 2020-2024 | 45,980,000 | 23,195,895 | 321,680 | 24,553 | 69,522,128 |
| 2025-2029 | 57,910,000 | 11,262,051 | 320,839 | 8,081 | 69,500,971 |
| 2030-2032 | 13,170,000 | 658,500 | - | - | 13,828,500 |
| Total Business-Type Activities | <u>\$ 157,355,000</u> | <u>67,916,096</u> | <u>1,140,907</u> | <u>83,268</u> | <u>\$ 226,495,271</u> |

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

H. Long-term Obligations (Continued)

Landfill Closure and Postclosure Care Costs

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

The \$9,825,585 reported as an accrual for landfill closure and postclosure care at June 30, 2014, includes the estimated remaining liability of \$864,000 for postclosure care of the previously closed landfill site for another eighteen 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:

| 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) | 2.0 | 95.0% | \$ 459,498 | 988,958 | 1,448,456 | \$ 72,423 |
| Subtitle D Cells 5-8 (# 081001-1102) | 8.0 | 82.5% | 3,899,482 | 2,492,988 | 6,392,470 | 1,118,682 |
| Subtitle D Cell 9 (# 081001-1102) | 5.0 | 0.0% | 1,715,773 | - | 1,715,773 | 1,715,773 |
| Subtotal - Subtitle D | | | 6,074,753 | 3,481,946 | 9,556,699 | 2,906,878 |
| DPW-105 (# 081001-1101) | None | 100% | - | 864,000 | 864,000 | - |
| C&D (#081001-1201) | 5.0 | 95% | 2,073,436 | 360,000 | 2,433,436 | 121,672 |
| | | | \$ 8,148,189 | 4,705,946 | 12,854,135 | \$ 3,028,550 |

These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2014. 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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

The County is also subject to risks of loss from providing health, life, accident, dental and other medical benefits to employees, retirees and their dependents. The County enrolled substantially all of its employees in a plan provided by Blue Cross. The County pays a portion of the premiums and collects from employees and retirees the remaining premiums which are remitted to the state. In addition, the County insures the risk of job related injury or illness to its employees through South Carolina Counties Workers' Compensation Trust, a self-insured trust operating for the benefit of local governments. The County pays an annual premium to the Workers' Compensation Trust for its insurance coverage.

For all of the above risk management programs, the County has not significantly reduced insurance coverage from the previous year and settled claims in excess of insurance coverage for the past three years were immaterial. For each of the insurance programs and public entity risk pools in which they participate, the County has effectively transferred all risk with no liability for unfunded claims.

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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

C. Deferred Compensation Plan

The County offers its employees a deferred compensation plan, offered through the State of South Carolina, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular full-time employees, permits participants to defer a portion of their salaries until future years. The deferred compensation is not available to the employee or his beneficiaries until termination, retirement, death, disability, or an approved hardship. All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The plan is administered by the State of South Carolina.

D. Employee Retirement Systems and Plans

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

Benefits vest after five years of service, and vested members who retire at age sixty-five or with twenty eight years of service at any age, receive an annual benefit, payable monthly for life. The benefit is based on the length of service and on average final compensation, an annualized average of the employee's highest twelve consecutive quarters' compensation. Reduced benefits are payable as early as age sixty.

Funding Policy SCRS Plan members are required to contribute 7.5% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The rate at June 30, 2014 was 10.45% of annual covered payroll. Additionally, participating employers of the SCRS contribute 0.15% of payroll to provide a group life insurance benefit for their participants. The County's total contributions to SCRS for the years ending June 30, 2014, 2013, and 2012 were approximately \$3,350,000, \$3,266,000, and \$2,925,000, respectively, equal to the required contributions for each year.

SCPORS Plan members are required to contribute 7.84% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The rate at June 30, 2014 was 12.44% of annual covered payroll. Additionally, participating employers of the SCPORS contribute 0.4% of payroll to provide a group life insurance benefit and an accidental death benefit for their participants. The County's total contributions to SCPORS for the years ending June 30, 2014, 2013, and 2012 were \$1,227,000, \$1,108,000, and \$1,038,000, respectively, equal to the required contributions for each year.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

E. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions*” (“GASB #68”), which was issued by the GASB in June 2012, is required to be implemented by the County for the fiscal year ended June 30, 2015. The primary objective of GASB #68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB’s intention that GASB #68 will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the County’s financial obligations to current and former employees for past services rendered.

In particular, GASB #68 will require the County to recognize a net pension liability (and related deferred outflows and inflows of resources) for its participation in the SCRS and PORS 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. It is anticipated that its implementation will not have a significant impact on the County’s governmental funds.

The County has been in communications with the PEBA on the effect of implementing this Statement. Based on recent information provided by the PEBA, it is anticipated that the County’s proportionate share of the net pension liability associated with the SCRS and PORS will decrease the County’s beginning unrestricted net position for the year ended June 30, 2015 by approximately \$62,168,000 and \$20,506,000 for the governmental activities and business-type activities, respectively, and approximately \$13,189,000, \$5,887,000, and \$1,430,000 for the Water and Sewer Fund, Solid Waste Fund, and Non-Major Enterprise Funds, respectively.

F. 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 SRCS 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.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

F. Other Post-employment Benefits (Continued)

Plan Description (Continued)

As of June 30, 2013, the measurement date, there were 977 covered participants, including 198 covered participants from the Water and Sanitation department, and 112 retired participants receiving benefits (11 from Water and Sanitation).

Funding Policy

The County contributes a fixed dollar amount each year. In fiscal year 2014, the County contributed, on a monthly basis, up to \$175 for retiree only and retiree family healthcare coverage. For the Plan, the retiree contributes the balance between the actuarially calculated costs less the fixed dollar amount. The retiree pays 100% of the actuarially calculated dental costs.

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

Actuarial Methods and Assumptions

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

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

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

F. Other Post-employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

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

| | |
|---|--|
| Actuarial Valuation Date: | June 30, 2013 |
| Actuarial Cost Method: | Projected Unit Credit |
| Amortization Method: | Level Dollar Method |
| Amortization Period: | 30 Years |
| Actuarial Assumptions: | |
| Investment Rate of Return: | Discount rate of 4.0% annual return, net of both administrative and investment related expenses |
| Health Cost Trend: | 7.25% to 4.50% in 0.25% annual steps |
| Coverage Elections: | 80% of eligible retirees and 30% of spouses will elect to receive coverage upon retirement |
| Active Participant Marriage Assumption: | 80% of all active employees are assumed to be married with female spouses assumed to be 3 years younger. |
| Mortality Table: | RP 2000 Employee Mortality Table |
| Implicit Rate Subsidy: | Total cost of coverage for pre-65 retirees is 50% higher than the average premium rate to account for the implicitly subsidized costs. |
| Changes in Actuarial Assumptions/Cost Method: | Change in healthcare plan provider. |

Annual OPEB Cost, Net OPEB Obligation, Funded Status and Funding Progress

Annual OPEB Costs and Rollforward of Net OPEB Obligation

The County implemented GASB Statement No. 45 in fiscal 2009. For 2014, the annual OPEB cost (expense) and the progression of the net OPEB obligation in the Plan for the most recent plan year (fiscal year 2014) was as follows:

| | | |
|----|--|----------------------------|
| 1. | Net OPEB Obligation, Beginning of the Plan Year | <u>\$ 2,500,637</u> |
| 2. | One Year's Interest on the Net OPEB Obligation | 100,026 |
| 3. | ARC (Normal Cost Plus Any Amortization Payments) | 333,771 |
| 4. | Adjustment to Annual Required Contribution | (139,050) |
| 5. | Annual OPEB Cost | <u>294,747</u> |
| 6. | Contributions Made for the Plan Year | <u>(161,915)</u> |
| 7. | Increase (Decrease) in Net OPEB Obligation | 132,832 |
| 8. | Net OPEB Obligation, End of the Plan Year | <u><u>\$ 2,633,469</u></u> |

BERKELEY COUNTY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2014****IV. OTHER INFORMATION (CONTINUED)****F. Other Post-employment Benefits (Continued)***Annual OPEB Cost, Net OPEB Obligation, Funded Status and Funding Progress (Continued)**Schedule of Employer Contributions*

The County did not make contributions to the Plan in 2014 to pre-fund benefits; therefore, contributions only include \$161,915 made by the County through payment of covered participants' subsidized benefits.

