

## Management's Discussion and Analysis

As management of Charleston County, South Carolina, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Charleston County for the fiscal year ended June 30, 2013. The Management Discussion and Analysis (MD&A) section is designed to assist the reader in focusing on significant financial issues, providing an overview of the County's financial activity, and identifying changes in the County's financial condition, material deviations from the financial budget and individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 2 through 14 of this report, and the County's financial statements, which follow this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### Financial Highlights

- Charleston County reported net position (total assets less total liabilities) of \$66,773 at June 30, 2013, comprised of \$963,771 in total assets offset by \$896,998 in total liabilities.
- The government's total net position decreased by \$34,663 during the fiscal year ended June 30, 2013, with a \$37,890 decrease resulting from governmental activities and a \$3,226 increase resulting from business-type activities.
- As of the close of the current fiscal year, Charleston County's governmental funds reported combined ending fund balances of \$290,776, which is a \$62,933 decrease from the prior year. Approximately 14 percent or \$40,799 of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$40,799 or approximately 22.2 percent of the total general fund disbursements.
- Charleston County's total assets decreased by \$54,064, while total liabilities decreased by \$19,401.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Charleston County's basic financial statements which are comprised of three sections:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains required supplementary and other supplementary financial information in addition to the basic financial statements.

**Government-wide Financial Statements.** Government-wide financial statements are designed to provide readers with a broad overview of the financial position of Charleston County and are similar to private sector financial statements. They include a Statement of Net Position and a Statement of Activities. These statements appear on pages 40 through 42 of this report.

The Statement of Net Position shows the County's assets less its liabilities at June 30, 2013. The difference between these assets and liabilities is reported as net position. Changes in net position over time may be helpful in indicating an improving or deteriorating financial position.

The Statement of Activities follows the statement of net position and presents information showing how the County's net position changed during the fiscal year. The statement presents all underlying events, which give rise to the change, regardless of the timing of related cash flows. Some included items, such as accounts payable or earned but unused vacation leave, will produce changes in cash in future fiscal periods.

Both statements distinguish between functions of Charleston 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, judicial, public works, health and welfare, economic development, culture and recreation, and education. Major business activities include environmental management (recycling and waste disposal) and parking garages. Other business-type activities include the Department of Alcohol and Other Drug Abuse Services (DAODAS), a countywide E-911 communication system, radio communications, and revenue collections.

Charleston County's government-wide financial statements include component units of the County. Component units can be blended or discretely presented. Component units are legally separate organizations for which the primary government is financially accountable and are presented as a separate column in the government-wide statements and as combining statements of net position and of activities in the fund financial statements. The focus of the statements is clearly on the primary government and the presentation allows the user to address the relative relationship with the component units. For those readers interested in more information on the component units, contact information is provided in Note I. B. on pages 63 through 65 of this report.

The government-wide financial statements can be found on pages 40 through 42 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, Charleston County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Charleston County government can be divided into three categories: governmental, proprietary, and fiduciary.

**Governmental Funds.** Governmental funds, presented on pages 44 through 47, essentially account for the same functions as those reported under the governmental activities on 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 balance 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 Charleston 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 Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison.

Governmental funds individually presented in Charleston County's statements include four major funds: the General Fund, the Debt Service Fund, the Transportation and Road Sales Tax Special Revenue Fund, and the General Obligation Bond (GOB) Capital Projects Fund. Although there are many smaller governmental funds in Charleston County government, they have been presented in a total column termed as "Other Governmental Funds". Combining statements for these other governmental funds have been presented on pages 133 through 143 of this report.

**Proprietary Funds.** Charleston County maintains and presents two different types of proprietary funds, enterprise and internal service, shown on pages 51 through 56 and pages 159 through 170 of this report.

Enterprise funds report in greater detail the same information presented as business-type activities in the government-wide financial statements for Environmental Management and Parking Garages. DAODAS, E-911 Communications Radio Communications, and Revenue Collections are presented in one total column termed as "Nonmajor Other Funds" but may be separately reviewed in the combining statements on pages 159 through 164.

Internal service funds (ISFs) are an accounting mechanism to accumulate and allocate costs internally for Charleston County Government. The County uses internal service funds to account for Fleet Management, Office Support Services, Workers' Compensation, Employee Benefits, and Telecommunications. See pages 166 through 170 of this report. ISFs have been eliminated on the Statement of Net Position.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Charleston County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 172 through 174 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. Notes are presented on pages 63 through 124 of the report.

**Other Information.** Individual statements, which present more detailed views of nonmajor funds used in governmental and business-type funds, begin on page 133. Additional trend information about the County, which may be of interest to the reader, is found under the Statistical Section of this report, starting on page 180.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Charleston County, assets exceeded liabilities by \$66,773 at the close of fiscal year 2013. This was a decrease of \$34,663 or 34.2 percent during fiscal year 2013.

A portion of the County's net position, \$135,571, is net investment in capital assets (e.g., land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. Although the County's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

An additional portion of the County's net position, (\$81,224), represents resources that are subject to external restrictions on how they may be used. These include funds for road projects, operation of the environmental management department (which are held by a trustee), and construction/purchase of capital assets. This net position is negative as the County has borrowed and expended funds on state and municipal roads. The debt is County debt, but the asset created does not belong to the County.

Unrestricted net position is \$12,426, indicates the portion of net position which can be used for day-to-day operations without constraints established by legislation or other legal requirements.

At the end of 2013, the County had positive balances in two of the three categories of net position for the primary government. As stated above, the restricted net position is negative as the County has issued GO bonds for roads and greenbelt projects in the transportation sales tax fund. The roads are not County roads and the greenbelt funds are used by other local governments, therefore those assets are not shown on the County's statements.

