



# BAMBERG COUNTY

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## FINANCIAL BRIEFING

Where we were.....Where we are now

# The Setting: Knee-deep in Alligators



# CHALLENGE

CHALLENGES are  
what make life  
interesting,  
overcoming them  
is what makes  
life MEANINGFUL.

-Joshua J. Marine

[WWW.LIVELIFEHAPPY.COM](http://WWW.LIVELIFEHAPPY.COM)

# 2012/2013

## Financial Challenges

- History of “qualified” audits, i.e. not clean opinions
- Cash flow problems
- Insufficient revenues- Solid Waste, Road Maintenance. Deficits in both.
- No credit rating resulting in no access to financial market
- Closing of Hospital left County with large debt burden
- Equipment and vehicles operating well past their EUL, resulting in large repairs
- Deferred building maintenance, backlog of repairs needed such as HVAC, roofs, etc.

# Audit Opinion

- Unmodified (Clean) – the auditor can state, or attest, that the entities financial statements present fairly the results of operations
- Modified(Qualified) – the auditor cannot state that the financial statements are presented fairly
- Disclaimer – no opinion
- Adverse – an opinion that the financial statements do not present fairly the results of operations

# Qualified Opinion

- Contrary to its connotation, a qualified opinion is not a good thing. It is advising the readers that the information within the audit is not complete or that the accounting methods used do not follow generally accepted accounting principles.
- Often, the “qualification” is based on specific issues within the entity. The issues are normally listed and explained within the auditor’s opinion letter.



# Audit Opinion History

Year	Audit Opinion on Gov't –Wide Fin. Stmts.
FY2017	Unmodified (Clean)
FY2016	Unmodified (Clean)
FY2015	Unmodified (Clean)
FY2014	Qualified
FY2013	Qualified
FY2012	Adverse
FY2011	Adverse
FY2010	Adverse
FY2009	Adverse



# Government-Wide Financial Statements

- Came into use in 1999 due to GASB Statement #34
- Requires state and local governments to report all financial transactions, including the value of their infrastructure assets, roads, bridges, water and sewer facilities, in their annual financial reports on an accrual basis
- Intent was to provide more meaningful information and to enhance government accountability



# Audit Opinion – Why Does it Matter?

- Demonstrates good fiscal stewardship
- Impacts borrowing ability and rates
- Sense of pride to elected officials and employees
- The most important measure of financial stability
- Can seriously undermine confidence in management



RESOLVED!!

## Hospital



County was been able to present evidence satisfactory to the auditor that the Hospital is no longer a component unit of the County.

# RESOLVED!!

## Capital Asset Records



County conducted a comprehensive inventory of all assets, including buildings, equipment, rolling stock, and infrastructure.

County then updated capital asset records, calculated depreciation for all prior years, and recorded these assets and depreciation on the financial statements.

# RESOLVED!!

## Inmate Funds at Detention Center



County performed a thorough internal audit of the inmate funds, reconciled the account, and instituted new monthly reconciliation process, implemented new system to reduce cash coming into the facility, thereby greatly reducing future risk of misappropriation. System consists of a lobby kiosk and card release program that replaces checks and cash payouts.



# RESOLVED!!

Implementation of GASB#45: Other Post-Employment Benefit  
County had actuarial study prepared, results have been recorded  
on gov't-wide financial statements as required by GAAP.





**CREDIT RATING**



# Credit Rating

- A credit rating is very important for a county's financial health
- A credit rating is an opinion of an entity's creditworthiness
- The rating captures the entity's ability to meet its financial commitments as they come due
- A number of firms provide credit ratings and each firm has its own unique method to arrive at a rating
- There are several major rating agencies:
  1. **Standard & Poor's**
  2. Moody's Investors Service
  3. Fitch





# Bamberg County: Bond Rating

On August 17<sup>th</sup> 2015, a Bamberg County team made a bond rating presentation to Standard & Poor's Credit Rating Services in New York City.

The presentation was the culmination of several months of advance preparation that involved the gathering of financial and economic data.