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

| Schedule of Employer Contributions | | | | |
|---|---------------------|---------------------------------|--|--------------------------------|
| Applicable to Fiscal Year Ending | Annual OPEB Cost | Annual OPEB Cost Contributed | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation (Asset) |
| June 30, 2014 | \$ 294,747 | 161,915 | 54.93% | \$ 2,633,469 |
| June 30, 2013 | 474,114 | 228,581 | 48.21% | 2,500,637 |
| June 30, 2012 | \$ 432,236 | 224,922 | 52.04% | \$ 2,255,104 |

Funding Progress

Funding progress for the OPEB Plan as of June 30, 2014 is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Aggregate (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) |
|-----------------------------|-------------------------------------|--|---------------------------------|-----------------------|
| June 30, 2013 | \$ - | 3,790,374 | \$ 3,790,374 | 0.00% |

The schedule of funding progress following the Notes to the Financial Statements presents multiyear trend information regarding the actuarial value of plan assets relative to the actuarial accrued liability for benefits. During the approval of the fiscal year 2015 budget, the County Council approved the use of \$115,000 in fund balance to contribute to the OPEB Plan in addition to funding the ARC.

G. Concentrations of Credit Risk

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

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

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

H. Conduit Debt

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

As of June 30, 2014, there were twenty-three series of Special Source Revenue Bonds with an outstanding aggregate principal amount of approximately \$1.2 billion.

I. Reciprocal Interfund Transactions

During the year ended June 30, 2014, the County's General Fund charged the Water and Sewer and the Solid Waste Funds approximately \$169,000 for administrative services.

J. 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, 2014 was set by County Council in June 2013 for fiscal 2014 at 46.0 mills (\$4.60 per \$100 assessed valuation) for general uses and purposes of the County. Additional tax rates were applied in fiscal year 2014 as follows: 50.0 mills for the Sangaree Special Tax District, 3.0 mills for debt retirement, and 0.75 mill for Cypress Gardens. The assessed valuation of properties within the County's boundaries for the 2013 tax levy year was approximately \$720.9 million, exclusive of vehicles valued at approximately \$82.4 million, according to the records of the County Auditor and Assessor.

K. Jedburg Road Improvement District

On February 9, 2009, County Council adopted Ordinance No. 09-02-05 authorizing the creation of the Jedburg Road Improvement District ("JRID"), approving and authorizing the implementation of the Jedburg Road Improvement Plan (the "Plan"), providing for the financing of improvements within the JRID by assessment, and ordering the preparation of an assessment roll with a notice of the assessment sent to the property owners in the JRID. The JRID is located in the vicinity of the I-26/Jedburg Road interchange and consists of approximately 2,672 acres of mixed used development consisting of proposed industrial and commercial land uses by multiple owners. The Plan outlines various infrastructure improvements within the JRID that will be developed in two phases. The improvements as outlined in the Plan are expected to cost approximately \$30,500,000, which will be financed through the proceeds of two loans (Phase I and Phase II), obtained from the South Carolina Transportation Infrastructure Bank ("SCTIB"), with the total amount borrowed not to exceed \$28,964,000. The County obtained its Phase I loan in the amount of \$6,401,000 during fiscal year 2010 to finance certain improvements outlined in the Plan; the County drew down \$2,906,000 in loan proceeds during fiscal year 2010 and drew down the remaining \$3,495,000 during fiscal year 2011. The Phase II loan will be used to finance the remainder of the improvements as outlined in the Plan. Phase II of the Plan is anticipated to begin once 5,000,000 square feet of new business space in the JRID have been permitted.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

K. Jedburg Road Improvement District (Continued)

Principal and interest on the loans is expected to be repaid primarily with the assessments charged to the property owners in the JRID, with a portion to be financed by the County. The assessments on the properties in the JRID will be charged for a period of 20 years, beginning in fiscal 2010 through fiscal 2029, in an amount necessary to pay debt service, including principal and interest, on the loan and administrative expenses related to the JRID. The County will contribute up to \$10,000,000 to partially pay the costs of acquiring and constructing the improvements outlined in the Plan and/or to provide funds for the payment of debt service on the loan, with \$500,000 to be contributed each year for twenty years. The County used funds collected from local option sales taxes to make this contribution for fiscal 2014 and anticipates using subsequent collections of these taxes in future years to fund its annual contribution. Beginning in tax year 2009, and each following tax year through the 2028 tax year, County Council will confirm the annual payment to be collected from each parcel of assessed property in the JRID.

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

L. 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. Although state law requires that seventy-nine (79%) of these funds be used to offset a taxpayer's County property tax liability, County Council increase this amount to eighty (80%) percent for fiscal year 2014. The remaining twenty (20%) of funds were allocated by County Council for capital expenditures and for general county operational expenditures.

M. 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. The South Carolina Department of Revenue collects the tax and disburses it to the County. Transportation Sales Tax revenues for fiscal year 2014 totaled approximately \$22,389,000.

N. Subsequent Events

In August 2014, the County issued \$20,340,000 in Series 2014 Combined Utility System Revenue Bonds and received a premium of \$1,059,133. The proceeds from the bonds are expected to be used to fund the County's portion of the Lake Moultrie Water Agency's system expansion.

During the July 28, 2014 County Council meeting, County Council approved the fiscal year 2015 budget, which included transferring \$801,339 in fund balance from the General Fund to the Parks and Recreation Enterprise Fund to eliminate the interfund balance owed.

During the July 28, 2014 County Council meeting, County Council approved the Storm Water Utility rate schedule. The rate schedule established a Storm Water Utility fee of \$36 for the first year, \$42 for the second year and \$48 for the third year of operation. The fees will be billed on the tax bills annually beginning in tax year 2014. The County estimates that the fee for tax year 2014 will bring in approximately \$1,700,000 in gross revenues.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

IV. OTHER INFORMATION (CONTINUED)

N. Subsequent Events (Continued)

During the November 2014 elections, the voters of Berkeley County approved an extension to the one-cent 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 sales tax program.

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.

On December 8, 2014, County Council adopted Ordinance No. 14.21 terminating the transportation impact fee ordinance for unincorporated Berkeley County, which terminated the collection of impact fees effective December 9, 2014. Transportation impact fees already collected shall be used in the manner for which they were collected and shall be refunded if not expended within three years of the time they are scheduled to be expended.

BERKELEY COUNTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2014

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE |
|-------------------------------------|------------------|------------|------------|-------------------|
| | ORIGINAL | FINAL | AMOUNTS | WITH FINAL BUDGET |
| REVENUES | | | | |
| Property Taxes | \$ 24,219,820 | 24,219,820 | 23,670,300 | \$ (549,520) |
| Fee in Lieu of Taxes | 5,608,000 | 5,608,000 | 5,589,730 | (18,270) |
| Local Options Sales Tax | 9,080,916 | 9,080,916 | 10,524,306 | 1,443,390 |
| Licenses, Fees and Permits | 1,766,000 | 1,766,000 | 2,491,446 | 725,446 |
| Fines, Forfeitures and Fees | 8,231,095 | 8,320,195 | 8,027,596 | (292,599) |
| Interest Income | 50 | 50 | 11,896 | 11,846 |
| Intergovernmental - Federal | 201,924 | 223,424 | 415,764 | 192,340 |
| Intergovernmental - State and Local | 7,141,896 | 7,137,185 | 7,324,741 | 187,556 |
| Miscellaneous | 398,400 | 796,085 | 855,646 | 59,561 |
| TOTAL REVENUES | 56,648,101 | 57,151,675 | 58,911,425 | 1,759,750 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | | | | |
| Legislative | 376,781 | 378,087 | 356,298 | 21,789 |
| Judicial | 6,093,447 | 6,206,157 | 6,024,925 | 181,232 |
| Executive | 308,864 | 311,523 | 292,296 | 19,227 |
| Finance and Administration | 14,135,043 | 13,890,019 | 13,208,689 | 681,330 |
| Elections | 496,260 | 499,344 | 418,781 | 80,563 |
| Total General Government | 21,410,395 | 21,285,130 | 20,300,989 | 984,141 |
| Public Safety | | | | |
| Sheriff | 11,357,783 | 11,521,666 | 11,398,645 | 123,021 |
| Crime Stoppers | 2,850 | 2,850 | 2,850 | - |
| Corrections | 4,305,507 | 4,459,283 | 4,550,703 | (91,420) |
| Fire | 247,250 | 247,250 | 246,498 | 752 |
| Communications | 1,302,387 | 1,319,238 | 1,232,855 | 86,383 |
| Emergency Medical Services | 5,674,395 | 5,718,327 | 5,437,941 | 280,386 |
| Coroner | 398,157 | 455,797 | 424,317 | 31,480 |
| Total Public Safety | 23,288,329 | 23,724,411 | 23,293,809 | 430,602 |
| Airport, Highways and Streets | | | | |
| Airport | 377,103 | 379,730 | 311,828 | 67,902 |
| Highways and Streets | 4,615,050 | 4,692,207 | 4,364,245 | 327,962 |
| Fleet Management | 596,484 | 584,725 | 585,800 | (1,075) |
| Engineering | 659,968 | 735,376 | 573,999 | 161,377 |
| Total Airport, Highways and Streets | 6,248,605 | 6,392,038 | 5,835,872 | 556,166 |
| Culture and Recreation | | | | |
| Berkeley Museum | 47,500 | 47,500 | 47,500 | - |
| Library | 3,155,450 | 3,036,408 | 2,954,535 | 81,873 |
| Total Culture and Recreation | \$ 3,202,950 | 3,083,908 | 3,002,035 | \$ 81,873 |