Charleston County's Net Position  
June 30, 2013  
(Recapped from page 40)

|  | Governmental Activities |                   | Business-Type Activities |                  | Total             |                    |
|--|-------------------------|-------------------|--------------------------|------------------|-------------------|--------------------|
|  | 2013                    | 2012              | 2013                     | 2012             | 2013              | 2012               |
| Current and other assets                   | \$468,243               | \$529,012         | \$124,728                | \$120,374        | \$ 592,971        | \$ 649,386         |
| Capital assets                             | 322,612                 | 321,570           | 48,187                   | 46,878           | 370,799           | 368,448            |
| <b>Total assets</b>                        | <b>\$790,855</b>        | <b>\$850,582</b>  | <b>\$172,915</b>         | <b>\$167,252</b> | <b>\$ 963,770</b> | <b>\$1,017,834</b> |
| Long-term liabilities outstanding          | \$635,703               | \$661,471         | \$ 10,716                | \$ 12,572        | \$ 646,419        | \$ 674,043         |
| Other liabilities                          | 211,417                 | 207,486           | 39,162                   | 34,869           | 250,579           | 242,355            |
| <b>Total liabilities</b>                   | <b>\$847,120</b>        | <b>\$868,957</b>  | <b>\$ 49,878</b>         | <b>\$ 47,441</b> | <b>\$ 896,998</b> | <b>\$ 916,398</b>  |
| Net Position:                              |                         |                   |                          |                  |                   |                    |
| Investment in capital assets               | \$93,885                | \$113,296         | \$ 41,686                | \$ 38,035        | \$135,571         | \$151,331          |
| Restricted for:                            |                         |                   |                          |                  |                   |                    |
| Environmental trust operations             | -                       | -                 | 54,311                   | 51,142           | 54,311            | 51,142             |
| Capital projects                           | 31,872                  | 41,931            | 555                      | 570              | 32,427            | 42,501             |
| Transportation and road sales tax projects | (207,620)               | (175,586)         | -                        | -                | (207,620)         | (175,586)          |
| Debt service                               | 17,516                  | 19,123            | 2,470                    | 2,470            | 19,986            | 21,593             |
| General government                         | 93                      | -                 | -                        | -                | 93                | -                  |
| Public safety                              | 3,885                   | 4,042             | -                        | -                | 3,885             | 4,042              |
| Judicial                                   | 3,232                   | 3,644             | -                        | -                | 3,232             | 3,644              |
| Public works                               | 9,393                   | 13,177            | -                        | -                | 9,393             | 13,177             |
| Health and welfare                         | 395                     | 33                | -                        | -                | 395               | 33                 |
| Economic development                       | 1,651                   | 1,209             | -                        | -                | 1,651             | 1,209              |
| Culture and recreation                     | 1,023                   | 758               | -                        | -                | 1,023             | 758                |
| Unrestricted                               | (11,589)                | (40,002)          | 24,015                   | 27,594           | 12,426            | (12,408)           |
| <b>Total net position</b>                  | <b>(\$56,264)</b>       | <b>(\$18,375)</b> | <b>\$123,037</b>         | <b>\$119,811</b> | <b>\$66,773</b>   | <b>\$101,436</b>   |

The County's net position decreased by \$34,663 during fiscal year 2013. The governmental activities had a decrease in net position of \$37,890. This is due primarily to expenditures in the transportation and road sales tax special revenue fund. During fiscal year 2013 proceeds from the 2011 transportation sales tax general obligation bonds (GOBs) were used by the Charleston County Park and Recreation Commission (PRC), municipalities, and other special purpose districts to acquire greenspace within the County. This property is not an asset of Charleston County. In addition, proceeds from the 2006, 2007, and 2011 transportation sales tax GOBs were used to construct and improve roads that are not assets of the County.

