

## 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, 2014. 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 13 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

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$34,582 (net position.) This is comprised of net investment in capital assets of \$145,667, restricted net position of \$48,382 and unrestricted net position of (\$159,468).
- Charleston County's total net position decreased by \$28,958 during the fiscal year ended June 30, 2014, with a \$35,302 decrease resulting from governmental activities and a \$6,344 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 \$326,622, which is a \$35,846 increase from the prior year. Approximately 13.5 percent or \$44,085 of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of committed, assigned and unassigned components of fund balance) for the general fund was \$52,523 or approximately 28 percent of the total general fund disbursements. Unassigned fund balance of the general fund was \$44,085, or approximately 23 percent of total general fund disbursements.

### 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 38 through 40 of this report.

The Statement of Net Position presents financial information on all of the County's assets, liabilities and deferred inflows/outflows of resources, with the difference 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, public safety 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 64 through 66 of this report.

The government-wide financial statements can be found on pages 38 through 40 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 42 through 45, 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. The Governmental Funds Balance Sheet and the Governmental Funds 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 Special Source Revenue Bond 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 131 through 141 of this report.

**Proprietary Funds.** Charleston County maintains and presents two different types of proprietary funds, enterprise and internal service, shown on pages 49 through 54 and pages 157 through 168 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, Public Safety System 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 157 through 162.

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 164 through 168 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 170 through 172 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 61 through 121 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 131. 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 178. As required by the State, the County also presents a Schedule of Fines, Assessments, and Surcharges Collected on page 154.

This report also presents required supplementary financial information concerning the County's progress in funding its obligation to provide other postemployment benefits (OPEB) to its employees. Required Supplementary Financial Information can be found on page 124.

### **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 and deferred outflows exceeded liabilities and deferred inflows by \$34,582 at the close of fiscal year 2014. This was a decrease of \$28,958 or 46 percent during fiscal year 2014.

A portion of the County's net position, \$145,667, 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, \$48,382, represents resources that are subject to external restrictions on how they may be used. These include funds for road projects, construction/purchase of capital assets, and debt service. 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 (\$159,468), indicates the portion of net position which can be used for day-to-day operations without constraints established by legislation or other legal requirements. This balance is negative as the County has borrowed and expended funds on state and municipal roads. The debt is County debt but the asset improved/created does not belong to the County.

At the end of 2014, the County had positive balances in two of the three categories of net position for the primary government. As stated above, the unrestricted 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 Country's Net Position  
June 30, 2014  
(Recapped from page 38)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013*	2014	2013*	2014	2013*
	Current, restricted and other assets	\$ 515,366	\$ 465,067	\$ 94,857	\$ 124,671	\$ 610,223
Capital assets	319,279	322,612	47,561	48,187	366,840	370,799
<b>Total Assets</b>	<b>834,645</b>	<b>787,679</b>	<b>142,418</b>	<b>172,858</b>	<b>977,063</b>	<b>960,537</b>
Total deferred outflows of resources	19,595	20,779	-	358	19,595	21,137
Long-term liabilities outstanding	721,365	656,482	7,097	11,074	728,462	667,556
Other liabilities	78,156	63,683	5,997	39,162	84,153	102,845
<b>Total liabilities</b>	<b>799,521</b>	<b>720,165</b>	<b>13,094</b>	<b>50,236</b>	<b>812,615</b>	<b>770,401</b>
Total deferred inflows of resources	149,461	147,733	-	-	149,461	147,733
Net Position:						
Investment in capital assets	98,106	93,885	47,561	41,686	145,667	135,571
Restricted for:						
Environmental trust operations	-	-	-	54,311	-	54,311
Capital projects	6,566	31,872	-	555	6,566	32,427
Debt service	19,939	17,516	-	2,470	19,939	19,986
General government	204	93	-	-	204	93
Public safety	4,032	3,885	-	-	4,032	3,885
Judicial	3,217	3,232	-	-	3,217	3,232
Public works	10,454	9,393	-	-	10,454	9,393
Health and welfare	406	395	-	-	406	395
Economic development	2,429	1,651	-	-	2,429	1,651
Culture and recreation	1,135	1,023	-	-	1,135	1,023
Unrestricted	(241,231)	(222,385)	81,763	23,958	(159,468)	(198,427)
<b>Total net position</b>	<b>\$ (94,743)</b>	<b>\$ (59,440)</b>	<b>\$ 129,324</b>	<b>\$ 122,980</b>	<b>\$ 34,581</b>	<b>\$ 63,540</b>

\*As restated

The County's net position decreased by \$28,958 during fiscal year 2014. The governmental activities had a decrease in net position of \$35,302. This is due primarily to expenses in the transportation and road sales tax special revenue fund. During fiscal year 2014 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 2011 transportation sales tax GOBs were used to construct and improve roads that are not assets of the County.