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2014

| | BUDGETED AMOUNTS | | | VARIANCE WITH FINAL BUDGET |
|--|------------------|------------|-------------------|----------------------------------|
| | ORIGINAL | FINAL | ACTUAL AMOUNTS | |
| EXPENDITURES (CONTINUED) | | | | |
| Current (Continued): | | | | |
| Health and Welfare | | | | |
| Health State | \$ 112,670 | 112,670 | 114,280 | \$ (1,610) |
| Mosquito Abatement | 869,683 | 857,177 | 754,144 | 103,033 |
| Veterans Services | 160,071 | 163,852 | 163,744 | 108 |
| Other Programs Assistance | 893,893 | 893,893 | 879,908 | 13,985 |
| Total Health and Welfare | 2,036,317 | 2,027,592 | 1,912,076 | 115,516 |
| Community Development | | | | |
| Santee Cooper Country | 4,750 | 4,750 | 4,750 | - |
| Regional Development Alliance | 299,250 | 257,781 | 257,781 | - |
| BCD Council of Governments | 168,951 | 168,951 | 168,951 | - |
| Total Community Development | 472,951 | 431,482 | 431,482 | - |
| Winter Storm Costs | - | - | 236,149 | (236,149) |
| Capital Outlay | - | 628,904 | 490,476 | 138,428 |
| TOTAL EXPENDITURES | 56,659,547 | 57,573,465 | 55,502,888 | 2,070,577 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | (11,446) | (421,790) | 3,408,537 | 3,830,327 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Reserved for Contingency | (567,447) | (370,506) | - | 370,506 |
| Proceeds from Disposal of Assets | 12,000 | 12,000 | 16,985 | 4,985 |
| Transfers In | 893,646 | 1,204,898 | 839,043 | (365,855) |
| Transfers Out | (787,518) | (903,193) | (849,209) | 53,984 |
| Total Other Financing Sources (Uses) | (449,319) | (56,801) | 6,819 | 63,620 |
| NET CHANGE IN FUND BALANCES | (460,765) | (478,591) | 3,415,356 | 3,893,947 |
| FUND BALANCE - Beginning of Year | 13,575,291 | 13,575,291 | 13,575,291 | - |
| FUND BALANCE - End of Year | \$ 13,114,526 | 13,096,700 | 16,990,647 | \$ 3,893,947 |

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

BERKELEY COUNTY, SOUTH CAROLINA**REQUIRED SUPPLEMENTARY INFORMATION****OTHER POST-EMPLOYMENT BENEFIT PLAN – DEFINED BENEFIT HEALTHCARE PLAN –
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING STATUS****YEAR ENDED JUNE 30, 2014****SCHEDULE OF EMPLOYER CONTRIBUTIONS**

| Applicable to Fiscal Year Ending | Annual OPEB Cost | Contribution for Fiscal Year | Annual Percentage Contributed | Net OPEB Obligation |
|----------------------------------|------------------|---------------------------------|----------------------------------|---------------------|
| June 30, 2014 | \$ 294,747 | 161,915 | 54.93% | \$ 2,633,469 |
| June 30, 2013 | 474,114 | 228,581 | 48.21% | 2,500,637 |
| June 30, 2012 | 432,236 | 224,922 | 52.04% | 2,255,104 |
| June 30, 2011 | \$ 1,009,667 | 231,359 | 22.91% | \$ 4,066,597 |

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Aggregate (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) |
|--------------------------|-------------------------------------|--|---------------------------------|-----------------------|
| June 30, 2013 | \$ - | 3,790,374 | \$ 3,790,374 | 0.00% |
| June 30, 2012 | - | 5,157,766 | 5,157,766 | 0.00% |
| June 30, 2011 | \$ - | 8,840,823 | \$ 8,840,823 | 0.00% |

The Actuarial Accrued Liability decreased from June 30, 2011 to June 30, 2012 due primarily to changes in the eligibility requirements of the Plan, which were effective July 25, 2011. The Actuarial Accrued Liability decreased from June 30, 2012 to June 30, 2013 due primarily to the change in the County's healthcare provider.

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

| | DEBT SERVICE FUND | NONMAJOR SPECIAL REVENUE FUNDS | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|---|----------------------|---|--|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ - | 5,663,631 | \$ 5,663,631 |
| Receivables, Net of Allowances: | | | |
| Property Taxes | 2,205,091 | 7,520,406 | 9,725,497 |
| Accounts Receivable | - | 67,473 | 67,473 |
| Federal, State and Local Governments | - | 830,586 | 830,586 |
| Restricted Cash and Cash Equivalents | 534,728 | 10,249,728 | 10,784,456 |
| TOTAL ASSETS | \$ 2,739,819 | 24,331,824 | \$ 27,071,643 |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | |
| LIABILITIES | | | |
| Accounts Payable and Accrued Liabilities | \$ - | 1,998,026 | \$ 1,998,026 |
| Due to Other Funds | - | 941,598 | 941,598 |
| Unearned Revenue | - | 36,829 | 36,829 |
| TOTAL LIABILITIES | - | 2,976,453 | 2,976,453 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue | 35,324 | 314,736 | 350,060 |
| Deferred Revenue | 2,146,075 | 7,134,897 | 9,280,972 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,181,399 | 7,449,633 | 9,631,032 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 2,181,399 | 10,426,086 | 12,607,485 |
| FUND BALANCES | | | |
| Restricted for: | | | |
| Debt Service | 558,420 | - | 558,420 |
| Impact Fees | - | 8,929,317 | 8,929,317 |
| Economic Development | - | 1,225,927 | 1,225,927 |
| Clerk of Court | - | 498,902 | 498,902 |
| Grants | - | 84,354 | 84,354 |
| Other | - | 740,596 | 740,596 |
| Committed For: | | | |
| Special Tax Districts | - | 458,803 | 458,803 |
| Economic Development | - | 2,693,568 | 2,693,568 |
| Geographic Information Systems | - | 70,711 | 70,711 |
| Assigned for: | | | |
| Public Safety | - | 26,716 | 26,716 |
| Unassigned | - | (823,156) | (823,156) |
| TOTAL FUND BALANCES | 558,420 | 13,905,738 | 14,464,158 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 2,739,819 | 24,331,824 | \$ 27,071,643 |