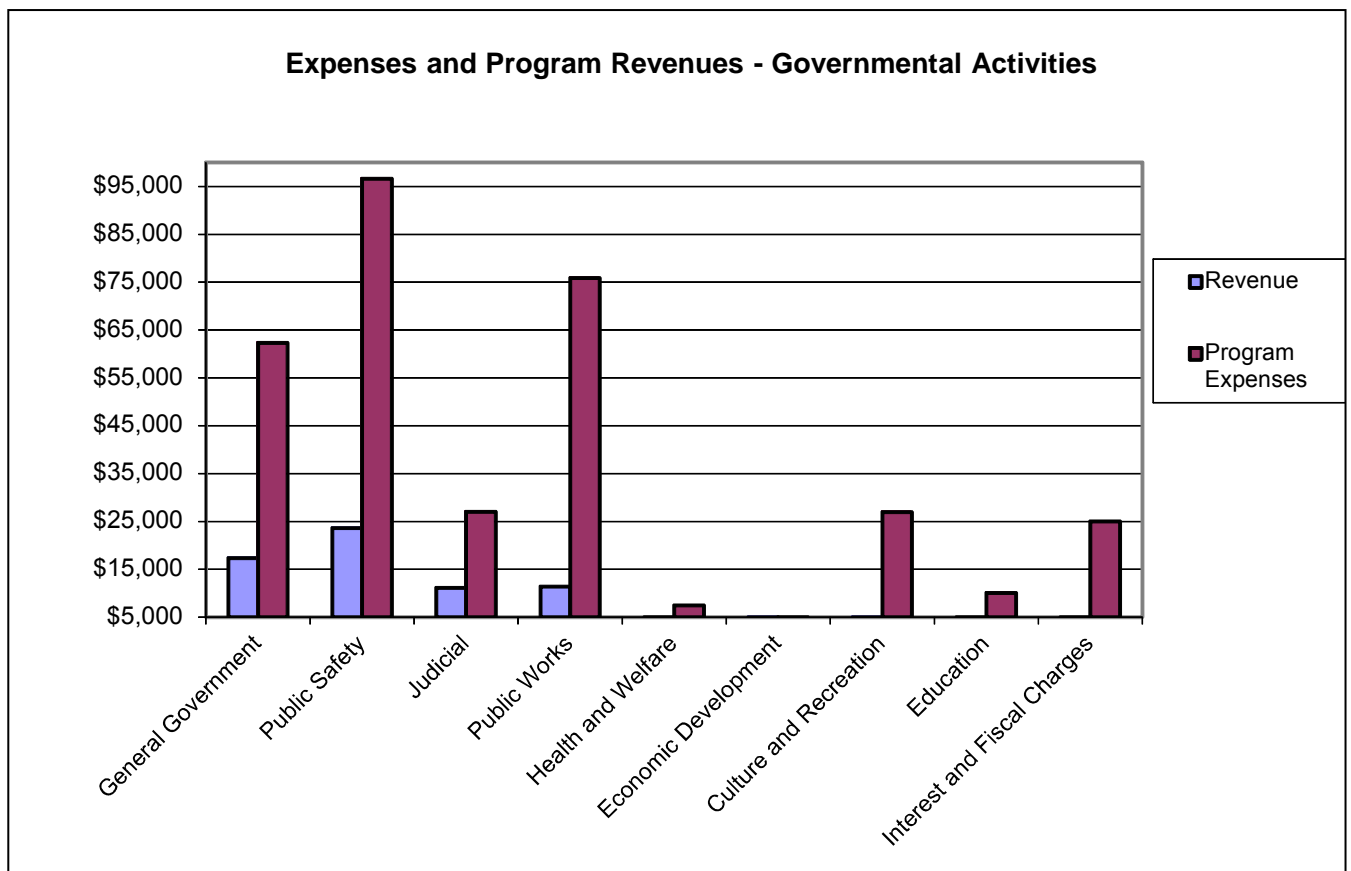
The business type activities had an increase in net position of \$3,226 resulting primarily from activity in the environmental management fund. The user fee is set at a rate designed to accumulate net assets for future pay-as-you go project funding such as the new materials recovery facility.

County of Charleston, South Carolina  
Changes in Net Position (Recapped from pages 41 and 42)  
For the Fiscal Year Ended June 30, 2013