# Factors that rating agencies look for:

- **Financial factors**

1. Fund Balance
2. Budgetary controls
3. Investment policies

- **Debt factors**

1. General obligation debt per capita
2. General obligation debt as a percentage of assessed value
3. Legal debt margin



# Factors that rating agencies look for:

- **Economic factors**
  1. Existing industries
  2. Capital investments
  3. Diversity and strength of tax base
  4. Economic outlook, technical training, per capita income, unemployment rate



# Management factors:

- Overview of the County, mission statement, and key staff
- Growth trends and progress in terms of population, building permits, demographics
- Extensive use of planning, monitoring and updates to those plans, ex. Sewer, land use, parks & recreation, transportation
- Budget control and budget practices, such as monthly financial reporting
- Long-term outlook as opposed to short-term expediency

# Why do we care about our credit rating?

- Two main reasons
  1. Credit ratings affect the cost of debt, i.e. the interest
    - \* Credit ratings and interest rates are inversely related
    - \* Higher cost of debt limits the number of new projects
  2. Affect the marketability of county bond issuances
    - \* Many investors cannot, or will not purchase non-investment grade bonds
    - \* A decrease in credit rating can restrict the county's growth and future prosperity



# Ratings Explained

- Hierarchy of letters and number scale
- Each agency has a different rating scale



# Ratings Explained



Moody's	S&P	
Aaa	AAA	Prime, Maximum Safety
Aa1	AA+	
Aa2	AA	
Aa3	AA-	High Grade, High Quality
A1	A+	
A2	A	
A3	A-	Upper Medium Grade



# Ratings Explained

Moody's	S&P	Definitions
Baa1	BBB+	Lower Medium Grade
Baa2	BBB	
Baa3	BBB-	
Ba1	BB+	Non-Investment Grade
Ba2	BB	Speculative
Ba3	BB-	

Can go all way down to C range which  
is extremely speculative and may be in default

# INVESTMENT GRADE RATING



- CREDIT RATING OF “A” FOR THE COUNTY

# How will we utilize this rating?



Successfully refinanced  
IPRB in Nov of 2015,  
lowered interest rate from  
8.875 down to 3.933.  
Saved \$1.2 million  
interest over term of loan.

- The County will be able to potentially refinance existing debt to achieve lower interest costs and more favorable terms
- The County will be considered investment grade by future lenders and investors
- We plan to build on this success: Maintain and even better the rating in the future



## Fund Balance

# Fund Balance Policy

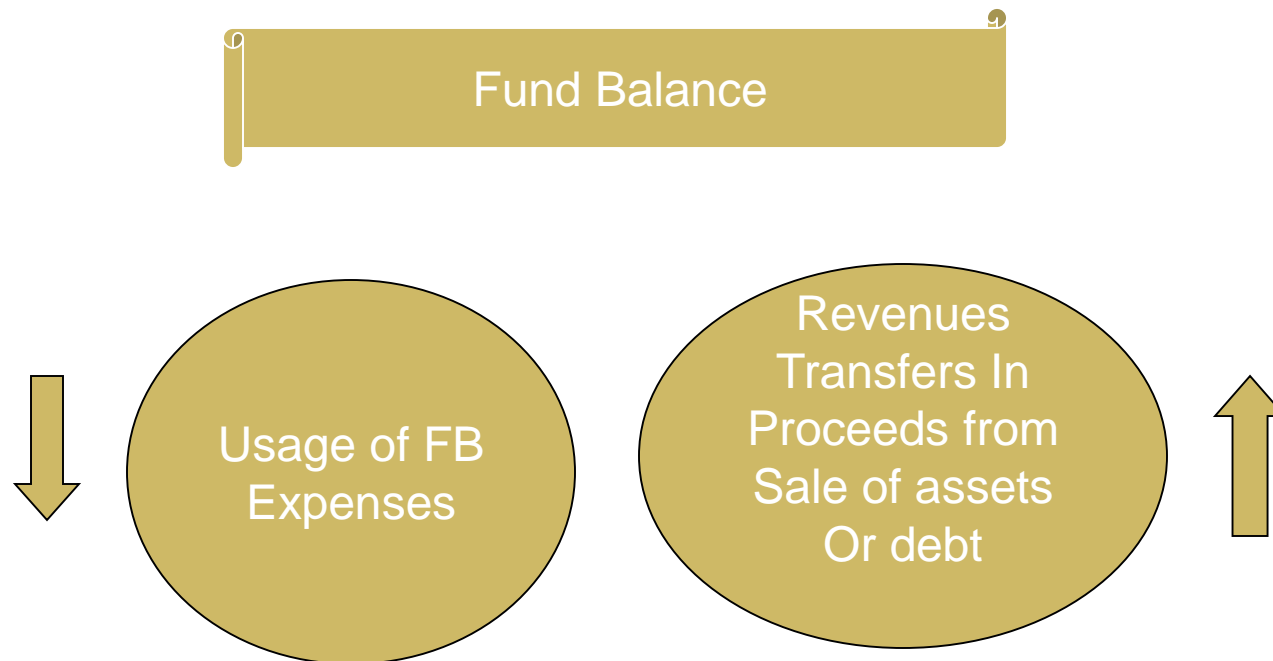
- Prudent to have between 3 – 6 months of operating expenses as fund balance
- Total FY19 general fund budget \$7.9 million
- 3 Months = \$1.98M
- 6 Months = \$3.95 M