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

| | DEBT SERVICE FUND | NONMAJOR SPECIAL REVENUE FUNDS | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|--|----------------------------------|---|--|
| REVENUES | | | |
| Taxes: | | | |
| Property | \$ 2,135,915 | 1,185,599 | \$ 3,321,514 |
| Accommodations | - | 513,117 | 513,117 |
| Fee in Lieu of Taxes | 402,479 | 1,882,105 | 2,284,584 |
| Fines, Forfeitures and Fees | - | 6,437,154 | 6,437,154 |
| Interest Income | 756 | 1,643 | 2,399 |
| Local Revenue | - | 597,293 | 597,293 |
| Intergovernmental - Federal | - | 1,627,840 | 1,627,840 |
| Intergovernmental - State and Local | - | 771,127 | 771,127 |
| Miscellaneous | - | 524,812 | 524,812 |
| TOTAL REVENUES | <u>2,539,150</u> | <u>13,540,690</u> | <u>16,079,840</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | - | 1,156,841 | 1,156,841 |
| Public Safety | - | 5,429,217 | 5,429,217 |
| Airport, Highways and Streets | - | 3,196,922 | 3,196,922 |
| Culture and Recreation | - | 82,949 | 82,949 |
| Community Development | - | 2,437,622 | 2,437,622 |
| Capital Outlay | - | 2,540,397 | 2,540,397 |
| Debt Service: | | | |
| Principal Retirement | 2,273,000 | - | 2,273,000 |
| Interest and Fiscal Charges | 1,385,868 | - | 1,385,868 |
| Payment to Escrow Agent for Current Refunding | 3,463,734 | - | 3,463,734 |
| Debt Issuance Costs | 36,266 | - | 36,266 |
| TOTAL EXPENDITURES | <u>7,158,868</u> | <u>14,843,948</u> | <u>22,002,816</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(4,619,718)</u> | <u>(1,303,258)</u> | <u>(5,922,976)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from Issuance of Refunding Debt | 3,500,000 | - | 3,500,000 |
| Transfers In | - | 2,574,144 | 2,574,144 |
| Transfers Out | - | (3,442,515) | (3,442,515) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>3,500,000</u> | <u>(868,371)</u> | <u>2,631,629</u> |
| NET CHANGE IN FUND BALANCES | <u>(1,119,718)</u> | <u>(2,171,629)</u> | <u>(3,291,347)</u> |
| FUND BALANCE - Beginning of Year | <u>1,678,138</u> | <u>16,077,367</u> | <u>17,755,505</u> |
| FUND BALANCE - End of Year | <u>\$ 558,420</u> | <u>13,905,738</u> | <u>\$ 14,464,158</u> |

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2014

| | ECONOMIC DEVELOPMENT | NATIONAL FOREST | EMERGENCY PREPAREDNESS |
|---|---------------------------------|----------------------------|-----------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ - | - | - |
| Receivables, Net of Allowances: | | | |
| Property Taxes | - | - | - |
| Accounts Receivable | - | - | - |
| Federal, State and Local Governments | - | 1,080 | 27,523 |
| Restricted Cash and Cash Equivalents | 1,225,927 | 105 | - |
| TOTAL ASSETS | 1,225,927 | 1,185 | 27,523 |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | |
| LIABILITIES | | | |
| Accounts Payable and Accrued Liabilities | - | - | 13,759 |
| Due to Other Funds | - | - | 13,764 |
| Unearned Revenue | - | - | - |
| TOTAL LIABILITIES | - | - | 27,523 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue | - | - | - |
| Deferred Revenue | - | - | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | - | - |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | - | - | 27,523 |
| FUND BALANCES | | | |
| Restricted For: | | | |
| Impact Fees | - | - | - |
| Economic Development | 1,225,927 | - | - |
| Clerk of Court | - | - | - |
| Grants | - | 1,185 | - |
| Other | - | - | - |
| Committed For: | | | |
| Special Tax Districts | - | - | - |
| Economic Development | - | - | - |
| Geographic Information Systems | - | - | - |
| Assigned For: | | | |
| Public Safety | - | - | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | 1,225,927 | 1,185 | - |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 1,225,927 | 1,185 | 27,523 |

| GIS | STORM WATER MANAGEMENT | HIGHWAY "C" FUNDS | EMS EQUIPMENT | CLERK OF COURT | STATE ACCOMMODATIONS TAX |
|---------------|---------------------------------------|------------------------------|--------------------------|---------------------------|---|
| 92,523 | - | 65,288 | - | 439,034 | \$ - |
| - | 1,640,563 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 83,624 | 69,885 |
| - | - | - | - | - | - |
| 92,523 | 1,640,563 | 65,288 | - | 522,658 | 69,885 |
| 21,812 | 53,238 | 65,288 | - | 23,756 | 66,391 |
| - | 769,918 | - | - | - | 3,494 |
| - | - | - | - | - | - |
| 21,812 | 823,156 | 65,288 | - | 23,756 | 69,885 |
| - | - | - | - | - | - |
| - | 1,640,563 | - | - | - | - |
| - | 1,640,563 | - | - | - | - |
| 21,812 | 2,463,719 | 65,288 | - | 23,756 | 69,885 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 498,902 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 70,711 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | (823,156) | - | - | - | - |
| 70,711 | (823,156) | - | - | 498,902 | - |
| 92,523 | 1,640,563 | 65,288 | - | 522,658 | \$ 69,885 |

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2014

| | IMPACT FEES | SHERIFF'S GRANTS | MISCELLANEOUS SPECIAL REVENUE |
|---|------------------------|-----------------------------|--|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ - | 84,819 | 587,234 |
| Receivables, Net of Allowances: | | | |
| Property Taxes | - | - | - |
| Accounts Receivable | - | 4,732 | 9,550 |
| Federal, State and Local Governments | - | 33,581 | - |
| Restricted Cash and Cash Equivalents | 8,931,046 | - | 92,650 |
| TOTAL ASSETS | 8,931,046 | 123,132 | 689,434 |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | |
| LIABILITIES | | | |
| Accounts Payable and Accrued Liabilities | 1,729 | 39,774 | - |
| Due to Other Funds | - | - | - |
| Unearned Revenue | - | 31,829 | - |
| TOTAL LIABILITIES | 1,729 | 71,603 | - |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue | - | - | - |
| Deferred Revenue | - | - | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | - | - |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 1,729 | 71,603 | - |
| FUND BALANCES | | | |
| Restricted For: | | | |
| Impact Fees | 8,929,317 | - | - |
| Economic Development | - | - | - |
| Clerk of Court | - | - | - |
| Grants | - | 24,813 | - |
| Other | - | - | 689,434 |
| Committed For: | | | |
| Special Tax Districts | - | - | - |
| Economic Development | - | - | - |
| Geographic Information Systems | - | - | - |
| Assigned For: | | | |
| Public Safety | - | 26,716 | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | 8,929,317 | 51,529 | 689,434 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 8,931,046 | 123,132 | 689,434 |

| VICTIMS' ASSISTANCE | SOLICITOR'S GRANTS | COUNTY ACCOMMODATIONS TAX | PARD GRANT | LOCAL ECONOMIC DEVELOPMENT | AIRPORT IMPROVEMENTS |
|--------------------------------|-------------------------------|--|-----------------------|---|---------------------------------|
| 8,340 | - | 56,347 | - | 2,723,364 | \$ 683,385 |
| - | - | - | - | 808,137 | - |
| 4,591 | - | 48,600 | - | - | - |
| - | 97,749 | - | 22,027 | - | 480,794 |
| - | - | - | - | - | - |
| 12,931 | 97,749 | 104,947 | 22,027 | 3,531,501 | 1,164,179 |
| 12,931 | 10,854 | 73,770 | - | 24,796 | 1,164,179 |
| - | 86,895 | 31,177 | 22,027 | - | - |
| - | - | - | - | 5,000 | - |
| 12,931 | 97,749 | 104,947 | 22,027 | 29,796 | 1,164,179 |
| - | - | - | - | - | - |
| - | - | - | - | 808,137 | - |
| - | - | - | - | 808,137 | - |
| 12,931 | 97,749 | 104,947 | 22,027 | 837,933 | 1,164,179 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 2,693,568 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 2,693,568 | - |
| 12,931 | 97,749 | 104,947 | 22,027 | 3,531,501 | \$ 1,164,179 |