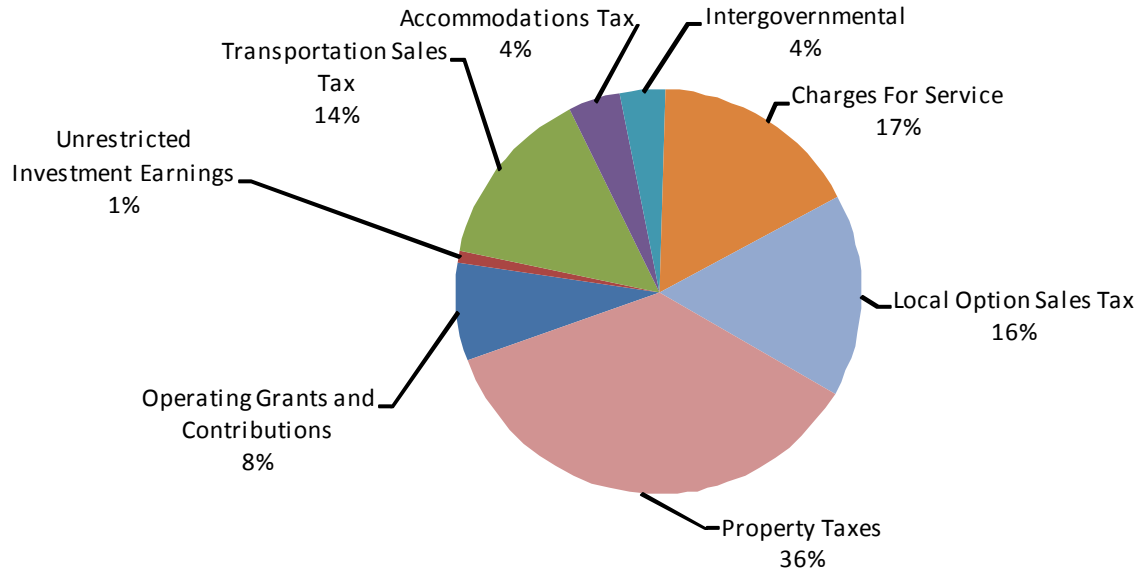
|   | Governmental Activities |                   | Business-Type Activities |                  | Total           |                  |
|---|-------------------------|-------------------|--------------------------|------------------|-----------------|------------------|
|   | 2013                    | 2012              | 2013                     | 2012             | 2013            | 2012             |
| <b>Revenues:</b>  |                         |                   |                          |                  |                 |                  |
| <b>Program Revenues:</b>                                  |                         |                   |                          |                  |                 |                  |
| Charges for services                                      | \$ 48,725               | \$ 39,861         | \$ 42,539                | \$ 41,692        | \$ 91,264       | \$ 81,553        |
| Operating grants and contributions                        | 22,966                  | 25,771            | 765                      | 779              | 23,731          | 26,550           |
| Capital grants and contributions                          | -                       | 2,620             | -                        | -                | -               | 2,620            |
| <b>General Revenues:</b>                                  |                         |                   |                          |                  |                 |                  |
| Property taxes  | 105,804                 | 107,177           | -                        | -                | 105,804         | 107,177          |
| Other taxes and fees                                      | 104,095                 | 99,969            | 480                      | 606              | 104,575         | 100,575          |
| State aid to political subdivisions                       | 12,883                  | 10,780            | -                        | -                | 12,883          | 10,780           |
| Unrestricted investments earnings                         | 770                     | 1,277             | 34                       | 32               | 804             | 1,309            |
| Gain on sale of capital assets                            | -                       | 239               | 20                       | 189              | 20              | 428              |
| <b>Total Revenues</b>                                     | <b>295,243</b>          | <b>287,694</b>    | <b>43,838</b>            | <b>43,298</b>    | <b>339,081</b>  | <b>330,992</b>   |
| <b>Program Expenditures:</b>                              |                         |                   |                          |                  |                 |                  |
| <b>Governmental Activities:</b>                           |                         |                   |                          |                  |                 |                  |
| General government  | 62,312                  | 60,157            | -                        | -                | 62,312          | 60,157           |
| Public safety   | 96,642                  | 86,502            | -                        | -                | 96,642          | 86,502           |
| Judicial  | 26,996                  | 26,578            | -                        | -                | 26,996          | 26,578           |
| Public works  | 75,872                  | 92,741            | -                        | -                | 75,872          | 92,741           |
| Health and welfare  | 7,456                   | 7,174             | -                        | -                | 7,456           | 7,174            |
| Economic development                                      | 1,700                   | 4,314             | -                        | -                | 1,700           | 4,314            |
| Culture and recreation                                    | 26,937                  | 30,821            | -                        | -                | 26,937          | 30,821           |
| Education   | 10,033                  | 6,643             | -                        | -                | 10,033          | 6,643            |
| Interest and fiscal charges                               | 24,988                  | 26,019            | -                        | -                | 24,988          | 26,019           |
| <b>Business-Type Activities:</b>                          |                         |                   |                          |                  |                 |                  |
| DAODAS  | -                       | -                 | 7,691                    | 7,761            | 7,691           | 7,761            |
| E-911 communications                                      | -                       | -                 | 2,083                    | 1,616            | 2,083           | 1,616            |
| Environmental management                                  | -                       | -                 | 24,544                   | 21,278           | 24,544          | 21,278           |
| Parking garages   | -                       | -                 | 2,068                    | 1,975            | 2,068           | 1,975            |
| Radio communications                                      | -                       | -                 | 3,058                    | 2,469            | 3,058           | 2,469            |
| Revenue collections                                       | -                       | -                 | 1,364                    | 1,321            | 1,364           | 1,321            |
| <b>Total Expenditures</b>                                 | <b>332,936</b>          | <b>340,949</b>    | <b>40,808</b>            | <b>36,420</b>    | <b>373,744</b>  | <b>377,369</b>   |
| Excess (deficiency) of revenues over (under) expenditures | (37,693)                | (53,255)          | 3,030                    | 6,878            | (34,663)        | (46,377)         |
| Transfers   | (196)                   | (3,054)           | 196                      | 3,054            | -               | -                |
| <b>Increase (Decrease) in Net Position</b>                | <b>(37,889)</b>         | <b>(56,309)</b>   | <b>3,226</b>             | <b>9,932</b>     | <b>(34,663)</b> | <b>(46,377)</b>  |
| Net position, beginning                                   | (18,375)                | 37,934            | 119,811                  | 109,879          | 101,436         | 147,813          |
| <b>Net Position, ending</b>                               | <b>(\$56,264)</b>       | <b>(\$18,375)</b> | <b>\$123,037</b>         | <b>\$119,811</b> | <b>\$66,773</b> | <b>\$101,436</b> |

**Governmental Activities.** Governmental activities decreased the County's net position by \$37,890. Key elements of the decrease are:

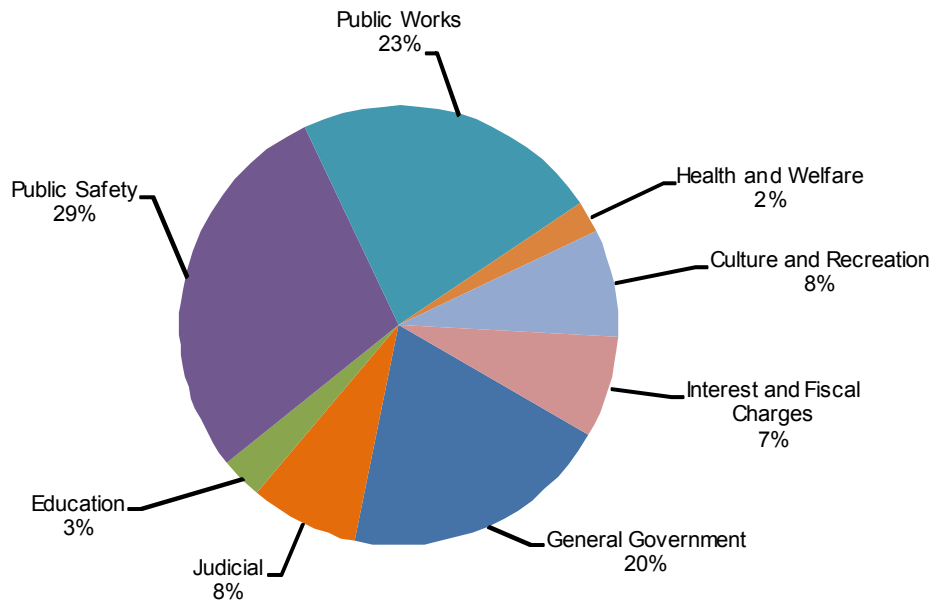
- Charges for services in public works decreased by \$7,054 (80.0 percent) because of a one-time reimbursement for roadwork in fiscal year 2012.
- Operating grants decreased by \$2,805 (10.9 percent) due primarily to the elimination of grants for the consolidated dispatch center.
- Public Safety expenditures increased \$10,140 (11.7 percent). The Sheriff's Office general fund expenditures were increased due to additional staffing and increases in personnel costs. Consolidated dispatch expenditures increased due to the addition of 17 FTEs for expanded dispatch services.