# Fund Balance

- In governmental accounting, owner's equity is referred to as Fund Balance



## HISTORY OF FUND BALANCE – GENERAL FUND

Fiscal Year	Amount
FY 6/30/2009	\$1,784,019
FY 6/30/2010	\$1,616,159
FY 6/30/2011	\$ 461,081
FY 6/30/2012	\$ 369,712
FY 6/30/2013	\$6,989,474
FY 6/30/2014	\$2,963,595
FY 6/30/2015	\$3,238,564
FY 6/30/2016	\$3,208,164
FY 6/30/2017	\$3,308,323

### Unassigned Portion of Fund Balance:

FY13 \$1,266,210

FY14 \$1,848,284

FY15 \$2,369,066

FY16 \$2,004,750

FY17 \$2,157,915



## Rural Fire Service-History

Rural Fire Service	Fund Balance	Excess (Deficiency) of Revenues over Expenditures
FY17	\$253,486	\$ 79,784
FY16	\$173,702	\$ 60,730
FY15	\$112,972	\$ 62,186
FY14	\$ 64,386	\$ 146,235
FY13	\$ 6,531	\$ ( 37,064)
FY12	\$ 10,453	\$ ( 67,352)

Recall that deficits in FY12 and FY13 had to be made up with special one-time levy.



# ATTENTION BAMBERG COUNTY HOMEOWNERS

ON OCTOBER 7, 2013 BAMBERG COUNTY COUNCIL APPROVED THE BAMBERG COUNTY SOLID WASTE MANAGEMENT PLAN.

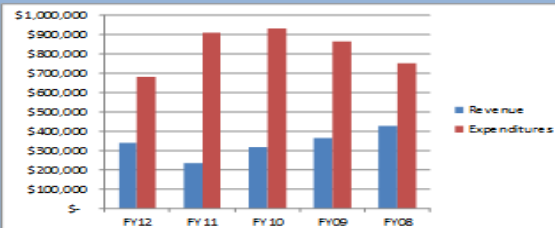
## THE PURPOSE OF THE PLAN IS TO:

- \* SUPPLEMENT THE REGIONAL PLAN IN PLACE BY THE THREE RIVERS SOLID WASTE AUTHORITY (TRSWA) IN ORDER TO BETTER GOVERN THE SOLID WASTE MANAGEMENT SYSTEM IN BAMBERG COUNTY.
- \* BE IN COMPLIANCE WITH THE SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL (SCDHEC) REGULATIONS.
- \* PROPERLY CLASSIFY SOLID WASTE FACILITIES AND SOLID WASTE LANDFILLS IN BAMBERG COUNTY IN TERMS OF CHEMICAL AND PHYSICAL PROPERTIES.

## THE SOLID WASTE MANAGEMENT PLAN ADDRESSES SEVERAL AREAS:

- \* WASTE STREAM ROUTING
- \* PROVIDES DETAILS OF THE SOLID WASTE PERSONNEL, FACILITIES, AND ORGANIZATIONAL STRUCTURE
- \* IMPLEMENTATION OF A COUNTYWIDE SOLID WASTE MANAGEMENT FEE
- \* DEVELOPS PLANS FOR THE LITTER CONTROL ORDINANCE AND THE KEEP BAMBERG COUNTY BEAUTIFUL ADVISORY COMMITTEE