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2014

| | REGIONAL DISASTER PLANNING GRANT | SANGAREE SPECIAL TAX DISTRICT | PIMLICO SPECIAL TAX DISTRICT |
|---|---|--|---|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ - | 488,976 | - |
| Receivables, Net of Allowances: | | | |
| Property Taxes | - | 960,546 | 28,133 |
| Accounts Receivable | - | - | - |
| Federal, State and Local Governments | 14,323 | - | - |
| Restricted Cash and Cash Equivalents | - | - | - |
| TOTAL ASSETS | 14,323 | 1,449,522 | 28,133 |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | |
| LIABILITIES | | | |
| Accounts Payable and Accrued Liabilities | - | 41,610 | 125 |
| Due to Other Funds | 14,323 | - | - |
| Unearned Revenue | - | - | - |
| TOTAL LIABILITIES | 14,323 | 41,610 | 125 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue | - | 11,371 | 250 |
| Deferred Revenue | - | 937,738 | 27,758 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | 949,109 | 28,008 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 14,323 | 990,719 | 28,133 |
| FUND BALANCES | | | |
| Restricted For: | | | |
| Impact Fees | - | - | - |
| Economic Development | - | - | - |
| Clerk of Court | - | - | - |
| Grants | - | - | - |
| Other | - | - | - |
| Committed For: | | | |
| Special Tax Districts | - | 458,803 | - |
| Economic Development | - | - | - |
| Geographic Information Systems | - | - | - |
| Assigned For: | | | |
| Public Safety | - | - | - |
| Unassigned | - | - | - |
| TOTAL FUND BALANCES | - | 458,803 | - |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 14,323 | 1,449,522 | 28,133 |

| TALL PINES SPECIAL TAX DISTRICT | DEVON FOREST SPECIAL TAX DISTRICT | SPECIAL COUNTY TAX DISTRICT | LAKE MOULTRIE PARK | LEGAL FORFEITURE PROCEEDS | TOTAL SPECIAL REVENUE FUNDS |
|--|--|--|-----------------------------------|--|--|
| - | - | 324,803 | 58,356 | 51,162 | \$ 5,663,631 |
| 76,269 | 41,820 | 3,964,938 | - | - | 7,520,406 |
| - | - | - | - | - | 67,473 |
| - | - | - | - | - | 830,586 |
| - | - | - | - | - | 10,249,728 |
| 76,269 | 41,820 | 4,289,741 | 58,356 | 51,162 | 24,331,824 |
| 250 | 140 | 383,624 | - | - | 1,998,026 |
| - | - | - | - | - | 941,598 |
| - | - | - | - | - | 36,829 |
| 250 | 140 | 383,624 | - | - | 2,976,453 |
| 1,000 | 260 | 301,855 | - | - | 314,736 |
| 75,019 | 41,420 | 3,604,262 | - | - | 7,134,897 |
| 76,019 | 41,680 | 3,906,117 | - | - | 7,449,633 |
| 76,269 | 41,820 | 4,289,741 | - | - | 10,426,086 |
| - | - | - | - | - | 8,929,317 |
| - | - | - | - | - | 1,225,927 |
| - | - | - | - | - | 498,902 |
| - | - | - | 58,356 | - | 84,354 |
| - | - | - | - | 51,162 | 740,596 |
| - | - | - | - | - | 458,803 |
| - | - | - | - | - | 2,693,568 |
| - | - | - | - | - | 70,711 |
| - | - | - | - | - | 26,716 |
| - | - | - | - | - | (823,156) |
| - | - | - | 58,356 | 51,162 | 13,905,738 |
| 76,269 | 41,820 | 4,289,741 | 58,356 | 51,162 | \$ 24,331,824 |

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

| | <u>ECONOMIC DEVELOPMENT</u> | <u>NATIONAL FOREST</u> | <u>EMERGENCY PREPAREDNESS</u> |
|--|--|-----------------------------------|--|
| REVENUES | | | |
| Taxes: | | | |
| Property | \$ - | - | - |
| Accommodations | - | - | - |
| Fee in Lieu of Taxes | - | - | - |
| Fines, Forfeitures and Fees | - | - | - |
| Interest Income | - | - | - |
| Local Revenue | - | - | - |
| Intergovernmental - Federal | - | 375,073 | 78,142 |
| Intergovernmental - State and Local | 250,000 | - | 704 |
| Miscellaneous | 349,400 | - | - |
| TOTAL REVENUES | <u>599,400</u> | <u>375,073</u> | <u>78,846</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | - | - | - |
| Public Safety | - | - | 342,098 |
| Airport, Highways and Streets | - | - | - |
| Culture and Recreation | - | 48,753 | - |
| Community Development | 274,753 | - | - |
| Capital Outlay | - | - | 21,191 |
| TOTAL EXPENDITURES | <u>274,753</u> | <u>48,753</u> | <u>363,289</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>324,647</u> | <u>326,320</u> | <u>(284,443)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | - | - | 284,443 |
| Transfers Out | (983,524) | (339,967) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(983,524)</u> | <u>(339,967)</u> | <u>284,443</u> |
| NET CHANGE IN FUND BALANCES | <u>(658,877)</u> | <u>(13,647)</u> | <u>-</u> |
| FUND BALANCE - Beginning of Year | <u>1,884,804</u> | <u>14,832</u> | <u>-</u> |
| FUND BALANCE - End of Year | <u>\$ 1,225,927</u> | <u>1,185</u> | <u>-</u> |

| GIS | STORM WATER MANAGEMENT | HIGHWAY "C" FUNDS | EMS EQUIPMENT | CLERK OF COURT | STATE ACCOMMODATIONS TAX |
|----------------------|---------------------------------------|------------------------------|--------------------------|---------------------------|---|
| - | - | - | - | - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 15,498 | 87,946 | - | - | - | - |
| - | - | - | - | - | - |
| 133,410 | - | - | - | - | - |
| - | - | - | - | 517,678 | - |
| - | - | 350,969 | 16,006 | - | 121,050 |
| - | - | - | - | - | - |
| <u>148,908</u> | <u>87,946</u> | <u>350,969</u> | <u>16,006</u> | <u>517,678</u> | <u>121,050</u> |
| 426,247 | - | - | - | 519,924 | - |
| - | - | - | 5,208 | - | - |
| - | 292,308 | 2,902,746 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 91,247 |
| - | - | 327,096 | 11,133 | - | - |
| <u>426,247</u> | <u>292,308</u> | <u>3,229,842</u> | <u>16,341</u> | <u>519,924</u> | <u>91,247</u> |
| (277,339) | (204,362) | (2,878,873) | (335) | (2,246) | 29,803 |
| 291,637 | - | - | 335 | - | - |
| - | - | - | - | - | (29,803) |
| <u>291,637</u> | <u>-</u> | <u>-</u> | <u>335</u> | <u>-</u> | <u>(29,803)</u> |
| 14,298 | (204,362) | (2,878,873) | - | (2,246) | - |
| 56,413 | (618,794) | 2,878,873 | - | 501,148 | - |
| <u>70,711</u> | <u>(823,156)</u> | <u>-</u> | <u>-</u> | <u>498,902</u> | <u>\$ -</u> |

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

| | IMPACT FEES | SHERIFF'S GRANTS | MISCELLANEOUS SPECIAL REVENUE |
|--|------------------------|-----------------------------|--|
| REVENUES | | | |
| Taxes: | | | |
| Property | \$ - | - | - |
| Accommodations | - | - | - |
| Fee in Lieu of Taxes | - | - | 500,000 |
| Fines, Forfeitures and Fees | 1,882,600 | 16,427 | 286,934 |
| Interest Income | 1,378 | 47 | 218 |
| Local Revenue | - | 430,183 | 33,700 |
| Intergovernmental - Federal | - | 121,537 | - |
| Intergovernmental - State and Local | - | - | - |
| Miscellaneous | - | - | 150,573 |
| TOTAL REVENUES | 1,883,978 | 568,194 | 971,425 |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | 2,289 | - | 11,799 |
| Public Safety | - | 704,696 | 347,338 |
| Airport, Highways and Streets | - | - | - |
| Culture and Recreation | - | - | - |
| Community Development | - | - | - |
| Capital Outlay | - | - | 53,402 |
| TOTAL EXPENDITURES | 2,289 | 704,696 | 412,539 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 1,881,689 | (136,502) | 558,886 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | - | 140,224 | - |
| Transfers Out | (283,859) | - | (500,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | (283,859) | 140,224 | (500,000) |
| NET CHANGE IN FUND BALANCES | 1,597,830 | 3,722 | 58,886 |
| FUND BALANCE - Beginning of Year | 7,331,487 | 47,807 | 630,548 |
| FUND BALANCE - End of Year | \$ 8,929,317 | 51,529 | 689,434 |