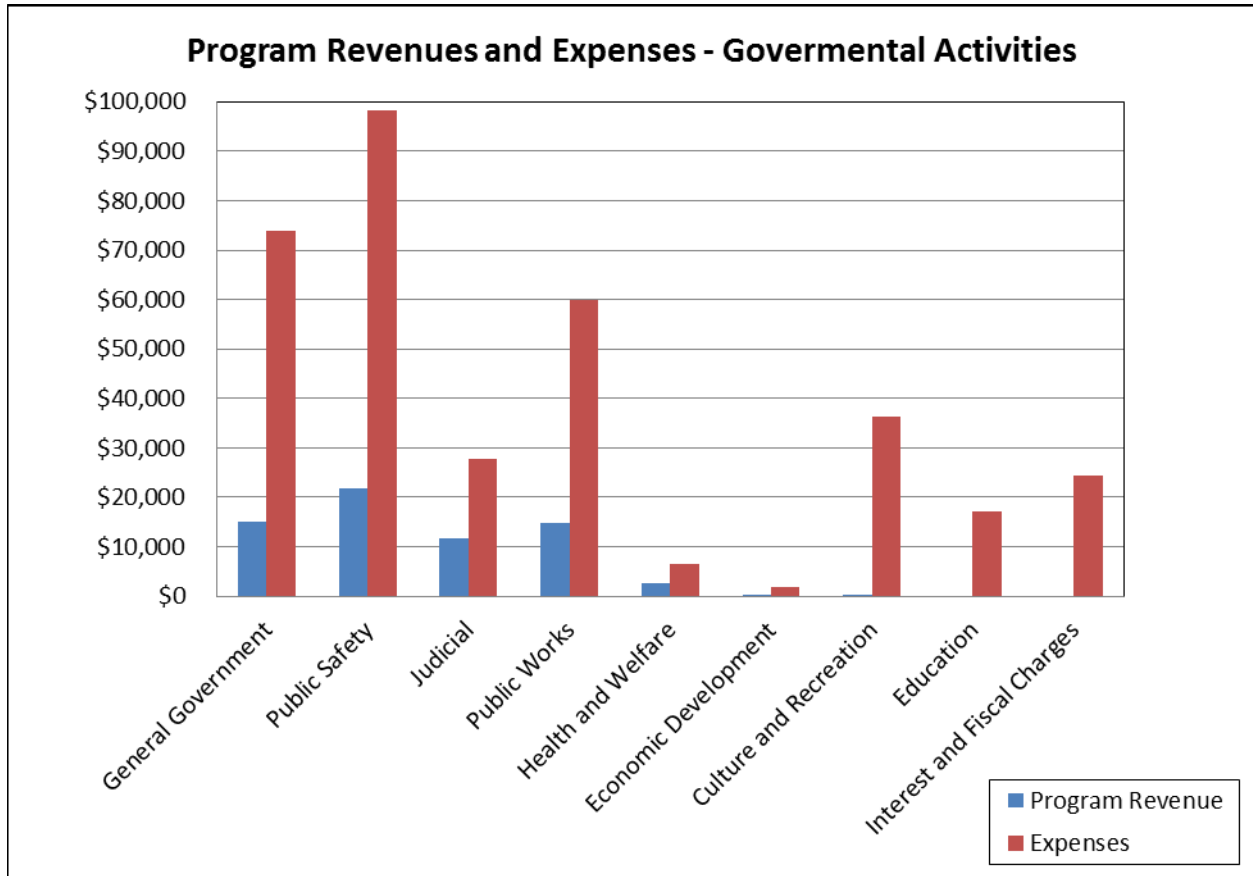
County of Charleston, South Carolina  
Changes in Net Position (Recapped from pages 39 and 40)  
For the Fiscal Year Ended June 30, 2014