### Revenues by Source - Governmental Activities

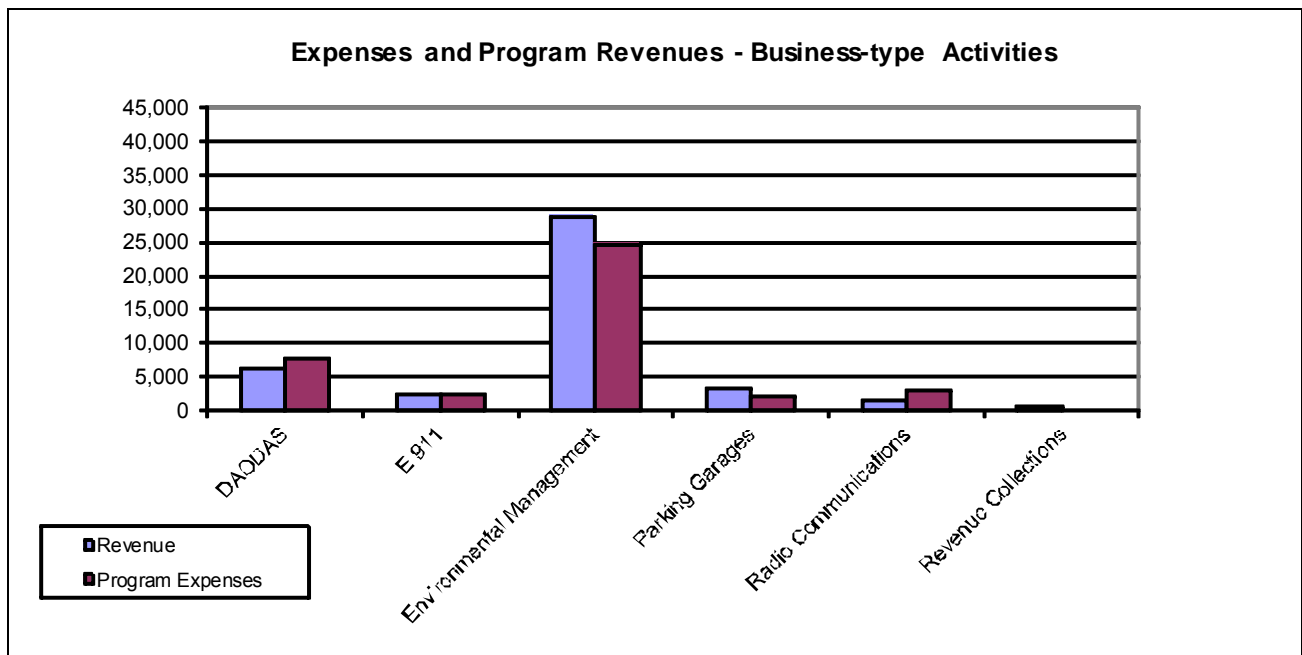
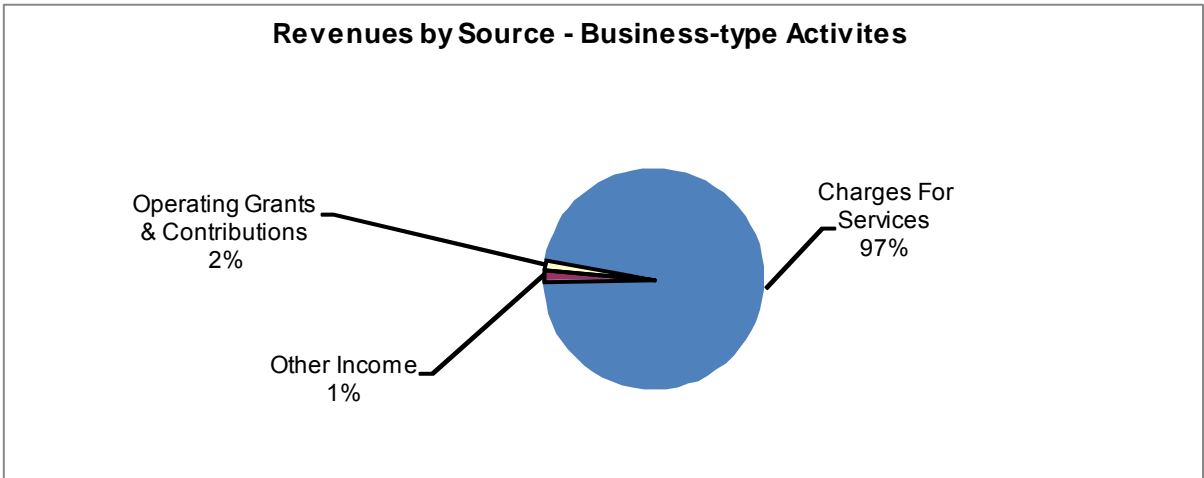


### Expenses by Program - Governmental Activities



**Business-type Activities.** Business-type activities increased the County's net position by \$3,226. The key element of this increase was:

- Environmental management had an increase in net position of \$1,336. The user fee is set at a rate designed to accumulate net position for future pay-as-you go project funding, including a new materials recovery facility.





## Financial Analysis of the Government's Funds

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

**Governmental Funds.** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Charleston County's governmental funds reported combined ending fund balances of \$290,776, a decrease of \$62,933 in comparison with the prior year. This decrease is largely due to the transportation and road sales tax special revenue fund where \$57,542 was spent on non-County road projects and greenbelt purchases. In addition, the GOB capital projects fund had expenditures of \$12,992. Upgrades to the County's 800 MHz system were \$5,400, reimbursements to Trident Technical College for its new nursing building totaled \$4,181, and \$1,043 was spent on the new Consolidate Dispatch Center.