| <u>VICTIMS'</u> <u>ASSISTANCE</u> | <u>SOLICITOR'S</u> <u>GRANTS</u> | <u>COUNTY</u> <u>ACCOMMODATIONS</u> <u>TAX</u> | <u>PARD</u> <u>GRANT</u> | <u>LOCAL</u> <u>ECONOMIC</u> <u>DEVELOPMENT</u> | <u>AIRPORT</u> <u>IMPROVEMENTS</u> |
|--------------------------------------|-------------------------------------|--|-----------------------------|---|---------------------------------------|
| - | - | - | - | 118,871 | \$ - |
| - | - | 513,117 | - | - | - |
| - | - | - | - | 1,381,926 | - |
| 179,148 | - | - | - | 32,015 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 175,863 | - | - | - | 334,223 |
| - | - | - | 17,722 | - | 14,676 |
| 3,363 | - | - | 4,106 | 11,045 | - |
| <u>182,511</u> | <u>175,863</u> | <u>513,117</u> | <u>21,828</u> | <u>1,543,857</u> | <u>348,899</u> |
| - | 195,403 | - | - | - | - |
| 243,442 | - | - | - | - | - |
| - | - | - | - | - | 1,868 |
| - | - | - | 34,196 | - | - |
| - | - | 359,558 | - | 401,841 | - |
| - | - | - | 4,523 | - | 2,115,706 |
| <u>243,442</u> | <u>195,403</u> | <u>359,558</u> | <u>38,719</u> | <u>401,841</u> | <u>2,117,574</u> |
| <u>(60,931)</u> | <u>(19,540)</u> | <u>153,559</u> | <u>(16,891)</u> | <u>1,142,016</u> | <u>(1,768,675)</u> |
| 52,399 | 19,540 | - | 16,891 | - | 1,768,675 |
| - | - | (153,559) | - | (1,151,803) | - |
| <u>52,399</u> | <u>19,540</u> | <u>(153,559)</u> | <u>16,891</u> | <u>(1,151,803)</u> | <u>1,768,675</u> |
| <u>(8,532)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(9,787)</u> | <u>-</u> |
| <u>8,532</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,703,355</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,693,568</u> | <u>\$ -</u> |

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2014

| | REGIONAL DISASTER PLANNING GRANT | SANGAREE SPECIAL TAX DISTRICT | PIMLICO SPECIAL TAX DISTRICT |
|--|---|--|---|
| REVENUES | | | |
| Taxes: | | | |
| Property | \$ - | 1,066,728 | - |
| Accommodations | - | - | - |
| Fee in Lieu of Taxes | - | 179 | - |
| Fines, Forfeitures and Fees | - | - | 28,025 |
| Interest Income | - | - | - |
| Local Revenue | - | - | - |
| Intergovernmental - Federal | 25,324 | - | - |
| Intergovernmental - State and Local | - | - | - |
| Miscellaneous | - | 6,325 | - |
| TOTAL REVENUES | 25,324 | 1,073,232 | 28,025 |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | - | - | - |
| Public Safety | 25,324 | - | - |
| Airport, Highways and Streets | - | - | - |
| Culture and Recreation | - | - | - |
| Community Development | - | 1,163,448 | 28,025 |
| Capital Outlay | - | 7,346 | - |
| TOTAL EXPENDITURES | 25,324 | 1,170,794 | 28,025 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | - | (97,562) | - |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | - | - | - |
| Transfers Out | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - |
| NET CHANGE IN FUND BALANCES | - | (97,562) | - |
| FUND BALANCE - Beginning of Year | - | 556,365 | - |
| FUND BALANCE - End of Year | \$ - | 458,803 | - |

| TALL PINES SPECIAL TAX DISTRICT | DEVON FOREST SPECIAL TAX DISTRICT | SPECIAL COUNTY TAX DISTRICT | LAKE MOULTRIE PARK | LEGAL FORFEITURE PROCEEDS | TOTAL SPECIAL REVENUE FUNDS |
|--|--|--|-----------------------------------|--|--|
| - | - | - | - | - | \$ 1,185,599 |
| - | - | - | - | - | 513,117 |
| - | - | - | - | - | 1,882,105 |
| 76,300 | 42,450 | 3,761,111 | - | 28,700 | 6,437,154 |
| - | - | - | - | - | 1,643 |
| - | - | - | - | - | 597,293 |
| - | - | - | - | - | 1,627,840 |
| - | - | - | - | - | 771,127 |
| - | - | - | - | - | 524,812 |
| <u>76,300</u> | <u>42,450</u> | <u>3,761,111</u> | <u>-</u> | <u>28,700</u> | <u>13,540,690</u> |
| - | - | - | - | 1,179 | 1,156,841 |
| - | - | 3,761,111 | - | - | 5,429,217 |
| - | - | - | - | - | 3,196,922 |
| - | - | - | - | - | 82,949 |
| 76,300 | 42,450 | - | - | - | 2,437,622 |
| - | - | - | - | - | 2,540,397 |
| <u>76,300</u> | <u>42,450</u> | <u>3,761,111</u> | <u>-</u> | <u>1,179</u> | <u>14,843,948</u> |
| - | - | - | - | 27,521 | (1,303,258) |
| - | - | - | - | - | 2,574,144 |
| - | - | - | - | - | (3,442,515) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(868,371)</u> |
| - | - | - | - | 27,521 | (2,171,629) |
| - | - | - | 58,356 | 23,641 | 16,077,367 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>58,356</u> | <u>51,162</u> | <u>\$ 13,905,738</u> |

BERKELEY COUNTY, SOUTH CAROLINA

**COMBINING SCHEDULE OF NET POSITION -
NONMAJOR PROPRIETARY FUNDS**

JUNE 30, 2014

| | PARKS AND RECREATION | EMERGENCY TELEPHONE | TOTALS |
|--|---------------------------------|--------------------------------|---------------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and Cash Equivalents | \$ 232,525 | 117,610 | \$ 350,135 |
| Property Taxes Receivable, Net of Allowance | 631,661 | - | 631,661 |
| Accounts Receivable, Net of Allowance | - | 145,426 | 145,426 |
| Due from Federal, State and Local Governments | - | 525,113 | 525,113 |
| Inventories, at Cost | 26,896 | - | 26,896 |
| TOTAL CURRENT ASSETS | 891,082 | 788,149 | 1,679,231 |
| NON-CURRENT ASSETS: | | | |
| CAPITAL ASSETS: | | | |
| Non-Depreciable | 86,700 | - | 86,700 |
| Depreciable, Net of Accumulated Depreciation | 1,368,658 | 168,405 | 1,537,063 |
| TOTAL CAPITAL ASSETS | 1,455,358 | 168,405 | 1,623,763 |
| TOTAL NON-CURRENT ASSETS | 1,455,358 | 168,405 | 1,623,763 |
| TOTAL ASSETS | \$ 2,346,440 | 956,554 | \$ 3,302,994 |
| LIABILITIES | | | |
| CURRENT LIABILITIES: | | | |
| Accounts Payable and Accrued Liabilities | \$ 63,320 | 8,746 | \$ 72,066 |
| Accrued Compensated Absences | 58,475 | 11,414 | 69,889 |
| Due to Other Funds | 708,035 | - | 708,035 |
| Unearned Revenue | 12,565 | - | 12,565 |
| TOTAL CURRENT LIABILITIES | 842,395 | 20,160 | 862,555 |
| NON-CURRENT LIABILITIES: | | | |
| Accrued Compensated Absences | 80,457 | 25,870 | 106,327 |
| TOTAL NON-CURRENT LIABILITIES | 80,457 | 25,870 | 106,327 |
| TOTAL LIABILITIES | 922,852 | 46,030 | 968,882 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Revenue | 609,655 | - | 609,655 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 609,655 | - | 609,655 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 1,455,358 | 168,405 | 1,623,763 |
| Unrestricted | (641,425) | 742,119 | 100,694 |
| TOTAL NET POSITION | 813,933 | 910,524 | 1,724,457 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 2,346,440 | 956,554 | \$ 3,302,994 |