	Governmental Activities		Business-Type Activities		Total	
	2014	2013*	2014	2013*	2014	2013*
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 44,442	\$ 48,725	\$ 43,990	\$ 42,539	\$ 88,432	\$ 91,264
Operating grants and contributions	22,231	22,966	978	765	23,209	23,731
Capital grants and contributions	-	-	-	-	-	-
<b>General Revenues:</b>						
Property taxes	116,098	105,804	-	-	116,098	105,804
Other taxes and fees	116,105	104,095	543	480	116,648	104,575
State aid to political subdivisions	12,937	12,883	-	-	12,937	12,883
Unrestricted investments earnings	1,294	770	23	34	1,317	804
Gain on sale of capital assets	-	-	5	20	5	20
<b>Total Revenues</b>	<b>313,107</b>	<b>295,243</b>	<b>45,539</b>	<b>43,838</b>	<b>358,646</b>	<b>339,081</b>
<b>Program Expenses</b>						
<b>Governmental Activities:</b>						
General government	73,881	62,312	-	-	73,881	62,312
Public safety	98,306	96,642	-	-	98,306	96,642
Judicial	27,773	26,996	-	-	27,773	26,996
Public works	59,859	75,872	-	-	59,859	75,872
Health and welfare	6,510	7,456	-	-	6,510	7,456
Economic development	1,833	1,700	-	-	1,833	1,700
Culture and recreation	36,353	26,937	-	-	36,353	26,937
Education	17,089	10,033	-	-	17,089	10,033
Interest and fiscal charges	24,297	28,164	-	-	24,297	28,164
<b>Business-Type Activities:</b>						
DAODAS	-	-	7,648	7,708	7,648	7,708
E-911 communications	-	-	1,896	2,083	1,896	2,083
Environmental management	-	-	25,030	24,559	25,030	24,559
Parking garages	-	-	2,057	2,093	2,057	2,093
Public safety system	-	-	422	-	422	-
Radio communications	-	-	3,293	3,058	3,293	3,058
Revenue collections	-	-	1,357	1,364	1,357	1,364
<b>Total Expenses</b>	<b>345,901</b>	<b>336,112</b>	<b>41,703</b>	<b>40,865</b>	<b>387,604</b>	<b>376,977</b>
Excess (deficiency) of revenues before transfers over (under) expenses	(32,794)	(40,869)	3,836	2,973	(28,958)	(37,896)
Transfers	(2,508)	(196)	2,508	196	-	-
<b>Increase (Decrease) in Net Position</b>						
Net position, beginning*	(35,302)	(41,065)	6,344	3,169	(28,958)	(37,896)
<b>Net Position, ending</b>	<b>(59,440)</b>	<b>(18,375)</b>	<b>122,980</b>	<b>119,811</b>	<b>63,540</b>	<b>101,436</b>
	<b>\$ (94,742)</b>	<b>\$ (59,440)</b>	<b>\$ 129,324</b>	<b>\$ 122,980</b>	<b>\$ 34,582</b>	<b>\$ 63,540</b>