The ending fund balance of \$290,776 for the governmental funds is composed of five components: unassigned fund balance of \$40,799, assigned fund balance of \$11,470, committed fund balance of \$31,872, restricted fund balance of \$205,712 and nonspendable fund balance of \$923

Unassigned fund balance accounts for approximately 14.0 percent or \$40,799 of the total fund balance. Unassigned fund balance is available for spending at Charleston County's discretion.

Assigned fund balance for the current fiscal year is \$11,470 or 3.9 percent of ending fund balance. Assigned fund balance includes \$7,594 budgeted for use in the 2014 budget and \$3,876 which was encumbered at the end of fiscal year 2013. Assigned fund balances are intended to be used by Charleston County for specific purposes.

Committed fund balance is \$31,872 or 11.0 percent of ending fund balance and is comprised of the fund balances in the capital project funds. The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of County Council.

The restricted fund balance totals \$205,712 or 70.8 percent of ending fund balance. The major restricted fund balances are for: 1) roads and stormwater projects of \$177,917, 2) debt service of \$17,516, 3) \$3,885 for public safety activities (primarily comprised of balances in the Sheriff's office), and 4) \$3,232 for judicial services (primarily balances in the Solicitor's office.) The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Nonspendable fund balance is \$923 or 0.3 percent of ending fund balance. Nonspendable fund balance accounts for inventories recorded in the general fund.

**General Fund.** The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$40,799 while total fund balance reached \$53,193. Unassigned fund balance is made up of two components: the rainy day fund and all other unassigned fund balance. The rainy day fund totals \$9,088 and is composed of \$3,388 from the general fund and \$5,700 from the environmental management fund. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 20.3 percent of total general fund disbursements, while total fund balance represents 28.8 percent of that same amount. This meets the County's financial policy of maintaining an unassigned fund balance of 1½ to 2 months of expenditures. Excluding the rainy day fund from the calculation, unassigned fund balance is 22.1 percent of disbursements, which also meets the financial policy. There was a decrease of \$3,266 in the total fund balance of the general fund during the current year. Highlights of the general fund were as follows:

Revenues were \$4,598 or 2.6 percent higher than the previous fiscal year.

- Intergovernmental revenues increased \$2,523 or 12.4 percent. State aid to political subdivisions increased \$2,103 resulting from growth in state revenues. The local government fund is a formula driven allocation. The allocation was increased for fiscal year 2013, but it is still below the level called for in the formula.
- Services charges were up \$1,834 or 9.5 percent. Register Mesne Conveyance (RMC) revenues are increased \$1,460 due to an increase in the volume of recorded real estate transactions

Expenditures increased by \$7,803 or 4.8 percent.

- Public Safety expenditures are up \$3,912 or 5.2 percent. The Sheriff's expenditures were \$2,529 greater than the prior year. The Law Enforcement budget included five additional FTEs in fiscal year 2013 for 24 hour coverage of the Sheriff's non-emergency phone line. Personnel costs in the Sheriff's Office also increased because of a 2 percent increase in the County fringe rate (primarily for workers' compensation and retirement benefits), and the full-year impact of a Cost of Living Adjustment made during fiscal year 2012. Expenditures for consolidated dispatch increased \$1,097 resulting from the addition of 17 FTEs for the next phase of consolidation.
- General Government expenditures are increased \$2,156 or 4.9 percent. Technology services expended \$750 more than the prior year primarily for software maintenance and personnel costs. Expenditures for the Board of Elections and Voter Registration increased \$479 due to the 2012 general election and the associated run-off elections.

Transfers out increased \$4,701 or 43.0 percent. This increase is primarily due to one-time funding of \$2,855 for the new law enforcement computer software and \$1,760 for station alerting.

**Debt Service Fund.** The debt service fund balance is \$17,516 and is \$1,607 or 8.4 percent lower than the prior fiscal year. The use of fund balance was anticipated in the fiscal year 2013 budget.

**Transportation and Road Sales Tax Special Revenue Fund.** This fund balance was decreased \$44,809 or 21.0 percent from the prior fiscal year. The County has several road projects that were in the construction process during fiscal year 2013.

**GOB Capital Projects Fund.** This fund showed a decrease in fund balance of \$10,375 or 30.7 percent. Expenditures were \$10,842 for upgrades to the County's 800 MHZ radio system, reimbursement to Trident Technical College for its new nursing building, and construction of the new consolidated dispatch center.

**Other Governmental Funds.** The other governmental funds had a decrease in fund balance of \$2,876 or 9.3 percent from the prior fiscal year due to expenditures for road projects in the public works construction fund.

**Nonmajor Capital Projects Funds.** The nonmajor capital projects funds reflect a total fund balance of \$8,440 and are shown on pages 136 through 137 and 142 through 143. The fund balance for the nonmajor capital projects funds is up \$316 for fiscal year 2013. The decrease in fund balance of \$3,215 in the capital projects construction fund was offset by an increase in fund balance of \$3,580 in the ITS/MIS capital projects fund.

**Nonmajor Special Revenue Funds.** The nonmajor special revenue funds have a combined total fund balance of \$19,672, all classified as restricted. Nonmajor special revenue funds are shown on pages 133 through 136, and 139 through 142. The fund balance for the non-major special revenue funds decreased \$3,192 from the prior year. The largest decrease in fund balance is \$2,878 in the construction public works fund which accounts for state C-fund expenditures. In addition, the fund balances in the solicitor and storm water drainage funds decreased \$610 and \$528, respectively.