BERKELEY COUNTY, SOUTH CAROLINA

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
NONMAJOR PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2014

| | PARKS AND RECREATION | EMERGENCY TELEPHONE | TOTALS |
|---|---------------------------------|--------------------------------|---------------------|
| OPERATING REVENUES | | | |
| Sales and Services | \$ 519,766 | 524,623 | \$ 1,044,389 |
| Other Operating Revenue | 27,583 | - | 27,583 |
| TOTAL OPERATING REVENUES | 547,349 | 524,623 | 1,071,972 |
| OPERATING EXPENSES | | | |
| Personnel Services | 832,236 | 171,508 | 1,003,744 |
| Advertising | 38,411 | 942 | 39,353 |
| Utilities | 79,792 | 234,250 | 314,042 |
| Office Expenses | 20,563 | 11,773 | 32,336 |
| Maintenance and Repairs | 39,131 | 2,782 | 41,913 |
| Contractual Services | 9,212 | 54,962 | 64,174 |
| Other Services and Charges | 145,210 | 6,139 | 151,349 |
| Depreciation | 92,876 | 43,904 | 136,780 |
| TOTAL OPERATING EXPENSES | 1,257,431 | 526,260 | 1,783,691 |
| OPERATING INCOME (LOSS) | (710,082) | (1,637) | (711,719) |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Property Taxes | 544,306 | - | 544,306 |
| Fee in Lieu of Taxes | 21,963 | - | 21,963 |
| State Grant Revenue | - | 525,113 | 525,113 |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | 566,269 | 525,113 | 1,091,382 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | (143,813) | 523,476 | 379,663 |
| TRANSFERS | | | |
| Transfers In | 50,937 | - | 50,937 |
| TOTAL TRANSFERS | 50,937 | - | 50,937 |
| CHANGE IN NET POSITION | (92,876) | 523,476 | 430,600 |
| NET POSITION, Beginning of Year | 906,809 | 387,048 | 1,293,857 |
| NET POSITION, End of Year | \$ 813,933 | 910,524 | \$ 1,724,457 |

BERKELEY COUNTY, SOUTH CAROLINA

**COMBINING SCHEDULE OF CASH FLOWS - NONMAJOR
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2014

| | <u>PARKS AND RECREATION</u> | <u>EMERGENCY TELEPHONE</u> | <u>TOTALS</u> |
|---|--|---------------------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from Customers and Users | \$ 558,739 | 466,175 | \$ 1,024,914 |
| Cash Paid to Suppliers | (332,869) | (302,426) | (635,295) |
| Cash Paid to Employees | (818,840) | (143,066) | (961,906) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>(592,970)</u> | <u>20,683</u> | <u>(572,287)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | |
| Property Taxes and Fee In Lieu of Taxes | 552,299 | - | 552,299 |
| Transfers and Advances Between Funds | 50,937 | - | 50,937 |
| NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES | <u>603,236</u> | <u>-</u> | <u>603,236</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 10,266 | 20,683 | 30,949 |
| CASH AND CASH EQUIVALENTS, Beginning of Year | <u>222,259</u> | <u>96,927</u> | <u>319,186</u> |
| CASH AND CASH EQUIVALENTS, End of Year | <u>\$ 232,525</u> | <u>117,610</u> | <u>\$ 350,135</u> |
| Reconciliation of Operating Loss to Net Cash Provided By (Used In) Operating Activities: | | | |
| Operating Loss | \$ (710,082) | (1,637) | \$ (711,719) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided By (Used) In Operating Activities: | | | |
| Depreciation and Amortization | 92,876 | 43,904 | 136,780 |
| (Increase) Decrease in Assets and Deferred Outflows of Resources: | | | |
| Accounts Receivable | - | (58,448) | (58,448) |
| Inventories | (6,580) | - | (6,580) |
| Prepaid Items and Deposits | - | 12,296 | 12,296 |
| Increase (Decrease) in Liabilities and Deferred Inflows of Resources: | | | |
| Accounts Payable and Accrued Liabilities | 6,030 | (3,874) | 2,156 |
| Compensated Absences Payable | 13,396 | 28,442 | 41,838 |
| Deferred Revenues | 17,606 | - | 17,606 |
| Total Adjustments | <u>117,112</u> | <u>22,320</u> | <u>139,432</u> |
| Net Cash Provided By (Used In) Operating Activities | <u>\$ (592,970)</u> | <u>20,683</u> | <u>\$ (572,287)</u> |

BERKELEY COUNTY, SOUTH CAROLINA

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

JUNE 30, 2014

| | CLERK OF COURT | MASTER IN EQUITY | TAX COLLECTOR |
|------------------------------------|---------------------------|-----------------------------|--------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,732,131 | 510,883 | 6,800,780 |
| Investments | - | - | - |
| Accounts Receivable | - | - | - |
| TOTAL ASSETS | 1,732,131 | 510,883 | 6,800,780 |
| LIABILITIES | | | |
| Accounts Payable | - | - | - |
| Due to School District | - | - | - |
| Due to Other Designated Recipients | 1,732,131 | 510,883 | 6,800,780 |
| TOTAL LIABILITIES | \$ 1,732,131 | 510,883 | 6,800,780 |

| SHERIFF | MAGISTRATES | TREASURER | "C" FUNDS ADMINISTRATION | TOTALS |
|----------------|----------------|-------------------|-----------------------------|----------------------|
| 252,073 | 237,760 | 21,301,888 | 9,063,631 | \$ 39,899,146 |
| - | - | 1,997,820 | - | 1,997,820 |
| - | - | 1,098,780 | 223,938 | 1,322,718 |
| 252,073 | 237,760 | 24,398,488 | 9,287,569 | 43,219,684 |
| - | - | 10,937 | - | 10,937 |
| - | - | 15,728,168 | - | 15,728,168 |
| 252,073 | 237,760 | 8,659,383 | 9,287,569 | 27,480,579 |
| 252,073 | 237,760 | 24,398,488 | 9,287,569 | \$ 43,219,684 |

BERKELEY COUNTY, SOUTH CAROLINA

SUPPLEMENTAL SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES COLLECTED

JUNE 30, 2014

| | <u>TOTAL COLLECTIONS</u> | <u>REMITTANCE TO STATE</u> | <u>RETAINED BY COUNTY</u> | <u>GENERAL FUND</u> | <u>VICTIM ASSISTANCE</u> | <u>TOTAL COUNTY REVENUES</u> |
|---|------------------------------|--------------------------------|-------------------------------|-------------------------|------------------------------|--------------------------------------|
| MAGISTRATES | | | | | | |
| Fines: | | | | | | |
| Traffic/Criminal | \$ 705,065 | 10,758 | 694,307 | 694,307 | - | \$ 694,307 |
| Wildlife/Littering | 20,134 | 20,134 | - | - | - | - |
| DUI/DUS | 43,748 | 43,748 | - | - | - | - |
| Fees | 454,880 | 56,271 | 398,609 | 398,049 | 560 | 398,609 |
| Assessments | 773,301 | 700,713 | 72,588 | - | 72,588 | 72,588 |
| Surcharges | 337,527 | 291,596 | 45,931 | - | 45,931 | 45,931 |
| Total Magistrates | <u>2,334,655</u> | <u>1,123,220</u> | <u>1,211,435</u> | <u>1,092,356</u> | <u>119,079</u> | <u>1,211,435</u> |
| CLERK OF COURT | | | | | | |
| Fines: | | | | | | |
| General Sessions | 51,269 | 16,064 | 35,205 | 35,205 | - | 35,205 |
| DUI/DUS | 2,049 | 2,049 | - | - | - | - |
| Fees | 1,548,708 | 931,683 | 617,025 | 617,025 | - | 617,025 |
| Assessments | 46,748 | 34,333 | 12,415 | - | 12,415 | 12,415 |
| Surcharges | 61,973 | 14,319 | 47,654 | - | 47,654 | 47,654 |
| Total Clerk of Court | <u>1,710,747</u> | <u>998,448</u> | <u>712,299</u> | <u>652,230</u> | <u>60,069</u> | <u>712,299</u> |
| TOTAL MAGISTRATES AND CLERK OF COURT | <u>\$ 4,045,402</u> | <u>2,121,668</u> | <u>1,923,734</u> | <u>1,744,586</u> | <u>179,148</u> | <u>\$ 1,923,734</u> |