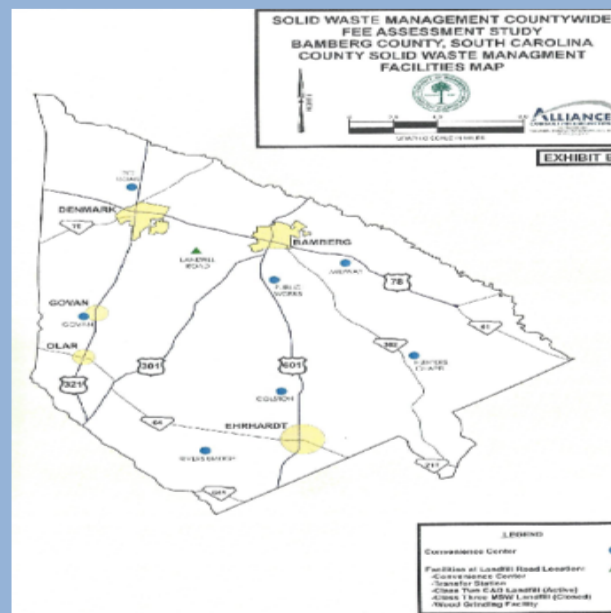
SOLID WASTE FIVE-YEAR SUMMARY




## IMPLEMENTING \$70.00 HOUSEHOLD DISPOSAL FEE TO PROPERLY FUND SOLID WASTE IN BAMBERG COUNTY

IN THE PAST THE COUNTY HAS FUNDED THE DEFICIT IN THE SOLID WASTE FUND THROUGH THE USE OF GENERAL FUND TAX COLLECTIONS. BEGINNING IN THE FISCAL YEAR 2013-2014 BAMBERG COUNTY WILL IMPLEMENT A \$70.00 PER HOUSEHOLD SOLID WASTE DISPOSAL FEE. THIS FEE WILL SOLELY BE ALLOCABLE AND UTILIZED TOWARD THE SOLID WASTE AND LANDFILL FUND WHICH HAS BEEN SEPARATED FROM THE COUNTY'S GENERAL FUND. THE PURPOSE OF THIS FEE WILL BE TO HELP FUND SOLID WASTE DISPOSAL AND LANDFILL ACTIVITIES IN BAMBERG COUNTY. THIS FEE IS NOT A COLLECTION FEE; IT IS A DISPOSAL FEE. THIS MEANS THAT IT WILL PAY FOR THE OPERATIONS AND MAINTENANCE OF THE COUNTY'S EIGHT CONVENIENCE CENTERS LOCATED THROUGHOUT THE COUNTY PER THE MAP TO THE RIGHT. THESE CONVENIENCE CENTERS PROVIDE COLLECTION FOR HOUSEHOLD MUNICIPAL WASTE (MSW), WHITE GOODS, AND RECYCLABLES INCLUDING ALUMINUM CANS, CARDBOARD, USED OIL, USED OIL BOTTLES AND FILTERS, BATTERIES, SCRAP METAL, BULK WASTE, WASTE TIRES, AND YARD AND LAND-CLEARING DEBRIS.

FURTHER, THE \$70.00 FEE WILL FUND LITTER CONTROL ACTIVITIES IN THE COUNTY AND AID THE COUNTY IN ESTABLISHING A KEEP BAMBERG COUNTY BEAUTIFUL PROGRAM. THESE TWO PROGRAMS WILL PROVIDE A MEANS TO MAKE BAMBERG COUNTY A CLEAN AND BEAUTIFUL PLACE TO LIVE, WORK AND PLAY.



## Solid Waste History

	Revenues	Expenses	Operating Income(Loss)
FY17	\$1,069,347	\$1,125,045	( \$55,698)
FY16	\$1,026,224	\$ 996,118	\$ 30,106
FY15	\$ 958,251	\$ 971,725	( \$ 13,474)
FY14 	\$ 879,557	\$ 940,751	( \$ 61,194)
FY13	\$ 301,872	\$ 675,593	( \$ 373,721)
FY12	\$ 339,165	\$ 681,623	( \$ 342,458)
FY11	\$ 235,016	\$ 911,442	( \$ 676,426)

### Depreciation Expense

FY17 \$ 49,566

FY16 \$ 33,739



 Implemented Solid Waste Fee in FY14

# GASB Pronouncements Implemented



GASB#34	Capital asset/infrastructure reporting	Implemented FY14
GASB #43 and 45	OPEB reporting, retiree health insurance	Implemented FY15
GASB #68	Pension reporting	Implemented retro to FY14
GASB #77	Reporting of tax abatements	Implemented in FY17



# So, where are we going?



Continue to improve County's  
financial standing

FY20 Budget – focus on cash flow

Continue to maintain County  
facilities and equipment





Many past issues have been resolved...but we still have work to do.



“Start by doing what’s necessary, then what’s possible; and suddenly you are doing the impossible.” – **Saint Francis**

If you want to be a leader, take it for granted that you'll have to work long and hard, sweat the details, be eloquent, fight through many obstacles and never give up. That's the job description. If it bothers you, find another line of work. Will Peters, Leadership Lessons