**Proprietary Funds.** The County's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Total net position for the enterprise funds at June 30, 2013, is \$92,189 (before the elimination of internal service fund charges and indirect costs.) The major funds are environmental management and the parking garages with total net position of \$81,463. The nonmajor proprietary funds have total net position of \$10,726. These funds include DAODAS, E-911 communications, radio communications, and revenue collections. See pages 51 through 56 and pages 159 through 164 for the proprietary funds statements.

As of the end of the current fiscal year, Charleston County's enterprise funds reported combined ending net position of \$92,189 (before internal eliminations), a decrease of \$874 or 0.9 percent in comparison with the prior year. The E-911 communications fund had a decrease of \$2,095 due to a transfer to the capital projects fund for the new consolidated dispatch center. This decrease is offset by an increase of \$1,336 in the environmental management fund as revenues exceeded expenditures for fiscal year 2013.

### **General Fund Budgetary Highlights**

During fiscal year 2013 County Council approved an adjustment to the general fund budget totaling \$2,404. In addition, the Administrator made adjustments to the budget in accordance with the guidelines contained in the budget ordinance.

The budget was adjusted by \$2,404 during the fiscal year. County Council approved a one-time Cost of Living payment for employees in March 2013. The general fund budget was increased by \$2,000 for this payment. The source of funds was fiscal year 2012 fund balance. In addition, the consolidated dispatch budget was increased \$404 for the early transition of the dispatch function from the Town of Mt. Pleasant. The county added 19 FTEs to cover the additional workload. The increase in expenditures was funded by the Town.

Actual revenues and transfers in were \$5,061 over the final budget. The most significant revenue variances are outlined below:

- Property and local option sales taxes were over budget by \$3,196. Local option sales tax collections exceeded the budget by \$2,444 reflecting an increase in consumer spending throughout the fiscal year. Current and delinquent real property tax collections were over budget \$1,248 resulting from better than anticipated collections.
- Service charges were over budget by \$2,750. RMC charges exceeded budget by \$1,693 due to the increased volume of recorded real estate transactions. Court fees were over budget by approximately \$500 due to increased court activity.
- Intergovernmental revenues were under budget by \$1,271 primarily due to decreases in federal inmate per diem resulting from a decrease in inmates held.

Actual expenditures and transfers out were \$6,252 under the final budgeted amounts. The most significant contributions to this variance were the following:

- Technology services was \$1,696 below budget. Capital purchases were \$1,382 below budget. The lapsed budget was rolled forward to fiscal year 2014.
- The Sheriff's office was \$1,227 below budget. Undocumented persons' assistance funds of \$557 were not spent during fiscal year 2013. These funds were rolled to fiscal year 2014. Additional savings were seen throughout the Sheriff's budget. The majority of these savings were encumbered at fiscal year-end.
- Facilities Management was \$793 below budget largely due to unspent building supply funds. About half of the lapse was encumbered and rolled into the fiscal year 2014 budget.

## Capital Asset and Debt Administration

**Capital Assets.** Charleston County's net investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounted to \$370,800 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, bridges and drainage easements. The County's net investment in capital assets increased \$2,351 or 0.6 percent for the current year. Construction in progress decreased \$14,628 due to the opening of the consolidated dispatch center. Buildings and machinery and equipment increased \$18,170 primarily due to the consolidated dispatch center.

|                                   | <u>Governmental Activities</u> |                   | <u>Business-type Activities</u> |                  | <u>Total</u>      |                   |
|-----------------------------------|--------------------------------|-------------------|---------------------------------|------------------|-------------------|-------------------|
|                                   | <u>2013</u>                    | <u>2012</u>       | <u>2013</u>                     | <u>2012</u>      | <u>2013</u>       | <u>2012</u>       |
| Land and easements                | \$ 21,211                      | \$ 21,213         | \$ 3,951                        | \$ 3,951         | \$ 25,162         | \$ 25,164         |
| Buildings                         | 241,587                        | 232,507           | 17,981                          | 18,380           | 259,568           | 250,887           |
| Improvements other than buildings | 615                            | 686               | 14,562                          | 14,576           | 15,177            | 15,262            |
| Machinery and equipment           | 43,367                         | 35,581            | 11,674                          | 9,971            | 55,041            | 45,552            |
| Infrastructure                    | 13,417                         | 14,520            | -                               | -                | 13,417            | 14,520            |
| Construction in progress          | <u>2,416</u>                   | <u>17,063</u>     | <u>19</u>                       | <u>-</u>         | <u>2,435</u>      | <u>17,063</u>     |
| Total                             | <u>\$ 322,613</u>              | <u>\$ 321,570</u> | <u>\$ 48,187</u>                | <u>\$ 46,878</u> | <u>\$ 370,800</u> | <u>\$ 368,448</u> |

Additional information on the County's capital assets can be found in Note III. C. on pages 85 through 90 of this report.

**Long-Term Debt.** At the end of the current fiscal year, Charleston County had total certificates of participation (COPs) and bonded debt outstanding of \$609,795. Of this amount, \$575,303 comprises debt backed by the full faith and credit of the government (general obligation bonds), \$32,958 is comprised of certificates of participation secured by the capital assets constructed with their proceeds, and \$1,534 is comprised of revenue bond debt secured solely by solid waste user fees.