BERKELEY COUNTY, SOUTH CAROLINA**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****YEAR ENDED JUNE 30, 2014**

| FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE | FEDERAL CFDA NUMBER | GRANT / CONTRACT NUMBER | FEDERAL EXPENDITURES |
|--|------------------------------------|--|---------------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Passed through South Carolina Office of the Governor - Division of Economic Development/ Community Development Block Grant | | | |
| Local Planning Assistance | 14.228 | 4-RP-10-009 | \$ 25,324 |
| Regional Disaster Planning - COG: | | | |
| Burntwood | 14.228 | 4CI-10-001 | 159,362 |
| St. Stephen Library Renovation | 14.228 | 4-CE-11-002 | 324,761 |
| Total U.S. Department of Housing and Urban Development | | | 509,447 |
| U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES | | | |
| Passed through South Carolina State Library: | | | |
| LSTA Project IID: Summer Reading Initiative | 45.310 | IID-13-13 | 180 |
| LSTA Project IID: Conference Attendance Grant | 45.310 | IIIA-13-10 | 1,000 |
| Total U.S. Institute of Museum and Library Services | | | 1,180 |
| 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 | G1401SC1401 | 451,671 |
| Child Support Enforcement IV-D Incentive Payment | 93.563 | G1401SC1401 | 42,908 |
| Child Support Enforcement IV-D Service of Process | 93.563 | G1401SC1401 | 23,100 |
| Clerk of Court - Filing Fees | 93.563 | G1401SC1401 | 27,024 |
| Sheriff's Department | 93.563 | G1401SC1401 | 4,290 |
| Federal Financial Participation, Passed Through South Carolina Department of Social Services - | | | |
| Administration for Children and Families | | | |
| Family Preservation (CWS-Part II) | 93.556 | G1410SCFPSS | 571 |
| Temporary Assistance for Needy Families - TANF Block Grant | 93.558 | G1402SCTANF | 49,472 |
| Child Support Enforcement | 93.563 | G1401SC1401 | 154 |
| Child Care Development Fund | 93.596 | G1401SCCCDF | 659 |
| Child Welfare Services - State Grants | 93.645 | G1401SC1400 | 1,274 |
| Title IV-E Foster Care | 93.658 | G1401SC1401 | 31,590 |
| Social Services Block Grant | 93.667 | GS1302SCSOSR | 20,914 |
| Center for Medicare and Medicare Services | | | |
| Medicaid Programs | 93.778 | n/a | 50,680 |
| Total U.S. Department of Health and Human Services | | | \$ 704,307 |

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****YEAR ENDED JUNE 30, 2014**

| FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE | FEDERAL CFDA NUMBER | GRANT / CONTRACT NUMBER | FEDERAL EXPENDITURES |
|--|------------------------------------|--|---------------------------------|
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| Direct Programs | | | |
| Federal Aviation Administration - Airport Improvement Program | 20.106 | 3-45-0041-019-2013 | \$ 334,223 |
| Passed Through South Carolina Public Safety | | | |
| Highway Safety - DUI | 20.601 | 2H13033 | 17,261 |
| Highway Safety - DUI | 20.601 | K8-2014-HS-33-14 | 48,536 |
| | | | <u>65,797</u> |
| Total U.S. Department of Transportation | | | <u>400,020</u> |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| Passed Through South Carolina State Treasurer | | | |
| National Forest Fund | 10.665 | n/a | 375,073 |
| Passed Through South Carolina Department of Social Services | | | |
| USDA Food Nutrition Services | | | |
| State Administration Matching Grant Food Stamp Program and Food Stamp Fraud | 10.561 | 5SC400407 | 53,119 |
| Total U.S. Department of Agriculture | | | <u>428,192</u> |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | |
| Passed Through Adjutant General's Office | | | |
| Citizens Corp Program | 97.067 | 09SHSP51 | 9,000 |
| Local Emergency Management Performance | 97.042 | 12LEMPG01 | 12,750 |
| Local Emergency Management Performance | 97.042 | 13LEMPG01 | 56,393 |
| | | | <u>78,143</u> |
| Total U.S. Department of Homeland Security | | | <u>78,143</u> |
| <u>U.S. DEPARTMENT OF JUSTICE</u> | | | |
| Direct Programs | | | |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 2010-DJ-BX-0761 | 1,629 |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 2011-DJ-BX-2139 | 21,021 |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 2012-DJ-BX-0816 | 12,747 |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 2013-DJ-BX-0322 | 16,053 |
| | | | <u>\$ 51,450</u> |

(Continued)

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

| FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE | FEDERAL CFDA NUMBER | GRANT / CONTRACT NUMBER | FEDERAL EXPENDITURES |
|---|------------------------------------|--|---------------------------------|
| Passed Through South Carolina Public Safety | | | |
| Edward Byrne Memorial Justice Assistance Grant | 16.738 | 1G11040 | \$ 66,342 |
| Drug and Violent Crimes Attorney and Investigator | 16.738 | 1G12014 | 109,521 |
| Total U.S. Department of Justice | | | 227,313 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 2,348,602 |

See accompanying notes to the schedule of expenditures of federal awards.

BERKELEY COUNTY, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Basis of Presentation

- A. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Berkeley County, South Carolina and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of 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 \$25,324 to sub-recipients from the CDBG Local Planning Assistance Grant.

**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**

INDEPENDENT AUDITOR'S REPORT

Members of County Council
Berkeley County, South Carolina
Moncks Corner, 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 30, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2014-001 to be a material weakness.

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.

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*.

County's Response to the Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Greene, Finney & Horton, LLP
Mauldin, South Carolina
December 30, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Members of County Council
Berkeley County, South Carolina
Moncks Corner, 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 Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2014.

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 OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
December 30, 2014

BERKELEY COUNTY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

| | | |
|--|-------------------|----------------------------|
| Material weakness(es) identified? | <u> X </u> Yes | <u> </u> No |
| Significant deficiencies identified that are not considered to be material weaknesses? | <u> </u> Yes | <u> X </u> None Reported |
| Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major programs:

| | | |
|--|-------------------|----------------------------|
| Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| Significant deficiencies identified that are not considered to be material weaknesses? | <u> </u> Yes | <u> X </u> None Reported |

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 93.563 | Child Support Enforcement |
| 20.106 | Airport Improvement Program |

| | |
|--|----------------------------|
| Dollar threshold used to distinguish between type A and type B programs: | <u> \$ 300,000 </u> |
|--|----------------------------|

| | | |
|--|------------------|------------------|
| Auditee qualified as low-risk auditee? | <u> X </u> Yes | <u> </u> No |
|--|------------------|------------------|

**BERKELEY COUNTY
MONCKS CORNER, SOUTH CAROLINA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Section II – Current Year Financial Statement Findings

2014-001: REVENUE RECOGNITION

Condition and Context: The County drew down \$2,878,873 in Highway C-Funds for road program costs paid to the South Carolina Department of Transportation (“SCDOT”) in fiscal year 2013 for projects that were not completed until fiscal year 2014 and appropriately recorded a prepaid expenditure for these prepaid costs as of June 30, 2013. In fiscal year 2014, the projects were completed and the County appropriately recorded the prepaid costs as expenditures in fiscal year 2014. As part of this process, the County drew down an additional \$2,878,873; however, the County had previously drawn down reimbursement for these costs in fiscal year 2013.

Criteria: The County should only recognize revenues once for each completed Highway C-Fund project.

Effect: The County’s revenues and fund balance for the Highway C-Funds Special Revenue Fund were initially overstated by \$2,878,873 at June 30, 2014. The overstatement was corrected by the County when it was brought to their attention.

Cause: The County drew down Highway C-Funds for completed projects in the same manner as all other Highway C-Fund projects; however, the County’s personnel did not realize that the expenditures had already been reimbursed in the prior fiscal year when the expenditures were prepaid.

Recommendation: We would encourage the County to consider unusual items and transactions when performing their normal processes. In addition, we recommend that the County perform a detailed review of the general ledger for all funds to ensure that all transactions are properly recorded.

Response: The County will modify its current C-fund review process and perform a quarterly detailed analysis of the general ledger to ensure the proper recognition of project expenditures and related revenue. All unusual items and transactions will be thoroughly investigated and appropriately adjusted if necessary.

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

No matters to report.

BERKELEY COUNTY, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2014

There were no prior audit findings.