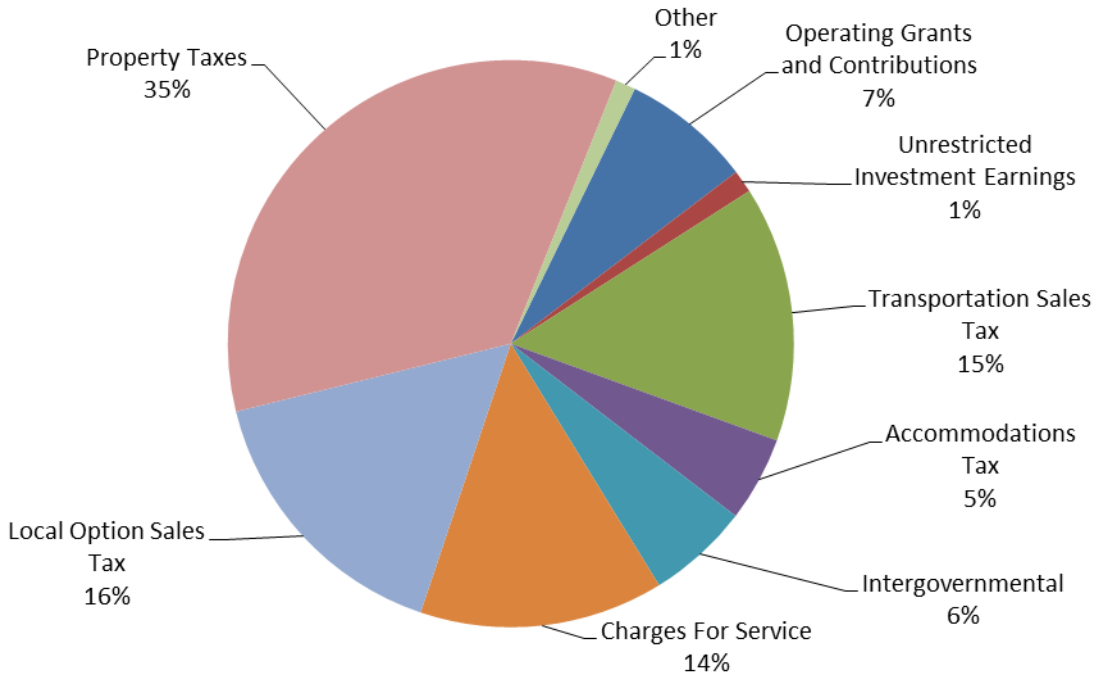
\*As restated

**Governmental Activities.** Governmental activities decreased the County's net position by \$35,302. Key elements of the decrease are:

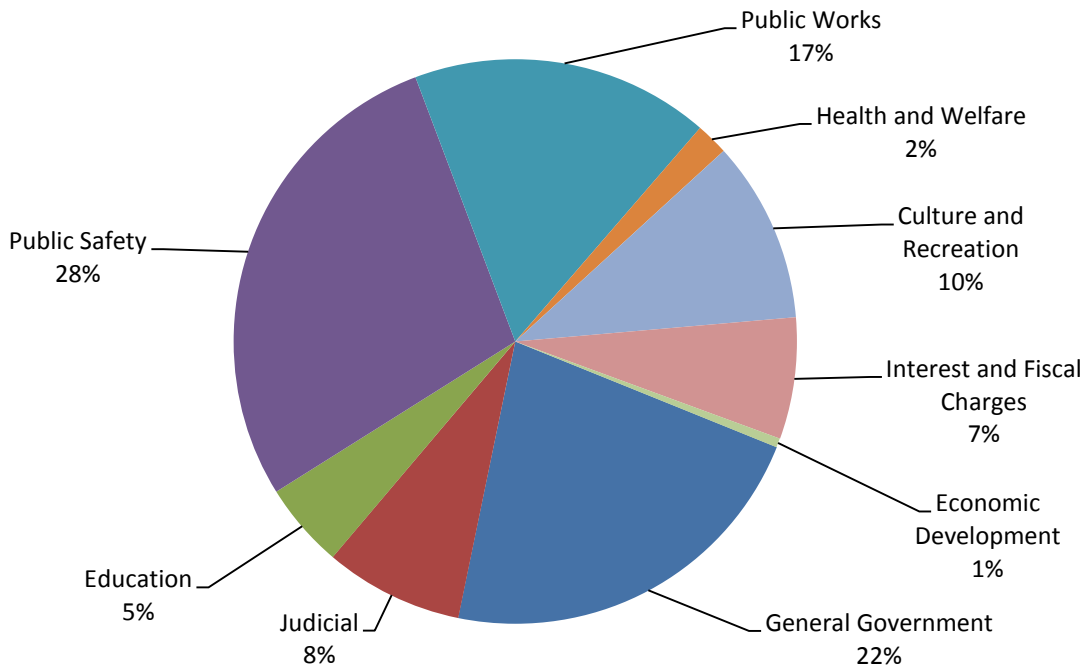
- General government expenses increased by \$11,569 (18.56 percent) because of the lump sum appropriations to other municipalities on the Special Source Revenue Bonds.
- Charges for services decreased by \$4,283 (8.78 percent) due primarily to a decrease in charges in the Transportation Sales Tax Fund for intergovernmental reimbursements.
- The increase in net transfers to the business-type activities was \$2,312.