In addition to the bonded debt, Charleston County signed a contract with the S.C. Infrastructure Bank to pay \$3,000 a year starting on January 1, 2004, for a period of 25 years as the County's commitment toward the new Arthur Ravenel, Jr. Bridge over the Cooper River. As of June 30, 2013, this obligation is recorded at a net present value of \$29,658 using a discount rate of 5.7 percent. This is the same rate the Bank is repaying its loan from the federal government, using the money received from the County.

|                                | <u>Governmental Activities</u> |                   | <u>Business-type Activities</u> |                 | <u>Total</u>      |                   |
|--------------------------------|--------------------------------|-------------------|---------------------------------|-----------------|-------------------|-------------------|
|                                | <u>2013</u>                    | <u>2012</u>       | <u>2013</u>                     | <u>2012</u>     | <u>2013</u>       | <u>2012</u>       |
| General obligation bonds       | \$ 575,303                     | \$ 597,380        | \$ -                            | \$ -            | \$ 575,303        | \$ 597,380        |
| Certificates of participation  | 27,991                         | 31,583            | 4,967                           | 5,610           | 32,958            | 37,193            |
| Revenue bonds                  | -                              | -                 | 1,534                           | 3,232           | 1,534             | 3,232             |
| Intergovernmental note payable | <u>29,658</u>                  | <u>30,888</u>     | <u>-</u>                        | <u>-</u>        | <u>29,658</u>     | <u>30,888</u>     |
| Total                          | <u>\$ 632,952</u>              | <u>\$ 659,851</u> | <u>\$ 6,501</u>                 | <u>\$ 8,842</u> | <u>\$ 639,453</u> | <u>\$ 668,693</u> |

The County's total bonded debt decreased by \$29,240 (4.4 percent) during the current fiscal year. The County did not issue any new money bonds during fiscal year 2013.

In May the County issued \$70,135 of General Obligation Transportation Sales Tax Refunding Bonds. The bonds refunded portions of the 2006 and 2007 transportation sales tax general obligation bonds (GOBs). The County also issued \$28,940 General Obligation Refunding Bond Series A, and \$30,695 General Obligation Refunding Bonds Taxable Series B. These bonds refunded portions of the 2004 and 2007 GOBs.

The refunding GOBs were rated Aaa by Moody's Investors Service, AAA by Standard & Poor's Ratings Service, and AAA by Fitch Ratings.

South Carolina statutes limit the amount of general obligation (G.O.) debt a governmental entity may issue (without referendum) to 8 percent of its total assessed value. The current available G.O. debt limit for Charleston County is \$265,881. The outstanding debt at June 30, 2013 subject to the debt limitation is \$187,795. This would indicate that the County has not exceeded its limit.

Additional information on the County's long-term debt can be found in Note III. I. on pages 93 through 107 of this report.

### **Economic Factors and Next Year's Budget Rates**

The fiscal year 2014 general fund budget is a balanced budget. Total disbursements are \$194,003, an increase of \$6,865 or 3.7 percent from the prior year. The budget includes the use of \$7,594 of fund balance for pay-as-you-go capital projects and other one-time expenditures. The millage was increased 0.8 mills from 39.9 mills for tax year 2012 to 40.7 mills. The local option sales tax credit was also increased.

The general fund budgeted revenues for fiscal year 2014 increased by \$10,368 or 5.6 percent from 2013. The major changes are:

- The local option sales tax is anticipated to increase \$6,160 or 13.7 percent. This increase reflects the growth that was seen in collections during fiscal year 2013.
- Property tax revenues reflect an increase of \$5,710 or 5.0 percent resulting from the 0.8 mill increase in the tax year 2013 millage rate. The local option sales tax credit applied against property taxes is increased \$6,090 or 13.8 percent reflecting the growth in collections during fiscal year 2013.

- Charges and fees are increased \$1,764 or 9.7 percent in the fiscal year 2014 budget. RMC fees are expected to increase \$1,755 or 44.7 percent based on an anticipated increase in the volume of recorded real estate transactions.
- Intergovernmental revenues are increased \$1,645 or 6.8 percent for fiscal year 2014. Local government contributions for the operation of the consolidated dispatch center are increased \$2,600 or 83.5 percent over the fiscal year 2013 contribution. The increase reflects the transition of dispatch services for additional municipalities, such as the City of Charleston and the Town of Mount Pleasant, to the consolidated center. The increase reflects total consolidation of dispatch services in the county (with the exception of the City of Folly Beach) as of January 1, 2014. Offsetting this increase is a decrease in state aid to subdivisions of \$675 or 5.2 percent. This decrease reflects state approved funding for fiscal year 2014.

The general fund budgeted disbursements for fiscal year 2014 are increased \$6,865 or 3.7 percent from fiscal year 2013. The major changes for fiscal year 2014 are:

- The budget for consolidated dispatch operations increased \$1,589 or 22.2 percent. As mentioned above, the fiscal year 2014 budget reflects total consolidation of dispatch services in the county (with the exception of the City of Folly Beach) as of January 1, 2014.
- The fiscal year 2014 budget includes \$1,217 for the cost of converting temporary employees to benefits eligible positions for compliance with the Affordable Health Care act. In addition, funding is included to implement recommendations from the 2013 compensation study. These funds are in the nondepartmental budget and will be transferred to the appropriate departments once the above-mentioned changes have been completed.
- Increases of \$1,159 (7.1 percent), \$1,157 (1.5 percent), and \$1,099 (3.7 percent) are seen in the consolidated budgets of the Deputy Administrator for Human Services, Elected Officials, and the Deputy Administrator for General Services, respectively. Increased personnel costs, including increased fringe benefits and growth in salaries due to the County's longevity program, are responsible for the growth in these budgets.
- Transfers out are decreased \$1,326 or 8.2 percent due to a reduction in the need to fund one-time capital projects. The fiscal year 2013 budget included funding for a comprehensive station alerting system and an upgrade to the total law enforcement system.

## **Requests for Information**

This financial report is designed to provide a general overview of Charleston County's finances for all those with an interest in the government's financing. Questions concerning any of the information should be addressed to the Finance Department, 4045 Bridge View Drive, Suite A225, North Charleston, SC 29405-7464.

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