### Revenues by Source - Governmental Activities

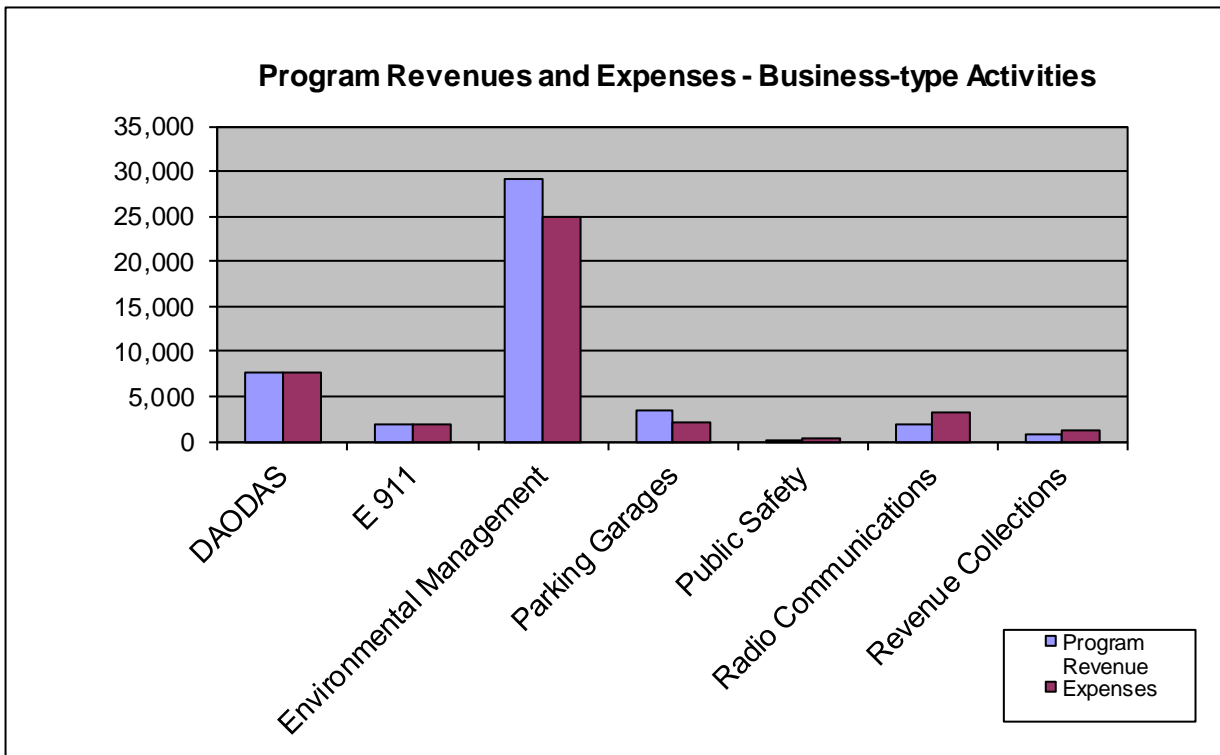
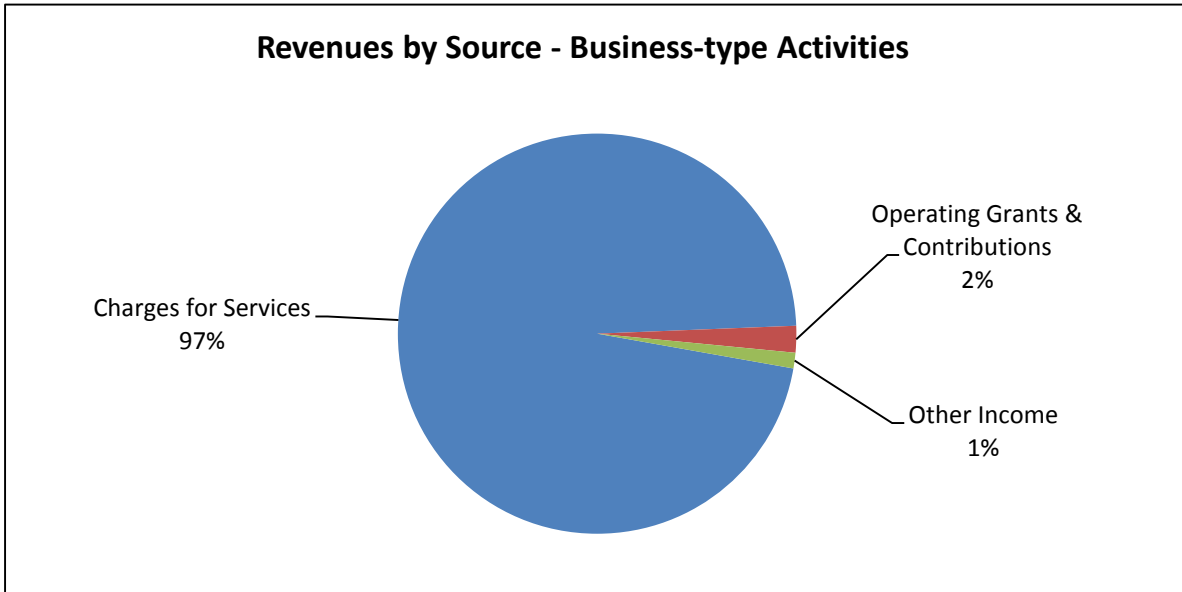


### Expenses by Program - Governmental Activities



**Business-type Activities.** Business-type activities increased the County's net position by \$6,344. The key element of this increase was:

- Environmental management had an increase in net position of \$1,396. 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.
- The charges for services in the business-type activities increased by \$1,451 (3.4 percent) with the increases in Environmental Management \$254, Radio Communications \$402 and Revenue Collections \$276. The collection rates for these services have improved over the past year.





## 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 \$326,622, an increase of \$35,846 in comparison with the prior year. This increase is due to the proceeds of \$93,422 from the Special Source Revenue Bond that the County issued during fiscal year 2014. This increase is offset by a decrease in fund balance of \$41,283 in the transportation and road sales tax special revenue fund and a decrease of \$17,389 in the G.O.B. capital projects fund.

The ending fund balance of \$326,622 for the governmental funds is composed of five components: unassigned fund balance of \$44,085, assigned fund balance of \$8,438, committed fund balance of \$13,470, restricted fund balance of \$259,346 and nonspendable fund balance of \$1,282

Unassigned fund balance accounts for approximately 13.0 percent or \$44,085 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 \$8,438 or 3 percent of ending fund balance. Assigned fund balance includes \$6,905 budgeted for use in the 2015 budget and \$1,533 which was encumbered at the end of fiscal year 2014. Assigned fund balances are intended to be used by Charleston County for specific purposes.

Committed fund balance is \$13,470 or 4.0 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 \$259,346 or 79 percent of ending fund balance. The major restricted fund balances are for: 1) roads and stormwater projects of \$227,984, 2) debt service of \$19,939, 3) \$4,032 for public safety activities (primarily comprised of balances in the Sheriff's office), and 4) \$3,217 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 \$1,282. 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 \$44,085 while total fund balance reached \$53,805. Unassigned fund balance is made up of two components: the rainy day fund and all other unassigned fund balance. The rainy day fund totals \$9,401 and is composed of \$3,701 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 23 percent of total general fund disbursements, while total fund balance represents 28 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 21.3 percent of disbursements, which also meets the financial policy. There was an increase of \$613 in the total fund balance of the general fund during the current year. Highlights of the general fund were as follows:

Revenues were \$6,763 or 4 percent higher than the previous fiscal year.

- Services charges were up \$1,976 or 9 percent.
- Intergovernmental revenues increased \$1,745 or 8 percent.
- Other revenues were up \$1,646
- Taxes \$1,148

Expenditures increased by \$6,324 or 4 percent.

- Public Safety expenditures are up \$4,352 or 5 percent.
- General Government expenditures are increased \$1,387 or 3 percent.
- Transfers out decreased \$1,691 or 11 percent.

**Debt Service Fund.** The debt service fund balance is \$19,939 and is \$2,423 or 14 percent higher than the prior fiscal year.

**Transportation and Road Sales Tax Special Revenue Fund.** This fund balance was decreased \$41,283 or 24 percent from the prior fiscal year. The County has several major road projects that were in the construction process during fiscal year 2014.

**Special Source Revenue Bonds.** The County received \$93,422 in proceeds from a Special Source Revenue Bond that was issued in December 2013. The proceeds will be used to defray the costs of design and construction of an extension of South Aviation Avenue in North Charleston, pay capitalized interest on the Bonds through December 1, 2016, and pay the costs of issuance of the Bonds.

**Other Governmental Funds.** The other governmental funds had a decrease in fund balance of \$16,196 or 31 percent from the prior fiscal year

**Nonmajor Capital Projects Funds.** The nonmajor capital projects funds reflect a total fund balance of \$13,470 and are shown on pages 134 through 135 and 140 through 141. The fund balance for the nonmajor capital projects funds is decreased \$18,402 in fiscal year 2014. The decrease is primarily in the GOB capital projects fund which is down \$17,384 or 74 percent.

**Nonmajor Special Revenue Funds.** The nonmajor special revenue funds have a combined total fund balance of \$21,878, all classified as restricted. Nonmajor special revenue funds are shown on pages 131 through 134, and 137 through 140. The fund balance for the non-major special revenue funds increased \$2,206 from the prior year. The largest increase in fund balance is \$1,506 in the construction public works fund which accounts for state C-fund expenditures. In addition, the fund balance in the economic development fund increased \$778.

**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, 2014, is \$99,015 (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 \$85,508. The nonmajor proprietary funds have total net position of \$13,507. These funds include DAODAS, E-911 communications, radio communications, public safety systems, and revenue collections. See pages 49 through 54 and pages 157 through 162 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 \$99,015 (before internal eliminations), an increase of \$6,884 or 7 percent in comparison with the prior year. Both DAODAS and Parking Garages had increases of \$2,652 and \$2,690, respectively. These increases were primarily due to the gain on debt restructuring.

### **General Fund Budgetary Highlights**

During fiscal year 2014, the Administrator made adjustments to the budget in accordance with the guidelines contained in the budget ordinance.

Actual revenues and transfers in were \$3,480 over the final budget. The most significant revenue variances are outlined below:

- Service charges were over budget by \$2,930. Emergency Medical Services charges were over budget by \$1,441 due to improved collections. RMC charges exceeded budget by \$812 due to the increased volume of recorded real estate transactions.
- Intergovernmental revenues were under budget by \$1,170 primarily due to decreases in federal inmate per diem resulting from a decrease in inmates held.
- Property and local option sales taxes were under budget by \$1,905. Fee in Lieu of Taxes were \$1,886 under budget due to a portion functioning as security for the Special Source Revenue Bond.
- Interfund transfers in were \$2,964 over budget. This reflects \$2,219 of Fee in Lieu of Taxes used as security for the Special Source Revenue Bond and released to the General Fund after the bonds were paid.

Actual expenditures and transfers out were \$8,603 under the final budgeted amounts. The most significant contributions to this variance were the following:

- Technology Services was \$2,067 below budget. Capital purchases were \$1,451 below budget. The lapsed budget was rolled forward to fiscal year 2015.

## 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, 2014, amounted to \$366,840 (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 decreased \$3,960 or 1.06 percent for the current year. Construction in progress increased \$4,061 due to construction on the law enforcement center. The depreciation expense increased by \$1,584 which, in turn, decreased the net book value of the County's capital assets.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and easements	\$ 21,211	\$ 21,211	\$ 3,951	\$ 3,951	\$ 25,162	\$ 25,162
Buildings	234,512	241,587	17,386	17,981	251,898	259,568
Improvements other than buildings	2,105	615	12,936	14,562	15,041	15,177
Machinery and equipment	42,530	43,367	13,288	11,674	55,818	55,041
Infrastructure	12,444	13,417	-	-	12,444	13,417
Construction in progress	6,477	2,416	-	19	6,477	2,435
<b>Total</b>	<b>\$ 319,279</b>	<b>\$ 322,613</b>	<b>\$ 47,561</b>	<b>\$ 48,187</b>	<b>\$ 366,840</b>	<b>\$ 370,800</b>

Additional information on the County's capital assets can be found in Note III. C. on pages 84 through 87 of this report.

**Long-Term Debt.** At the end of the current fiscal year, Charleston County had bonded debt outstanding of \$692,718. Of this amount, \$599,366 comprises debt backed by the full faith and credit of the government (general obligation bonds) and \$93,352 is Special Source Revenue Bonds to be repaid with FILOT payments.

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, 2014, this obligation is recorded at a net present value of \$28,357 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.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 599,366	\$ 595,381	\$ -	\$ -	\$ 599,366	\$ 595,381
Certificates of participation	-	27,991	-	4,967	-	32,958
Special source revenue bonds	93,353	-	-	-	93,353	-
Revenue bonds	-	-	-	1,534	-	1,534
Intergovernmental note payable	28,357	29,658	-	-	28,357	29,658
<b>Total</b>	<b>\$ 721,076</b>	<b>\$ 653,030</b>	<b>\$ -</b>	<b>\$ 6,501</b>	<b>\$ 721,076</b>	<b>\$ 659,531</b>

The County's total bonded debt increased by \$82,923 (13 percent) during the current fiscal year. The County issued \$93,352 in Special Source Revenue Bonds in December 2013.

The County refunded the 2004 and 2005 Certificates of Participation using General Obligation Bonds. In May 2014, General Obligation Refunding Bonds Series A of \$14,955 and General Obligation Refunding Bonds Taxable Series B of \$14,235 were issued for this refunding.

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 \$267,121. The outstanding debt at June 30, 2014 subject to the debt limitation is \$209,625. 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 91 through 104 of this report.

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

The fiscal year 2015 general fund budget is a balanced budget. Total disbursements are \$195,905, an increase of \$1,903 or 1.0 percent from the prior year. The budget includes the use of \$4,760 of fund balance for pay-as-you-go capital projects and other one-time expenditures. The millage remained constant at 40.7 mills for tax year 2014. The local option sales tax credit remained unchanged also.

The general fund budgeted revenues for fiscal year 2015 increased by \$3,779 or 2.0 percent from 2014. The major changes are:

- The local option sales tax is anticipated to increase \$2,500 or 4.9 percent. This increase reflects improvement in the local economy and additional increased sales tax collections during fiscal year 2015.
- Property tax revenues reflect an increase of \$5,710 or 4.8 percent resulting from increased projection of property value and aggressive pursuit of non-qualified four percent legal residencies. The local option sales tax credit applied against property taxes is increased \$2,470 or 4.9 percent reflecting anticipated growth in collections during fiscal year 2015.
- Charges and fees are increased \$1,752 or 8.6 percent in the fiscal year 2015 budget. RMC fees are expected to increase \$1,000 or 25.0 percent based on the recent economic upswing and the resulting increase in property transfers in the County.
- Intergovernmental revenues are decreased \$3,526 or 13.7 percent for fiscal year 2015. Local government contributions for the operation of the consolidated dispatch center are decreased by \$1,798 which reflects a planned reduction in agency fees over a two year transition period. Another change to General Fund revenue is a budgeted decrease of \$1,810 million in Detention Center: Federal Prisoners revenues which is symptomatic of the decline in the number of federal inmates in the Detention Center.
- Transfers in are increased \$1,000 or 176.2 percent from the FY 2014 budget. The increase represents an increase in transfers from the Parking Garages (Enterprise Fund) due to an increase in available funds.

The general fund budgeted disbursements for fiscal year 2015 are increased \$4,280 or 2.4 percent from fiscal year 2014. The major changes for fiscal year 2015 are:

- The budget for Facilities Management increased \$1,193 or 9.2 percent due to additional costs associated with the completion of the new Consolidated Dispatch Center and the Law Enforcement Center.
- The fiscal year 2015 General Fund budget includes an increase of \$1,142 or 19.7 percent in Public Works: Field Operations, resulting from the transfer of 21 positions from Public Works: Stormwater Drainage (Special Revenue Fund) and increased fuel costs for vehicles and heavy equipment used by the department.
- The increases are offset by a budgeted \$2,000 or 73.7 percent decrease to Nondepartmental Operating. This decrease reflects FY 2014 expenditures related to a one-time fixed Cost-of-living-adjustment (COLA) for certain employees.
- Transfers out are decreased \$2,377 or 16.2 percent from the prior fiscal year primarily due to a reduction in funds being transferred to the Capital Projects Funds.

## **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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